The Next Generations and Insurance: Understanding Buying Behaviors and Preferences of Younger Adults
Introduction

As previous generations retire and move to a life stage in which they consume fewer products and services, younger millennial and Gen Z adults between the ages of 18 and 38 are becoming more relevant to the insurance industry in terms of size and spending power.

Of the global population, millennials and Gen Z account for 27% (2 billion people)\(^1\) and 24% (1.83 billion people)\(^2\) respectively, and combined, have purchasing power estimated to be in the trillions of dollars annually.

As a technology partner, we consider it our responsibility to inform insurance agencies about the latest industry trends. By imparting this knowledge, we strive to empower agencies to take advantage of new business models and servicing options by meeting the needs of the changing consumer that will make their businesses profitable.
Survey Overview

Applied recently partnered with ORC International, a leading business intelligence research firm, to conduct a survey on what millennials and Gen Z are looking for in their insurance providers.

This survey was conducted in June of 2018 among a sample of 1,002 millennial and Gen Z consumers, 18-38 years of age, across the United States, Canada, the United Kingdom and Ireland.

The primary objectives of conducting this survey were to understand millennial and Gen Z:

- Purchase behavior for personal insurance (auto, home and renters)
- Preferred communication channels when interacting with insurance providers
- Selection criteria when choosing an insurance provider
Key Findings

Auto Insurance Remains a Business Generator
Among younger adults in the United States, Canada, the UK and Ireland, auto insurance is by far the most commonly held.

Biggest Influence on Insurance Purchasing Decision
While word-of-mouth referrals are most influential to younger adults shopping for insurance, online search and review sites are increasingly being used, especially by Gen Z, males and younger adults in the UK and Ireland.

Insurance Purchasing Preferences
Survey results show that younger adults in Canada prefer an in-person interaction; those in the UK and Ireland prefer online; and those in the United States prefer in person for homeowners, and online for auto and renters.

Insurance Communication Preferences
Millennials and Gen Z prefer to call directly to an agent for auto and homeowners insurance. An in-person interaction is preferred for renters; however a call directly to an agent is used more often.
Across all countries – United States, Canada, United Kingdom and Ireland – the majority of millennials and Gen Z (8 in 10) have some form of insurance.

Auto insurance is most commonly held, and younger adults in the U.S. are the most likely to have it.

<table>
<thead>
<tr>
<th>Types of Insurance Held</th>
<th>All Countries</th>
<th>United States</th>
<th>Canada</th>
<th>UK</th>
<th>Ireland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto</td>
<td>67%</td>
<td>74%</td>
<td>64%</td>
<td>53%</td>
<td>58%</td>
</tr>
<tr>
<td>Homeowners</td>
<td>34%</td>
<td>35%</td>
<td>35%</td>
<td>33%</td>
<td>31%</td>
</tr>
<tr>
<td>Renters</td>
<td>22%</td>
<td>24%</td>
<td>22%</td>
<td>18%</td>
<td>19%</td>
</tr>
<tr>
<td>None of these</td>
<td>20%</td>
<td>17%</td>
<td>21%</td>
<td>31%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Which of the following types of insurance do you have?

33% of the global population will be Gen Zers by 2020

80% of millennials and Gen Zers have insurance
Types of Insurance Held

**Notable Findings**

- Millennials are more likely to have auto and homeowners insurance than Gen Z.
- UK millennials and Gen Zers are most likely to not have insurance at all.
- Younger adults with children under 13 are more likely to have at least one type of insurance.
- Households with income under $50,000 are more likely to not have any type of insurance.

**Sum and Substance**

Millennials represent one of the largest living generations, projected to surpass Baby Boomers in total population by 2019.\(^4\) Further, Gen Z, growing in size every day, are expected to make up 33% of the global population by 2020\(^5\) and outnumber millennials. Given the size and economic capital these two generations possess, combined with the fact that eight in 10 have insurance, it’s critical for insurance providers to adapt their business strategies to attract and retain millennials and Gen Z as customers.
Word-of-mouth referrals influence millennials and Gen Z the most when they are shopping for insurance.

However, online searches are growing in popularity and should be considered in communication strategies given consumers’ shift to mobile first.

55% of millennials use search engines to learn about products.

How did you find your current insurance provider?
Notable Findings

- Millennials are more likely to have found their current renters insurance provider through family/friends.
- Younger adults in the U.S. and Canada are more likely to have found their current auto insurance through family and/or friends than those in the UK or Ireland.
- Younger adults in the UK are more likely to have found their current auto insurance through an online search engine – like Google and Bing – than those in the U.S. or Canada.
- Younger adults in Ireland are more likely to have found their current auto insurance through an online review site – like Yelp and NerdWallet – than those in the U.S. or Canada.
- Younger adult males are more likely to have found their current auto insurance through an online review site than females.

