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SENIOR MARKET: MORE DIVERSE THAN YOU THINK

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Panelists will discuss what constitutes the senior market, what the trends are, the needs of seniors, how to access the market, and market segmentation. This session will set the stage (though it is not a prerequisite) for senior market sessions that follow.

MR. JAY M. JAFFE: Our goal is to describe the opportunities in the senior market. Why the senior market? The reasons are that the senior market has both a well-defined need for insurance and the ability to pay for the needed insurance. These are two very powerful ingredients when we consider whether to market insurance to a particular group. By the way, the senior market is not necessarily defined the same way by everybody. For this session, in broad terms, we're talking about the marketplace where the prospects are age 50 or older.

Many national companies already operate in the senior market. Levi Strauss sells senior jeans; Kellogg makes a cereal for seniors; United Airlines has a club for seniors; and Black and Decker even makes tools for seniors.

What's the link between New York Life, Prudential, and Hartford in the senior market? The answer: the American Association of Retired Persons (AARP). Each of these three companies is a provider of insurance products to AARP members. Today, there are many wellknown insurance companies that are already actively involved in the senior marketplace generating billions of premium dollars each year.

Now, what is the link to the senior market involving the Ralston Purina Company, Quaker Oats, and the Colgate-Palmolive Company? The common link here is that each of these three companies markets a line of senior dog food. So even in the canine world, the manufacturers of food have divided the marketplace into puppy food, regular dog food, adult dog, and even special low fat and soft food for senior dogs.

The Nontraditional Marketing Section has organized an entire track at this meeting around the senior market. This will be an introductory and general session. It will be followed by four other product-specific sessions: investments, life insurance, health insurance, and long-term care insurance products.

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Our speakers are Mory Katz, from the Trans Union Company of Chicago. I invited Mory because his company is involved in the collection of data, and he will be able to give us factual and numeric background about seniors. Warren Hunter, with the McClure Group of Jacksonville, FL, is from an insurance advertising agency that works extensively in the senior marketplace.

Lynn Taylor, from Associated Doctors in Birmingham, AL, will be speaking third. He will provide us with the perspective of someone whose company markets to seniors using insurance agents.

Our first speaker is Mory Katz. Trans Union develops data for various organizations including insurance companies. Mory has both a bachelor's degree and a MBA. He has been in the information industry, as he calls it, for about 11 years. Mory will bring to us a very different view of the senior marketplace and possibly dispel some common misconceptions about this market.

MR. MORY M. KATZ: I want to give you a different perspective on the senior market. But first, I want to familiarize you with the credit reporting industry, which is my company's primary business, and describe how the credit reporting industry relates to the insurance industry.

I want to try to get you to stop thinking of the credit reporting industry simply in terms of the credit report, which is probably something that you've all had contact with in your day-to-day lives as consumers. The credit report is a very important tool, and it's the core of our business. It's an anecdotal, historical record of who you are, from which companies you've borrowed money to how you've paid them back. But that's just one type of output from a file that contains a lot more information.

I've done an analysis of some of this information to show you what our files tell us about the senior market. In our file we have about 30 million people who are over age 50 which means about half of the seniors in the U.S. Some of the statistics that I will give you may be different from what you might expect and may give you new insight in how to make your senior market insurance business more profitable.

How many of you are familiar with Trans Union? Especially if you live in the Midwest you know Trans Union as a credit bureau. Those of you who live elsewhere may be more familiar with Equifax, headquartered in Atlanta, GA, or TRW, from Orange County, CA. All three companies share the national market for credit reports. These reports are the chief tool of the lending industry for risk assessment. As I said before, a credit report is a record of your credit and payment activity. The credit report industry generates about a billion dollars of revenue each year.

At any given time each of the three primary credit reporting companies has about one third or $300 million of the business, and there is about $100 million that floats among the remaining companies in this market. Trans Union has been in the credit reporting business for about 30 years. We were originally called the Cook County Credit Bureau in Chicago, IL. We still have our largest operation in Chicago.

In the early 1970s, when the technology became available to perform databased management functions, all three of the national credit bureaus rushed to affiliate in long-term contracts, or outright buy, all of the regional and local credit bureaus that existed at that time. This effectively created three national credit files. Trans Union was subsequently purchased by the Marmon Group of Companies. The Marmon Group owns, among other things, Hyatt Hotels, Union Tank Car, and *McCalls Magazine*. Trans Union itself has about $400 million in sales of which some $100 million comes from noncredit reporting activities involving decision systems and marketing services.

In order to understand the data that I'm going to show you, you need to understand not only the credit reporting business, in general, but also the database itself. To produce a credit report we use accounts receivable tapes, which are actually customer lists from lenders. We receive these data from virtually every lender in the country on a monthly basis with some sources reporting more frequently than monthly. The lenders provide us a record of their accounts receivable. We're really in the business of managing huge, confidential information files for both our customers and for other businesses.

