

LifeHealthPRO

The Ghost Generations: Do Young Disability Insurance Buyers Exist?

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MAY 16, 2012 • REPRINTS



(AP Photo/Kiichiro Sato, file)

The Baby Boomers are rapidly passing out of the stage of life when it makes sense to sell them conventional individual disability insurance, or to go out of one's way to enroll them in a group disability plan.

Insurers have, certainly, brought millions of Generation X and Millennial Generation workers into individual, group and multi-life disability insurance arrangements.

Someone, somewhere, has probably gotten rich off of selling disability insurance to the GenXers and Millennials who (miracle of miracles) have jobs, just as someone has probably gotten rich insuring fish against fungus and overly imaginative customers against alien attacks.

But does retooling a disability insurance company or a disability insurance distribution outfit to go after GenXers and Millennials make serious business sense, or would the insurers and the producers be better off reengineering existing products and creating new products, such as funky pre-need burial arrangements, or nursing home CD collection integrity coverage, until all of the boomers are dead and buried (or stored in Pop Art urns)?

Drew King, a senior vice president for group and specialty reinsurance at Gen Re, Stamford, Conn., scoffs at the proposition that pursuing GenX and Millennial disability business might be a waste of time.

“We see no basis in fact to say that Gen X and Gen Y workers will never have good jobs or extra money,” King said. “Many of them will, and all of them will need some kind of income protection.”

Steve Brady, a second vice president in individual disability insurance sales and marketing at Standard, Portland, Ore. (NYSE:SFG), said insurers and producers have no choice but to go after workers ages 47 and younger.

Conventional disability insurance policies cut off benefits around age 65. Traditionally, sales of individual disability products to sixtysomething clients were rare.

The U.S. baby boomers – Americans born from 1946, when the troops came home, to 1964, when the spread of the birth control pill started to reduce the annual U.S. birth counts – are now ages 48 to 66.

The average age of a disability insurance buyer has increased to over 40, up from 32 in 1980, Brady said.

Disability insurers must sign GenXers and Millennials, because “you’re going to need the younger, healthy premiums to support the product,” Brady said.

The Life and Health Insurance Foundation for Education (LIFE), Arlington, Va., and the Council for Disability Awareness, Portland, Maine, are organizing Disability Insurance Awareness Month activities to lure GenXers, Millennials and others this month with a radio publicity campaign, a print publicity campaign, and more.

But Hartford Life, Simsbury, Conn. (NYSE:HIG), splashed sobering cold water on the disability insurance industry’s face last fall, by suggesting survey data that the ownership rates for group disability coverage fell both for GenXers and Millennials between 2010 and 2011.

Analysts at the Pew Research Center, Washington, raised more questions about whether the Millennial market is a market - or a deadly mirage - in November 2011, when they showed that the median net worth for U.S. adults ages 18 to 34 had fallen to \$3,662 in 2009, down 68% from the inflation-adjusted 1984 total.

The median net worth for GenXers ages 35 to 44 fell “only” 44% over the same period, to \$39,601.

The definitions and terminology used to describe the generations that came after the boomers are still in flux.

Marketers originally set the start of a “baby bust” generation around 1965, when the spread of the birth control pill gave women easy control over child bearing. The number of U.S. babies born that year fell to 3.8 million, down five percent from 4 million in 1964, according to the National Center for Health Statistics. William Strauss and Neil Howe later wrote a popular book dubbing the generation “Generation X” and suggesting that the generation may have started as early as 1961.

Marketers have suggested that the next generation – sometimes called “Generation Y” and sometimes called the “Millennial Generation” – may have started sometime between the late 1970s and the mid-1980s. One cut-off could be 1985, which is 20 years past 1965 and a year when the number of U.S. births climbed close to 3.8 million for the first time since 1965.

The cut-offs insurers and others use in their work vary, but the typical cut-offs could be 47 to 27 for the GenXers and from 18 to 26 for the adult Millennials.

Measuring just how broke those GenXers and Millennials are – and whether they actually are broke – is tricky.

Even though Pew, for example, reported low and rapidly falling median net worth figures for Americans ages 35 and under, the detailed tables show that those individuals increased their asset totals in some important areas, such as the value of business equity and the value of rental real estate owned.

Analysts at LIMRA, Windsor, Conn., say they believe that recession-scarred young workers value the disability insurance benefits offered in the workplace more than insurers recognize.

In a 2011 benefits survey report, LIMRA said only 20% of the participating employers thought employer-sponsored long-term disability (LTD) insurance benefits were important to workers under age 40. But, when LIMRA conducted a related employee survey, more than 50% of the participating workers under age 40 said LTD benefits are important.

MetLife Inc., New York (NYSE:MET), also has found signs that young workers do value disability insurance.

About 68% of the GenXers surveyed, 65% of the Millennials, and 58% of the younger boomers said they have fears about the possibility of a principal wage earner not being able to work.

Some disability insurance specialists question whether breaking consumers down into generations provides any more insights than simply looking at whether particular consumers are getting settled, rearing kids, or gliding toward retirement. Or, segmenting the consumers in other ways.

