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From Trust to Technology
The Tipping Point for Insurance Customers

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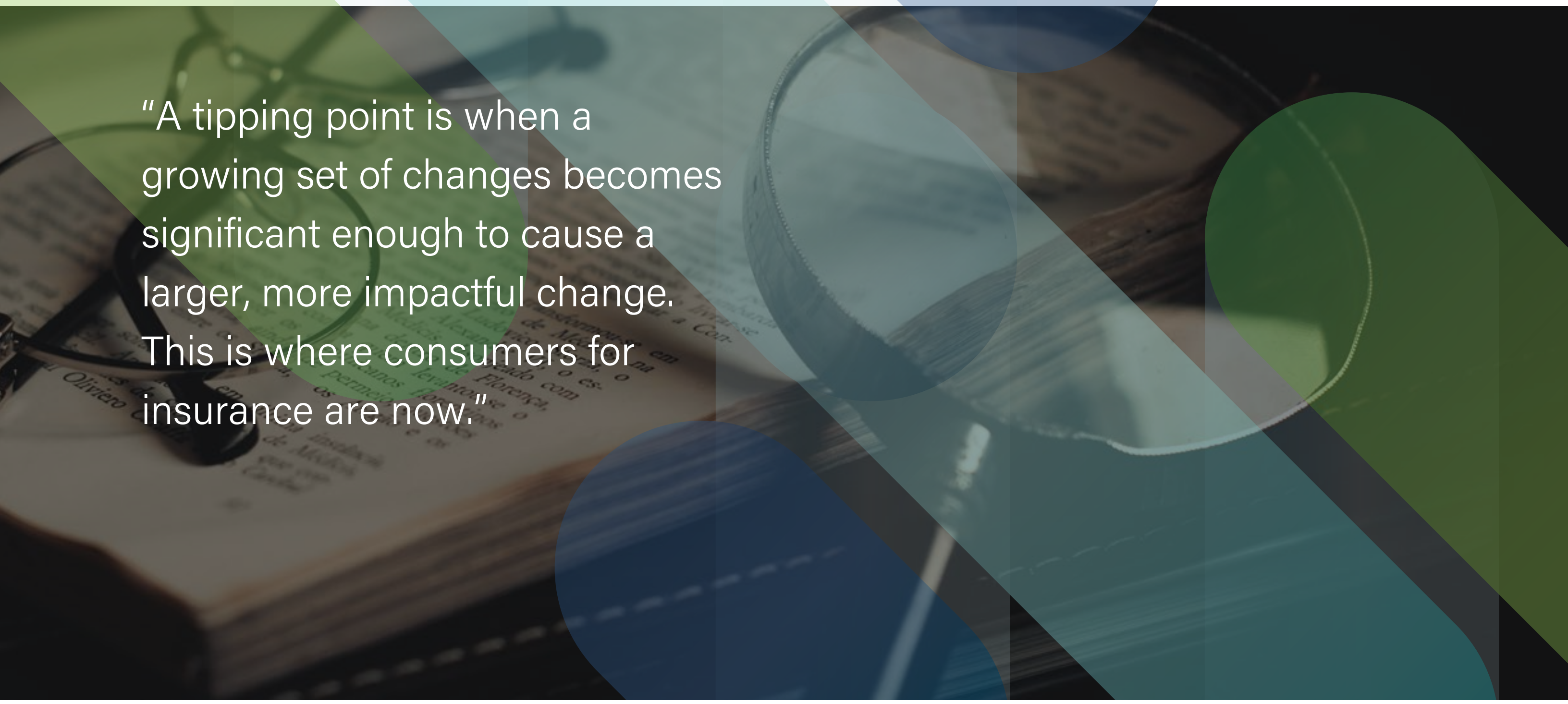


Executive Overview

A tipping point is when a growing set of changes becomes significant enough to cause a larger, more impactful change. This is where consumers for insurance are now.

The key reason is the significantly increased cost of insurance. From health to auto and property insurance, they are all putting increasing pressure on consumers' financial well-being, particularly given lower disposable incomes due to inflation and high interest rates.

This is highlighted in J.D. Power's 2024 U.S. Auto Insurance Study released June 2024.[1] It notes that when customers have a high level of trust in their insurer, customer satisfaction and brand advocacy increase considerably, even in the face of rate increases. However, slightly more than half (51%) of customers say they have little trust in their auto insurer from the survey … not a great place to be, particularly given the price increases and challenges with other insurance lines for life and P&C.

At the same time, we are seeing the impact from the demographic shift of consumers with Millennials and Gen Z in a dominant position as buyers. Based on Statista data for 2023, Millennials were the largest generation group in the U.S. (72.7m), surpassing Baby Boomers.[2] Together, Millennials and Gen Z (69.31m) outpace Gen X (65.35m) and Boomers, and they will continue to be a major part of the population for many years. This is crucially important for insurers as the behaviors, buying, and expectations have at times significant differences between the two generational groups that will require insurers to offer different products, engage them differently, and more. Just consider the following key insights from this research:

- 76% of the younger generation have had to cut back and tighten their budget as compared to 61% of the older generation, highlighting the pressure of price.
- 25% of the younger generation have a second job/Gig work to meet financial needs compared to 10% of the older generation.
- For those employed full time, 71% of the older generation had benefits as compared to only 48% of the younger generation, highlighting the disparity in benefits wanted. In contrast, among those self-employed, 72% of the younger generation had individual L&AH insurance as compared to only 33% of the older generation, once again reflecting behaviors of wanting individual insurance that can move with them as they take different jobs.

- For both generations, 30% have researched/shopped auto insurance for lower rates, and 17% of the younger generation switched due to price, highlighting the declining satisfaction and loyalty. This was less likely for homeowner/renter insurance, but this could be impacted for those seeking discounts by bundling.
- The younger generation would like to share personal data for homeowners, individual life and benefits to get a better product and price as compared to the older generation. Both generations would do so for auto insurance.
- 19% of the younger generation has paid for insurance with a mobile payment app or digital wallet (16%), as compared to less than 10% of the older generation. In addition, 10-13% of the younger generation has received a claims payout this way, as compared to less than 5% of the older generation.
- As it relates to AI and chatbots, 31% of the younger generation has used them on insurer sites as compared to 20% of the older generation. Most importantly, both generations believe they help get the job done easier and quicker and improve the overall experience.

Unfortunately, many insurers are woefully unprepared to meet the demands and expectations of this younger generation. While insurance's traditional products and servicing have always been pivotal in creating peace of mind, new and expanding risks, market dynamics, and evolving needs and expectations of insurance buyers, particularly the younger generation, require new ideas and approaches.

Insurers hoping to capture a new generation of customers while keeping their current ones who also are shifting their expectations, must give serious thought to rethinking their business and technology models to deliver value that today's and tomorrow's insurance customers expect and demand.

Consumer Top-of-Mind Issues

Unsurprisingly, financial topics dominate consumers' top-of-mind issues as seen in Figure 1, with the top three shared by both generational segments: household finances/budget, inflation, and planning/saving for retirement. Gen Z and Millennials' household finances/budget and inflation concerns are steady as compared to the findings in our 2022 consumer survey, while Gen X and Boomers' ratings on both dropped slightly. Both generational segments slightly increased their focus on planning/saving for retirement over 2022.

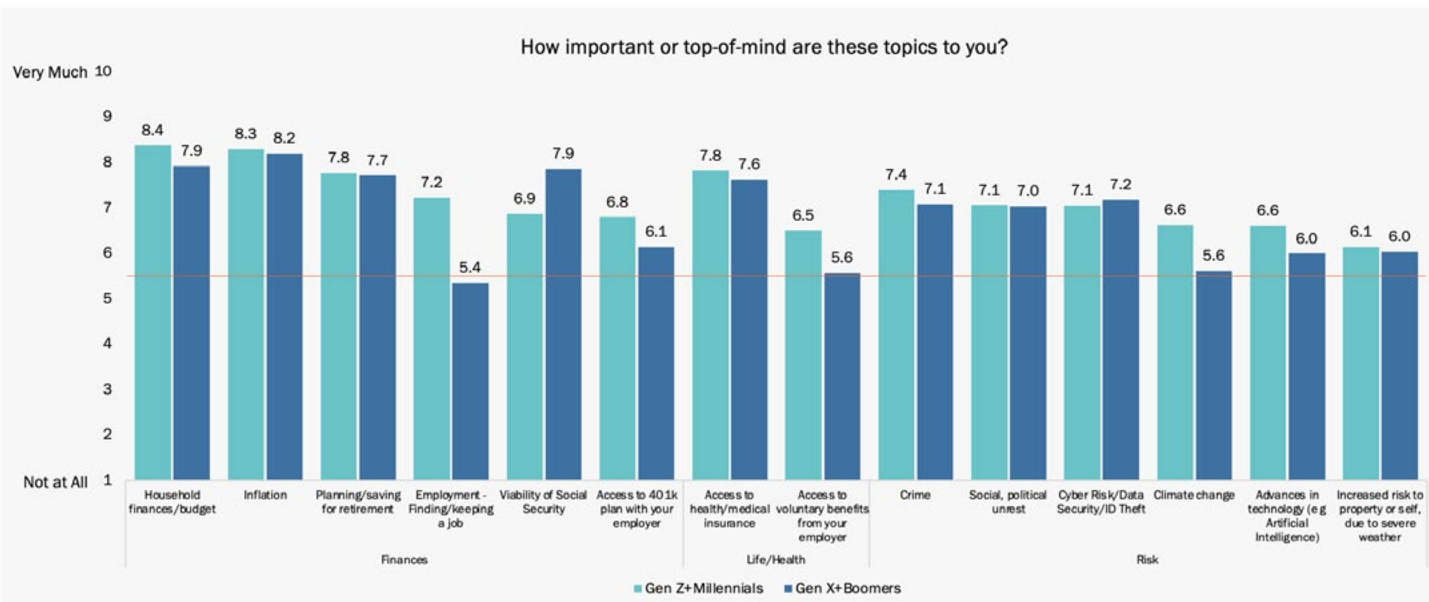
Underscoring these financial/budgeting challenges, a significantly large percentage Gen Z & Millennials (71%) and Gen X and Boomers (61%) said they've cut back on spending/tightened their budget, have a second job for additional income (25%, 10%) and are working as an independent contractor/freelancer/Gig worker (21%, 10%), with an additional 9% of Gen Z and Millennials using their vehicle for ridesharing service.

The financial challenges are reshaping buying and decisions regarding insurance, particularly for the younger generation, who are even more strapped. According to a Washington Post analysis of Bureau of Labor Statistics data, while both generations came of age during an economic upheaval, Gen Z is spending more on necessities than Millennials did at the same age and "has been disproportionately pummeled by rising prices, higher housing costs, larger student loan balances and more overall debt than the Millennials before them."[3]

Today's customers are increasingly disillusioned with the "traditional" insurance approach, creating a loyalty fault line between customers' expectations and insurers' ability to deliver what they want and need. While risk and trust tend to be constants, customers increasingly have no guaranteed loyalty to old models, even from trusted brands. As a result, the rising cost of insurance across all lines and segments is changing buying behaviors and expectations that could have long-term consequences for insurers.