The data go into our big computers and is compiled, address standardized, deduced, and all of the other things we need to do. And out come the reports.

On a monthly basis we receive 60,000 different data transmissions. We get everything from floppy disks to magnetic tapes and cartridges. We receive a billion updates to about 200 million individual files each month.

As you can well imagine, data storage capacity is a very big deal to the three credit bureaus. And just like the supermarket or any other kind of business that carries an inventory, we can't afford to have nonsalable goods taking up storage space. So after a period of time, the exact amount of time is proprietary, but within a five-year period, all three of the bureaus will purge files, which either haven't been updated or on which there hasn't been an inquiry. So if somebody doesn't have anybody reporting about them or inquiring about them for around five years, they're probably not going to exist on the credit bureau files anymore. In effect they become noncredit active.

Out of the 200 million files on our systems we get down to 135 million people who are credit active and have sufficient activity that our models can make an intelligent assessment of what their financial behavior may be.

As I said before, I want to get you out of the mind-set of a credit report and have you start thinking about the credit data. In order to do this, I need to tell you about what the credit data are and how you can make conclusions from them.

A credit file contains data describing who you are, how you pay your bills, and how many trade lines you have. A trade line is an open account. It could be a Sears account, a finance company account, an auto loan, a mortgage, a premium bank card, or an installment debt. It's any open account.

The number of trade lines tells something about a person's behavior. Just by looking at the number of trade lines for a person you can draw certain conclusions about each individual in relation to that person's probability of being a good potential customer for a business. We don't come to these conclusions arbitrarily but by applying statistical techniques and data analyses to samples of customers from a business.

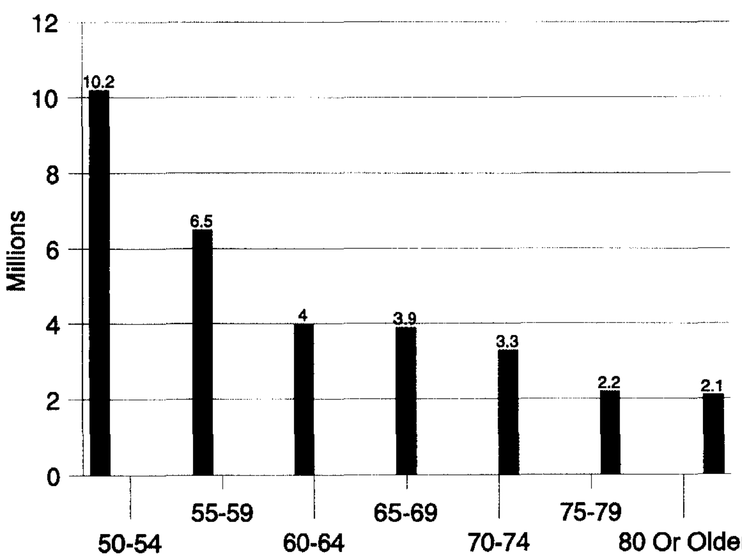
For example, we have a response model called Solo, which is simply a statistical clustering system that takes the 330 characteristics that are part of a credit record and groups consumers into 41 different categories. There's no good or bad here but merely a description of each person in terms of how they're statistically behaving based on their variables. This information can then be used to determine what types of consumers are likely to buy a particular kind of product.

We're currently engaged in a project to build a persistency model for the insurance industry. We have actual customer data from several insurance companies including who bought and who lapsed. We are trying to identify what characteristics are predictive of people who buy and then don't persist, versus those who do persist.

Some of the applications of such a model would be, for example, conservation or pricing. You could, for example, score your entire book of business and assess your lapse probability. You could institute a conservation program that could intervene and prevent policy lapses. Or perhaps you could change your underwriting in such a way that you require different payment options for people who seem to have a high likelihood of lapsing. Nobody is suggesting at this point that business be turned away in the underwriting process, based on a probability. But at a focus session that we did in July 1994 with ten underwriters from various companies, it was suggested that there might be other applications of the kind I just mentioned for this kind of data.

In preparation for this presentation I took an nth sample of our file for ages 50 plus. As you can see, we have about 30 million consumers who are age 50 plus and credit active in our 135 million or so consumer database (Chart 1). In terms of credit activity, the numbers of seniors falls off rather rapidly after the 50–54 age bracket.

