:: A SURVEY AND REPORT FROM INVEST AND APPLIED ::

THE FUTURE OF INSURANCE

Bye-Bye Boomers, Hello Digital Natives

APPLIED

WITH NEARLY 10,000 BABY BOOMERS RETIRING DAILY IN THE UNITED STATES,[1] THERE HAS BEEN MUCH EMPHASIS ON GENERATIONAL SHIFT AND ITS IMPACT ON BUSINESS FROM BOTH A WORKFORCE AND COMMERCE STANDPOINT. Of those baby boomers retiring each year, approximately 65,000[2] are employed in the insurance industry, which means the insurance firms of tomorrow need strategies today for attracting future employees as well as clients.

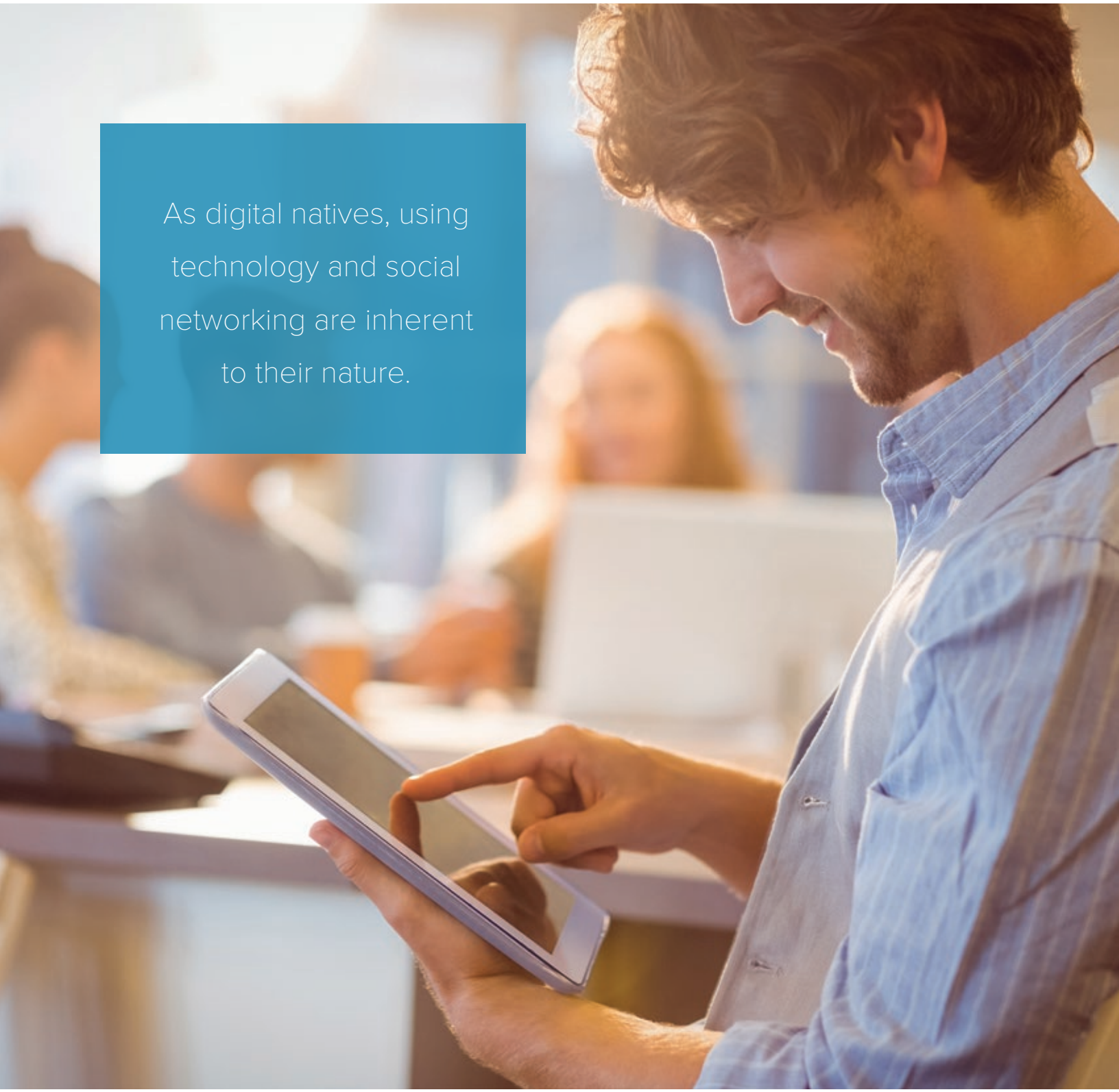
Over the past 30 years, rapid and increased technological innovation has significantly changed the behavior and expectations of those generations coming after the baby boomers, most notably the millennials. Making up roughly 30% of the current workforce, millennials – those born 1980-1996 – have been the most researched generation of all time due to their unique perspectives shaped by unprecedented shifts in business, political, economic and cultural norms.