Brady thinks of the individual income protection market as consisting of doctors and everyone else.

“The doctors buy it while they’re still in school,” Brady said. “They don’t need an explanation of why they should buy it. They just need brochures comparing the products.”

When producers are talking to people in other occupations, he said, “you’re having to start with the brochure on why you need disability insurance.”

Jay Starkman, chief executive officer at Engage PEO, St. Petersburg, Fla., a professional employer organization, said age explains plenty all by itself: the youngest workers tend to live paycheck to paycheck, even when they’re relatively well paid.

“Most of them don’t even think they need medical insurance,” Starkman said. “The GenXers are more prone to say, ‘That could be me.’”

Boomers know more people who have become disabled, and they also tend to have more and bigger financial obligations, Starkman said.

But there are also signs that different generations may have generational personalities that can help inform their buying decisions. Starkman, for example, said he thinks the Millennials are extremely skeptical and GenXers less so.

Larry Hazzard, a vice president at Guardian Life Insurance Company of New York, New York, said Millennials are benefiting from the freedom to think less about becoming super achievers and more about their lives outside of work. “They’re really the first generation that is not expected to do as well as their parents,” Hazzard said.

Meanwhile, many GenXers feel as if their path to advancement is blocked by the Boomers, who are staying in the workforce longer than expected, and a combination of ambition and economic instability is causing good Millennial workers to expect to work for many different employers over the course of their lives.

Technology is another difference. The stereotype is that Boomers accept the Web, GenXers get information from the Web, and Millennials post information on the Web.

GenXers have sometimes been called “Slackers,” and Millennials have been labeled as being “lazy” and “entitled.”

Today, however, the GenXers and Millennials who still have jobs work hard to keep them. The Center for Work-Life Balance, New York, found that about a third of high-earning GenX women work 60 or more hours per week. Possibly because of those long hours, 43% of the GenX women the center polled had no children.

With such a complex set of attributes to consider, marketers and producers must scramble to connect the demographic dots and force these ghost buyers to materialize. Here are some strategies that disability insurance players suggested:

Think small. Today, group disability insurers are offering more employee-paid, traditional group disability plans. Some are starting to offer small, employee-paid plans to smaller employers. To boost GenX and Millennial disability insurance penetration, insurers need to have plans in place at the small, entrepreneurial companies where many young workers work, King said.

Learn to create spreadsheets. Twenty years ago, a producer might be able to sell a client on one preferred insurance option during lunch, after a game of golf. Today, Brady said, in part because of the Internet, “people are more prone to look at the ingredients on the cereal box than they used to be.” To respond to that hunger for getting data and analyzing the top options, producers need to be able to provide detailed information for three or four coverage options, he said.

Recruit younger reps into the disability insurance business. Some great producers can sell anything to anyone, but, in the real world, typical agents sell coverage mostly to consumers who are up to 7 years older or 7 years younger than they are, according to Ben Davis, a disability insurance and long-term care insurance wholesaler at DI Broker, Lake Oswego, Ore.

Make a convincing social media case that people who are not independently wealthy can become insurance producers. Hazzard, for example, said he is not convinced that anyone is selling much disability insurance through social media. “I’m unaware of anybody using it particularly well,” he said. But young people are using social media to spread the word that they think some insurance sales training programs are at the sweatshop levels, and that some are outright scams. To get young, social media savvy brokers into the business, insurers may have to convince the candidates that, for example, demands that the candidates provide lists of 200 near-and-dear insurance prospects are not just attempts to get good leads cheap.

Try traditional networking methods with a social media twist. Davis and Hazzard think young disability insurance agents can get good results by using traditional networking methods, such as volunteering for the local Lions Club. Because many young people are so skittish about such groups, when a young agent joins and makes a serious effort to become involved, he or she may stand out, Davis said.

Similarly, joining the board of any charity, arts group or other cause can be another way to make contacts while doing good, important work, Davis said.

One subtle way to bring social media into disability insurance marketing is to use social media efforts to support the charitable causes rather than to use them as a tool for directly increasing sales. Hazzard, for example, has not had much luck selling disability insurance through social media, but he attracted many people to a Habitat for Humanity home building exercise he organized simply putting out a call through the social media.

Employ and listen to staffers of all ages. Unum Group Corp., Chattanooga Tenn. (NYSE:UNM), applied that lesson recently while it was preparing an online benefits advice site.

The site construction team learned from an intern, for example, that young prospects might be more nervous about the possibility of getting hurt in an accident than they are about illness.

Unum staffers also learned to listen carefully when consumers are talking about what they would like to protect. They found that members of Generation Y were, for example, strongly interested in using insurance to protect their Internet connections and cell phone service.

For the Generation Y section, Unum ended up centering part of a description of a private disability insurance policy system on the dangers of walking while texting.



Kris Sonnenberg, 38, right, sits with her children from left: Mike, 8, Charlie, 12, and Elise, 17, in their backyard in Chicago. Kris is considered to be a member of Generation X and Elise is Generation Y. Mike and Charlie may end up being a member of Generation Z, depending on how the youngest up-and-coming generation will be defined. (AP Photo/Kiichiro Sato, file)