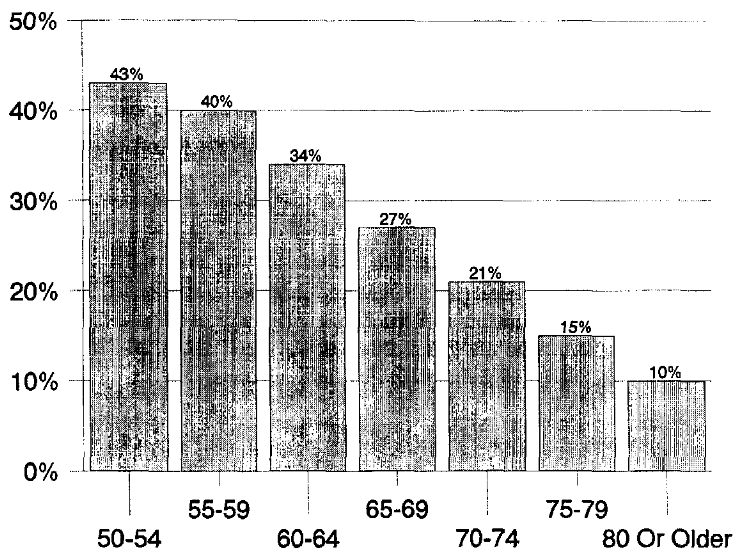
CHART 1
TRANS UNION VOLUME



One possible explanation for the disproportionately larger number of credit active people in the 50–54 range as compared with other age bands is that the 50–54 group may be the first generation of people over 50 who really are accustomed to using credit cards. If this is a correct presumption, then the numbers of credit active persons 50 plus will grow substantially in years to come.

Knowing that somebody must have been credit active within the last five years to be on our file and that after an account is paid off it will drop off after seven years, we have concluded that, if somebody has a mortgage and is on our file, they're a current homeowner or were a homeowner in the last few years. Chart 2 shows the percentage of each age group that we've perceived to be homeowners.

CHART 2
HOMEOWNER (MORTGAGE HOLDER)

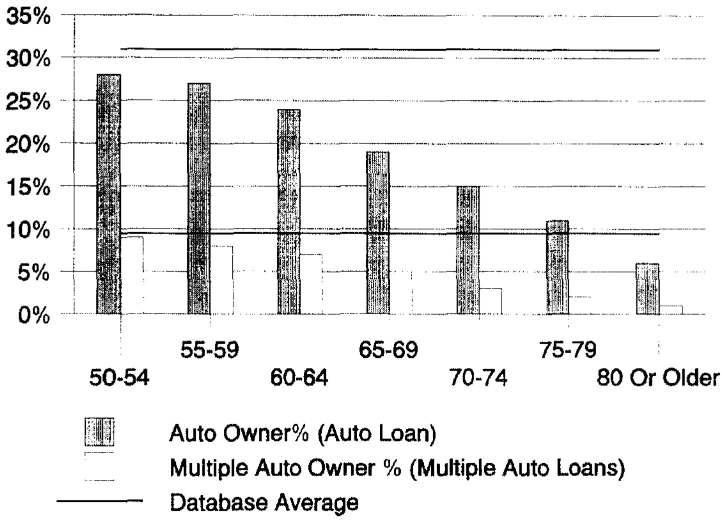


The percentage of homeowners ages 50–64 is about the same as for the general population. Above that level there is less likelihood of a senior owning a home.

We also have data indicating that the number of seniors having auto loans is nearly about the same as the general population for ages 50–64 and then declines (Chart 3). It surprised me a little bit that the numbers stayed pretty close to the average well into the later years even for multiple automobile ownership. The multiple auto loan status may indicate the presence of children at home or at least other household members.

We classify someone in the household who is less than 18 years old as a child. We also classify a household as having children if the difference between the oldest person and the next oldest person in that household is more than 20 years.

CHART 3
AUTO OWNER (AUTO LOAN)



About 9% of credit active households have children (Chart 4). The percentage drops off a little slower than I would expect as you get into the older age groups. At the very oldest ages the relatively large numbers of households with children could indicate a growth in the number of children who are living at home with elderly parents. I think that the insurance needs in such a situation would be fairly obvious.

