Life insurers cast the net wider for growth: Enter Gen X
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Business as usual is likely no longer a prudent or profitable philosophy in the life insurance and annuity sector. The onslaught of persistently low interest rates, volatile equity markets, and a still struggling economy has prompted carriers to cast their nets wider, not just to generate growth in a down market, but to side-step intense competition for the more affluent baby boomer segment. Generation Xers (those in the 32-47-year-old age bracket) have indicated a desire to buy life insurance coverage potentially worth $3.6 trillion over a 12-month period, higher than the other demographic segments, according to LIMRA. Therefore, carriers should now reconsider the scant attention paid to this formerly discounted, underinsured and underpenetrated generation.

A major consideration to this approach is that many agents are currently unable to realize sufficient profitability from this demographic – the acquisition cost is often too high to incentivize many agents to spend time selling to Generation X (Gen X). While at first glance it may seem that the pursuit of this segment necessitates more resources than other generations, Xers’ high brand loyalty is very likely to help defray the initial acquisition cost through additional product sales over time. Consequently, those who can figure out how to cost-effectively bridge the life insurance coverage gap of the 32-47-year-old age bracket will potentially appropriate the lion’s share of this vastly underpenetrated market. Infiltrating this demographic will likely require novel approaches and innovative strategies to make the efforts worthwhile for stakeholders.

Exhibit 1. Life Insurance Sales Potential by Generation

Gen X: A closer look

Gen X largely consists of families with children, breadwinners approaching prime earning years, and those tasked with caring for aged parents, which positions them as model candidates for life insurance. Gen Xers are largely married with dependents—however their current levels of insurance coverage indicate that their households will not be able to cover future living expenses if the primary wage earner dies.3

Gen X has distinct attributes (see Exhibit 2 and 3) compared to other generations, which evolved from their particular life experiences. For example, Gen Xers were the first latch-key kids; they pioneered computers at school; and they witnessed an information and Internet revolution before they graduated college. Gen Xers also lived through corporate downsizing and merger mania and the subsequent consequences of these events at very early stages of their careers.

Exhibit 2. Gen X Profile
• Majority support families – 72.0 percent are married; 62.0 percent have dependents
• Seek value for their money
• Low-to-mid-level jobs
• Comprises nearly 40.0 percent of the workforce in the U.S.
• Technologically savvy / highly connected
• High brand loyalty
• Fragmented media consumption (print, radio, TV, Internet, mobile, direct marketing)
• Self-oriented
• Pragmatic
• Distrust of large institutions / government
• Value opinions of social circle
• Very diverse demographic
• Change jobs much more frequently than previous generations (average of 5.5 significant career events during their lifetime)
• Favor shopping online, and at mass supercenters and mass retailers over traditional supermarkets and drugstores

Please see the last page for sources related to the table.

Exhibit 3. To begin, it’s imperative to become acquainted with the prototypical target audience:

Carlos, 39, is the college educated son of divorced parents. Jennifer, 40, his wife, came from a stable home and has an MBA. Jen’s father passed away 2 years ago, leaving her mother struggling financially following the loss of her job and much of her retirement savings following the 2008 recession. Carlos and Jen both have mid-level management jobs. Carlos works for a small business and Jen for a large corporation. They support their two kids, ages 13 and 11, and often have to help Jen’s mom make ends meet. Jen works mostly from home to help juggle the kids’ activity schedules and care for the house.

Although they strive to afford Audis, Carlos and Jen have driven only Volkswagens over the past 10 years, as they are big believers of high value for lower costs. In the same realm, they also considered lower cost auto options, especially during the last recession. However, they have a high affinity for the brands they trust and are willing to pay a premium for them.

The family’s benefits are associated with Jen’s company, including a life insurance policy for $100,000 for Jen – Carlos does not have life coverage. Jen and Carlos worry about what will happen if she loses her job and how they will supplement the benefits that may be lost, as the company is going through another round of its annual cuts. They’ve considered consulting a financial advisor, but are skeptical of the fees and actual value derived, and distrust large institutions given the financial disasters they have seen through their lifetimes. Jen has been checking around with friends to see how they are preparing for their financial futures, while Carlos is tooling around the Internet and soliciting opinions from his Facebook contacts.