Figure 1

Consumers' top-of-mind issues



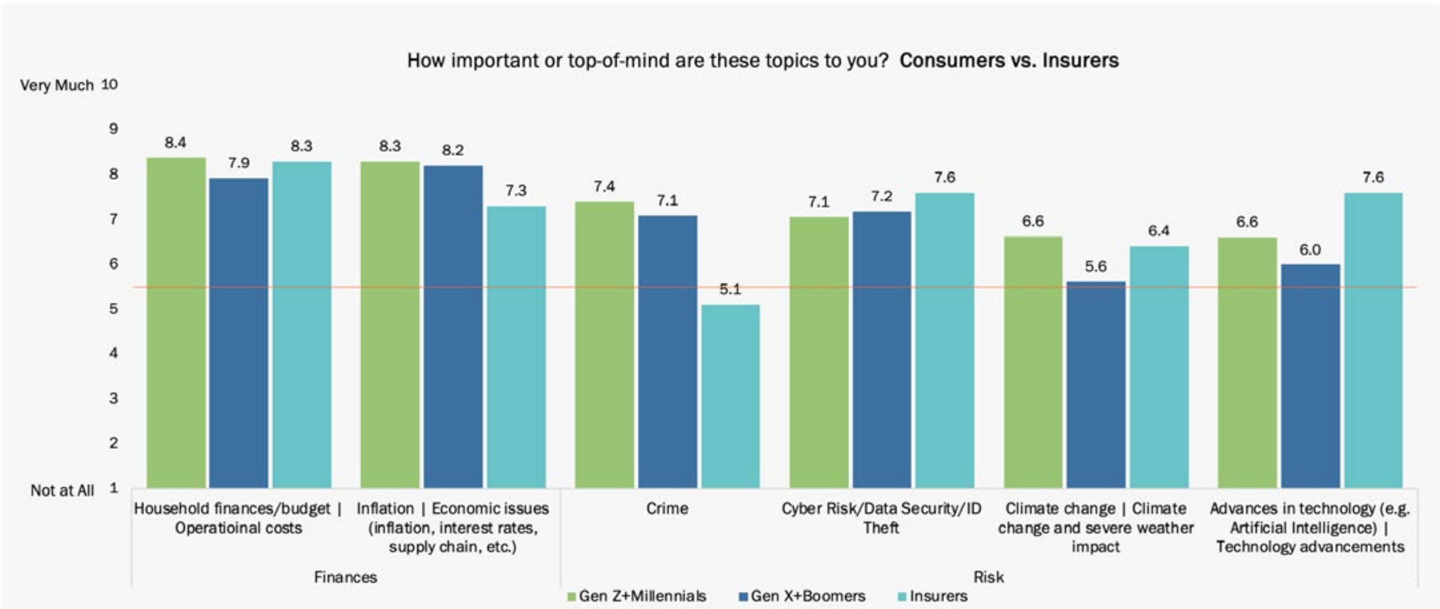
The other three issues in this category reflect the different life stage-based needs of these segments. Gen X and Boomers are nearing retirement and see Social Security as relatively viable for them. However, Gen Z and Millennials are still much earlier in their careers, causing them to be more concerned about employment and access to a 401K plan, reflecting their lower expectation on the viability of Social Security.

Within the Risk category, both segments are tightly aligned on the top issues of crime, social/political unrest, and cyber risk/data security. While they are aligned on increased risks from severe weather, the generations significantly diverge regarding climate change, a strong area of concern for the younger generation across many different market surveys. This divergent view highlights a key difference in developing, marketing and offering insurance to this generation that will address and align with their strong views.

Several of these top-of-mind issues align with insurers' top-of-mind issues covered in our 2024 Strategic Priorities research, as shown in Figure 2, particularly finances and costs and cyber risk. While inflation is consumers' number two issue, it was number six with insurers, but still highly ranked in the top ten and aligned with consumers.

Figure 2

Top-of-mind issues, Consumers vs. Insurers

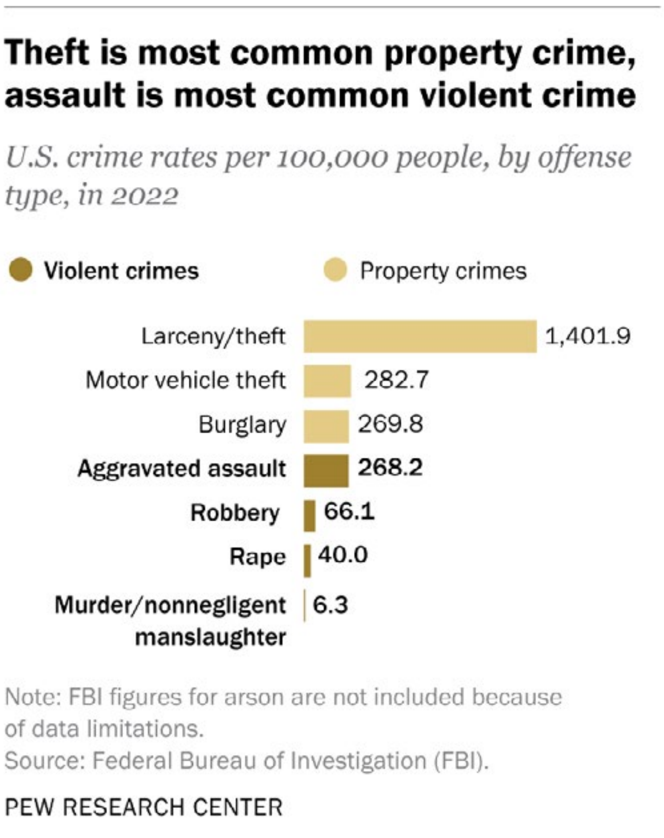


"This divergent view highlights a key difference in developing, marketing and offering insurance to this generation that will address and align with their strong views."

A key difference in opinion emerges on one issue: Crime is a high concern for consumers but for insurers, it is 31% lower than Gen Z and Millennials and 28% lower than Gen X and Boomers. Given the impact of crime over the last few years as reflected in Figure 3 from the Pew Research Center[4] with a heavy focus on property and vehicles, insurers could look to new products and services that can help customers reduce the potential of crime and the correlating risk through technology options, thereby increasing value, trust and loyalty.

Figure 3

U.S. Crime rates, 2022 (Pew Research Center)



Gen Z and Millennial Playbook

Insurers' future relevance and viability is vitally connected to demographic trends, market trends, customer expectations and the adoption of new technologies. If we lose touch with our customers, both current and future, we lose relevance. We lose loyalty. We lose business.

The next generation of buyers, Gen Z and Millennials, are here today. To effectively engage with them, insurers must embrace and implement innovative tactics and best practices that resonate with these tech-savvy, value-motivated, differing lifestyle, and socially conscious generation to educate, engage and offer them the value of insurance and products that align to their personal needs and behaviors.

Insurers must quickly update their mindsets, processes, and technology, or risk being left behind in a state of irrelevance.

P&C Insurance Products

In the survey, we asked both generational groups how they worked – from home, hybrid or at the office. Both groups were similar and averaged 55% who travel to an office, 25% who work at home and 20% who work on a hybrid basis. In addition, 35% of Gen Z and Millennial respondents were renters. Based on those behaviors, we asked each generational group about ownership of homeowners/renters and auto insurance, which showed significant differences as noted in Table 1.

Table 1

Types of insurance owned by method of working

	Gen Z and Millennial		Gen X and Boomer	
	Homeowner/ Renter	Auto	Homeowner/ Renter	Auto
Work from home	57%		79%	
Travel to work		93%		95%
Hybrid	71%	93%	94%	100%

While both generational groups have high auto insurance ownership, there are large gaps for homeowner/renter insurance between them. This highlights the likely differences in home ownership vs. renting and the lack of insurance protection for Gen Z and Millennials, a huge market opportunity for those who can reach this generation.

Given the top-of-mind issue of finances, we asked consumers if the cost of their insurance changed this year, as represented in Table 2. With the exception of renter insurance, overwhelmingly everyone saw an increase for both auto and homeowner insurance, reflecting the growing risk exposures and higher claims costs for these lines of business.

Table 2

Reported changes in P&C insurance costs by Gen Z & Millennial customers

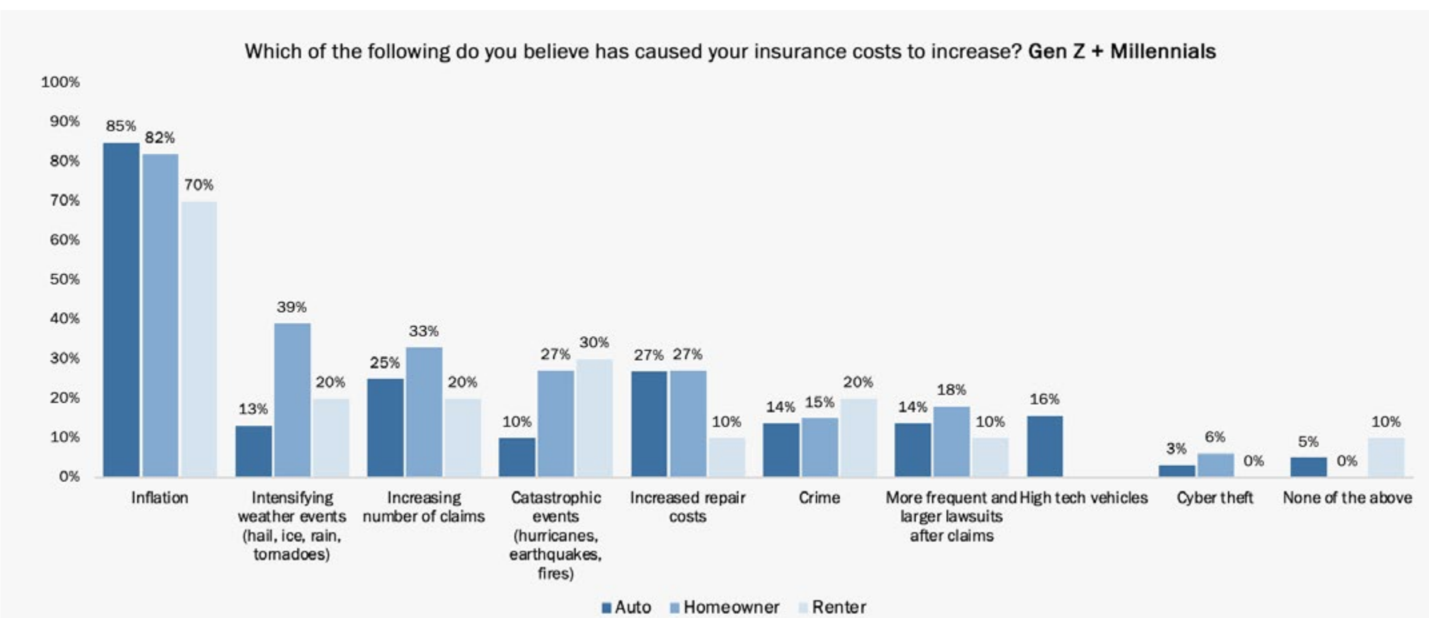
	Auto	Homeowner	Renter
Increased somewhat or significantly	**62%**	**53%**	**40%**
No change/Haven't noticed	**31%**	**44%**	**56%**

Among those who had increased costs, inflation was far and away the most cited reason across all coverage types as seen in Figure 4. What the chart highlights is somewhat of an understanding of the different areas that can increase insurance costs such as weather events, increased claims, repair costs, crime, lawsuits and high-tech vehicles. This understanding on what impacts insurance rates offers an opportunity for insurers to work with this segment to manage or reduce their risk, gaining loyalty and trust.

"This understanding on what impacts insurance rates offers an opportunity for insurers to work with this segment to manage or reduce their risk, gaining loyalty and trust."