Who Are Millennials?

Millennials grew up during the height of globalization, technological change and expansive developments in communications technology, specifically the explosive rise of the Internet and social media. As the first digital natives, using technology and social networking are inherent to their nature. Social and connected, 80% of millennials visit social media sites daily and send upwards of 100 texts per day.[3] They're a sizable group of more than 80 million and outnumber all prior generations including baby boomers. Millennials are also highly educated. One in four has a bachelor's degree, making them the most educated generation ever. Unsurprisingly, millennials are 2.5 times[4] more likely to adopt new technology than their older counterparts.

In a nutshell, millennials:

- Want to make a difference
  - They intend to make an impact on the world
  - As employees, they ask for more responsibility sooner than expected
  - As consumers, they look for socially conscious brands and businesses
- Are digitally connected and social
  - They openly share their opinions
  - They look to friends and family for referrals and opinions via text and social media
  - Opinions go both ways with positive and negative testimonials
- Bring focus and energy to their jobs
  - They are collaborative and positive
  - Teamwork comes naturally to them
  - They have been conditioned to multitask
  - They are focused on their goals and are hard workers from a very young age



As digital natives, using technology and social networking are inherent to their nature.

GENERATION Z

On the Heels of the Millennials

A new generation is on the cusp of overtaking millennials. While the oldest are just now entering college, Generation Z – those born 1997-present – represent a quarter of the U.S. population or 60 million individuals. Growing every day and soon to outnumber millennials, Gen Z are the workers and consumers of tomorrow with billions in spending power so marketers are now desperately trying to understand who they are. While there are similar qualities that Gen Z share with millennials, there are distinct differences between the two as well. Knowing what these are will help insurance agencies navigate the hiring and servicing of both generations for continued business success in the future.

Gen Z vs. Millennials: A Comparison

AT FIRST GLANCE, GEN Z LOOK SIMILAR TO THE MILLENNIALS: THEY'RE DIGITALLY SAVVY AND CONSTANTLY USING SOCIAL MEDIA. At the same time, unlike millennials, this generation grew up swiping screens before walking, taking laptops to school instead of books, and carrying the Internet in their pockets on a smartphone from the start. If anything, when it comes to technology, Gen Z are an extreme version of millennials and therefore sometimes referred to as "millennials on steroids."[5]

"They [Generation Z] are millennials amplified. The minute they were born, they already had a domain name and a Facebook profile and Twitter feed. Social media is second nature to them. Even members of Gen Z who don't necessarily think they're tech savvy absolutely are. Technology is as an extension of their self-expression." - Dan Schawbel, the managing partner of Millennial Branding, a New York-based consulting firm and the author of "Promote Yourself."

While being online is a natural habitat for Gen Z, they are known for selective consumption rather than excessive consumption. They favor more private social platforms such as Snapchat, Secret and Whisper, and use the Internet as an educational and research tool as opposed to seeing it as a place to get discovered or publically share everything with everybody the way millennials have.