Collectively, Gen X’s characteristics can help shed light on its purchasing behaviors. By paying systematic attention to Gen X’s expectations and needs, insurers may develop improved customer experience strategies through suitably tailored product offerings, marketing and distribution.
Developing customer-centric targeting strategies for Gen X

Marketing: Listen, Connect, and Educate
To attract and retain the brand loyalty of Gen X (measured as the highest among the generations⁴), insurers and their distribution partners should develop and effectively spread marketing messages that are personally relevant. The segment’s media consumption is fragmented, so insurers can reach them through various channels both online and offline, including Internet, mobile, social networks, TV, radio, direct marketing, and print ads. It takes considerable time and effort to convince and win the trust of Gen X consumers. However, once the relationship is established, this generation is shown to be a highly loyal customer base, with potential to carry the relationship for a lifetime.

1. Fully embrace virtual marketing
Gen X, the first cohort to use home computers, video games, cable and satellite TV, and the Internet, is a tech savvy and highly connected generation. A 2011 Forrester Research Inc. report indicates about three quarters of Gen X respondents use the Web for Internet banking, research for products or companies, and online purchases.⁵ Moreover, Gen X is highly influenced by social media and review sites like Angie’s List, Epinions, and CNET.⁶

As a result the Web presents a major opportunity in connecting with Gen X. If leveraged properly, online social networks can become extremely effective marketing mediums at a fraction of the cost of traditional channels. Insurers can facilitate Internet based social communities on sites such as Facebook and Twitter to generate relevant, differentiated products and services targeted to the Gen X demographic segment. Examples from other industries (see Charles Schwab case study) indicate facilitated online social networks can disseminate invaluable insights which generate more targeted product development and marketing. Sincerely listening to what consumers want and how they want to buy can also deepen customer loyalty, an important consideration for Gen X.

While this approach may require insurers to invest in talent and information technology modernization not currently available within many insurance companies, highly engaging online communities and an interactive and easy to navigate multi-media website can give insurers a much needed platform to engage with Gen X and gain deeper consumer insights.

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Case Study: Using social technology to develop targeted products for Gen X – Charles Schwab⁷
Schwab tapped into its ‘Money and More’ online customer community in 2007, to better understand how to be more relevant to Gen Xers in their marketing messages. The company tried to get a deeper sense of where this cohort really was in their lives. From the chatter on the online community, Schwab learned about Gen X perceptions of investing and financial services firms, as well as their life priorities, their savings goals and important messaging cues. The insights were used to create a new high yield checking account product specifically for Gen Xers. The accounts have a free brokerage account aligned with Schwab, which positions the company for an even stronger relationship with these clients. In addition to creating more relevant and differentiated products and services, the community also helped to build a deeper customer loyalty by listening to their opinions and concerns. The results of Schwab’s new marketing strategy and subsequent new products were a 56 percent year-over-year increase in their Gen X customer base.
2. Focus on community-based niche marketing opportunities
Live networks, including clubs or associations, malls, and places of community gathering present opportunities for insurers to advertise and provide simple educational materials. Additionally, the convenience of insurance seminars or informational sessions at day-care centers and schools would likely attract Gen X parents where they frequently congregate, and help educate them about risks and benefits of financial protection.

3. Leverage customer-analytics to target high probability leads
According to Deloitte’s “Voice of the Life Insurance Consumer” survey, significant life events such as getting married, having children or changing a job are the potential triggers for a life insurance purchase decision. Gen X is in the life stage for each of these catalysts. Therefore, insurers can leverage their repositories of proprietary data coupled with non-traditional external data to build an intelligent analytics capability to target prospects with a high conviction and deeper understanding of the type of product a Gen X customer is more likely to buy at a particular stage in their life. The advanced modeling techniques available to exploit various customer data can provide insights such as: a customer is likely to buy product A just after getting married or product B if he or she is about to or recently became a parent, which can lead to a high lead-to-conversion ratio. Several other industries are already effectively using advanced statistics and data analysis to target consumers at specific life stages.

Distribution channel strategy: Integrate, don’t separate
For Gen X, the customer experience and customer relationship are embodied in a combination of integrated channels, built on leading technological capabilities that provide flexibility to obtain the advice and support this generation wants. And, by engaging Gen X through the various media channels they are comfortable using, insurers can connect with Gen X by networking with an existing client base, especially through the parents of this generation.

Case Study: Building a social community to win customer loyalty
A leading sneaker company created a global community, where runners come together at scheduled intervals, which facilitates the sharing of ideas about running and related issues, to reinforce the relationship between the company and the running community. Each time a member wants to buy a pair of running shoes, the chances are high they will buy from this company. At the same time, the exchange with runners provides the shoemaker important information about customer needs and requirements that can help shape future products.

Traditional word-of-mouth techniques can also play an important role in spreading messages across this segment, as Gen Xers have a distrust of institutions, but place great value on the opinions of their social circle when making purchase decisions. Insurers and their distribution partners can connect with Gen X by networking with an existing client base, especially through the parents of this generation.