CHART 4
CHILDREN

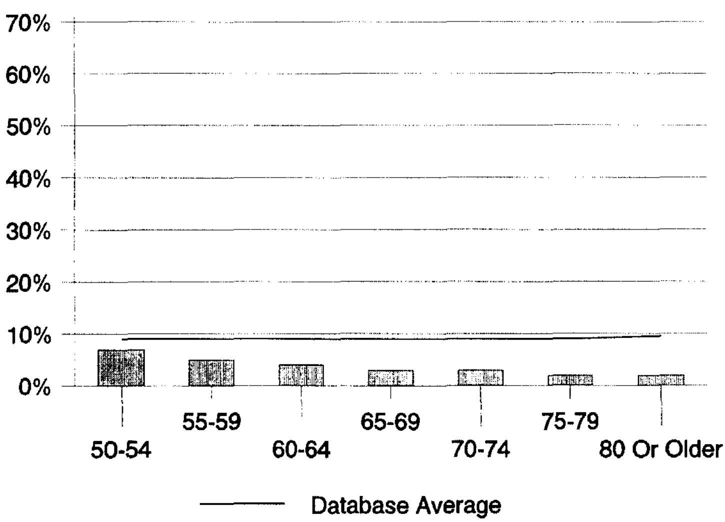


Chart 5 shows data for bank cards. A bank card basically means a Master Card or Visa today. Even up to ages 65–69, 56% use bank cards as compared to a 62% average for the population. From these data it would seem that credit cards can be used in the senior market. I believe that the next generation of senior citizens will make even greater use of bank cards and even be familiar with using automated teller machine (ATM) cards. The increased receptivity and use of bank cards has strong implications for the kinds of products that you may want to look at and the types of payment options that will be acceptable to seniors. Chart 6 displays income levels for persons ages 50 plus who are on our file. It shows that a large portion of the senior market has income from $26,000 to $75,000, which is probably not too surprising.

CHART 5
BANK CARDS

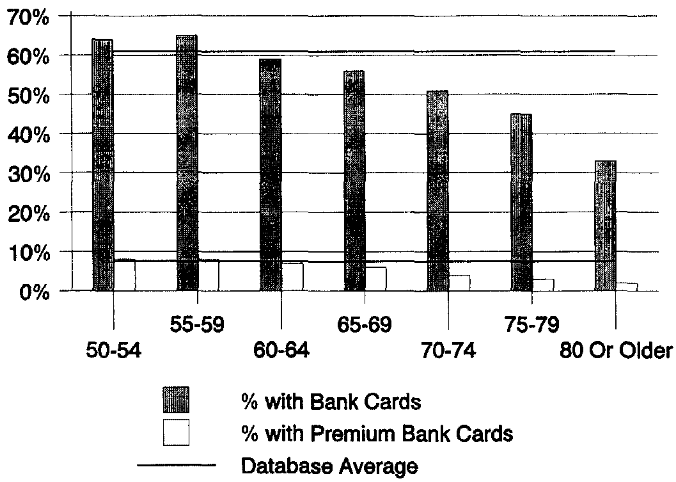
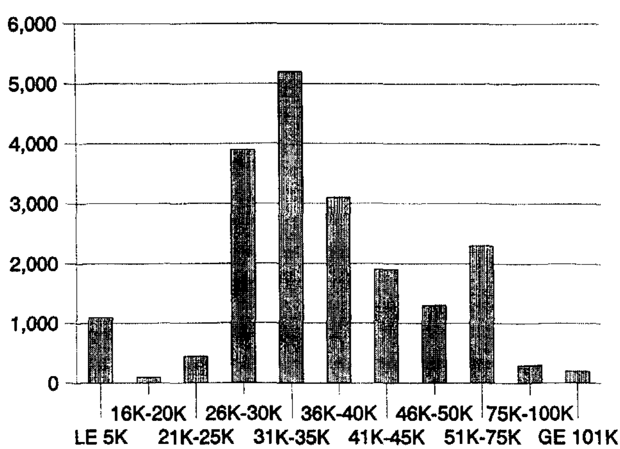


CHART 6
DISTRIBUTION REPORT AGES 50+ (INCOME)



In conclusion, I hope you now see that there is a great deal of data available to describe seniors. As I've found out, seniors may not look like you imagine, and you need to recognize that those people age 50 plus are varied and vigorous.

MR. JAFFE: Our next speaker is Warren Hunter. Warren is executive vice president and a partner in the McClure Group from Jacksonville, FL. The McClure Group is a direct response marketing agency specializing in the insurance and financial services industries. It is currently engaged at different levels of activity with 16 Blue Cross/Blue Shield plans as well as organizations such as Prudential, New York Life, AIG and CIGNA, MET, Nation's Bank, and other companies.

MR. WARREN A. HUNTER, JR.: Jay asked me to say just a few more words about the McClure Group. The McClure Group is a direct response advertising agency. We assist our clients in selling products directly to the consumer. We develop marketing and strategic plans for our clients. We help create ads and sales materials. We build databases, run the media programs to generate sales leads, put the leads into the database, and send out sales fulfillment materials. We also do the telemarketing sales support.

A full service turnkey client of ours doesn't do anything except process applications. In one sense, this is exactly what insurance companies do best.

I was looking at an article in *The Wall Street Journal* dealing with providing health care to the elderly. The article states that, though we live in the information age and in a nation with a premier health care system, information for people who care for the elderly is scattered and hard to find. That's sort of a sad commentary.

