



**KEY MANAGEMENT GROUP**

*Fostering Partnerships*

# Millennials and Insurance

## A Game of Cat and Mouse

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# Millennials and Insurance

## A Game of Cat and Mouse

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**Gen Y comprises of more than a quarter of the US population, estimated at 83.1 million**

In the U.S., millennials comprise of more than a quarter of the population, estimated at 83.1 million. This population will soon replace baby boomers that are ready to retire from the workforce. Millennials are the next generation (Gen Y), the age group between 18-35, who have access to the best facilities of information access and the generation that believes in the online model of transactions and communication. As per the US census, the millennial generation is the biggest in US history—even bigger than the Baby Boomers.



# The Lay of the Land

Between 1950 and 2010, the US population increased from 23 million to 311 million yet the number of policies only grew from 23 million to 29 million, at a sluggish rate of 26%. This shows that there is a paradigm shift in the thinking and buying of insurance by millennials in comparison to baby boomers. As per a study by PWC, millennials have the lowest rate of engagement with insurers and buy lesser insurance in comparison to their previous generations.

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This could be a sign of worry for the insurers, keeping in view that millennials will form the largest chunk of consumers and that most millennials are either uninsured or underinsured. Insurance companies have the same problem across the board – how to enable digital engagement with their consumers where these prefer to have online lives with more online interactions than ever. It is very important, now more than ever, to engage this set of consumers. To elaborate further, in the survey by Princeton Survey Research's it was noted that only 64% millennials have car insurance, a meagre 10% have homeowners insurance and only 13% have renters insurance.



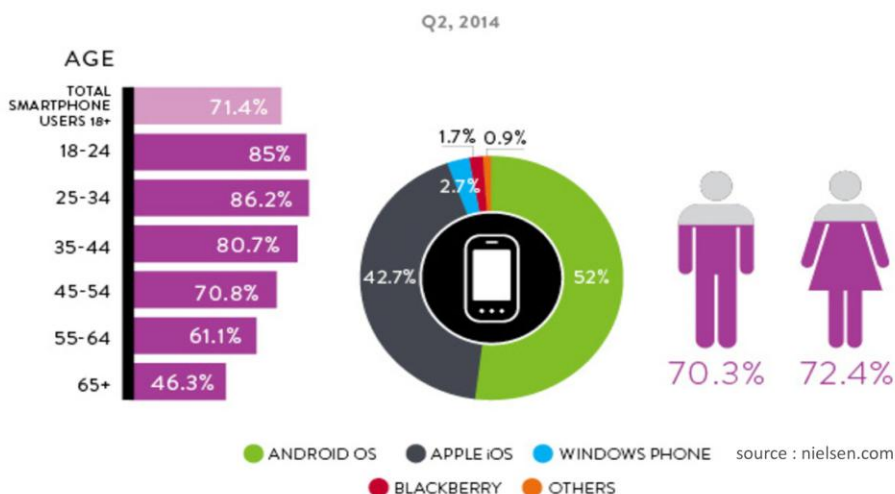
# What do Millennials Want From Insurance?

The Gen Y is tech savvy and more so on social media. They need insurance in a simple and easy format, they want their policies to be easily available online and also be able to make an easy comparison along with personalized and customized plans as per their need. In a research by Nielsen, it was found that 85% of millennials aged 18-24 and 86% aged 25-34 own a smart phone / internet usage devices. This shows that technology has become such an innate part of their lives that everything and anything, including insurance, needs to be available online and with various customizations to meet their needs.

## Millenials

want convenience; they want everything at their fingertips, since they find it easier to have a one place shop for all their needs.

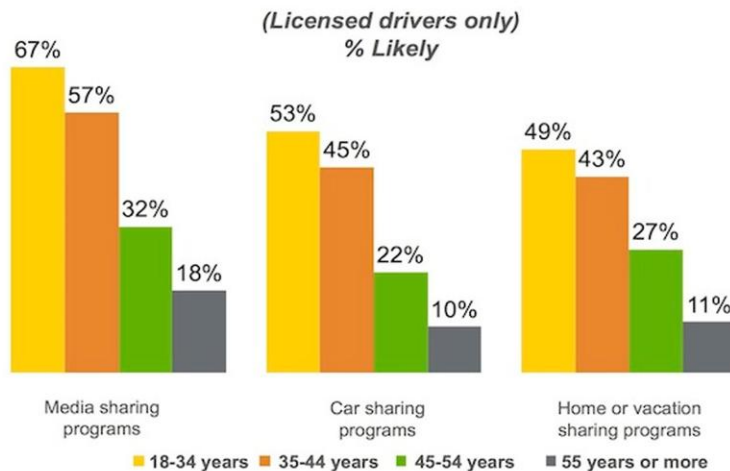
US SMARTPHONE MARKET SHARE BY AGE, OPERATING SYSTEM, AND GENDER



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Millennials are giving rise to what is being called a 'Sharing Economy'