1. Go Direct – embrace self-purchase technology

Gen X is further ahead than other generations in accessing financial services online and their expectations for conducting insurance transactions through technology continue to rise. The experience of several insurance carriers suggests that direct sales can become a highly effective channel for life insurance distribution. According to Deloitte’s “Voice of the Life Insurance Consumer” survey, 22 percent of respondents purchased life insurance online.¹⁰ This number is expected to rise as more insurers push for online sales to cut the cost of middlemen.

Like many financial products, life insurance is often confusing to consumers, so a resourceful website with easy to navigate features and timely assistance at each step of the purchase process would likely appeal to the Gen X desire for simpler, more convenient ways to manage their lives. The experiences that these consumers have when shopping for clothes, booking their vacation travel or banking raise their expectations about what the insurance carrier and the agent should deliver. Services like video chat or guided selling empower customers by supplementing the information needed to make an informed decision.

Case Study: Interactive life insurance tool to separate the education from the sale¹¹

To increase middle market life sales, a leading U.S. life insurer developed an online interactive tool to alleviate the intimidation factor that often keeps this segment from buying life insurance. The tool engages, educates, and entertains the prospective client, which can drive better-qualified leads to agents and make life policy sales a more viable business opportunity for them.

Visitors select a guide that resembles their life stage and experience a personalized explanation of life situations that life insurance can satisfy. The tool focuses on awareness and education of needs and solutions first, and then educates prospects on the sales process. To make the tool engaging, the company looked outside the industry at well-known consumer brands to include features that help make navigation easy and entertaining.

In addition, the tool provides a handy click-to-call button, which satisfies many customers’ desire to talk to an agent to clarify needs and complete a final purchase. In this approach the company avoids conflicts with agents; indeed the tool is well received by agents and many of them have provided links on their own Websites. The tool saves them considerable time, provides consistent education and reduces the overall cost of selling life insurance to other than affluent segments.
Moreover, applications for smartphones and tablet computers should also become an integral part of an insurer’s online channel strategy. Roughly 95 percent of Gen Xers have mobile phones, of which 49 percent are smartphones, and 11 percent own tablet computers.\(^1\) Both consumers and employees are compelling insurance companies to load both customer- and business-facing applications and services onto smartphones and touchscreen tablets for higher convenience and real time communication.

2. Redefine the role of intermediaries

Deloitte’s “Voice of the Life Insurance Consumer” survey reveals a fundamental failure of insurers to communicate, as many of those who have received insurer solicitations to buy a policy said this sales push was not influential in their purchase decision.\(^1\) Insurance carriers and agents typically focus on the push sales strategy – often ineffectively, as Gen Xers are highly skeptical of the potential benefits communicated to them.

To overcome this challenge, insurers should consider redefining the role of agents from sales-focused to educator-focused marketing executives, who help customers understand the need and benefit of protection-based life insurance coverage, alleviate their doubts, and direct them towards the appropriate product and purchasing method of their choice.

Moreover, intermediaries should adopt the latest technology to provide advice and assistance to clients, by using services such as video calling through the Internet which can both save time and add convenience. A click-to-call option on the online sales platform should be available for the purchaser if they wish to talk to an agent or trained call center representative while making their buying decision.

Gen X is also more ethnically diverse than prior generations (see Exhibit 4), so insurers looking to relate to and connect with the segment should consider comparable intermediary diversity in Gen X targeting strategies.

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**Case Study: Mobile application to enhance ease-of-doing business**\(^2\)

A leading U.S. life and annuity insurer, looking to arm its agents with information wherever they are, invested in an iPad application designed with a range of different users in mind. The application builds the experience based on the role of the user – financial planner, individual, or benefits manager. From there, the app delivers different views of product-focused information. For financial planners, they may view an asset library that pulls together the forms, brochures, and videos for a particular product. Meanwhile, benefits managers only view 401(k) product information and assets. As a result, agents are able to dynamically access information while they’re in the field with customers, preparing for a meeting, in the office, wherever. The result? Customers benefit from ready, “live” access to information when they need it – no more “let me look into that and I’ll call you next week.” It’s a more efficient system for agents and customers alike.
Likewise, a requisite force of younger agents is more likely to have similar behavior and preferences as the Gen X. The current average age of life insurance agents is 56, and they are less likely to connect with younger generations. While the insurance industry has long struggled to attract Gen X and Gen Y agents, recent efforts by industry stakeholders and The Griffith Insurance Education Foundation suggest the challenges are now being addressed in earnest and solutions to attract younger talent are likely forthcoming.