Millennials tend to curate content for sharing on the Internet. Gen Z on the other hand prefer to create things of their own by editing videos and images into something completely new. They thrive on learning new skills and have a strong entrepreneurial spirit.

Gen Z have quick attention spans and a penchant for snackable content that's short and sweet. Thus, they prefer to communicate with visuals in the form of emojis, pictures, videos and GIFs rather than text. The downside here is that not only is it difficult to get their attention, it's even more difficult to keep it.

Having come of age in a post-9/11 world, the Great Recession and a time of fast-changing social norms such as increased racial diversity and shifting gender roles, Gen Z are more mature, self-directed and resourceful. Having seen many of the hardships experienced and missteps made by millennials, Gen Z tend to be future-focused realists who self-educate through DIY culture and seek to make an impact on the world as social entrepreneurs.

HOW DO GEN Z AND MILLENNIALS DIFFER?

MILLENNIALS	GEN Z
Present-focused	Future-focused
Optimists	Realists
Tech Savvy: 2 screens at once	Tech Innate: 5 screens at once
Digital Natives	Social Natives
Communicate via text	Communicate via images and emoticons
Seek freedom and flexibility	Seek security and stability
Transparency: Share everything	Private: Judicious sharing
Share stuff	Create stuff
Want to be discovered	Want to work for success

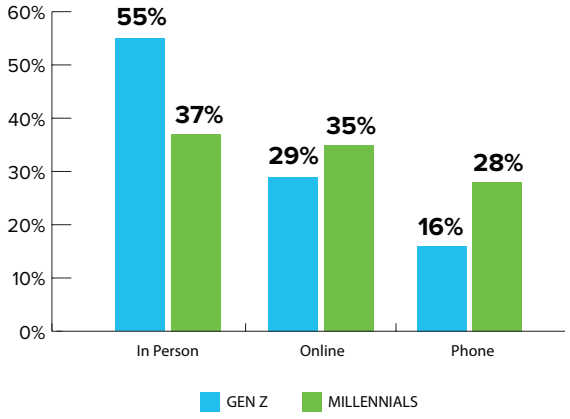
Source: Sparks & Honey

SURVEY: Gen Z and Millennial Preferences When It Comes to Insurance

To better understand and provide insight into what Generation Z are looking for in terms of insurance service providers and careers, Applied Systems collaborated with InVEST, a school-to-work insurance program, to conduct a first-of-its-kind survey of this post-millennial generation. This survey was conducted among a sample of 1,744 Gen Z consumers, 16-19 years of age. A portion of the Gen Z survey responses were then compared to millennial responses taken from an Applied Systems-sponsored survey of 1,000 individuals between the ages of 18 and 34 (survey conducted by ORC International, 2014).

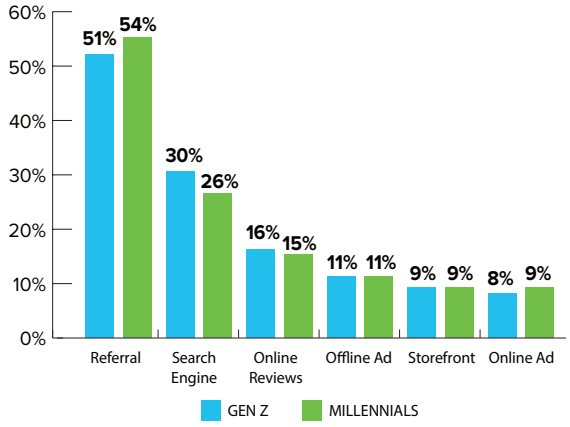
The findings illustrate how both generations prefer to shop for insurance coverage and interact with insurance firms. Even though significant differences exist between Gen Z and millennials, when it comes to their insurance purchasing and servicing preferences, these generations are quite similar.