Figure 4

Gen Z & Millennial customers' perceived causes of increases in cost of P&C insurance

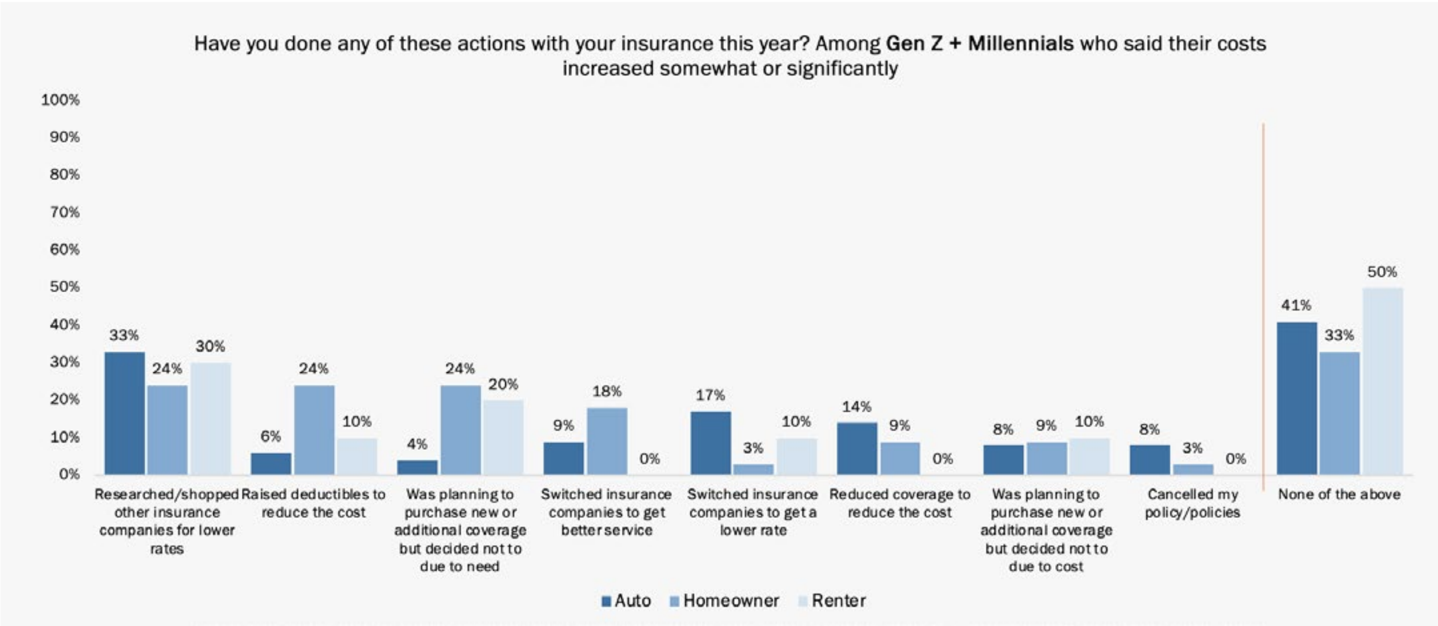


Surprisingly, many Gen Z and Millennial customers with increased insurance rates didn't take any actions to reduce their costs – from 33% for homeowner to 41% for auto and 50% for renter. However, among those who did act, researching/shopping for lower rates was done the most, but only 10% switched renter and only 17% switched auto.

Other actions taken included raising deductibles, particularly for homeowner, and reducing coverage for both auto and homeowner. While these actions help to reduce the cost of insurance, it creates a widening protection gap for consumers that could ultimately create trust and loyalty problems for insurers when there is not enough or the proper coverage when an accident or event occurs.

Figure 5

P&C insurance-related actions done this year by Gen Z & Millennial customers



Building on the market opportunity to help customers minimize or eliminate risk, Gen Z and Millennials strongly believe that for Auto (74%), homeowner (72%), and renter (60%) they can do things to reduce their risk and chances of having a claim, which could lead to better pricing as shown in Table 3.

For auto insurance, this generational segment is extremely open to sharing their personal data sources with insurers to get a more accurate risk profile and hopefully lower insurance rate as seen in Figure 6. A small sub-segment, rideshare drivers, showed the highest interest across all data source options, based on using the car personally or for rideshare.

Table 3

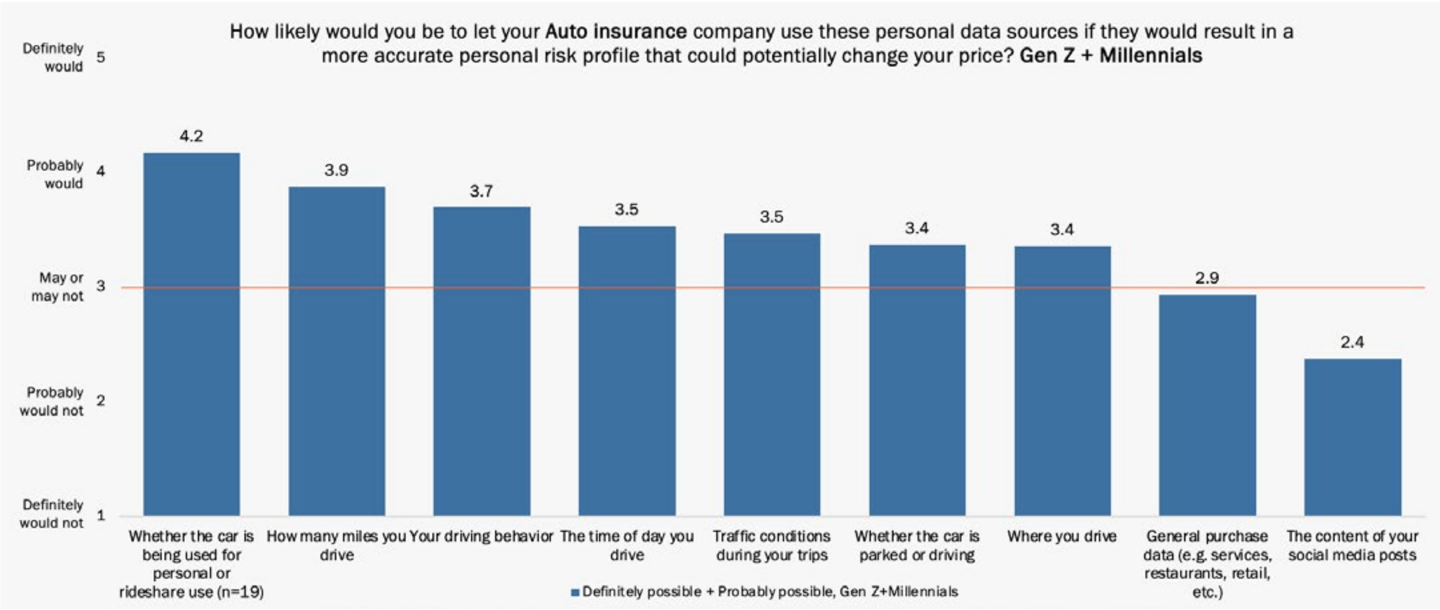
Gen Z and Millennial customers' belief there are things they can do to reduce risk and chances of having a claim, which could lead to a lower price for their P&C insurance

	Auto	Homeowner	Renter
Definitely/Probably **not** possible	25%	27%	40%
Definitely/Probably possible	74%	72%	60%

Nearly all other data sources based on driving activity (miles, behavior, time of day, traffic conditions, driving/ parked, location) receive very high levels of interest of 3.4 to 4.2 out of 5, offering an opportunity for insurers to meet their expectations with products that are more personalized based on behaviors and use. J.D. Power's 2023 US Auto Survey reported that customers' unhappiness with price increases drove more carriers to offer usage-based insurance programs and telematics products, with more consumers adopting them reflected in participation rates more than doubling since 2016, from 8% to 17%.[5] Interestingly, new customers are participating at a rate of 26%, reflecting the demand for this product and the risk for those who do not offer it.

Figure 6

Gen Z & Millennial customers' likelihood to use personal data sources for auto insurance pricing

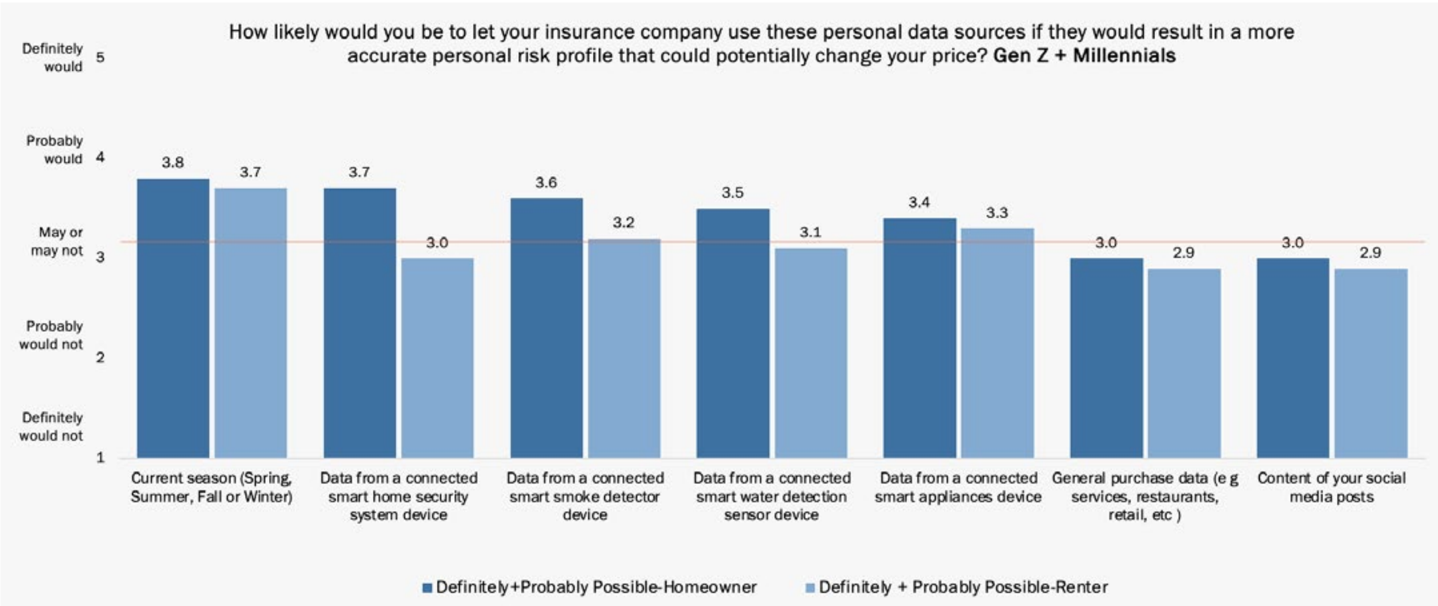


For homeowner and renter insurance, Gen Z and Millennials nearly mirror their auto insurance responses for using their personal data sources for a more accurate risk profile and potentially lower rates as shown in Figure 7.

Season-based rates are most popular, with a range of smart home devices coming in very close, once again creating an opportunity for insurers to offer products to help customers manage their risk and price.

Figure 7

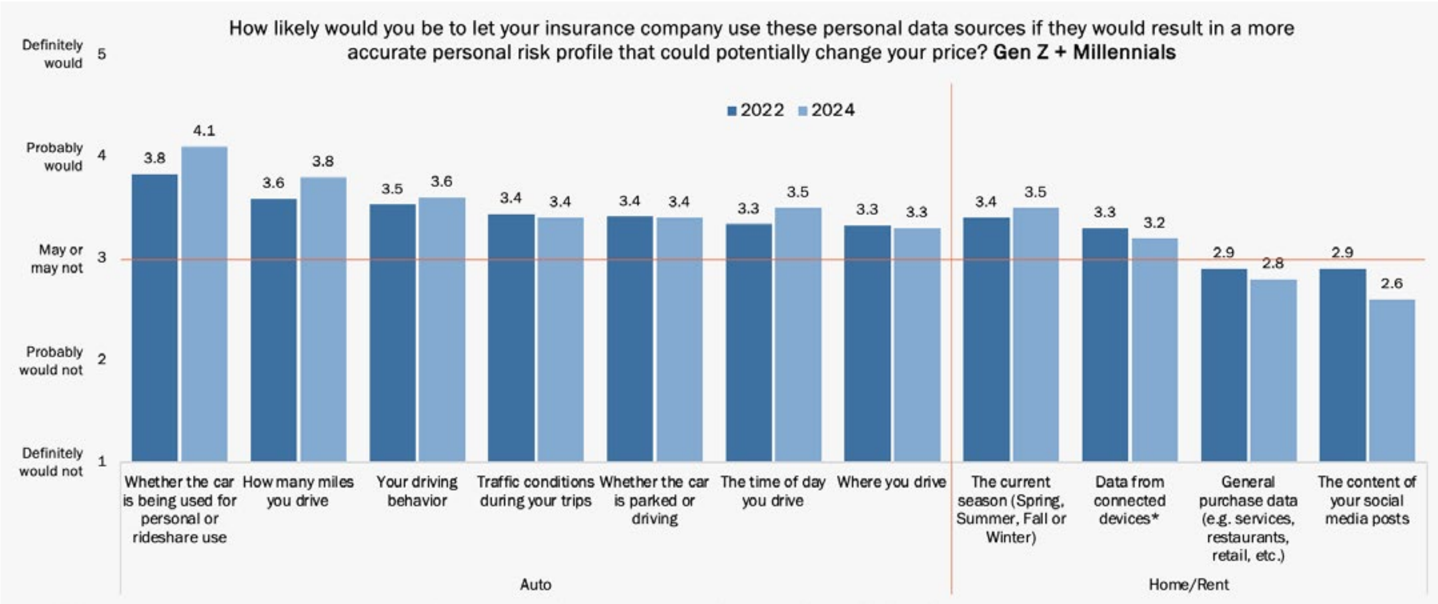
Gen Z & Millennial customers' likelihood to use personal data sources for homeowner or renter insurance pricing



In comparing the results between our 2022 and 2024 surveys, interest in these data sources to help manage risk and potentially lower prices remained remarkably strong and consistent as shown in Figure 8. Three auto insurance data sources showed noticeable increases, reinforcing the J.D. Power survey results about the rise in usage-based programs and interest.