3. Turn the simple transaction into a relationship
In the realm of direct sales, it can be reasoned that the convenience of Simplified Issue would likely appeal to Gen X. However, as much of the real value of the Gen X client is in the long-term potential they embody, the high lapse rates of these products suggest that insurers striving to penetrate this generation should decipher how to turn these transactions into relationships. Long-term relationships are important to enable potential to cross-sell products as well as lower lapse rates. Simple solutions may include additional questions in the purchase process to ascertain how, and how often, the client prefers to be communicated with, and perhaps even who the client might feel comfortable interacting with. By augmenting the Simplified Issue process with a few probing questions to enrich the future client experience, low-cost distribution could derive further profitability through cultivation of long-term relationships.

4. More effectively leverage worksite marketing (or loss of employer coverage)
Gen X comprises nearly 40.0 percent of the workforce in the U.S., and many have their primary life coverage provided by employers. Insurers have an opportunity to tap this segment of consumers by collaborating with their employers and selling additional primary or spousal coverage at discounted rates and convenient purchasing processes to boost sales of voluntary life coverage.

On the flip side, Gen X is known for changing jobs frequently, more often than previous generations (with an average of 5.5 significant career events during their lifetime). This Gen X characteristic can be leveraged by significantly highlighting convertibility or portability features that would likely help customers retain the life insurance coverage even after leaving the job. Such an element, if illuminated to the purchaser, could potentially trigger interest in larger policy amounts upfront given the certainty of possession even with a job change, and prolong the relationship with the insurer throughout Gen Xers’ careers.
5. Experiment with new alternative channels

Insurers should also explore the largely untapped potential of alliances with retailers that Gen X frequents. This could provide opportunities to offer life products through physical retail outlets as well as through associated Websites (see example below).

When LIMRA surveyed 2,000 consumers to see if they would be willing to buy a life insurance policy at a large retail outlet, 17 percent of respondents said they would.21

Moreover, the Patient Protection and Affordable Care Act opens up a potential new channel for life insurers. A new distribution ecosystem in the form of health exchanges and direct-to-consumer channels, designed primarily to sell health insurance products, intimates a potential to cross-sell ancillary products, including life insurance.

Example: Selling life insurance through an alternative channel - MetLife22

In 2012, MetLife aligned with Wal-Mart to launch a pilot to sell prepaid simple term life policies through the latter’s 200 store locations in the southeast U.S. MetLife strives to achieve higher penetration in the direct life insurance sales market at a lower cost through the elimination of the middleman. The pilot will allow customers to purchase prepaid cards for the life insurance policy’s cost and then follow-up with a call to answer health related questions and activate the policy. For those that don’t qualify, the purchase can be returned or used for other products in the store. While the pilot has not generated consumer reaction or insurer results yet, it is another option insurers can consider to sell new products through new channels and to new markets.

With the less affluent and small businesses likely to seek health insurance through these channels, it affords an additional, cost effective avenue to life insurers looking to expand their traditional client base with a consumer profile that might otherwise be unprofitable.

Insurers who provide small ticket low-cost products could use this as an opportunity to invest in plug-and-play with health plans to offer life products. With the exception of public health exchanges, which are prohibited from directly selling ancillary products, life insurers could also explore collaborating with health plans to develop new hybrid products or revise underwriting/pricing guidelines based on combined analytics and data management capabilities. Either way, the lower distribution expenses will likely make this underinsured demographic more attractive to life players.

Product offerings

To reach Gen X, insurers should focus on new and existing products that meet a need in the broader context of a relationship. Given their high brand loyalty, a satisfied Gen X life insurance consumer can become an asset for many years – given potential to cross-sell retirement products to this demographic as it matures.

Life insurers should develop affordable products with flexible and scalable features that denote value. Gen X typically understands the importance of life insurance, but often delays purchasing coverage due to competing financial priorities; also many of them believe they cannot afford life insurance, which may be a misconception on their part.
To fit Gen Xer lifestyles, insurers may need to construct products with lower premium prices, which could potentially be offset by improving processes, distribution, and targeted marketing, and even lifetime customer value. However, it is important to understand that, for Gen X, cost is not always only about the price, but communicating and delivering value through improved marketing of price and benefits as well (see case study below). With this in mind, life insurers could better promote their product’s role to Gen X as a flexible and tax-sheltered savings and investment vehicle to finance a variety of goals, such as retirement and a child’s college education.