QUESTION: HOW DO YOU PURCHASE AUTO INSURANCE (OF THOSE WHO HAVE IT)?



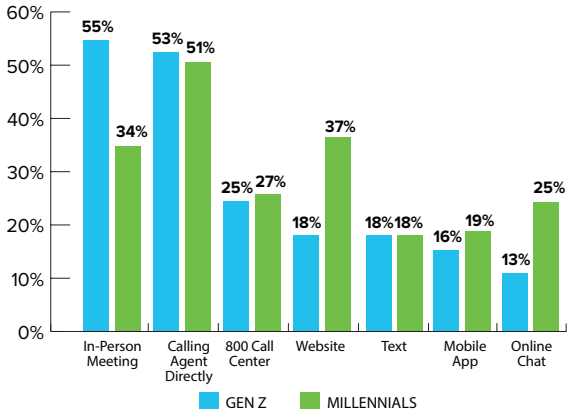
When purchasing insurance, Gen Z and millennials both highly value an in-person meeting with an agent. However, it's important to note that "in-person" doesn't necessarily mean physically in person. Gen Z in particular consider communication using tools such as Skype, FaceTime, etc. to be face-to-face because they offer full sight, sound and motion.

QUESTION: HOW DID YOU (OR WOULD YOU) FIND YOUR CURRENT INSURANCE PROVIDER?



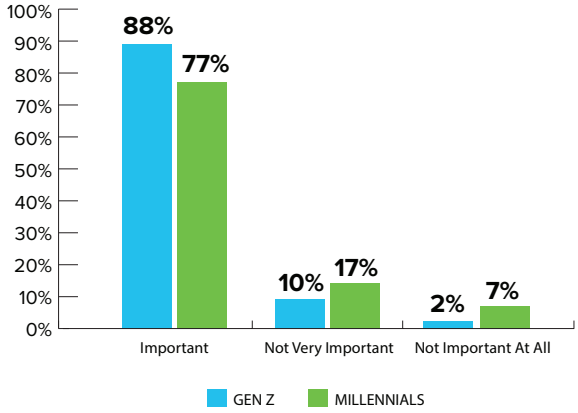
For both Gen Z and millennials, family and/or friend referrals have the greatest influence on how they find an insurance provider. Both generations rely heavily on their social networks for referrals.

QUESTION: WHICH OF THE FOLLOWING COMMUNICATION CHANNELS WOULD YOU PREFER TO USE WHEN INTERACTING WITH AN INSURANCE PROVIDER?



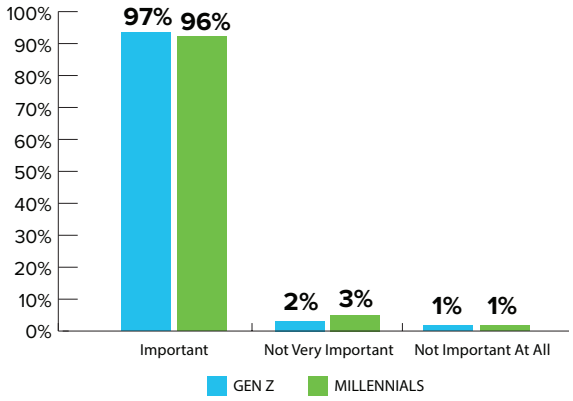
As "social natives," once they have insurance, Gen Z prefer to meet in person (which could simply mean meeting face-to-face via technology such as Skype, FaceTime, etc.) or talk over the phone with their agent. Millennials are happy to communicate with their agent over the phone or through a website.

QUESTION: WHEN THINKING ABOUT PURCHASING INSURANCE, HOW IMPORTANT WOULD ACCESS TO INFORMATION AND SERVICE VIA A MOBILE APP BE TO YOUR DECISION?



