

Generation **Y**

Prudential Individual Life Insurance

Research Report March 2010

Reaching
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Prudential

It only takes reading some of the nation's most respected newspapers to get the impression that Generation Y, the group of children born between 1979 and 1994, is different. Since 2004, articles have been published about this group of consumers with less than glowing comments.

- A *CBS News* article stated that some Gen Yers are, "Absolutely incorrigible. It's their way or the highway. The rest of us are old, redundant, [and] should be retired."¹
- Emma Johnson of MSN Money declared, "20 and 30 somethings are in a financial mess."²
- Kelly Mooney of the National Retail Federation was quoted as saying Gen Yers "think they know more than the person selling them something" in an article for *USA Today*.³
- "Gen Y has been pampered, nurtured and programmed with a slew of activities since they were toddlers, meaning they are both high-performance and high-maintenance," says Bruce Tulgan of Rainmaker Thinking.⁴

These characterizations seemingly contradict the assertion made by some that Generation Y is the future of the life insurance industry. *National Underwriter* invited readers to "Reach Out to Gen Y and Grow with it" while Deloitte is offering companies strategies to help them begin "Insuring the Catalyst Consumer," and LIMRA wants companies to "Capture the Younger Generations."^{5,6,7}

Over the past year, the Individual Life Insurance (ILI) business of The Prudential Insurance Company of America (Prudential) completed a multi-phased research project that sought to separate fact from fiction and to determine if younger, individually less affluent Gen Yers were a viable market in which to sell life insurance. There were three important questions to which we sought answers:

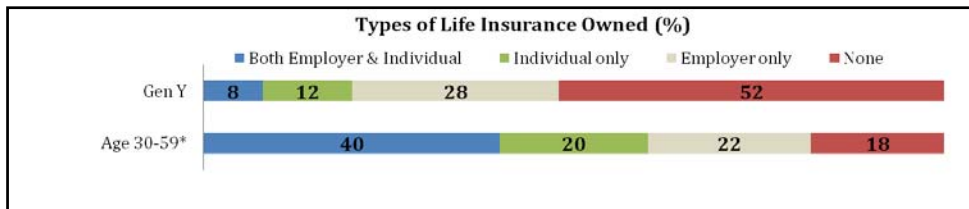
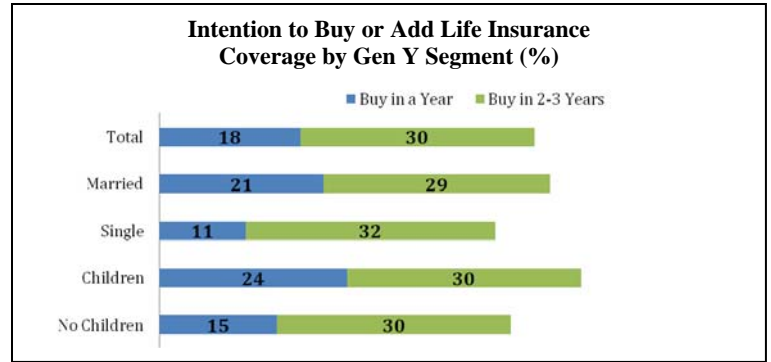
1. Will Generation Y buy life insurance?
2. If so, how does Generation Y wish to purchase?
3. How and where do we communicate with Generation Y about our products, services, and brand?

Four external Generation Y consumer focus groups, three internal Generation Y focus groups from our Individual Life Insurance associates, and over 1,500 Internet-based survey responses later, Prudential had the answer.

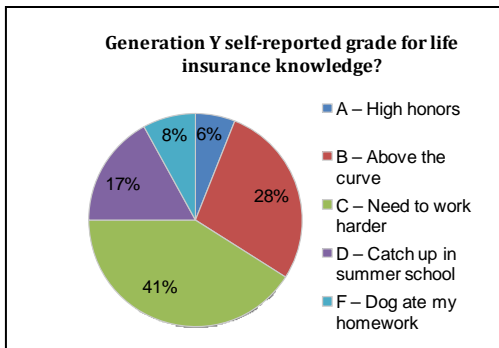
In order to reach Generation Y, the industry and our company will be required to stop *selling* life insurance. Gen Yers don't want to be *sold* life insurance on the web, in person or over the phone. Rather, Generation Y wants to be empowered to buy. In other words, they want education about life insurance, to better understand how life insurance fits into their lives, and to be provided with an easy way to purchase the product.

