



GENERATION X

An eXtraordinary Opportunity for Life Insurers



*A guide for selling life insurance
to the new "Sandwich Generation"*

Gen Re has worked with business partners to develop a Life insurance solution ideally positioned for Gen X and other underinsured segments. If you need help evaluating your current products, let us know.

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The Gen X Opportunity

Life insurers are in the midst of an incredible number of changes that impact their business. From new players entering the market (think tech start-ups and peer-to-peer insurers) to new technological advances that are changing risk management and customer engagement (i.e., wearables, mobile technology, decision analytics), there is much to stay ahead of in today's insurance industry.

Given these changes, the need to create sustainable and profitable growth is even more of a priority. For individual insurers, factors such as the low interest rate environment and a lagging U.S. economy have weighed on their business for the past several years. While sales have been improving, 46% of Americans currently do not have some sort of Life insurance (individual and/or group),¹ and of those with life insurance, 20% say they don't have enough coverage.² Meanwhile, in the traditional Group Term Life market, total in-force premium growth (employer- and employee-paid) over the past five years has ranged between just 2% and 4%.³ Clearly we need to do more to incite Americans to become adequately insured.

Finding ways to attract business has led insurers in both markets to look for new sources of growth. One segment that is ripe for Life insurance is Generation X. While they possess a significant share of national wealth (14% in 2015 increasing to 31% by 2030), they're still on track to have the most debt, with debt projections expected to increase 4.3% in the next two decades.⁴ Yet, insurers still haven't cracked the code on what will motivate them to purchase or increase their coverage to adequate levels. Why should insurers reconsider the "Sandwich Generation" and how can they better serve their unique needs?

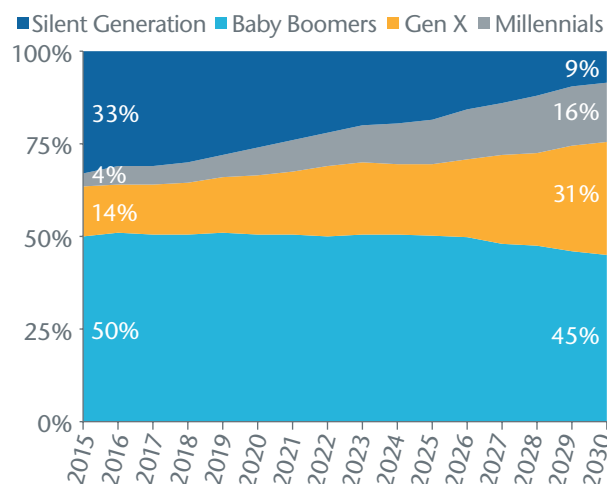
Three Reasons to Target Gen X

As a consumer segment, Gen X poses an ideal opportunity to increase Life insurance sales. To engage this group effectively, understanding their unique purchasing needs is key. So, what exactly do insurers need to first appreciate and understand about Gen X to be successful?

1. You should expect more with Gen X.

As the smallest cohort of all generations, it's no wonder they've been overlooked. But that shouldn't be the case with insurers seeking new customer segments. For one, Gen X will surpass Baby Boomers in sheer size within the next several years. (See sidebar.) And while their cohort will remain smaller than Millennials, their financial power will be significant, according to projections of their total net household wealth by 2030.⁵

Generational Share of Net Household Wealth (%)



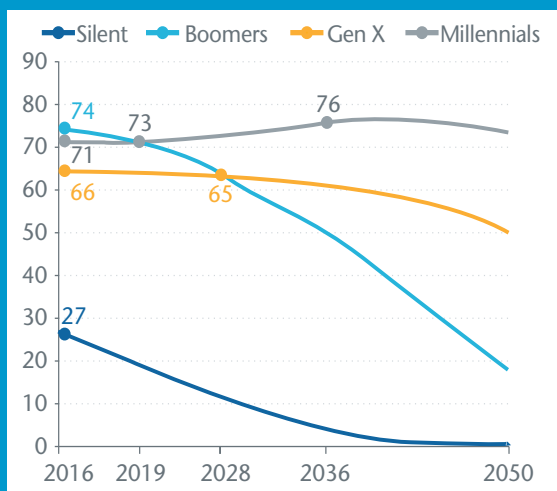
Source: Deloitte Center for Financial Services, 2015

WHO IS GEN X?

While some age groups are handed creative nicknames such as “Boomers” and “Millennials,” those who are between the ages of 39 and 54 in 2019 (born from 1965-1980)⁶ find themselves stamped as “Generation X.”