The article then goes on to talk about that, when a serious illness occurs for a person age 70–75, most people should see an attorney to investigate, among other things, options for financing long-term care. Medicare usually pays for less than most people assume and Medicaid eligibility guidelines are a minefield. It concludes with the thought that planning for a loved one's final years is increasingly important. As life spans lengthen, people are spending 20 or 30 or 40 years in old age and often require several kinds of assistance.

As this article supports, seniors are a good market for insurance products. The portion of the discussion that I'm going to cover has to do with how we sell, what we say, how do we find them, and how we get them to buy the products that we want to sell.

So to start, let's just quickly revisit the definition of a senior. Sometimes people think that seniors are over 65. Well, AARP has done a very credible job of convincing people that, when they are 50, they have entered the senior category.

The market really does begin at about age 50. People are considering what they're going to do for retirement about 15 years out. When we're ages 25 or 30, we're thinking about things 15 or 20 years out, like sending our children to school or what is the next house that we might buy or even what we might do with our careers in a few years.

And just as messages target us as we go through our different phases of our lives, the messages that we send to seniors also have to target them as they go through the different portions of their 50 plus lifestyle.

Ages 50–65 are really the planning years. People are thinking about retirement. When they turn 65 is when the reality of life sets in. Their lifestyle has changed whether or not they really planned for it.

At subsequent sessions, you can consider four general senior market areas that really fit into the categories of the different life stages of seniors. The investment products have to do with the planning phase, when people are turning 50. After 65 life insurance, Medicare supplements, and the other Medicare risk kinds of products are of interest to seniors. Those are the reality products that people have to buy when they turn 65. And the last subject is long-term care. But unfortunately many people wait until they're 65 or older to first consider and then actually buy this coverage.

How do we talk to the senior market? Where do we find them? What media works? How do we get our message to the right people? There are things like magazines, television, and direct mail. We're going to touch on all of those different topics.

What do we do? What kind of formats do we use? How do we structure our advertising so people will read it? What kind of colors and messages should we use? Mostly what I'm going to tell you is what we know has worked well for the last 15 years.

How do we talk to seniors? What do we say to them that's going to make them respond or make them buy our product? It's my business to sell the products that you create. So really what makes the whole thing work is whether or not we can convince people to buy what we have to sell.

So first off, what media works? Well if you were one of those insurers that Jay mentioned at the outset such as Prudential, Hartford, New York Life, or Scudder, you have the market in the bag. You can talk to the senior market every month in one of the publications put out by the AARP. *Modern Maturity* comes out six times a year. The AARP newsletter comes out six times a year.

What about the rest of us? We don't necessarily have the opportunity to use those publications because only the AARP-endorsed carriers are allowed to advertise in that medium. There are senior-focused magazines and periodicals, but most of them are at a regional level. There are some other national publications. But none of them are as targeted or as effective as the AARP publications.

So that takes us to the last thought, and this is what Mory sort of set us up for. Direct mail is an ideal media to talk to seniors. The reason that direct mail works so well is it creates an imminently targetable market. We can talk to people by using age as the primary factor to determine whether or not we should sell a certain kind of product to them. There are lifestyle situations that we can consider. Mory gave us some of those things. There is a combination of demographics, the kinds of magazines they read, or the sports they engage in. All of these and more are possible characteristics that make them better or worse prospects for our products.

If people buy through the mail, they will continue to buy through the mail. What we want to do is find people who are likely to buy products in the way that we're trying to sell them.

Direct mail is a seasonal media. Traditional direct mail seasonality for insurance products using a 100% index for the first quarter of a calendar year is an 80% response factor in the third quarter and about 60% in the other two quarters. So obviously, if you're selling insurance, you want to load your advertising and marketing activities into the first and the third quarters.

You can pick up dozens of different books written by direct response experts on why the first and the third quarters are as strong as they are. All the different reasons don't really matter given that response seasonality for direct mail is predictable.

It's obvious why Medigap would be so strong in the first quarter: people are focused on the program changes that occur as of January 1 of each year, and so they're receptive to making a new or replacement buying decision at that time. But that seasonality factor holds true for all kinds of products.

There are a number of programs that we call birthday programs that remind the customers to buy the product before they get another year older. There are birthday Medigap programs. Seniors become very active in this marketplace as they turn 64-and-a-half, and so those programs tend to be flat from a response perspective. That's because the marketing program is driven by the event, and the event only happens once. So unless there is some change in the marketing effort, the response for this type of program should stay about the same.

There are all kinds of other event-driven programs that agents use: monitoring the obituary columns to find the death of spouses, the birth of children, the move to a new home, and when children go off to college. All of these events are triggers that can make people want to buy insurance.