Gen Y Will Buy Life Insurance

The single most significant insight that emerged from the research was that Generation Y *will* buy life insurance. On the Internet-based survey, 48% of Gen Yers stated that they had intentions to buy, or add life insurance coverage within the next three years, and nearly 20% plan to buy life insurance within one year. That's compared to a 2005 LIMRA study which found that 27% of consumers from all ages intended to purchase life insurance within one year.⁸ Add their intent to purchase to the fact that one in three people who moved, got married, or changed jobs were members of Generation Y.⁹ Together, Generation Y has collective annual income of \$1.89 trillion, and some estimates put the size of this group at over 70 million.¹⁰ In addition, Gen Y's earnings are expected to increase by 85% during the next decade to \$3.5 trillion, exceeding Baby Boomers' earnings by \$500 billion.¹¹ One thing is certain: Gen Y is a very viable market for life insurance.



Education



Gen Yers understand life insurance as a concept: it pays out money upon the death of the insured. However, the knowledge doesn't go far beyond that. The complexities of pricing, product types, and the underwriting process are lost on most of this group of consumers. In addition, many couldn't name a single type of life insurance in some of the focus groups.

Those who knew of products like term and universal life couldn't explain how the products worked or what distinguished them from each other. Generation Y has no idea that it's *not* common to complete the purchase of a life insurance policy online, as 60% stated that the "best deals in life insurance are found on the Internet."

Not only are the members of Generation Y generally unknowledgeable about life insurance, but they also have no idea how much it costs. Some described it as a luxury item only for the wealthy, while others refused to even state an example of their perceived cost. However, when given prices of typical simplified issue term policies, 60% immediately became more interested in life insurance. They were shocked to find out how inexpensive coverage can be for the average person

*All graphs are based on *Making Life Insurance Relevant to Gen Y* a Prudential report completed in 2009.

INSIGHT

Research revealed that Generation Y sees life insurance as only necessary for those with families, who have high risk jobs or lifestyles, and who are sick, old, or both. According to Gen Yers, individuals who are older need life insurance because of the natural likelihood that they are more susceptible to sickness and poor health. The causes of this perception may stem from a variety of sources, but an exercise in the focus groups revealed a likely culprit. Some of the most recognizable ads among Gen Y consumers featured older people advertising guaranteed issue coverage.

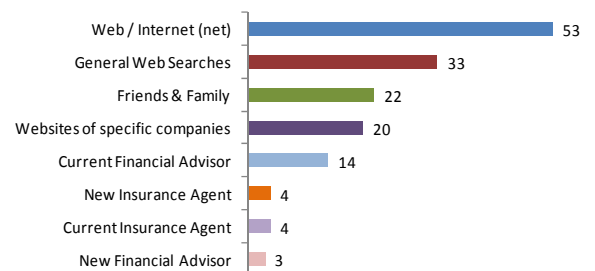
As it relates to families, Gen Y members who didn't have coverage suggested in focus groups that they would need life insurance when they were married or had children, and didn't see the need for coverage without a spouse or child who depended on their income. Those with spouses or children showed more openness to purchasing life insurance immediately and spoke of the need to provide for the remaining members of their family in the event of their passing. The findings changed when life insurance was explained to consumers and when the cost of life insurance was made clear. The distinctions between married consumers and single consumers became essentially non-existent. A majority of Gen Yers, regardless of marital status and the presence of children, were more open to life insurance after receiving more information.

in his or her twenties. They even suggested that the price be accentuated in advertising to better reach Gen Yers. However, once they knew the price, it spawned a myriad of other questions. It seemed that their initial objection to life insurance was its perceived cost. After it was made clear that life insurance was often very affordable, then a door opened to the rest of the information Gen Yers wanted to understand.

- They want to understand the differences in features from term to permanent insurance, and how that affects the price.
- They want to know what they got for the money they spent every month for the life of the term period.
- They want to know the differences in pricing between products, and why that difference exists.
- They want to be able to compare prices online for the best deal and also understand why it typically costs more to purchase completely online. (Even though price isn't always the determining factor.)
- They want to know what happens when the level term period is up if they were still alive.