Figure 8

Gen Z & Millennial customers' likelihood to use personal data sources for P&C insurance pricing, 2022 vs. 2024



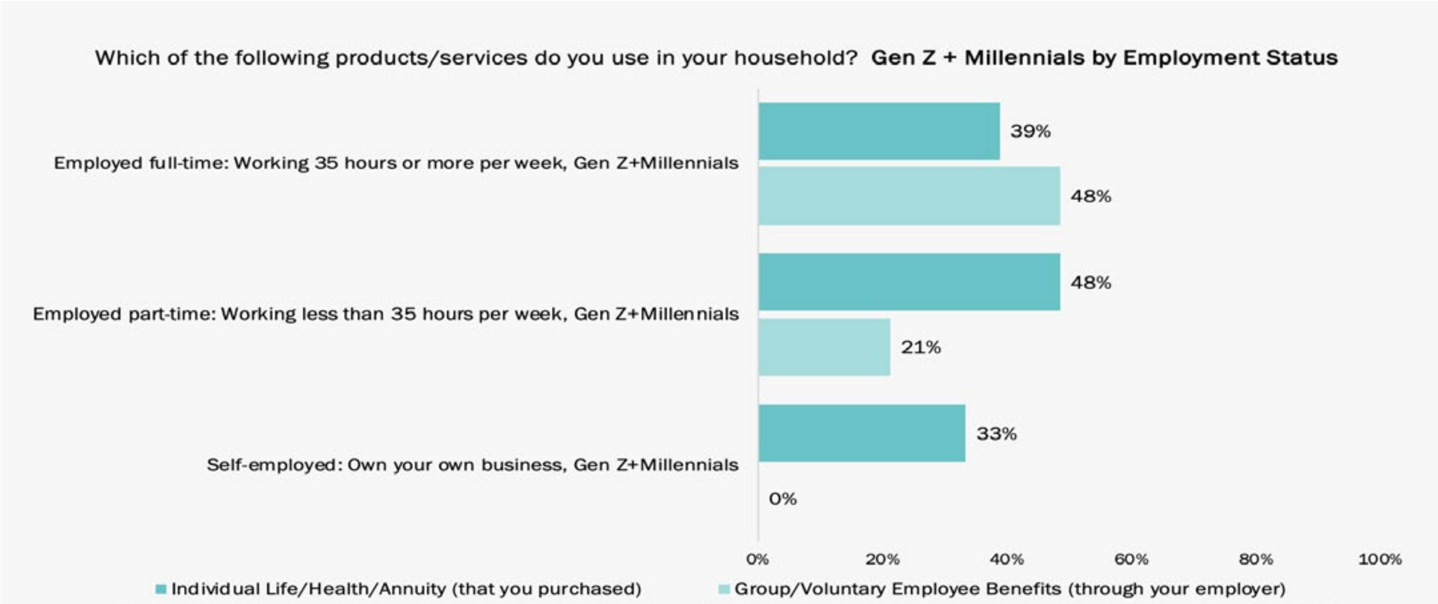
L&AH Insurance Products

The survey results reflect significant opportunity for individual, group/voluntary and worksite benefits in the Gen Z and Millennial market segment. As highlighted in Figure 9, only 39% of those working full time have individual life, health or annuity and only 48% have employee benefits, highlighting a significant protection gap for this generation.

Even more concerning, only 48% of part-time workers have individual and a paltry 21% have benefits, exacerbating a protection gap. Given that this generation moves regularly between jobs, the need to reach them with products they can take with them between jobs, whether full time or part time, is crucially important, making worksite benefits a great market opportunity for insurers.

Figure 9

Gen Z and Millennial individual and group/voluntary protection gaps



Among those with individual or benefits products, only 30% and 24%, respectively said the cost of their coverages have increased somewhat or significantly. While these percentages are relatively low as compared to P&C product responses, they exacerbate the financial challenges this generation faces and is likely why there is such low ownership of products, given they are not mandatory.

Table 4

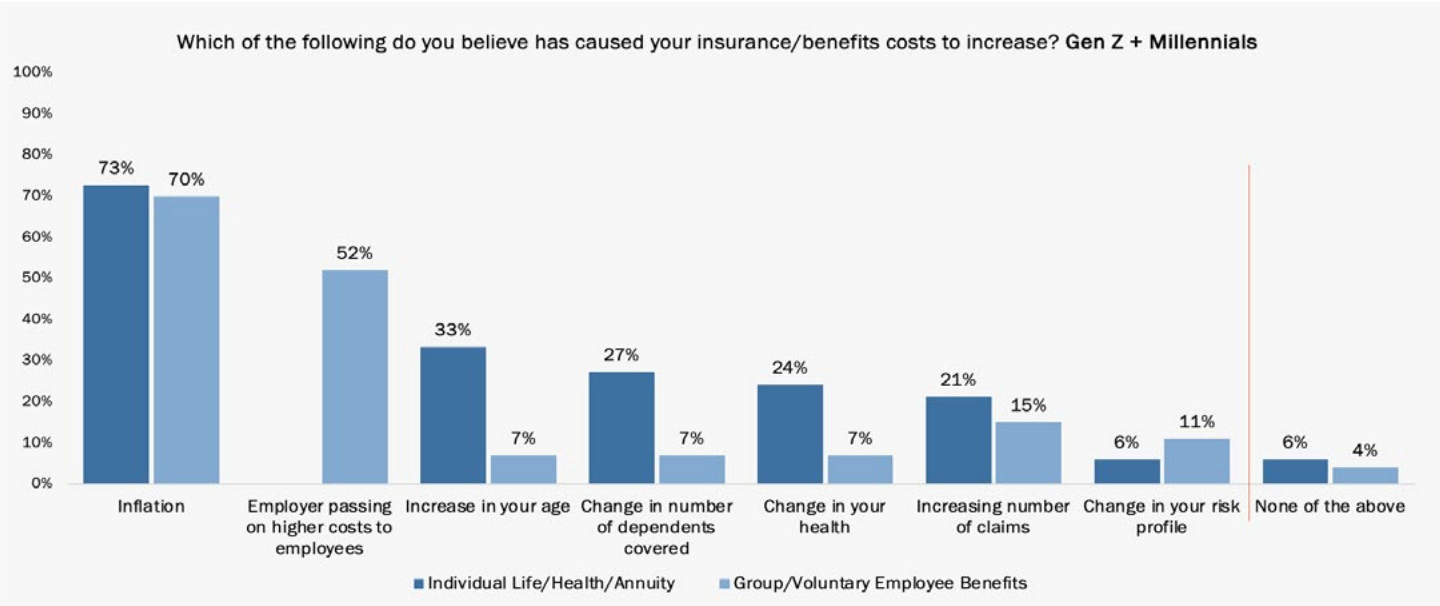
Reported changes in L&AH insurance costs by Gen Z & Millennial customers

	Individual Life/Health/Annuity	Group/Voluntary Employee Benefits
Increased somewhat or significantly	**30%**	**24%**
No change/Haven't noticed	**66%**	**73%**

Like P&C products, inflation is the most-cited reason for the increase in L&AH insurance costs as seen in Figure 10. Employers passing on higher benefits costs is another major driver of benefits (52%) cost increases. Contrary to this, individual cost increases were primarily focused on age, number of dependents, health and rising claims – all relatively about the same in perception.

Figure 10

Gen Z & Millennial customers' perceived causes of increases in cost of L&AH insurance



"Like P&C products, inflation is the most-cited reason for the increase in L&AH insurance costs."

Only a handful of options to look for individual lower prices were undertaken by this generation as seen in Table 5. The three most significant actions were researching/shopping other insurance companies (39%), reducing coverage (24%), and raising deductibles (18%). Given the nature of benefits packages defined by employers, very little action was taken.

However, for those with benefits 11% reduced coverage and raised deductibles to manage their costs – likely for more health-related benefits – while 15% decided not to add more coverage due to cost. This highlights the challenge for group and benefit insurers to enroll this generation into more products beyond their health-related products (i.e. medical, vision and dental) due to cost.

Table 5

L&AH insurance-related actions done this year by Gen Z & Millennial customers

	Individual Life/Health/Annuity	Group/Voluntary Employee Benefits
Researched/shopped other insurance companies for lower rates	39%	N/A
Reduced coverage to reduce the cost	24%	11%
Raised deductibles to reduce the cost	18%	11%
Was planning to purchase new or additional coverage but decided not to due to cost	9%	15%
Was planning to purchase new or additional coverage but decided not to due to need	12%	11%
Cancelled/didn't renew my policy(ies) or one/more of my benefits	9%	7%
Switched insurance companies to get a lower rate	6%	N/A
Switched insurance companies to get better service	6%	N/A
None of the above	30%	63%

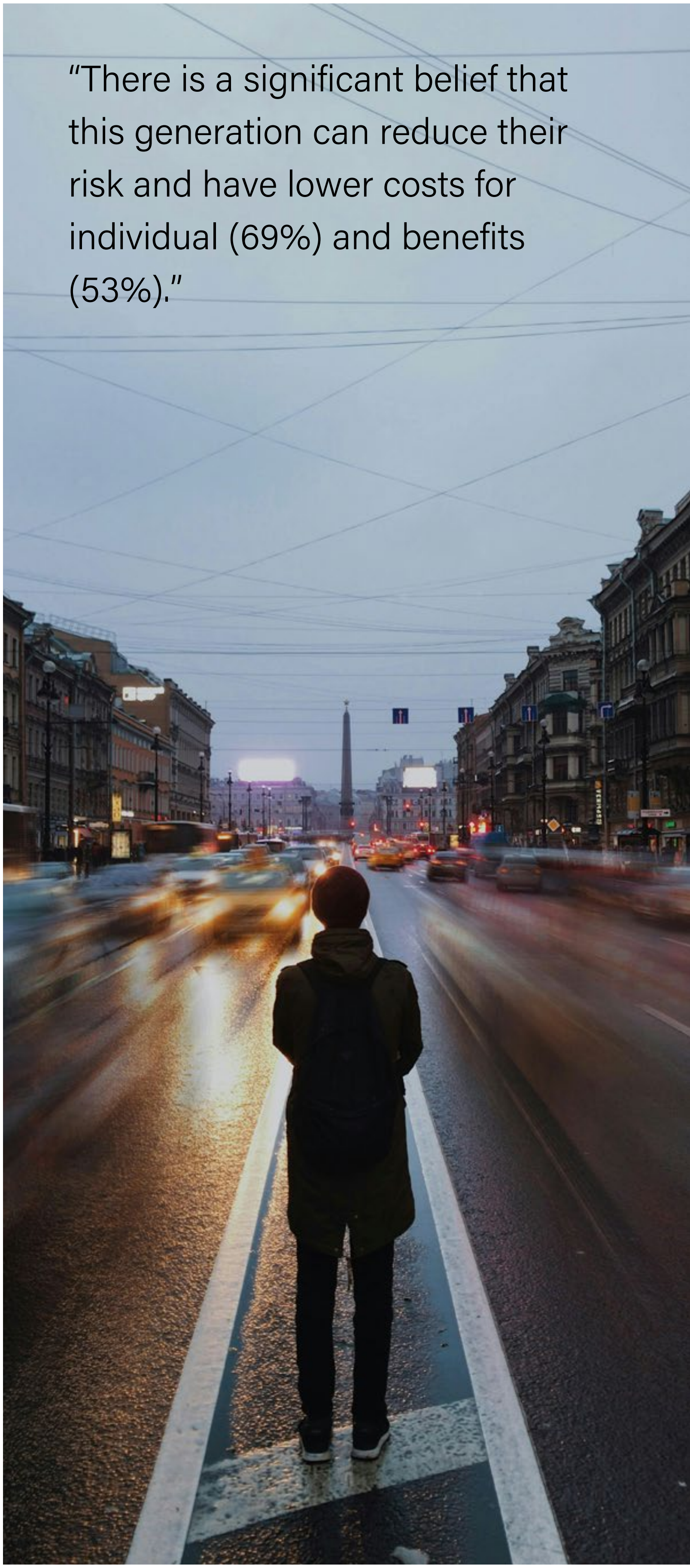
There is a significant belief that this generation can reduce their risk and have lower costs for individual (69%) and benefits (53%) as seen in Table 6.