Millennials want convenience; they want everything at their fingertips, since they find it easier to have a one place shop for all their needs. This generation believes in flexible work culture, open door policy, active participation in company issues and startup mindsets. In a report by Goldman Sachs, it was noted that millennials have been reluctant to buy items such as cars, music and luxury goods. It was noted that instead, they're turning to a new set of services that provide access to products without the burdens of ownership, giving rise to what's being called a "sharing economy." Unlike their previous generations, they are open to new ways of insurance, to save money and have insurance as per their needs - usage-based insurance, pay as you drive and other such new forms to save the cost on insurance premiums.



Source : citylab.com

They are also looking for ways to get better discounts and high quality service, both at a reasonable price. This Gen Y is vary of big companies and is also sensitive to bad media news about the company they are investing in. They would also prefer the companies with a presence on social media platforms. In a report by Mashable, it was highlighted that almost 70% said they'd add a brand as a friend if they also followed them on a separate social network, such as Facebook or Twitter. What millenials are looking for is an amazing client experience, how an insurer is differentiated from another will be based on the authentic experience.

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This new generation believes in healthy living and eating, even though policies like Obamacare are making it easier for young adults to get a health plans, yet most of them would prefer paying up a doctor for a single visit than getting insured. This, while bringing into account the fact that most millennials are cash strapped, starting out with either the help from parents or are debt burdened, Insurance is definitely the last thing on their mind.

# New Approach to Insurance

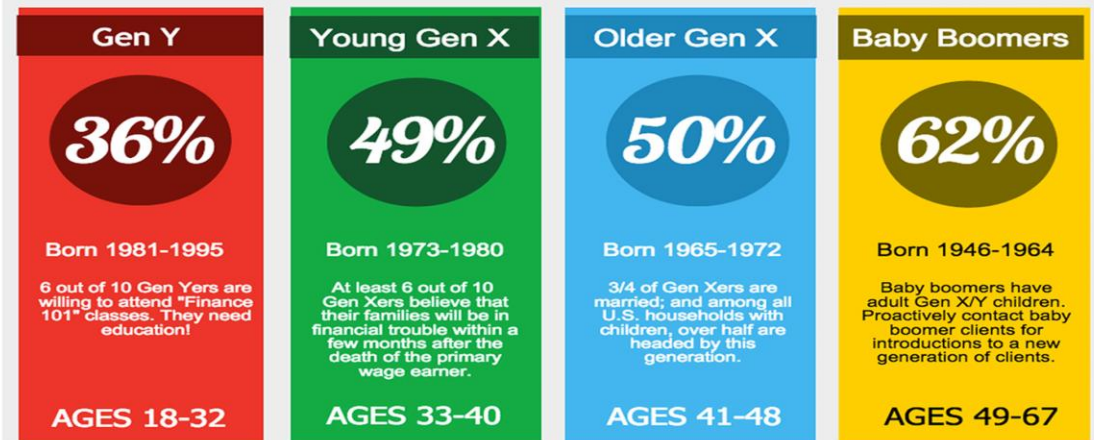
Insurance companies are not ready and appropriately equipped from a technology or process viewpoint to handle digital interactions with this generation. Millennials believe in the new digital mantra of sales channels that use internet marketing, casual interactions and the word-of-mouth and willingly shun the traditional tactics of selling insurance by face to face meetings or even calls.

Fewer than 20 % of Gen Y are likely to buy Life Insurance

A trend of millennials showing a decrease in buying insurance can be seen, be it life, property and casualty or disability insurance. Fewer than 20 percent of those between 18 and 34 years of age say they're very likely to buy life insurance, according to insurance research and consulting firm LIMRA.

## Who actually owns individual life insurance?

Take a look at household ownership of life insurance by generation...



