Despite grasping the importance of a stable financial future, Millennial (or Generation Y) adults under 40 appear in no rush to buy Life cover. One explanation is an emphasis on the here-and-now of work and leisure relegates insurance well down the Millennial’s list of priorities. The global financial crisis has undermined their confidence in the investment performance of insurance products and repeated mis-selling scandals have further eroded their trust in the protection market. The traditional stages of life, which acted as nudges for past generations to buy Life insurance, may resonate rather less with Millennials. More tellingly for insurers, the indifference of Millennials could result from the industry’s failure to engage them with products that have flexible appeal and simple routes to ownership. With stagnant or falling levels of new business in some markets, the time is ripe for insurers to engage.

Technology is generating new digital health data that could be important for risk assessment and control – if only insurers could access it. Perhaps even approaching the protection market is daunting for people familiar with electronic shopping for products and the gamification of services. The question for insurers is how best to unlock this important new market.

Milestones and signposts

The protection market has long relied upon the traditional milestones of life to prompt demand for its products. Some Life insurance policies even explicitly include benefit increase options linked to key future events such as getting married or having children. Could changes in demographic trends be dampening the importance of these milestones and begin to explain why so few Millennials take out Life policies?

Marriage rates have fallen steadily in the UK. The average age at which men first got married increased from 25.4 years in 1981 to 30.2 in 2012. For women the figure increased by 7.1 years in the same period, from age 23.1 in 1981 to 30.2 in 2012. Marriage in the under-25s has all but disappeared – nowadays around half of 20-year-olds are predicted to marry, while 40 years ago almost all of them married.
As the trend is away from marriage, a decision to buy insurance for family protection will probably follow the same track. The many people who form relationships not based on marriage may also question the need for Life cover.

In addition many young people are excluded from home ownership due to toughened mortgage lending, the surging cost of property and the shortage of affordable homes. The average entry age to the property market in the UK has increased from 26 to 35 over the past decade. People living in prime areas face the prospect of becoming home owners at ages above the national average. Today 8.5 million people opt to rent property and the number of “Generation Rent” is expected to grow. The link between Life insurance and the mortgage market will likely suffer as a consequence.

We’re not buying it

The fundamental question is whether Millennials should be buying Life insurance when they delay making financial commitments, rendering debt repayment and family protection much less pressing needs. In a bid to understand the motivation the opinions of a sample of Gen Re co-workers, friends and their families, all age 18 to 40 years-old, were surveyed. Participants were asked questions about the overall appeal of Life insurance and their willingness to disclose personal data to obtain it.

In this study, the low number with Life insurance, excluding that which has been provided through an employer group scheme, is striking (see Figure 1). The majority of people with an individual policy are in their late 30s, married or co-habiting, and living in rented or mortgaged property. Of this group, 80% have children. In contrast, those with no Life insurance are under age 30, with one-in-five living with a partner and just 8% having children. The obvious differences in respondents’ personal circumstances appear to reaffirm that key milestones do continue to underpin the decision to purchase Life insurance for some people.

The survey asked the individuals for the reasons they do not buy Life cover (see Figure 2). Although cost is not a principal barrier many people fail to see the need for Life insurance when they have neither a family nor a mortgage. While protection providers may convince themselves that premiums...
must simply be lower to make Life insurance attractive, the survey suggests the traction for young people does not revolve around price. This insight suggests that the protection market should acknowledge that Income Protection, Critical Illness cover and pension provision may be more relevant in meeting the needs of this target market.

Respondents were asked if they purchased other insurance products, in order to determine if there is a general negative consensus towards insurance or if it is Life cover alone that fails to attract young people (see Figure 3). Insurance for home contents appeals equally to those who rent or have a mortgage; the survey group was split 50/50 in favour of it. People are more willing to insure a mobile phone or take out travel insurance than buy Life cover. Perhaps this says less about young peoples’ sense of self-worth and much more about the way Life insurance is currently sold?

The results of this small survey need careful review to ensure that statistical outcomes are not over-interpreted or projected across a much larger demographic. Nevertheless, it provides some directional, if not projection-able, insight that is equally compelling.

**Distribution and data**

Almost 90% of 25- to 34-year-olds in the UK own a smart phone and around a third purchase goods using one.\(^7,8\) Modern distribution revolves around online shopping and rapid fulfillment, yet most Life insurance is sold through financial advisor and broker networks. Could the low penetrance of the Millennial market suggest these channels lack appeal to young customers?

In future, Life insurers may wish to engage with Millennials differently. They may not be attracted by traditional channels but could respond to distribution linked to health and fitness applications for their smart phones. Wearable fitness devices could also be used – and not just to collect data. Devices and apps could direct people to insurers’ websites where they could begin a simplified application process.

Digital health data may provide a new dimension of rating factors that could enable premiums to be calculated on a more individual basis. Young healthy people confirmed as low risk would receive reduced premiums. Although the survey showed price is not a major deterrent to buying Life cover, the offer of financial incentives based on a healthy lifestyle could incline people to share their personal data with insurers. There are moves to capitalise on the philanthropy of individuals willing to share personal data in the wider context of medical research.\(^9\) If this initiative proves successful it could shape the future of the methods by which many industries, including insurers, collect and analyse data.

There is undoubted scope for Life insurers to develop and enhance current pricing methods based on personal data. The survey found almost 60% of people would share data with an insurance company in exchange for a reduced premium. Specifically on blood pressure, cholesterol level, calorie intake, sleep and exercise patterns, 60% would share all and 80% at least three. People said the most convenient method to track these would be using a smart phone, mobile application or a wearable device.

Ownership, protection and the privacy of personal data remain complex issues. It seems likely that data from wearable technology used for business purposes, or processed by organisations, will be subject to obligations under current data protection legislation. As more personal data is collected discretely by devices and wearables it is important that any use of it remains within the reasonable expectation of users; as technology develops, the privacy rights of the data subject must remain a priority.

**Conclusion**

Although Millennials would benefit from doing more and earlier financial planning, insurers wishing to attract them face a challenge. There is reason to believe many of them will accept the industry using personal data responsibly and effectively to benefit both parties. As people become aware that sharing data with Life insurers could benefit them, perhaps what the insurance industry once considered unattainable or intrusive may become commonplace and accessible.

Similarly, as the motor insurance sector has adopted innovative technology that rewards careful drivers, the combination of new technology and a different attitude of the young generation is likely to stimulate new developments in the life insurance industry.
Endnotes

1 The term “Millennial” is widely credited to William Strauss and Neil Howe and their 1991 work “Generations: The history of America’s future, 1584 to 2069”. It generally identifies the generation of people born between the early 1980s and early 2000s. This group is also known as “Generation Y” – a label first used in an editorial in Advertising Age in 1993.


5 http://england.shelter.org.uk/campaigns/building_more_affordable_homes/rent_trap.

6 Sample size 60.

7 Technology Tracker Q1 2014, Communications Market Report, Ofcom.


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