Table 6

Gen Z and Millennial customers' belief there are things they can do to reduce risk and chances of having a claim, which could lead to a lower price for their L&AH insurance

	Individual Life/Health/Annuity	Group/Voluntary Employee Benefits
Definitely/Probably **not** possible	31%	48%
Definitely/Probably possible	69%	53%

"There is a significant belief that this generation can reduce their risk and have lower costs for individual (69%) and benefits (53%)."

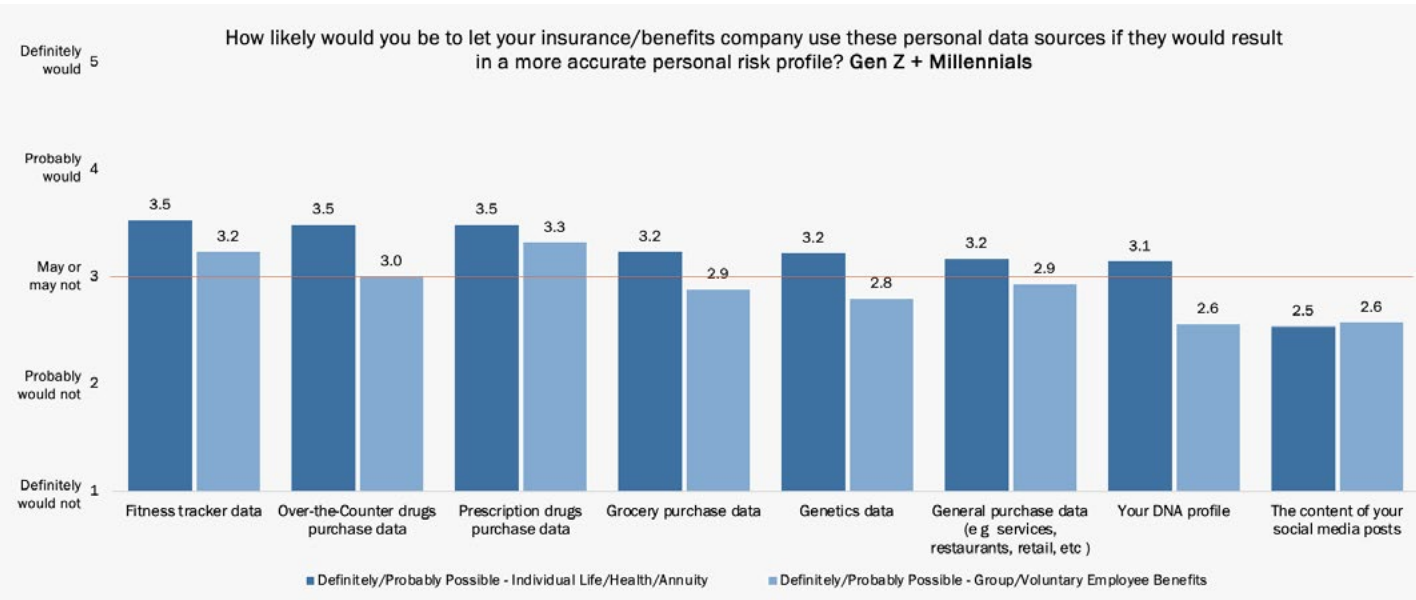


Among those who strongly felt this way, they are more open to using their personal data sources to develop more accurate personal risk profiles that could change their rates as seen in Figure 11.

The strongest interest for both customer groups is for fitness tracker data, and over-the-counter drugs and prescription drugs purchase data, all rated at 3.5. However, they are split in their views on using DNA profiles, with individual customers rating it 19% higher.

Figure 11

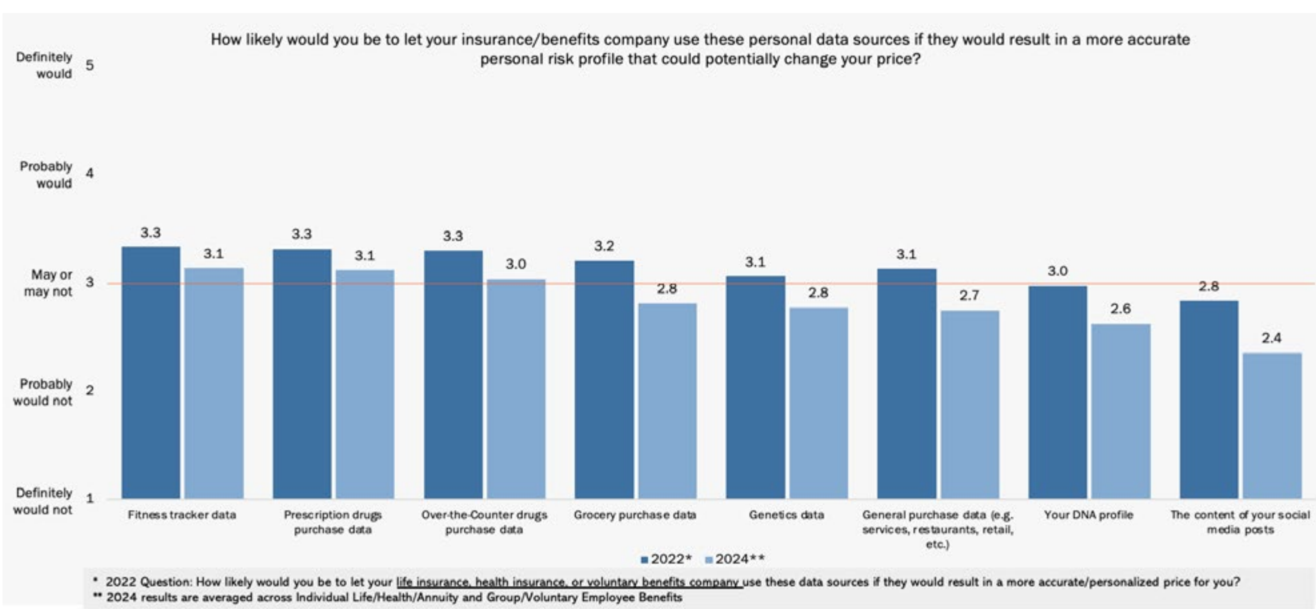
Gen Z & Millennial customers' likelihood to use personal data sources for L&AH insurance pricing



In comparing the 2022 and 2024 results, the likelihood of using personal data sources has declined slightly across the board, highlighted by a 17% decline for content of your social media posts, 12% decline for grocery purchase data, general purchase data, and DNA profile, and 9% decline for genetics data. This may be due to a better understanding of personal data privacy.

Figure 12

Gen Z & Millennial customers' likelihood to use personal data sources for L&AH insurance pricing, 2022 vs. 2024



"However, in this year's research we see some similarities to the younger generation, highlighting the need for insurers to offer options for their customers across all generational groups."

Gen X and Boomers Playbook

While the younger generational group is tech savvy, comfortable with online engagement and buying, and has different risk needs and interest in different products, the older generation of Gen X and Boomers tend to have a more traditional approach, relying on traditional products and agent channels.

However, in this year's research we see some similarities to the younger generation, highlighting the need for insurers to offer options for their customers across all generational groups.

P&C Insurance

P&C insurance rates have seen the highest increases over the last two years, sometimes 20-30% or more, and have had a significant impact on consumers, given their financial challenges, as reflected in Table 7 below. Gen X and Boomers have noted increases more than the younger generation. And even though far fewer Gen X and Boomer customers were renters (19%) as compared to Gen Z and Millennials (35%), half of this smaller segment said their cost increased somewhat or significantly, 10 percentage points more than Gen Z and Millennial renters.

Table 7

Reported changes in P&C insurance costs by Gen X & Boomer customers

	Auto	Homeowner	Renter
Increased somewhat or significantly	**67%**	**63%**	**50%**
No change/Haven't noticed	**29%**	**36%**	**38%**

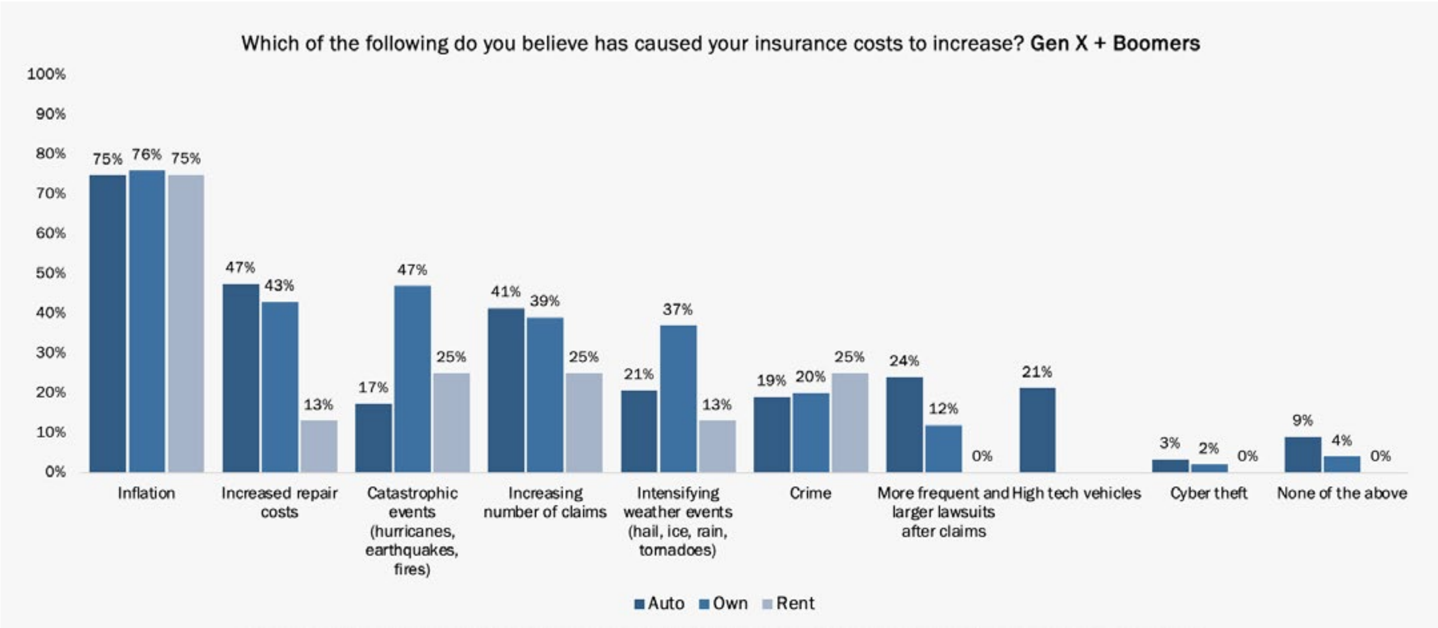
Inflation was far and away the most cited reason across all coverage types, at 75%, which aligns strongly with their number one top-of-mind issue highlighted earlier. Increased repair costs, a component of inflation, was cited by nearly half for both auto and homeowner insurance and is far higher than Gen Z and Millennials, likely reflecting the years of owning insurance and understanding the makeup of claims costs. Catastrophic events (47%), intensifying weather events (37%), and a resulting increasing number of claims (39%) are also felt to be significant drivers of homeowner cost increases.

