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### 2019 Carrier Forecast

John Thornton

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#### **Deploying New Strategies to Address the New Market Paradigm**

There has been a paradigm shift for insurance carriers closely tied to the nation's changing demographics. We are seeing the once largest generation, the Baby Boomers, being replaced in size by the Millennials. They are becoming the largest sector of America's workforce projected by Brookings Institution to comprise 75 percent of the global workforce by 2025. How carriers like Amalgamated Life Insurance Company, now in its 75th year, bring their products to market must also evolve. We are continuing to reach employers and their employees using a distribution model that includes broker partners and our own sales team. Our marketing and sales strategies are changing to reflect the new workforce and our goal is to more effectively bring our insurance solutions to underserved and emerging markets. These strategies reflect an understanding of the attitudes and needs that prevail within these sectors.

#### **Attitudes and Latitudes**

Enter a number of disparate workplaces and you are likely to see Baby Boomers (Born 1946-1964, 54-72 years old) ready to retire, alongside Generation X (1965-1980, 38-53) and the Millennials (1981-1996, 22-37), as now defined by the Pew Research Center. In speaking with members of each group, it is clear that they have different attitudes about life and insurance—which products are most meaningful to them, and how they want to purchase them. While Baby Boomers show a clear interest in critical care insurance, accident or disability insurance holds a higher interest among Generation X and Millennials. Whereas Baby Boomers may be more comfortable with receiving an in-person sales approach, the younger generations are less intimidated by online insurance purchases. That is unless they are presented with a better way, which we, at Amalgamated Life Insurance, believe is bringing insurance solutions right to them at the worksite and having knowledgeable product specialists on hand to answer questions and build the employees' insurance literacy.

It is not lost on us that insurance sales have been growing slower in recent decades than years past. McKinsey & Company reported that the U.S. life insurance industry's average annual growth over the past ten years has been less than two percent, despite the fact that there exists a large untapped market. Specifically, McKinsey cited that individuals in 57 percent of the estimated 68 million U.S. households do not own individual life insurance. Of those that do, many only have a basic group policy. The reason frequently given for not purchasing insurance is a lack of product understanding. This is not the only obstacle for carriers.

#### **Mitigating Obstacles, Maximizing Opportunities**

It is definitively more challenging to sell insurance today than it was in the preceding five decades. We now have different generational attitudes and digital technology disruptors (i.e., e-commerce sites, apps and data analytics presented in various social channels) to address. There are also some of the perennial obstacles that insurance marketers face such as a lack of understanding and misconceptions about cost. The recently released LIMRA Insurance Barometer 2018 found that 63 percent of consumers do not buy or do not buy more insurance because they perceive it to be too expensive. The same LIMRA report also

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found that 44 percent of Millennials overestimate the cost of life insurance by five times the actual cost. Uninformed cost perceptions also exist among the other generations. So what are we at Amalgamated Life doing about it? Our marketing strategies have made insurance literacy a top priority along with a distribution model that includes selling voluntary products at the worksite, expanding our voluntary product line, building our brand, and streamlining our processes.

**Promote Insurance Literacy**

To better educate consumers, we have developed communications, blogs and product literature that are written in more laymen’s terms, and which clearly convey a product’s features, terms and role in supporting their financial security. Our product sheets are easily accessed on our website which was redesigned this year to be more consumer and mobile friendly. In the near future, we plan to produce short educational product videos as another layer in our insurance literacy strategy. We market our voluntary products at the worksite where there is a product specialist on hand to explain the product and its value proposition. Our product sheets are also offered for employees to take home with them so they can discuss a product with their spouses or other family members.

**Cater to the Underserved Middle Market and Emerging Markets**

Like the industry as a whole, we have identified a large underserved middle market that consists of consumers with annual household incomes of above \$75,000 and accumulated financial assets of no more than \$150,000 (Ernst & Young), or the consumer segment with \$100,000 to \$250,000 in investable assets (McKinsey). These consumers are represented across many of the multi-employer, Taft-Hartley and single-employer customers we serve. The strategies we are deploying to build insurance literacy are designed for this group, perhaps more than any other category. Typically, the higher skilled and/or professional workers have accountants, insurance professionals, lawyers and, in the case of the highly compensated worker, financial advisors to help them navigate various insurance and financial instruments. The middle-market consumer does not. These consumers do, however, want financial protection and seek out insurance at critical life stages coinciding with such events as marriage, new home purchase, birth of a child, caretaking of a parent, and retirement. We recognize the middle market is not a “one-size fits all” category. There are multiple generations represented from 25-year-olds to early-to-mid-60s (pre-retirement), each having different financial goals. When bringing our voluntary products to the worksite, our product specialists are sensitive to what may be important to an individual based on their life stage and take a personalized approach.

There is also the largely untapped mass market of consumers with \$25,000 to \$100,000 in investable assets (McKinsey), an emerging market that also requires that we leverage life events that have been found to prompt a life insurance purchase (i.e., marriage and a new baby). By understanding the demographics in any given employer’s workforce, we can be prepared to tailor product presentations accordingly.

A primary strategy we have deployed is to create a comprehensive portfolio of voluntary benefits. This demonstrates to employers that we are a market-responsive carrier that continues to bring high demand employee benefits to their workforce. In addition to our accident, AD&D, critical illness, disability and whole life insurance, we have expanded our line with other voluntary benefits such as



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dental, hearing, ID theft and credit monitoring, and legal. In 2019 we will be adding a portable term life insurance. With our finger on the pulse of what the different generations, middle-market and mass-market consumers want, we are continually looking for the next product offering. Concurrently, we are building brand awareness with our primary distribution channel, brokers, through institutional advertising in key trade publications. By deploying all of these strategies with focus and discipline, we continue to grow our business while supporting the financial security and quality of life needs of more working people. [JT]

### Author's Bio

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is executive vice president of Amalgamated Life. He joined the company in 2008 and is responsible for the sales and marketing functions of Amalgamated Life and its affiliates. Thornton has more than 20 years experience in the sales and marketing arena. Thornton can be reached at Amalgamated Life Insurance Company, 333 Westchester Ave, White Plains, NY 10604.



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