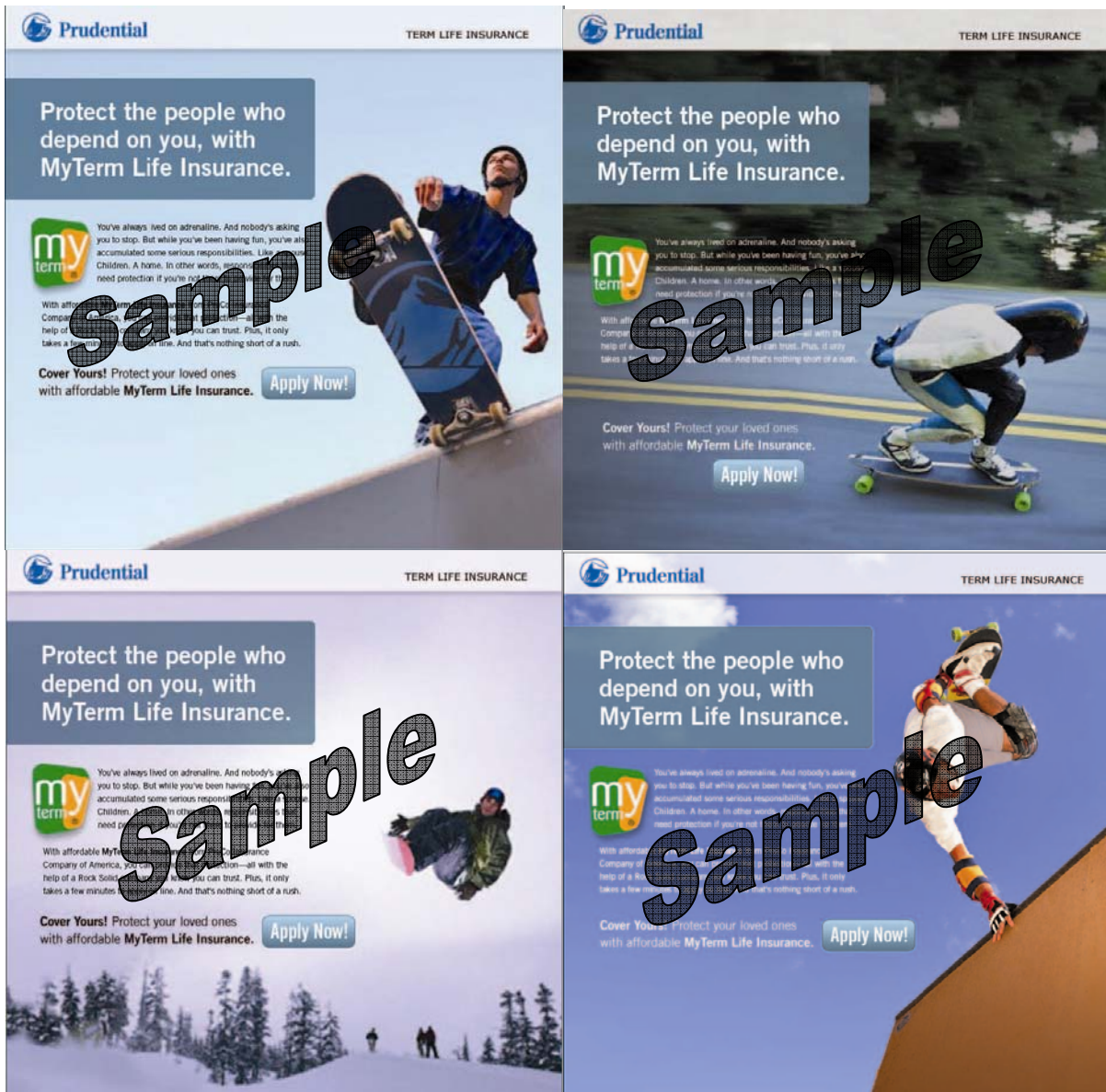
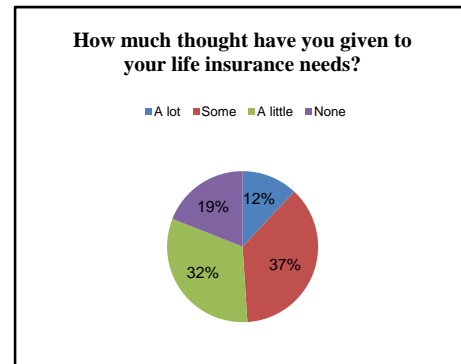
Gen Yers have a lot of questions about life insurance and the industry has the answers. However, 44% said that they don't know to whom to turn for questions about life insurance, and life insurance company websites and agents rank far below other sources of information for this group of consumers. Education has to be at the forefront of any effort to reach Generation Y, but that is only the beginning.

Where Gen Y Would First Turn for Information About MyTerm Life Insurance (%)



Getting Their Attention

Interestingly, 81% of Gen Yers stated that they had given at least “a little” thought to their life insurance needs. However, their lack of individual coverage illuminates the gap between those who’ve thought about life insurance and those who’ve purchased it. The cause may be that 55% of those surveyed agreed that “life insurance companies have not started paying attention to [their] generation.” Gen Yers kept mentioning extreme sports enthusiasts and activities during the conversations about life insurance. As a result, Prudential developed a series of animated banner ads and corresponding landing pages (shown below), inspired by several focus groups completed during the project, to market the online



MyTerm[®] is issued by Pruco Life Insurance Company in all states except New York and New Jersey, where it is issued by Pruco Life Insurance Company of New Jersey. Both are located at 213 Washington Street, Newark, NJ, and are Prudential Financial companies. Policy Form# PFT-2007. Each Issuer is solely responsible for its own financial condition and contractual obligations.