Auto insurance repair costs align strongly with the number of claims increasing and driving up insurance costs. Weather and catastrophic events, crime, more frequent and larger lawsuits, and high-tech vehicles also contribute significantly to their perceptions of what's driving up auto insurance costs.

After inflation, renters cited only three other significant drivers of cost increases, each at 25%: catastrophic events, intensifying weather events, and crime.

Figure 13

Gen X & Boomer customers' perceived causes of increases in cost of P&C insurance



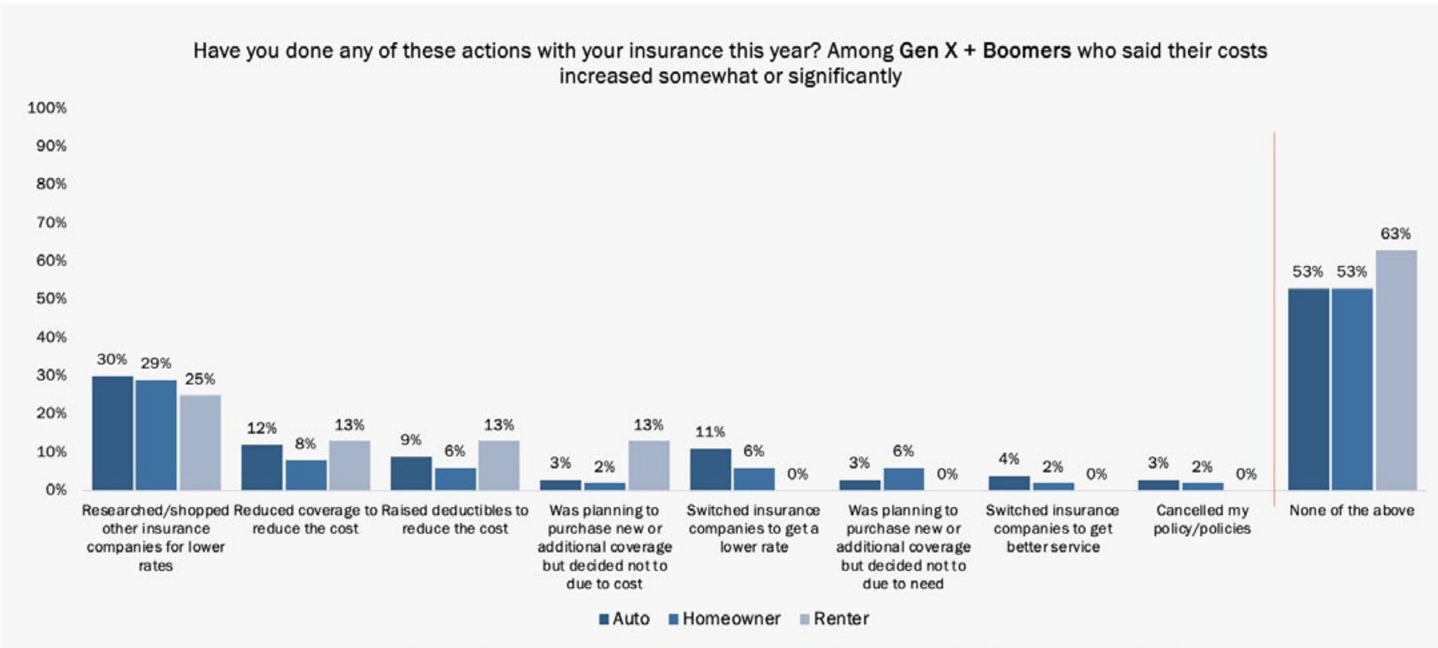
This older generation has years of history with insurers, with manageable rate increases as compared to the previous few years, resulting in strong loyalty and trust. This trust and loyalty are reflected in that they are less likely than the younger generation to take actions to reduce costs. Over half of Gen X and Boomer customers who experienced increased insurance rates didn't take any actions to reduce their costs: 53% of homeowner and auto customers, and 63% of renter insurance customers took no actions as reflected in Figure 14.

Among those who did take action, researching/shopping other companies for lower rates occurred the most, with 25% for renter, 29% for homeowner, and 30% for auto insurance. However, following the research, only 11% of auto and 6% of homeowner customers followed through and switched carriers for a lower rate; no renter insurance customers did, emphasizing the built-up value of loyalty and trust of these customers.

For those who did not switch, the most used cost-reducing actions included reduced coverage (auto, 12%; renter, 13%) and raising deductibles (auto, 9%; renter, 13%) which increased their protection gap and could result in challenges for insurers in the future with claims, impacting loyalty and trust.

Figure 14

P&C insurance-related actions done this year by Gen X & Boomer customers

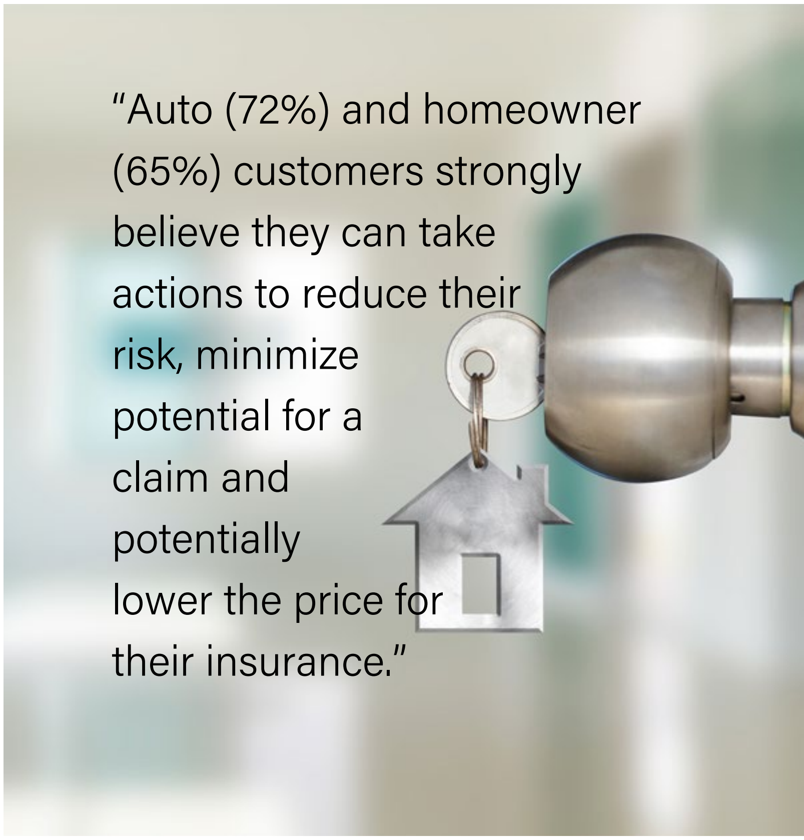


Auto (72%) and homeowner (65%) customers strongly believe they can take actions to reduce their risk, minimize potential for a claim and potentially lower the price for their insurance as seen in Table 8. However, only 38% of renters insurance customers believe they can influence their rates.

Table 8

Gen Z and Millennial customers' belief there are things they can do to reduce risk and chances of having a claim, which could lead to a lower price for their P&C insurance

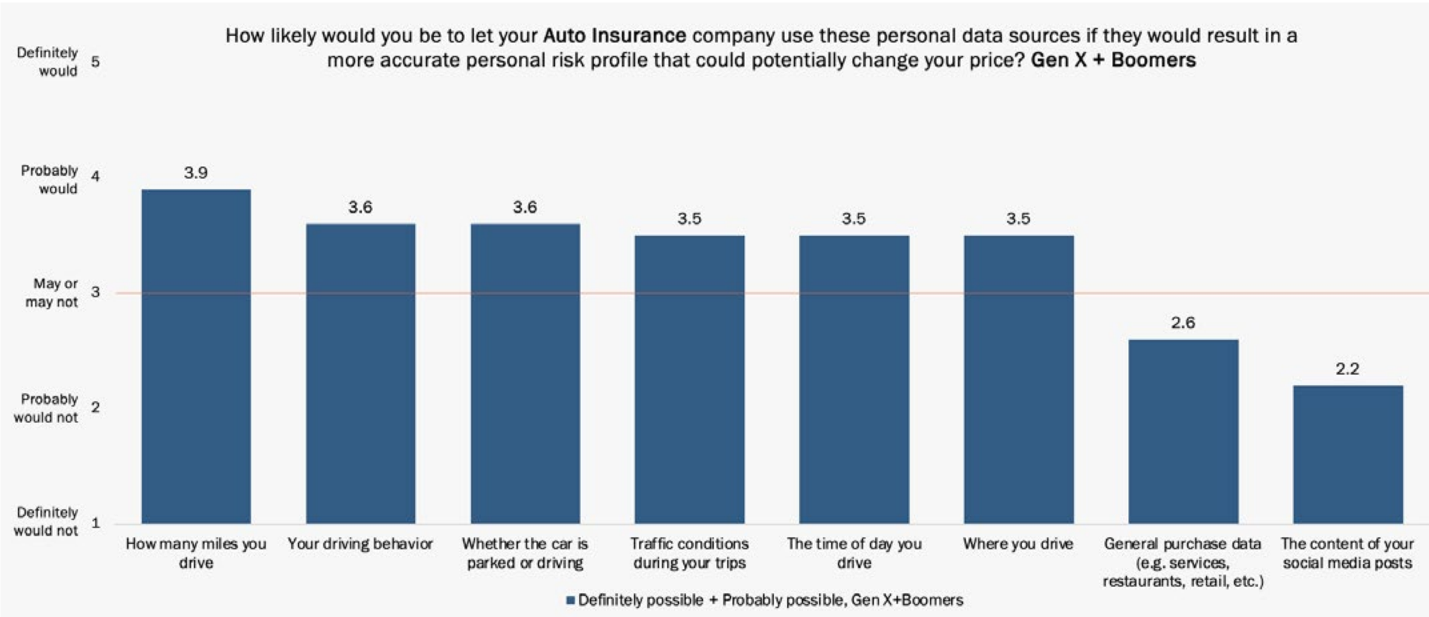
	Auto	Homeowner	Renter
Definitely/Probably **not** possible	**27%**	**35%**	**63%**
Definitely/Probably possible	**72%**	**65%**	**38%**



As shown in Figure 15, those with auto insurance who believe they can take actions to reduce their risk profiles will strongly consider using their personal data sources for driving (miles, behavior, time of day, traffic conditions, driving/parked, location) – very similar to the Gen Z and Millennial segment, highlighting once again the growing shift to desiring usage-based and telematics insurance as noted previously.