Sum and Substance

For millennials and Gen Z, family and/or friend referrals have the greatest influence on how they find an insurance provider. In fact, both generations are far more likely than any other to base their choice of insurance provider on who their family members use. To acquire millennial and Gen Z consumers, insurance providers should focus on building brand loyalty with older generations who have the most influence on these younger insurance shoppers. Insurance providers also need to ensure their websites are optimized for search and mobile-friendly. In accordance with our survey findings, the Google Consumer Barometer Study states that 55% of millennials use search engines to learn about products, and mobile is the primary device they’re using to do the research.
While in-person interaction continues to be the most common method of acquiring insurance, particularly for younger adults in Canada, digital channels are growing more popular especially among those in the UK and Ireland.

How did you purchase your current insurance policy?

<table>
<thead>
<tr>
<th></th>
<th>Auto</th>
<th>Homeowners</th>
<th>Renters</th>
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<tbody>
<tr>
<td>United States</td>
<td>37%</td>
<td>47%</td>
<td>38%</td>
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<tr>
<td>Canada</td>
<td>52%</td>
<td>51%</td>
<td>47%</td>
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<tr>
<td>UK</td>
<td>11%</td>
<td>27%</td>
<td>17%*</td>
</tr>
<tr>
<td>Ireland</td>
<td>24%</td>
<td>29%</td>
<td>58%*</td>
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<td>39%</td>
<td>27%</td>
<td>45%</td>
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<tr>
<td>Canada</td>
<td>19%</td>
<td>18%</td>
<td>23%</td>
</tr>
<tr>
<td>UK</td>
<td>62%</td>
<td>52%</td>
<td>56%*</td>
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<tr>
<td>Ireland</td>
<td>52%</td>
<td>45%</td>
<td>26%*</td>
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<tr>
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<tr>
<td>UK</td>
<td>26%</td>
<td>21%</td>
<td>28%*</td>
</tr>
<tr>
<td>Ireland</td>
<td>24%</td>
<td>26%</td>
<td>16%*</td>
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</table>

* Denotes a very small base size.
Notable Findings

- Gen Z are more likely to purchase auto insurance in person.
- Millennials are more likely to purchase auto insurance online.
- For auto, homeowners and renters insurance, phone is the least used purchase channel.

Sum and Substance

Millennials and Gen Z want fast, connected experiences. They make no distinctions between online and offline worlds, moving seamlessly between both. Thus, it’s extremely important for insurance providers to have an omnichannel approach to reach and engage these younger generations.

Millennials and Gen Z expect to connect with brands how and when they want, be it: in person, phone call, text, email or social media. Through a hybrid approach – bricks-and-mortar business with integrated digital technology that provides these communication touchpoints across all channels – insurance providers will be able to build relationships via the traditional ways they used to establish a business and the modern ways that will keep them in business.
### Communication Channels

For auto and homeowners insurance, the preferred and most frequently used communication channel by millennials and Gen Z is a direct call to an agent.

For renters, an in-person interaction is preferred but a direct call to an agent is used more often.

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#### Channels Preferred

<table>
<thead>
<tr>
<th>Channel</th>
<th>Auto</th>
<th>Homeowners</th>
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</thead>
<tbody>
<tr>
<td>Text with Agent</td>
<td>6%</td>
<td>9%</td>
<td>10%</td>
</tr>
<tr>
<td>Online Chat</td>
<td>13%</td>
<td>12%</td>
<td>16%</td>
</tr>
<tr>
<td>Mobile App</td>
<td>15%</td>
<td>11%</td>
<td>13%</td>
</tr>
<tr>
<td>Call Center</td>
<td>26%</td>
<td>24%</td>
<td>29%</td>
</tr>
<tr>
<td>In-Person Meeting</td>
<td>29%</td>
<td>27%</td>
<td>28%</td>
</tr>
<tr>
<td>Website</td>
<td>30%</td>
<td>23%</td>
<td>23%</td>
</tr>
<tr>
<td>Direct Call to Agent</td>
<td>37%</td>
<td>37%</td>
<td>30%</td>
</tr>
</tbody>
</table>

#### Channels Used

<table>
<thead>
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<td>37%</td>
<td>30%</td>
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51% of Gen Zers chose the face-to-face meeting as their preferred form of communication.

52% of millennials chose the face-to-face meeting as their preferred form of communication.

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*Numbers are approximate and subject to change based on survey results.*
Communication Channels

Notable Findings

• In Canada, younger adults are more likely to make a direct call to an agent when dealing with auto insurance than those in the U.S., UK or Ireland.
• Gen Z are more likely to meet in person with their auto or homeowners insurance agent than millennials.
• Younger adult males prefer to communicate in person when interacting with their renters insurance agent than females.

Sum and Substance

Once millennials and Gen Z have insurance, they prefer to communicate about their insurance with an actual human, whether by phone or in person. While they love the texting, instant messaging and social networking that technology affords, these younger adults still value traditional communication methods. A worldwide study from Randstad echoes this finding: "Around the globe, more than half of Gen Z (51%) and millennials (52%) chose the face-to-face meeting as their preferred form of communication."