Although technically the smallest of the three generations, this cohort is set to exceed Baby Boomers in population size by 2028.⁷

Projected Population by Generation



Source: Pew Research Center, 2018 (Data in millions)

When looking at their share of the U.S. labor force, Gen Xers now comprise 34% of the U.S. workforce.⁸ While the Millennials have taken over as the largest generation segment in the workforce, Gen Xers are further along in their careers and therefore have higher average earnings than younger generations – about 35% more than Millennials.⁹

2. They put family first.

Gen Xers' lifestyles demand an adequate and consistent level of protection when it comes to insurance. Given they've now earned the label of the "Sandwich Generation" (those caring for both their children and parents), they have an enormous amount of pressure to protect their loved ones. In fact, 44% are living with adult children in their household, and nearly 30% are providing regular assistance or care to parents or in-laws.¹⁰

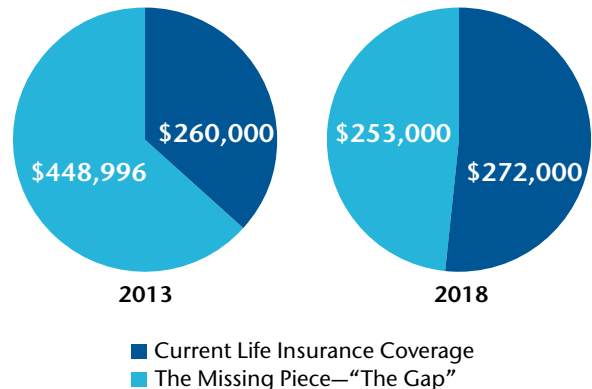
Almost three-quarters of Gen Xers have children, with the average at 2.5 per family.¹¹ And more than half also have children under the age of 18, which means saving and paying for college is still a priority.¹²

3. The new "Sandwich Generation" loses out by remaining underinsured.

Gen Xers are becoming bogged down by debt. In fact, they bear 82% more non-mortgage debt (student loans and credit cards) than Boomers.¹³ They also carry more student loan debt than other generations, at an average of \$32,518.¹⁴ With an average of 20% of Gen Xers saying they are currently paying expenses for at least one child in college, for the first time we have a generation that carries student loan debt for themselves and for their children.¹⁵ On top of everything else, their savings just aren't adding up – 53% of Gen Xers who completed a financial wellness assessment admitted they have no emergency savings.¹⁶ Finally, when it comes to increasing their insurance, their priorities are definitely questionable – 23% said paying for recreational activities, such as going out to eat, movies or shopping, was a priority over purchasing some or more Life insurance.¹⁷

Luckily, the tide seems to be turning concerning their level of interest in purchasing insurance. In fact, according to data from one private exchange, they're purchasing an average of 5.3 non-medical insurance products per person, more than any other generation.¹⁸ In 2018, a considerable Life insurance gap still exists for Gen Xers, representing a 48% shortfall in coverage, or \$253,000.¹⁹

Gen Xer Life Insurance Coverage Gap



Source: New York Life, 2018, <https://www.newyorklife.com/newsroom/2018/life-gap-survey-millennials-at-risk>

Gen Xer Financial Snapshot

Average
Mortgage Debt
\$231,774

Average
Non-Mortgage Debt
\$30,334



Credit Cards
On average
3.2 cards
with average debt of
\$7,750



Source: Experian, State of Credit: 2017, released January 11, 2018



Ways to Excel With Gen X

Given the reasons for targeting this generation, it's clear that life insurers need to follow a customized strategy to attract and engage Gen Xers differently. The following represent a few ways to consider doing so effectively.

1 Create products geared toward their preferences and life stage.

Gen Xers are focused on meeting monthly payment obligations, such as mortgages, school tuitions, etc. They also have children and parents that may be living with them all under one roof, which adds to the pressure of maintaining a steady income stream. Providing them with a product benefit designed to protect their income is extremely important. According to a 2017 study, 67% of consumers buy Life insurance to replace lost income, and the percentages are higher for Gen X and Millennials.²⁰

In order to attract these buyers, consider a product design that could appeal to their need for monthly payments versus a lump sum payout. For those looking to ensure the paycheck is still there, this could be an attractive option versus a larger one-time sum to manage effectively.

2 Put in the work to gain their trust.

With Gen Xers, be aware of their unique behavioral, personality and other distinctive characteristics to consider that can affect your sales and marketing strategy. For example, these consumers are generally skeptical and tend to have difficulty switching brands. Highly pragmatic and fiercely independent, their preferences may be harder to pinpoint compared to other generations. Most of all, they are wary of larger institutions and government – it's harder to earn their trust.

In order to establish credibility with this cohort and maximize the chances of offering them educational insights, insurers may want to look at the information that agents and benefits managers currently have. Gen Xers will appreciate having all the facts they can get their hands on, and the more they can get online the better. Also look at ways to connect with older Gen Xers in person that will further establish credibility and trust.

3 Show them the value of adequate protection.

Given what's on the line for the new "Sandwich Generation," it should be a no-brainer that they select the right amount of Life insurance. However, they aren't taking action – and remain financially insecure as a result – with 36% stressed about not even having enough money to pay their bills.²¹

In order to educate Gen Xers on what's truly needed, consider tools that help them evaluate their needs, and what's at risk if they aren't adequately covered. LIFE Foundation is one resource for insurers and consumers that offers such tools, but finding additional ways to personalize the impact are also needed. Using technology or data that personalizes the impact to their unique situation, and demonstrates what they uniquely need, will go a long way with this generation.

By implementing these changes, expect to attract more Gen Xers to your products and services.

Endnotes

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