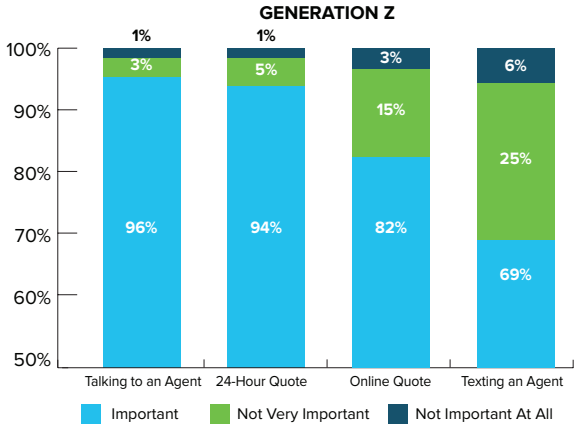
For both Gen Z and millennials, access to information and service via a mobile app is important to their choice of an insurance provider.

QUESTION: WHEN THINKING ABOUT PURCHASING INSURANCE, HOW IMPORTANT WOULD 24/7 CUSTOMER SERVICE BE TO YOUR DECISION?



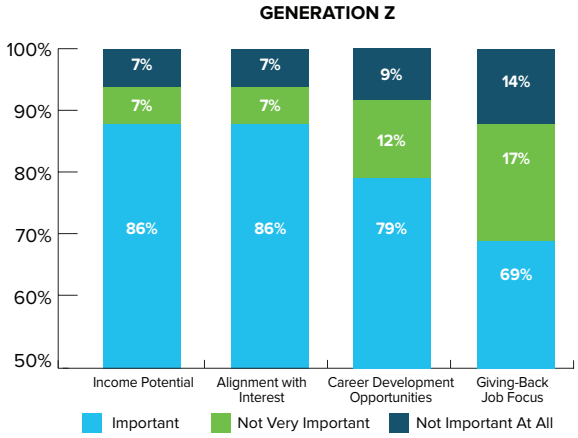
For both Gen Z and millennials, 24/7 customer service is important to their choice of an insurance provider. This isn't simply a "nice-to-have" either. As a result of having grown up connected to an "always on, always available" information source via the Internet, members of both generations expect 24/7 customer service via multiple channels.

QUESTION: WHEN THINKING ABOUT PURCHASING INSURANCE, HOW IMPORTANT WOULD THESE FACTORS BE TO YOUR DECISION?



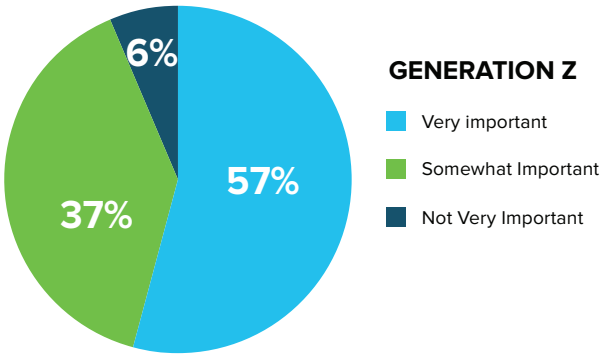
For Gen Z, being able to talk directly with an agent and getting a quote within 24 hours are most important to their choice of an insurance provider.

QUESTION: WHAT DO YOU VALUE MOST WHEN CONSIDERING CAREER OPPORTUNITIES?



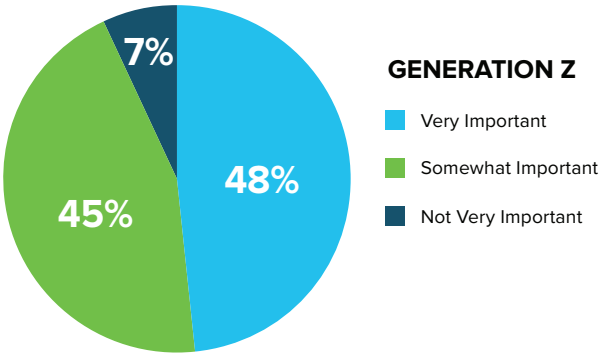
For Gen Z, income potential and a job that aligns with their interests are equally important to their choice of a career.