Case Study: Volkswagen was looking to increase penetration among the Gen X segment
In 2011 the company launched a campaign that emphasized practical luxury and safety features at competitive price points for families looking to get the most for their investment – a direct appeal to Gen X convictions. Contrary to many car brands’ focus on image and lifestyle, the advertising was focused on the value derived from engineering and design with a competitive price tag. To appeal to Gen X-ers’ quest for value, the tagline for the launch was: “Great. For the Price of Good.”.

Insurers can also provide higher value by bundling products which have protection coverage as well as fit the segment’s investment/saving needs. Bundling products can cultivate client ‘stickiness’, which is often the case when clients have more than one product per carrier.

Case Study: Developing an affordable life insurance product with attractive features
A U.S. life insurer developed a hybrid product – Term UL, a term product with an option to convert to permanent life – at a price comparable to a traditional term insurance product. The insurer exploited a change in rules that determine reserve requirements within the insurance industry, which enabled more competitive rates, as the product was developed as term life with the reserve requirement of universal life. By doing so, the company was able to price Term UL competitively with term life, which has seen declining sales in recent years. In addition to the advantages of consumer “stickiness” that come with bundling, the product offers consumers more flexible choices in term-style insurance, an attribute that is generally appealing to Gen X.
Gen X is the smallest generation; comprising only about 21.5 percent (66.3 million) of the U.S. population. However, life insurers seeking growth should no longer discount the size of the life insurance sales opportunity this underinsured segment represents, especially given challenging headwinds to traditional growth strategies that do not show signs of abating. With as much as $3.6 trillion worth of potential life insurance coverage on the table, it is becoming an insurer imperative to revamp strategies and business models, traditionally developed to target the lucrative baby boomer generation, in order to connect with Gen Xers, build strong relationships, and reinforce their client base for years to come.

Marketing and communication, distribution, and product pricing and development will likely individually and collectively require modifications and novel strategies. Adopting a customer-experience-based approach that specifically appeals to Gen X-specific attributes can go a long way to help insurers position themselves in this market. Multiple sales channels, including Internet and alternative platforms, can address the ease and convenience that influence Gen X’s buying decisions.

In conjunction with products developed and priced explicitly to meet the Gen X segment’s pursuit of value amid competing financial priorities, a more diversified agency force should modify the traditional “push” sales approach to incorporate advisory, educational strategies to capture and strengthen relationships with a generation skeptical of large corporations.

Much has already been studied and written on the Gen X demographic by other industries and sectors looking to grow market share, and insurance industry players would be shrewd to scrutinize the collective conclusions and put them to work, before competitors seize the opportunity first.
Endnotes

1 As of 2013, Gen X is generally defined as the population born between 1965 and 1981, Gen Y between 1982 and 1993, and Baby Boomers between 1946 and 1964.


3 Ibid


6 Ibid


10 Ibid


18 U.S. Census Bureau, 2010 Census.

Sources for Exhibit 2. Gen X Profile:


Acknowledgments and Contacts

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Industry Leadership
Bob Contri  
Vice Chairman  
U.S. Financial Services Leader  
Deloitte LLP  
+1 212 436 2043  
bcontri@deloitte.com

Rebecca C. Amoroso  
Vice Chairman  
U.S. Insurance Leader  
Deloitte LLP  
+1 212 436 2998  
ramoroso@deloitte.com

Deloitte Center for Financial Services
Jim Eckenrode  
Executive Director  
Deloitte Center for Financial Services  
Deloitte LLP  
+1 617 585 4877  
jeckenrode@deloitte.com

Sam Friedman  
Insurance Research Leader  
Deloitte Center for Financial Services  
Deloitte Services LP  
+1 212 436 5521  
samfriedman@deloitte.com

Executive Sponsors
Mitchell Katcher  
Principal  
Deloitte Consulting LLP  
+1 212 313 5052  
mkatcher@deloitte.com

Kevin Sharps  
Principal  
Deloitte Consulting LLP  
+1 415 783 4686  
ksharps@deloitte.com

Authors
Michelle Canaan  
Manager, Deloitte Eminence  
Deloitte Center for Financial Services  
Deloitte Services LP  
+1 212 436 3291  
mcanaan@deloitte.com

Jaykumar Shah  
Senior Analyst, India Eminence  
Deloitte Center for Financial Services  
Deloitte Services India Pvt. Ltd.  
+1 678 299 7144  
jaykshah@deloitte.com

Subject Matter Specialists
Richard Berry  
Director  
Deloitte Consulting LLP  
+1 212 313 2622  
riberry@deloitte.com

Andy Ferris  
Senior Manager  
Deloitte Consulting LLP  
+1 312 486 1469  
anferris@deloitte.com
Deloitte Center for Financial Services

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