I'm going to talk just for a moment about television and the senior market. There are 60 million or so people over the age of 50 (about evenly split from 50 to 65 and 65 plus). We can talk to those people using direct response television commercials aimed at seniors, which are a little bit longer than what you usually see. They're 60 seconds, 90 seconds, or sometimes 2 minutes long.

The commercials are long because they have to do several things. They have to create the need for the product. They have to satisfy the need, and then they have to ask somebody to get up out of the easy chair, go to the phone, and call a toll free number to get more information.

TV commercials are designed to gather leads that go into a database. Sales materials are mailed to the responders who then purchase the products. This method works very well for Medicare-related products. TV is also becoming a very effective media for the Medicare risk health maintenance organizations (HMOs) as they're entering the marketplace.

Newspaper inserts and newspaper run of press can also be productive media for senior-oriented insurance products. It is interesting to note that from an absolute dollar perspective it costs more money to run a newspaper insert because you have to buy the space and print the materials. But inserts produce at about a three-to-one ratio in comparison to newspaper run of press so the cost per inquiry and the cost per sale is considerably more effective with newspaper inserts.

All kinds of senior co-op mailings exist today. For example, there are the Carol Wright inserts and Valu-Pack. There are many co-op mailings that are targeted specifically to the 55 plus or the 65 plus market. Supermarkets have the Good Neighbor "take one" boards, which include advertising from AARP (both for membership in AARP and for its endorsed insurance products).

Last, believe it or not, seniors are buying products on the Internet. Seniors are making inquiries, and there are insurance companies filling the inquiries by the same methods as employed for television commercials.

What makes seniors respond? Official looking material works very well in the senior market. Snap packs and craft envelopes all have a governmental feel, and seniors reach well to these packages. And that's normal because we all open materials that look like they come to us from the Internal Revenue Service (IRS), the Social Security System, or other official sources. Remember, the only purpose of an outer envelope is to get the material opened so somebody will read it.

A very effective format for TV is a rolling screen commercial. This is just type that scrolls up on the screen while an announcer reads it. A white screen seems to be very intrusive. From our experience when the rolling screen commercial is tested against a typical commercial where you see people interacting, the rolling screen produces a significantly lower cost per sale virtually every time it's done.

In print you want to use large type for seniors. If you're using pictures in your advertising, you need to think young because all of us think of ourselves as being younger. Seniors think of themselves as being at least ten years younger than they really are. So if you're advertising to the 65 plus marketplace, you want to use active pictures of people who are in their 50s.

Seniors are receptive to long letters and lots of pieces in direct mail advertising. Seniors have time to read, and they're interested in what you have to say. They will read the materials you send them.

The whole notion of color is real subjective. From my experience I can tell you that black and white works real well. Black and white obviously works well in newspaper, but black and white works wells in newspaper inserts. It works well in direct mail, and it also works well on those rolling screen commercials that I was telling you about. The reason that black and white works well is that it has a very official feel.

We also like to use bright yellow, including bright yellow backgrounds and bright yellow envelopes, because such pieces stand out in a mailbox or in a newspaper. Our creative people don't like red. We've tested red as a background color and it doesn't work very well. As a headline or as a slash across something or as an accent color, red is a great color. But as a background color, it has not worked nearly as well as we thought it should.

Last, if you have the opportunity, use color photographs instead of black and white photos in your advertising; do it, but recognize that it may not be a cost-effective step. We're in a business that constantly worries about the cost per head and the cost per sale. The good feeling you get from four-color photographs usually doesn't pay for itself, but they do look nice.

Advertising messages for all insurance products should keep these thoughts in mind. You need to keep the messages simple, you don't want to mix products, and you don't want to make what you're saying sound more complicated than it is. I'm never going to try to communicate the things that the legal department thinks we need to communicate. In my opinion, this is way more than people need to know. They need to know that if they die, their estate gets money, and if they go in the hospital, they get money to pay the bill. That's really the simplicity that we need to convey in our messages.

We don't want to talk down to the consumer. Just because we know more than they do about insurance doesn't mean that they're stupid. Your spouses and parents are consumers, so we have to carefully design our messages. We don't want to insult the intelligence of our customers.

You need to relate to the needs and wants of the segment to which you are selling. Don't sell product features. People don't care what the product, does but they care what it's going to do for them. What kind of a benefit are they going to get? Or, what kind of a benefit is their estate going to get?

Product information needs to educate and inform especially as people are moving into the Medicare-related field. They have to understand what it is that they need to do. You need to focus on value and service. Seniors are very interested in whether or not they're getting the right value for their dollar and whether or not they're going to be served well after they give us their money.