QUESTION: HOW IMPORTANT IS IT FOR YOU TO WORK FOR A COMPANY THAT PROVIDES FLEXIBILITY TO WORK OUTSIDE THE OFFICE?



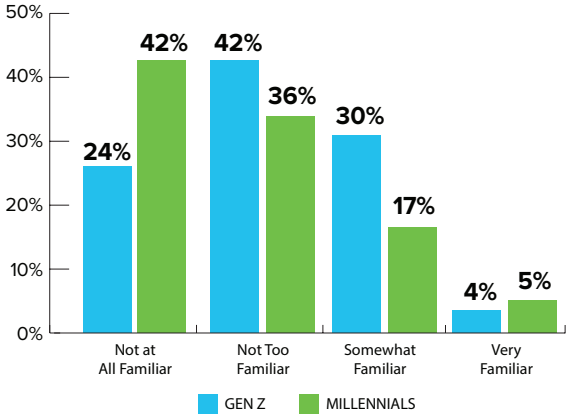
94% of Gen Z respondents consider having flexibility to work remotely to be important in their choice of a company to work for.

QUESTION: HOW IMPORTANT IS IT FOR YOU TO WORK FOR A COMPANY THAT STRIVES TO BE INNOVATIVE?



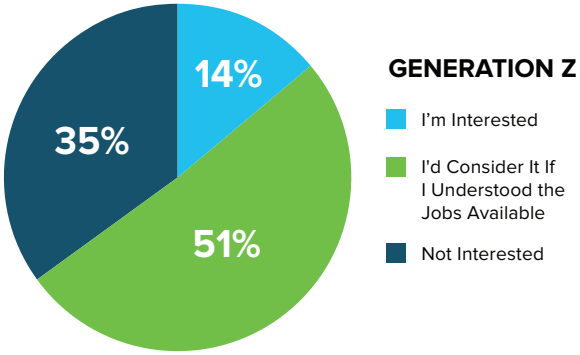
93% of Gen Z respondents consider working for an innovative company to be important.

QUESTION: HOW FAMILIAR ARE YOU WITH THE INSURANCE INDUSTRY?



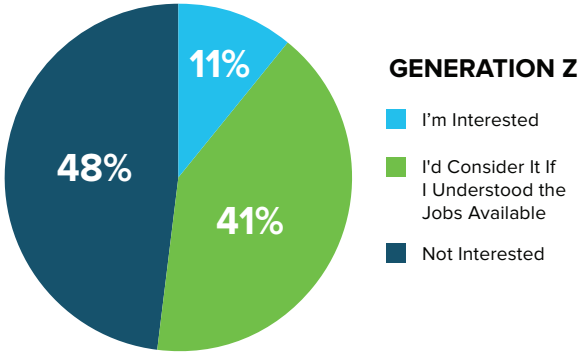
While Gen Z is only slightly more familiar with the insurance industry than millennials, more than 60% of Gen Z and millennial respondents feel unfamiliar with the industry.

QUESTION: WHAT IS YOUR CURRENT THOUGHT ON PURSUING A CAREER IN RISK MANAGEMENT?



There is an opportunity to better educate Gen Z about what risk management is to increase the likelihood of getting those who would consider a career to actually being interested in a career.

QUESTION: WHAT IS YOUR CURRENT THOUGHT ON PURSUING A CAREER IN THE INSURANCE INDUSTRY?



The only difference between the wording of this question and the previous one was that "insurance industry" was substituted for "risk management." From the responses, it appears that Gen Z perceive risk management to be a more attractive career pursuit versus insurance. While this reinforces the need to educate Gen Z about the industry as a whole, it also reminds us we need to communicate differently to make insurance more appealing to this generation.