Source : LIMRA

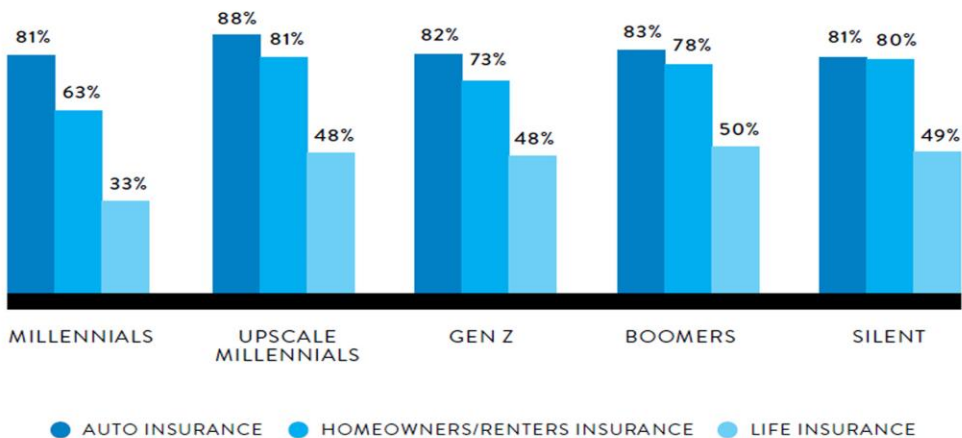


When it comes to Property Insurance, an analysis of U.S. Census data by the Pew Research Center reveals that millennials are less likely to be living on their own today than they were during the Great Recession. Also, even though unemployment among young adults has shrunk from 12.4% in 2010 to 7.7% in early 2015, the number of millennials living independently has decreased, from 69% in 2010 to 67% this year. The share of young adults living with their parents has increased in that same period from 24% to 26%.

Number of millennials living independently has decreased, from 69% in 2010 to 67% this year.

Auto insurance rates too have dropped. As per a survey by Insurancequotes.com, 64% of millennials have auto insurance, compared to 84% of older generations. Many millennials may have decided to skip car ownership.

### INSURANCE OWNERSHIP BY GENERATION



Source: Nielsen Scarborough 2015

# What Should the Insurers Do ?

Consumers have taken digital interaction to a higher level and it is important to provide value through educating, informing and engaging clients and prospects. In order to reach these millennial consumers, insurers now need to find out new ways to engage this section of the population. This is a generation who is online 24 x 7 to interact with the social and physical world around them; they want offers, customization and best services making it even harder to please them.

Below are a few To Dos for insurers to prompt the millennials to buy from them

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94% of millennials own a cell phone and therefore need information available digitally

## Digital Presence

This is a generation which has been with the internet since childhood, for them internet, digital tools, online availability is pretty much a part of their daily lives. They want insurance to be available online with information and details about it and also the tools to compare the best for them. According to Pew Research, 74% believe that technology makes their life easier; over 90% use the internet and 62% connect wirelessly when away from home using handheld devices, usually smartphones. It's no surprise then that 94% of millennials own a cell phone and therefore

millennials own a cell phone and therefore need information available digitally. They would be happy to use an app or see a video or even have a To Do or Do Not list to better understand claims and insurance.

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**Gen Y is very sensitive to negative information, swayed by reputation of the brand and also the word of mouth.**

### **Clear Information**

Millennials want clear information about the insurance policies, they are happy to get information from a knowledgeable source which can help them make a wise decision for the insurance policies. They also need customized information, information which is useful for them, not for a broader base of consumers. They need information that can help them make a better decision. They also need transparency and provide clear data on calculation of accurate premiums and the level of coverage.

### **Brand Reputation**

Millennials are a generation which is very sensitive to negative information, swayed by reputation of the brand and also the word of mouth. A brand that can solve the issues of millennials and also help them understand the need and value of insurance will reach them better.

## Answers to Questions

Millennials although have access to so much information, when it comes to buying insurance, may have a lot of questions. They need quick answers, so a good idea is to have FAQ's or have an agent then speak to them on a specific topic.

## Instead of Direct calling, Use Direct Mail with Incentive Offers

In a survey by Brandt, it was noted that 66 percent of direct mail is opened. Emphasizing that instead of calls, use a path that is more easily seen by millennials, they would rather have a personalized mail than random calls on buying insurance policies.