Figure 15

Gen X & Boomer customers' likelihood to use personal data sources for auto insurance pricing

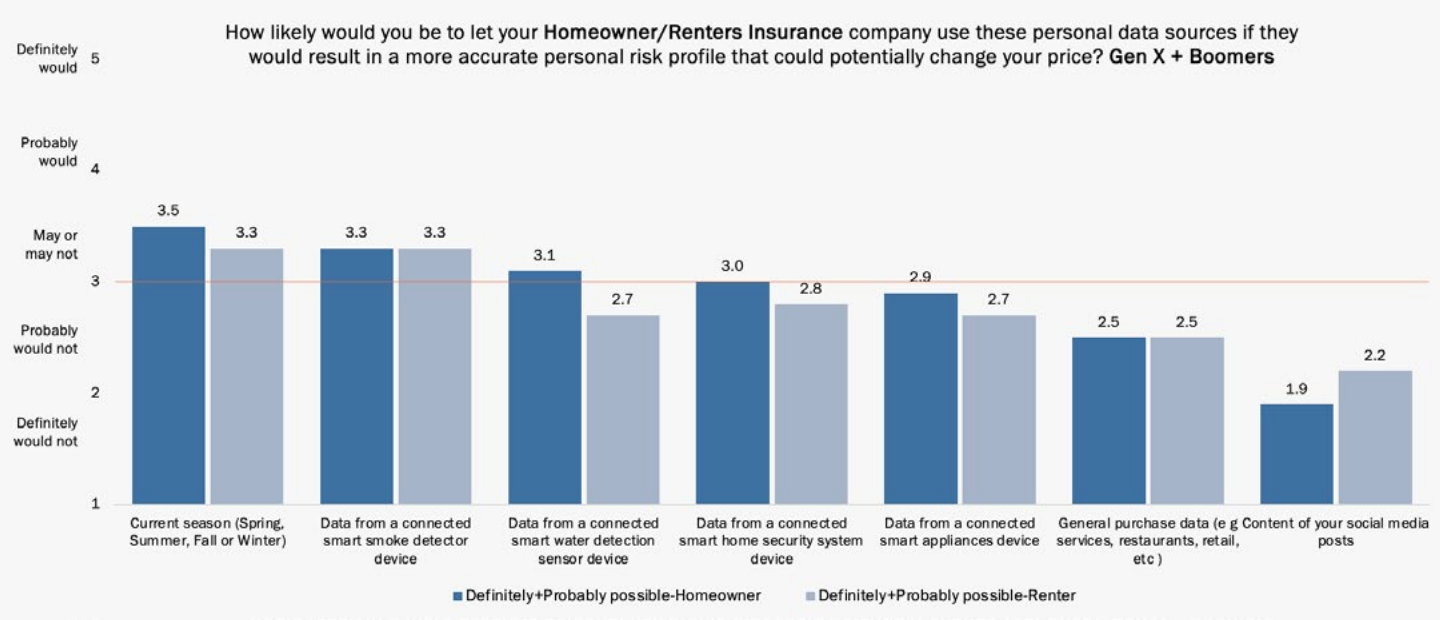


Similarly, for homeowner insurance they are open to using personal data sources to develop more accurate personal risk profiles that could change their rates as shown in Figure 16. Like Gen Z and Millennials, season-based rates are most popular, but smart home devices are also quite popular, mirroring the acceptance of data from connected devices by Gen X and Boomer auto insurance customers seen above. This acceptance by the older generation once again highlights the rapid increase in the use and acceptance of digital devices by all generations, setting the stage for shifting expectations in products sooner rather than later.

Renter insurance exceeds the mid-point level of interest on only two options, season-based rates and smart home connected smoke detector. Interest in the three other IoT-based options is close to the mid-point level of interest, indicating these options will appeal to some. General purchase data and social media have little interest, similar to the younger generation.

Figure 16

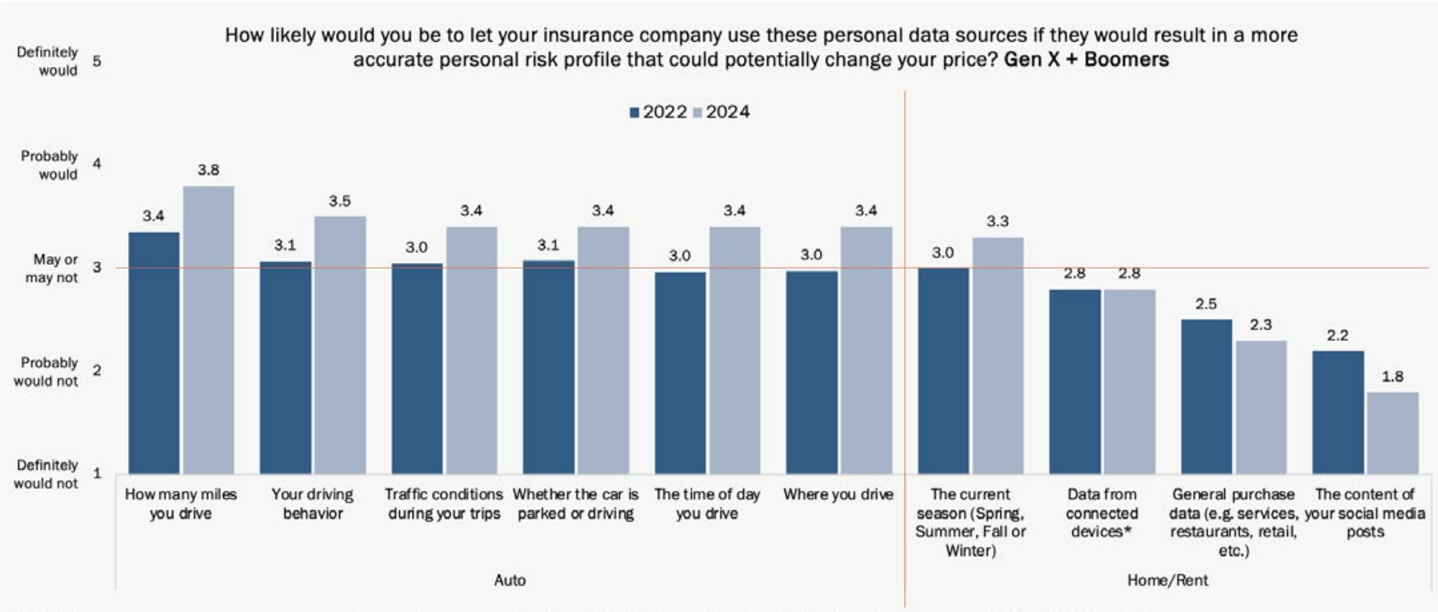
Gen X & Boomer customers' likelihood to use personal data sources for homeowner or renter insurance pricing

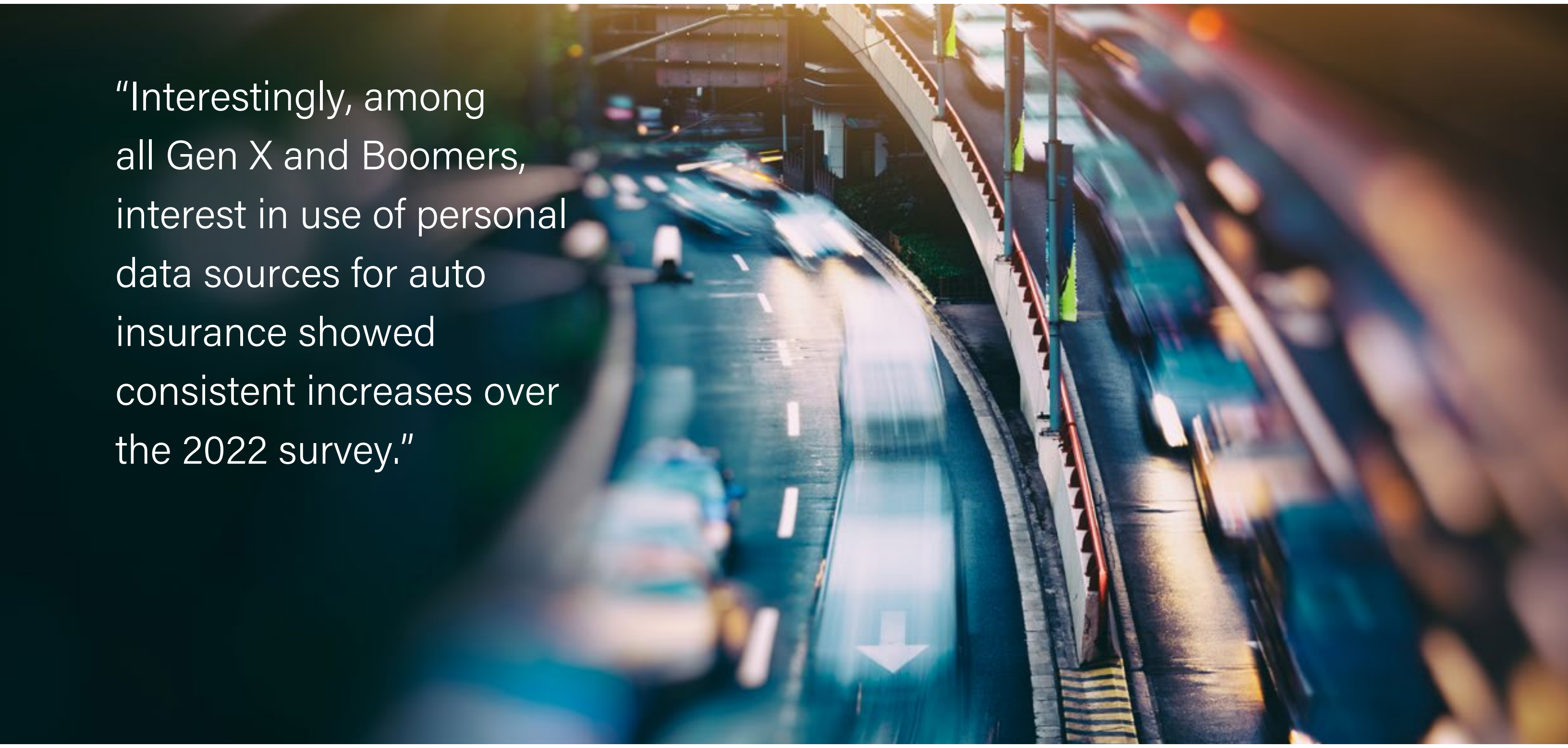


Interestingly, among all Gen X and Boomers, interest in use of personal data sources for auto insurance showed consistent increases over the 2022 survey as shown in Figure 17. Homeowner/renter insurance showed higher interest in season-based rates as compared to 2022, and opinions were unchanged but positive about data from smart connected devices. General purchase data and the content of customers' social media posts declined in popularity.