It is important to focus on the reputation and the security that comes from dealing with a company. Over the years seniors have been burnt too many times by insurance agents that have been perhaps too aggressive and insurance companies that have gone out of business. They really want to know that the company they're dealing with is stable and secure, and that it's a good place for them to be insured.

One more point, try not to ever say *seniors* in your advertising. It's not a flattering term. Mory alluded to that earlier. People don't want to be thought of as seniors.

Jay asked me to talk a little bit about associations as marketers of insurance. Associations can play a key role if the members trust the association. AARP members trust AARP. The Farm Bureaus around the country have a very loyal following. Farm Bureau members love the Farm Bureau. Nonfarmers by spending $50 a year for an associate Farm Bureau membership can and do buy their insurance products through Farm Bureau insurance companies.

Associations can offer members group rates. There's a perception that the group has buying power and the premiums are lower than nongroup products. Actually having lower premiums may not be a reality, but associations can demand certain things from insurers. For example, AARP requires that Prudential guarantee issue all of the AARP-sponsored Medigap insurance.

The importance of an endorsement such as AARP may be on a decline. As powerful as AARP is, it is not able to deliver Medicare risk HMO and Medicare select products on a local and regional level. The need for these products will become more important as seniors seek to stretch a fixed amount of income to cover medical costs. Many of the Medicare risk HMOs are offered as zero premium. It's hard to beat free even for an organization as important as AARP. Under Medicare risk HMOs, it costs an insured just \$5 to go to the doctor, \$5 for a prescription, nothing for a hospital stay, and you don't have to send any money to the insurance company. Now that's a great deal!

Every company that's selling a traditional Medigap product has an uphill battle against a no-cost insurance option. The Medicare risk HMOs are going to become an increasing threat to traditional Medigap products.

MR. JAFFE: It is now my pleasure to introduce Lynn Taylor. Lynn Taylor is president of Associated Doctors Senior Services. He earned his Bachelor of Science degree and Juris Doctor degree from the University of Baltimore. He's also a CLU. He first served as a consultant to Associated Doctors and was instrumental in developing a revised business plan for the agency. He then joined the company full time as chief marketing officer. During the three years in that position, Mr. Taylor's leadership resulted in record levels of sales growth and profits for the company. Finally, about two years ago, he became president of Associated Doctors in September 1993.

Lynn is going to add another dimension to our discussion of the senior market. He will talk about distributing products to seniors using the agency system. It is now my pleasure to welcome Lynn to the podium.

MR. D. LYNN TAYLOR: Associated Doctors Senior Services, up until a year ago, was referred as Associated Doctors Health and Life Insurance Company. We're part of the ING group including ING America Life. The ING group made every newspaper in the world by acquiring Barings.

To understand the importance of the senior market in the U.S., keep in mind that one person will turn 50 every 8 seconds for the next 19 years. That translates into a lot of people any way you look at it. And from the perspective of a marketer or a business, it creates many interesting possibilities.

We've developed the senior market based on age 50 as the starting age. We differentiate a little bit between the senior market and the retirement market. We like to look at the senior market as being chronologically based whereas we segment the retirement market into three areas: preretirement, point of retirement, and postretirement.

Statistically there are about 31 million people between the ages of 50–65 and 33 million people already over 65. There will be 96 million people in the senior marketplace by the year 2010, which means about a 50% growth in the senior market in the next 15 years.

Seniors have some $7 trillion of net worth and 77% of the financial assets in the country. Seniors control 80% of all the money in savings and loans. It would appear that as folks get older, their net worth increases as opposed to declines. The senior market has the income and the need to buy insurance products.

One of the fastest growing segments of the senior market is the 85 and over group. It is growing faster, percentagewise, than any other segment. Clearly, anyone 85 and over has very different insurance needs than any of the younger senior market segments.

Once we get past the numbers, we want to know who are the real buyers and find the identifiable life stage needs in the market. For example, one of the greatest fears that is emerging among seniors is that people live too long. Seniors realize that they can outlive everything even if they have planned right. A person who is age 60 can easily live for another 20 or 30 years and can be a good customer for many years as he or she passes through many different senior market segments.

The types of senior market needs include estate transfer, inflation protection, medical care, asset accumulation and protection, disability care protection, and charitable giving just to mention some of the many areas. Each of these areas obviously requires different insurance products. Some companies take all of these needs and try to develop products while others specialize in certain areas.

My personal experience with seniors is that they become experts in areas of direct interest to seniors. If you're going to design advertising materials that quote statistics or trends, you better be prepared and understand that the consumer out there in a lot of cases is right up to speed with you if not ahead in some areas. You must be certain that the data you present are correct.