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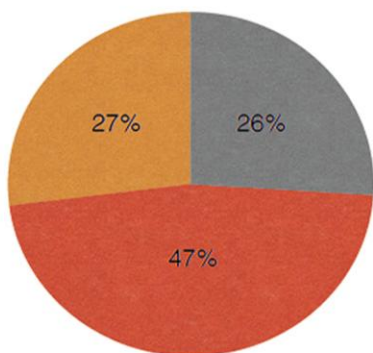
66% of direct mail is opened

## Use Data Analytics

Insurers need to continuously innovate and with the help of big data, collect, analyze and use the information to better cater to the needs of millennials, especially in the homeowners insurance scenario and the property casualty insurance sector.

## Drivers are open to having their driving behavior monitored

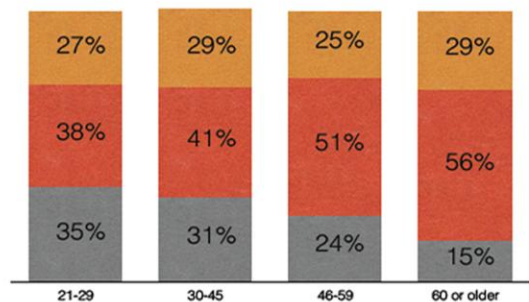
Percentage willing to have driving tracked by mobile device



Source : Deloitte

■ Yes ■ No ■ Depends on the amount of the discount

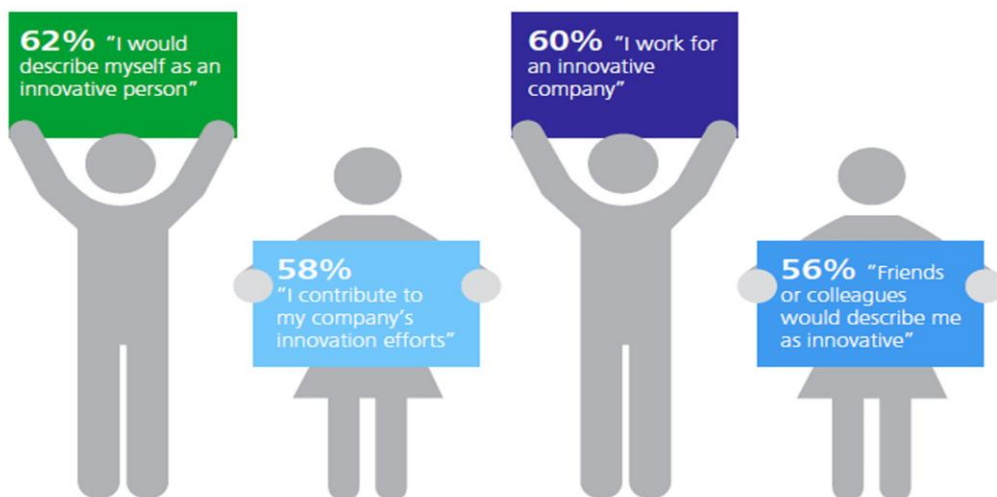
Percentage willing to have driving behavior monitored based on potential for premium discount – by age





## Innovate

The need of the hour is to innovate, to design and market insurance plans that can reduce premiums as well as provide answers to the problems of millennials. Usage based insurance, for instance, is very popular with the millennials, where 88% millennials are interested in buying a usage based insurance policy compared to 74% in all other age groups. Similarly, a survey by Coldwell Banker Real Estate and CNET highlighted that 81% millennials would be more likely to buy a home if smart technology, such as connected lighting, thermostats, remote-access security and smart locks, were already installed.



Source: Deloitte

# The Game is Not Over

In the race to tap the millennials, it is a game of early bird catches the worm. Every insurer that can reach out to the millennials by meeting their needs; by customizing and fulfilling the demands of the Gen Y and continuously innovating to keep up in this changing consumer scenario will succeed.

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Here comes Gen Z

## What's Next

The insurers are currently focusing on generation Y, but what needs to be foreseen is a newer generation growing and ready to work i.e. generation Z. These youngsters, born after 1995 and unaware of a world without Internet are fast emerging; there is a need to think out of the box and plan ahead of time to capture the market held by these youngsters that live a life that seems a million miles removed from the hopes, dreams and morals of previous generations.

There is still time for companies to start planning a new thought process and a newer way of selling and understanding eth needs of this generation which will in another 10 years be ready to boom ahead of generation Y

# About Key Management Group, Inc

Key Management Group, Inc. is a New York based Software Development, Application Maintenance and BPO Operations Company, providing quality IT solutions in Healthcare and Insurance (Property & Casualty) verticals to its clients worldwide.

Having been in the business for over two decades, we understand our client's needs and provide tailor made solutions to cater to their business in an ever-evolving digital landscape.

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