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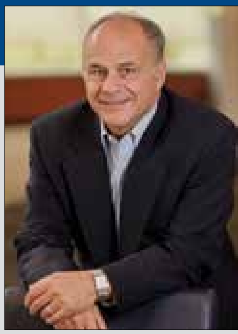

The Age Dichotomy Is Driving Changes to Business Strategy

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Amid challenging economic conditions, increased regulatory oversight, and ever-changing technological advances, the retirement and life insurance industry faces significant disruption. In my remarks at the 2016 LIMRA Annual Conference, I described what I call the Age Dichotomy and how it will require our industry to think differently about how to engage consumers and grow in this environment.

Today our population is weighted like a barbell. Millennials and Boomers — because of their size — are the priority for most businesses. They are driving market decisions across all industries. Yet their needs, concerns, and how they buy are so different from one another (and from Gen X, for that matter) — which forces companies to bifurcate and segment their strategies. Our industry must communicate and connect with these two distinct cohorts uniquely if we hope to gain their trust and capture their attention.

Millennials' approach to the world is unlike my generation's. They embrace the sharing economy and, in doing so, have upended the housing market and many industries (the automobile industry, for example). However, LIMRA research shows that they still have some traditional preferences. As Millennials have gotten older, their life insurance ownership rate has reached the same level as older generations. And the good news is they want to work with financial professionals to purchase their coverage.

How they communicate is different, though, and it changes all the time. You might think you are current because you have a strong social media program. Think again. Last year, more people were using text messaging than social media. In fact, texting is proving to be a more effective tool in reaching consumers. Research from Dynmark has shown that 98 percent of texts sent were read. Moreover, 90 percent were read within three minutes of being received!

On the other hand, aging Boomers are creating significant economic challenges for society. While they own 84 percent of all U.S. investable assets, they also face substantial financial risks.

It is estimated that more than 45 million American seniors will need long-term care during their lifetime — yet LIMRA research indicates that only 7 million actually have long-term care insurance (LTCI). Globally, the cost of long-term care will rise to more than $2 trillion by 2030. We are looking at a problem of epic proportions — like nothing we have ever dealt with before.

Since 2000, more than 40 major companies have left the LTCI market. Can we continue to ignore such a need, such a potential market?

Our industry is in a perfect position to help consumers mitigate these risks. We need to create new products and services — unlike anything we have done in the past — that address the fears and aspirations of consumers at both ends of the Age Dichotomy. I am not talking about incremental change, but rather wholesale transformation of products and services to help them mitigate the risks of longevity, long-term care, and health care needs.

While the recent U.S. presidential election certainly introduced some uncertainty for the Department of Labor's fiduciary rule, I do believe some things will never go back to the way they were before the rule was announced. We have seen significant mergers and acquisitions. We have witnessed companies altering products and distribution, reallocating resources, and changing strategy.

The industry has a long history of providing products and services that consumers rely on for their financial security. Despite the seismic changes occurring around us, I believe your companies will continue to play an important role in helping families achieve financial security — but it will look remarkably different than in the past.

If you would like to watch my speech in its entirety, please visit www.limra.com.