Seniors have free time. As I mentioned, they use this time to educate themselves. They're organized, and they know what they're talking about. I visit my parents two or three times a year in Florida, and they live in communities with other retired folks. I can tell you that these people are by no means over the hill. They are on top of just about everything that happens. I suggest that every home office insurance person find a way to personally talk to some policyholders because you can learn a lot of valuable information in this process.

We have found that there are things that you can do and say in your advertising materials that are going to be triggers to seniors. Key words play an important role in advertising to seniors. For example, autonomy is a major concern of seniors. Since they're retired and have both free time and money, which in some cases is more discretionary money than they've ever had in their lives, you need to address these aspects of the senior environment. Some other key words and phrases are: social correctness, interaction with others, personal growth, wisdom, experience, intuition, awareness, altruism, helping others, and revitalization.

A couple of weeks ago I had an opportunity to visit policyholders who were in their 80s. They were complimenting one another on how in shape they were and talking about current events. When you work in the senior market, you must remember that seniors are not a passive, inert group; they are very active and vital.

Seniors have a lot of time on their hands. Remember this when you market to seniors that you need to be patient and be prepared to answer questions. Agent sales may require two or three visits.

Seniors want to know facts, and they'll ask questions. They get advertising material from all your competitors, and they have a tendency to go through and know that information. And so whether you're at the home office answering a question from a senior market policyholder or an actuary answering a question from an agent who might call regarding some piece of material from a senior market competitor, remember that the ultimate senior consumer wants factual information.

If your selling mode is through agents, the educational process of the agent is extremely important and cannot be overemphasized. This education will be one of the key factors to achieving high levels of persistency. And, very importantly, education is a key to making second and third sales to senior market customers.

Home office groups need ongoing training sessions that deal with how to talk to seniors. Make sure your home office or customer service departments are up on the latest statistics regarding the senior market and know the latest psychologies to use when handling senior customers. We need to make sure that we have happy customers.

Financially strong companies do well. A AAA rating does not guarantee a spot in the competitive senior market. But senior policyholders want financial security because, when you've become a senior, your working years are gone. Whatever nest egg you have you're going to have to make do with, and you want to take a little more caution about the companies you do business with.

Is the outlook bright for marketers who understand this area and are willing to put the time, effort, and research into dealing with the customers? Well, that's an individual decision based on your perception of business. But all the indications would be that, if you were a business person or investor, certainly the spots and the focal points that you would look for to make an exciting run at a market are identifiable in the senior market. My company is looking forward to a bright future in this marketplace.

MR. LAWRENCE N. SEGAL: You hear a lot of talk about the sandwich generation. I take that to mean the seniors who are caring for an elderly parent and also perhaps a younger dependent. I'm just curious if you view that as a distinct market segment, and, if so, what product opportunities might there be for those folks?

MR. TAYLOR: We definitely think there is such a market. People in their 40s or 50s have to make decisions on caring for parents or elderly relatives. And as they go through this thought process, they stop and realize that it's not going to be too far into the future where they may face the same set of circumstances. We're finding that where a few years ago some direct advertising or direct mail sent to people ages 40–50 about long-term care probably went in the trash can as rapidly as possible, now there is much interest in this product from this age group.

MR. HUNTER: We're also seeing that people that are in their 40s and 50s who have parents who are potentially in need of long-term care are actually willing to buy the coverage and pay for it for their parents. I think that that's a target market and an opportunity for us to more aggressively pursue. If we can convince people that it's a good thing for them to do for their parents, and they see that the need is there, then they also become a prospect for the product themselves because they've seen how valuable it can be.

So again we would encourage people to start looking at the mid-40 to mid-50 year olds as prospects for long-term-care insurance for their parents.

MR. W. KEITH SLOAN: Do data show a difference in paying between the senior market and the others? In other words, what percentage pay off their credit card balances every month as opposed to those who carry large balances? I think that this data might have a lifestyle implication, too.

MR. KATZ: That information could be determined from our files, but that kind of analysis, unfortunately, is beyond the scope of what I put together for presentation. But it can be done.

FROM THE FLOOR: My question concerns privacy. Mory, I know you call your databases for information to do direct marketing. How do privacy laws impact that activity?

MR. KATZ: They impact it a great deal. The 1974 Fair Credit Reporting Act regulates the use of credit information but did not address marketing specifically with the exception of preapproved credit card offers. So it left the entire issue of marketing outside of the preapproved credit offer as a gray area.

Essentially, the position that Trans Union has taken is that as long as we don't communicate creditworthiness, we can use the data for marketing. Data such as the number of accounts, types of accounts, and account activity for a person do not indicate creditworthiness because you can't make a lending decision from that data.

As far as underwriting or reviewing a portfolio of existing customers, that's specifically allowed by the Fair Credit Reporting Act. So the issue would only be on the marketing side.