INSIGHT

Overall, more than 7 in 10 members of Gen Y would consider purchasing life insurance online, with a quarter preferring to do so. However, 50% of them still want to talk to an agent at some point during the purchase process. It seems that Gen Y wants a professional who can validate the information they have gathered from other sources. Agents will continue to have an important role in life insurance, but Gen Yers want to drive the sales process using agents as a resource.

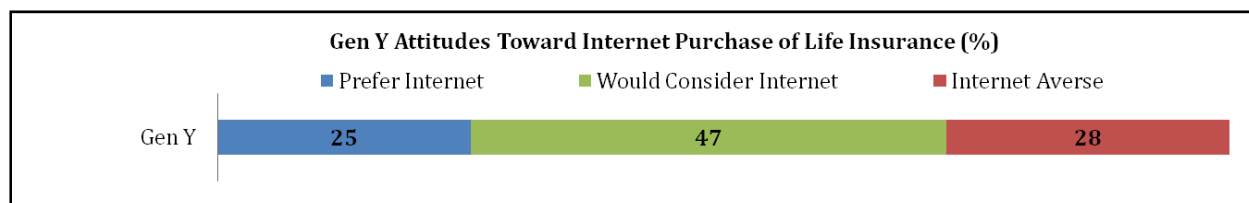
purchase of life insurance to Generation Y. The ads were tested with over 1,500 members of Generation Y, and clearly there was a great deal learned that could be used to reach Gen Yers.

General reactions to the campaign were poor. While Gen Yers recognized the attempt to reach younger consumers through the banner ad campaign, they were not impressed with the way in which it was done. Yes, they want messaging to which they can relate, but also acknowledges the seriousness of the purchase of life insurance. Gen Yers don't want their life insurance company to use "gimmicks" to sell insurance. It seemed that we had gone too far. The messaging and overall ads should most importantly be relatable. Gen Yers want to see people like them who have insurance and are better for it.

An Easier Way to Buy Life Insurance

We currently have a simplified issue term product available over the internet. Therefore, a portion of the test focused on gauging Generation Y reactions to the product. In the survey, 48% found it appealing or very appealing and another 31% somewhat appealing. When asked to compare traditional term policy underwriting to simplified issue, 60% were intrigued because the product generally doesn't require a medical exam. 58% liked that the process was in real time and 43% liked that they did not need to talk to an agent. Simply stated, Gen Yers don't want to be a part of the typical life insurance purchase process. They don't like medical exams, almost half don't want to see an agent, and many think that they should be able to acquire coverage immediately, not in weeks.

Another perspective that was raised in the focus groups was the ability to combine life insurance payments with car insurance and mortgage payments, as well as to have the premiums come directly out of their accounts. In fact, many of those who owned individual life insurance didn't know the specific cost because they had one of these aforementioned arrangements. For this group of consumers, convenience is key, so the work must begin to make acquiring and maintaining life insurance coverage much easier.



Conclusion

Generation Y presents a great opportunity for the life insurance industry. Generation Y can become the first generation of consumers who walk into offices and visit websites already decided on the necessity of life insurance. They can understand the products offered, and purchase them in real time. They may even tell their friends on Facebook and Twitter about their excitement with life insurance. Gen Yers want to understand life insurance, they don't require extreme marketing messaging and gimmicks, they would like to drive the purchase process, and they intend to buy life insurance within the next few years. Essentially, Generation Y wants to be empowered to buy life insurance.

This research project did not dispel all of the stereotypes that exist about members of Generation Y. These consumers like to be in control, and are used to driving the search for information as well as the purchase process. The challenge is for the industry to augment traditional distribution channels and begin to think of all channels as consumer access points. Life insurance should be available for purchase by consumers however they wish to purchase it. Companies should also consider changing life products to become more consumer-facing, so that the consumers, not distributors, can have what they want. Finally, Generation Y must be engaged in a conversation of which social networking is just one part. Marketing messaging has to meet Gen Yers where they are, and allow them to see themselves with life insurance. Generation Y wants to be in control and in order for that to happen life insurance companies have to relinquish some control to them.

Will we empower them?

Notes

1. CBS News. (2007, May 25). The "Millennials" Are Coming.
2. Johnson, E. (2008, April 22). *Why Generation Y is Broke*. Retrieved March 2010, from MSN Money:
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9. Shelvin, R. (2004, August 6). Why Banks Can't Afford to Ignore Gen Yers. *Forrester* .
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11. Deloitte, 2009.

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