The preference for in-person communication, combined with the fact that these younger adults want brands to be familiar with their preferences and order history, demonstrates the importance millennials and Gen Z put on the advice and guidance that insurance providers deliver.
Overall, both 24/7 customer service and mobile app access are perceived to be highly important in selecting a provider.

However around-the-clock customer service is perceived to be more important, especially by younger adults in the United States.

When thinking about purchasing insurance in the future, how important would each of these be in your decision to select a provider?
Insurance Features

Notable Findings

- 85% of the millennials and Gen Zers surveyed consider 24/7 customer service important when selecting an insurance provider.
- 74% of millennial and Gen Zers surveyed consider mobile app access important when selecting an insurance provider.
- Younger adults in the U.S. and Ireland are more likely to consider 24/7 customer service and mobile app access as very important, while those in Canada and the UK less so.

Sum and Substance

As a result of having grown up connected to an "always on, always available" information source via the internet, both millennials and Gen Z prefer insurance providers who offer 24/7 customer service via multiple channels, including mobile apps.

These generations expect the customer-centric, omnichannel experiences that they’ve become accustomed to in other industries. If businesses don’t deliver by offering insurance features such as 24/7 customer service and mobile app access, today’s young consumers will not be shy about seeking out other alternatives as well as sharing feedback about their brand experiences – good and bad – on review sites and social networks.
5 Ways to Attract Millennials and Gen Z Consumers

1. **Hybrid Presence: Enhance tradition with technology**
   Just because millennials and Gen Z grew up during the Fourth Industrial Revolution – also known as the Digital Age – insurance providers don’t have to abandon their brick-and-mortar stores or the traditional practices that got their businesses where they are today. While using technology and staying connected and informed in as many ways as possible is inherent to these younger generations’ nature, they are still social beings who seek trusted advice face-to-face. The key is to enhance long-established human relationship building with the convenience and instant service technology provides.

2. **Customer Experience: Being good is no longer enough**
   Customer experience is today’s new battleground in the acquisition and retention of millennials and Gen Z. Life for both of these generations has been one of instant gratification. They’ve become accustomed to getting what they want, whenever they want, from any device. Companies like Amazon and Uber have set the standard by which all companies are measured and millennials and Gen Z expect this type of service from everyone they do business with. Don’t expect these generations to wait three days for a quote or until morning to make a policy change. Today’s younger generations will take their business elsewhere and provide feedback about their brand experiences instantly online to thousands of people. The key is to deliver personalized service and access to information in real time across multiple channels.

3. **Omnichannel Service: Be there 24/7**
   Millennial and Gen Z consumers are ready to do business 24/7 and insurance providers must be too. These always-on consumers expect omnichannel service in real time via whatever channel they choose be it in person, phone, web or mobile app. To win and retain millennials and Gen Z consumers, insurance providers must offer these generations the freedom to interact with their businesses anytime, anywhere with access to insurance information, documents, online bill pay and messages at their convenience.
4 Search and Reviews: Show up

When millennials and Gen Z need answers, they go online and search engines are their first stop. To be found, insurance providers must implement a search engine optimization (SEO) strategy. In addition to appearing at the top of search engine results pages (SERPS), web content must be mobile-friendly. Younger adults, especially Gen Z who grew up carrying the internet in their pockets on a smartphone, are extremely comfortable using phones to browse the internet and expect the experience to be on par with personal computers. Another consideration is user-generated content (UGC). Compared to the generations before them, millennials and Gen Z are less trusting of brands. Instead, they tend to trust individuals, which makes review sites with UGC an extremely important channel for insurance providers to pursue. Given that 85% of consumers trust online reviews as much as personal recommendations, it’s imperative for insurance providers to create and maintain a process that encourages customers to leave online reviews.

5 Who Are You? Tell your story

Exposed to between 4,000 and 10,000 brand messages every day, consumers in general have become increasingly skeptical of advertising. However, that skepticism is even greater among millennials and Gen Z. The days of the hard sell are over. These generations are tired of being sold to and have a high distrust of advertising and overly polished brands. Instead, they seek authenticity and transparency, and tend to champion brands that share their values.

Every business has an origin story. This, combined with the core mission of an insurance business — to protect what matters most in people’s lives — are the key ingredients of a very powerful narrative. By sharing this heritage and sense of purpose, insurance providers can humanize the brand, leading to enhanced trust and more meaningful relationships with today’s younger generations.
Demographics

Generational Breakout

50% 50%

Generational

- Millennial*
- Gen Z*

*With quotas to ensure an even gender split.

Geographical Regions

30% 50% 10% 10%

The Next Generations and Insurance: Understanding Buying Behaviors and Preferences of Younger Adults
References:
6 Google Consumer Barometer Study
7 Insurance for the Generations: Marketing to Boomers and the Millennials, V12Data.
9 Ibid.
10 Ibid.

This report was prepared by Applied Systems, Inc.

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