Key Takeaways

MILLENNIALS AND GEN Z CONSUMERS ARE ATTRACTED TO INSURANCE FIRMS THAT PROVIDE THE CUSTOMER-CENTRIC, MULTICHANNEL EXPERIENCES THEY'VE BECOME ACCUSTOMED TO IN OTHER INDUSTRIES. The role of an insurance provider as a "trusted advisor" is highly valued by both generations, but they also have an appetite for online service technology and mobile access to agents. On-demand, 24/7 digital access to service and information is very important and definitely influences their choice of insurance provider.

To recruit these generations as future talent, there is work to be done and soon. According to a recent article in *Insurance Journal,*[6] "Almost half of insurance industry professionals are over age 45, with 25% of the industry expected to retire by 2018. What's more, there will be 400,000 open positions by 2020."

With such a considerable segment of the workforce on the verge of retirement, independent agencies need strategies to turn millennials and Gen Z toward insurance careers. Both groups will need some educating and convincing that insurance is an innovative and rewarding career to consider. Insurance firms may need to rethink some traditional business practices and provide greater flexibility to these newer generations.

For insurance to be an appealing career option to millennials and Gen Z, insurance firms must demonstrate that they are:

> INNOVATIVE: Using digital technology to transform business operations

> SERVICE-DRIVEN: The fundamental purpose and promise of the insurance industry is to protect what matters most in people's lives and therefore aligns with personal interests to serve others

> SECURE AND SUSTAINABLE: Even in an uncertain economy, insurance has longevity on its side and offers security in the fluctuating job market

> ENTREPRENEURIAL AND PROFITABLE: Owning an independent agency can be a successful and profitable career for individuals seeking to start and run their own businesses

> FLEXIBLE: Provide the option to work remotely via mobile access

"Almost half of insurance industry professionals are over age 45, with 25% of the industry expected to retire by 2018."

Source: *Insurance Journal* May 1, 2015

This report was prepared by InVEST and Applied to share insights on emerging trends in the industry.

ABOUT INVEST

As a 501(c)(3) educational trust, InVEST benefits from the support of numerous insurance organizations, hundreds of agencies, brokers and volunteers. The program provides the insurance industry with motivated, talented and intelligent professionals through a support structure of state associations, board members, national staff, teachers and the many industry professionals who work in the field as classroom liaisons.

Founded in 1970 and based in Alexandria, Va., InVEST promotes insurance education in order to attract individuals to pursue a career in the insurance industry. Each year, the program prepares thousands of students for insurance-related careers with a hands-on curriculum taught in high schools, adult education centers and colleges. The high school curriculum is a business-education program that utilizes a hands-on approach which simulates an insurance agency and company operations to prepare students for various business careers and create more knowledgeable insurance consumers. At the college level, InVEST is an information-intensive curriculum of risk management and financial services. These courses provide students with a working knowledge of the basics needed to pursue careers in the insurance industry. For more information, go to www.investprogram.org.

Founded in 1896, the Big "I" is the nation's oldest and largest national association of independent insurance agents and brokers, representing a network of approximately a quarter of a million agents, brokers and their employees nationally. Its members are businesses that offer customers a choice of policies from a variety of insurance companies. Independent agents and brokers offer all lines of insurance — property, casualty, life, health, employee benefit plans and retirement products. Web address: www.independentagent.com.

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[1 & 2] Fields, Kenneth L. CIC, CPCU. "Opportunity is knocking: As boomers retire, take advantage of new relationships." Property Casualty 360 July 12, 2015

[3] "Millennials in Motion" (video) YAYA Connection 2013.

[4] "Thematic Investing: Generation Next." Bank of America Merrill Lynch Report July 8, 2015

[5] "'Millennials on Steroids': Is Your Brand Ready for Generation Z?" Knowledge@Wharton Blog September 28, 2015

[6] "How to Interest Millennials in Insurance Careers." Insurance Journal May 1, 2015.

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