Figure 17

Gen X & Boomer customers' likelihood to use personal data sources for P&C insurance pricing, 2022 vs. 2024





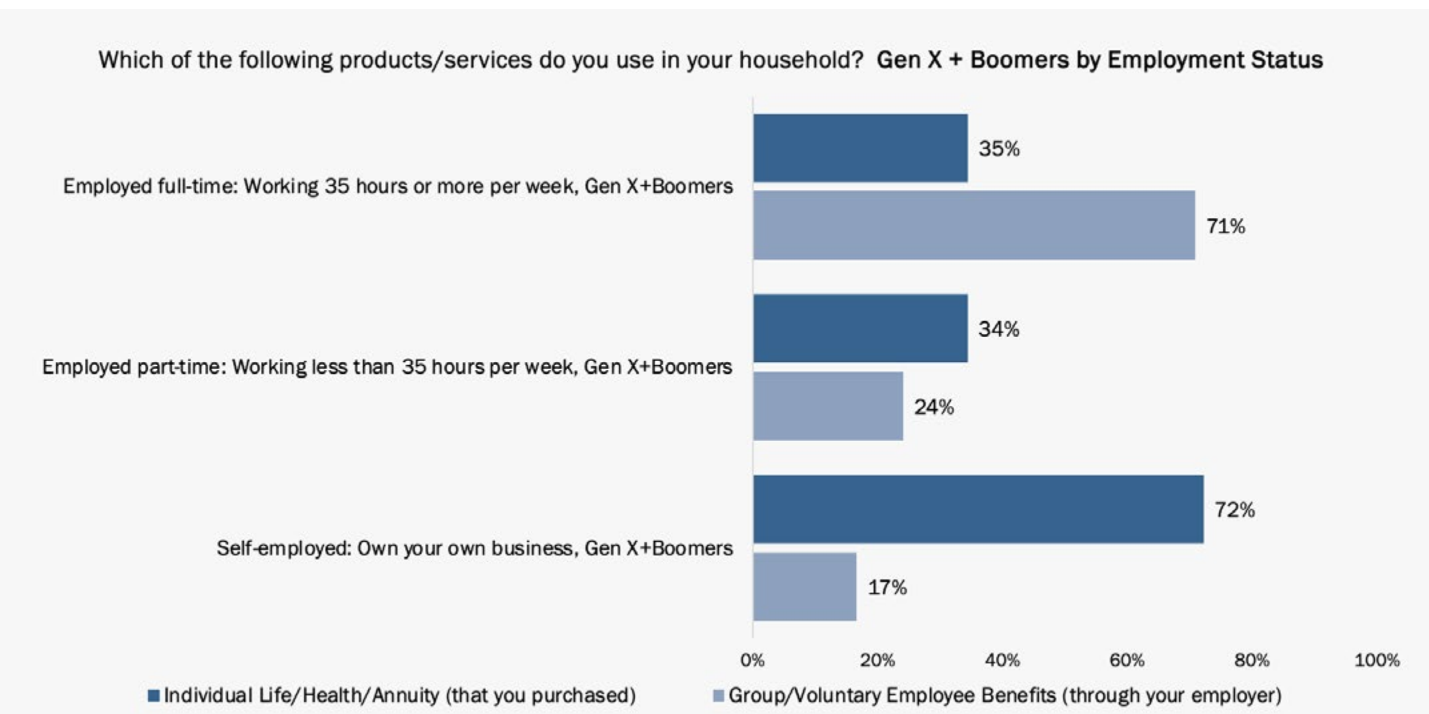
L&AH Insurance

There is significant opportunity for individual, group/voluntary and worksite benefits in the Gen X and Boomers market segment in the different work categories. While a strong 71% of those working full time have benefits, only 35% have individual life, health or annuity, as seen in Figure 18. As this generation retires, the need for individual products such as life, LTC, dental, vision, Med Supp and other supplemental health products are crucially important and represent a great opportunity. This is where worksite is a great way to buy the individual products while employed and keep them upon retirement, and why this is a growing market opportunity.

Of concern is the part-time employees who have very low use of both benefits (24%) and individual (34%) products, highlighting a significant protection gap. Insurers have a large opportunity to package together benefits for part-time employees, including individual products sold via worksite to help close this gap and grow their business at the same time.

Figure 18

Gen X and Boomer individual and group/voluntary protection gaps



More than twice as many consumers with benefits products said the cost of their coverages have increased somewhat or significantly as compared to individual consumers, 40% versus 18% as shown in Table 9. This increase is likely due to two factors: employees taking on more of the cost and the continued rise in cost for health insurance. The challenge for benefits insurers will be that this rise in cost will continue to squeeze the ability or desire of consumers to buy other benefits-related products, limiting insurer growth.

Table 9

Reported changes in P&C insurance costs by Gen X & Boomer customers

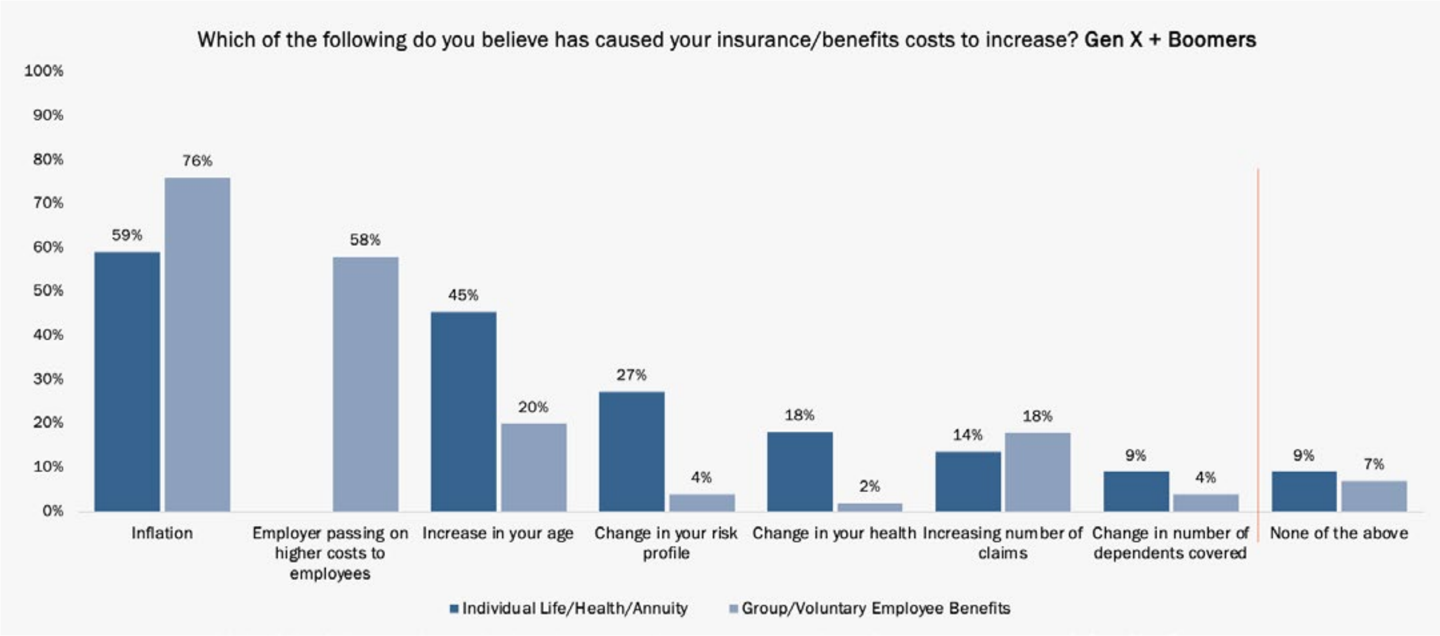
	Individual Life/Health/Annuity	Group/Voluntary Employee Benefits
Increased somewhat or significantly	**18%**	**40%**
No change/haven't noticed	**82%**	**59%**

Once again, inflation is the most-cited driver of increased insurance costs for both individual and benefits products as seen in Figure 19. Employers passing on higher costs is the second highest reason for benefits increases, at 58%, highlighting the challenges for group and benefits insurers.

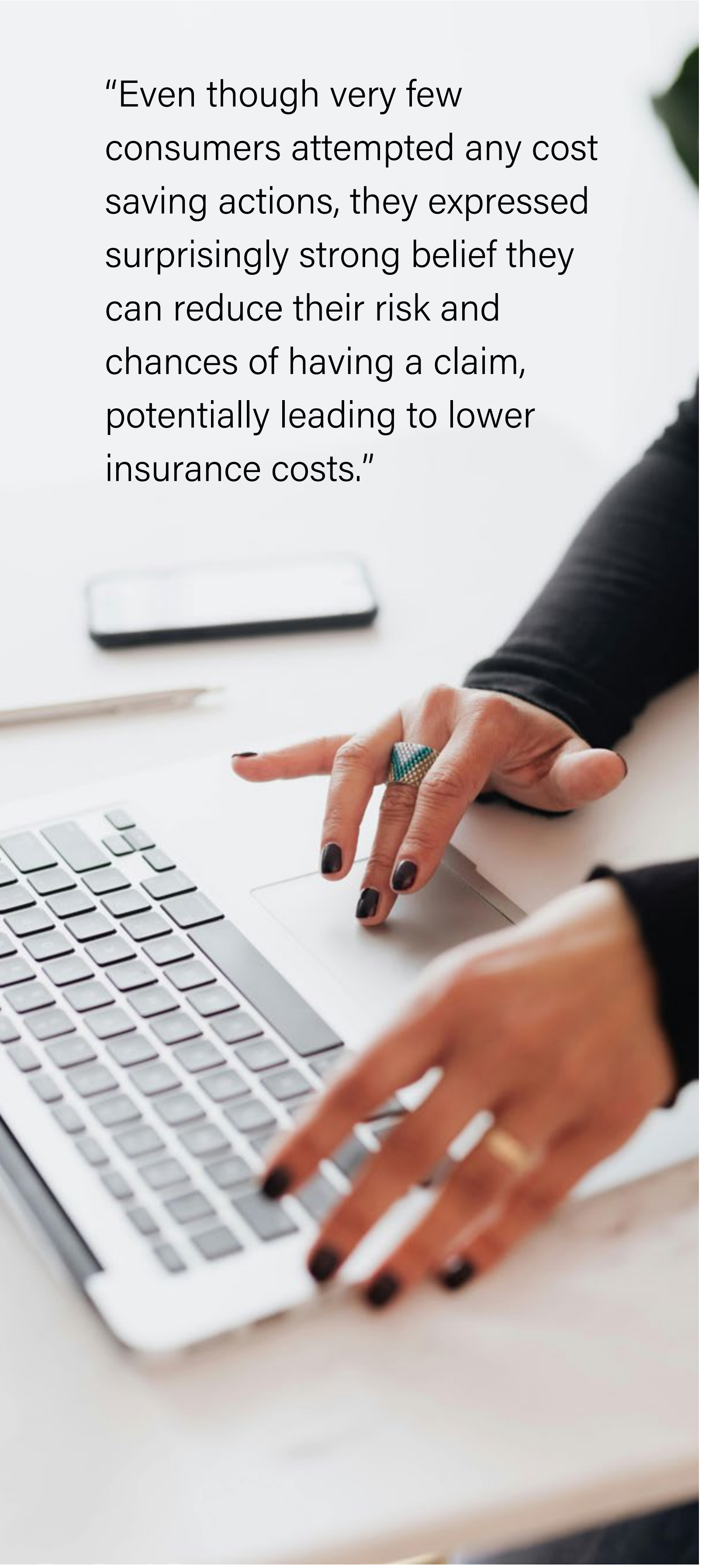
For individual products, the obvious top reason was age (45%) for this generational group due to their advanced ages. Changes in risk profile (27%) and health (18%) were the next two reasons, once again reflecting the increased cost of buying individual products later in life or post-retirement. This highlights another reason why insurers should consider worksite individual products for employees at younger ages to help them more cost-effectively retain coverage as they age.

Figure 19

Gen X & Boomer customers' perceived causes of increases in cost of L&AH insurance



"Even though very few consumers attempted any cost saving actions, they expressed surprisingly strong belief they can reduce their risk and chances of having a claim, potentially leading to lower insurance costs."



Despite 40% of benefits consumers experiencing cost increases, nearly all (91%) did not attempt any cost-saving activities as seen in Table 10. In addition, only two cost-saving actions were taken by more than 10% of individual consumers including researched/shopped other insurance companies (18%) and raising deductibles (14%).

Table 10

L&AH insurance-related actions done this year by Gen X & Boomer customers

	Individual Life/Health/Annuity	Group/Voluntary Employee Benefits
Researched/shopped other insurance companies for lower rates	18%	N/A
Reduced coverage to reduce the cost	14%	0%
Cancelled/didn't renew my policy(ies) or one/more of my benefits	9%	0%
Reduced coverage to reduce the cost	9%	4%
Switched insurance companies to get a lower rate	5%	N/A
Switched insurance companies to get a better service	5%	N/A
Was planning to purchase new or additional coverage but decided not due to need	5%	2%
Was planning to purchase new or additional coverage but decided not due to cost	5%	4%
None of the above	64%	91%

Even though very few consumers attempted any cost-saving actions, they expressed surprisingly strong belief they can reduce their risk and chances of having a claim, potentially leading to lower insurance costs, with 58% of individual and 46% of benefits consumers indicating so as noted in Table 11.

Table 11

Gen X and Boomer customers' belief there are things they can do to reduce risk and chances of having a claim, which could lead to a lower price for their L&AH insurance

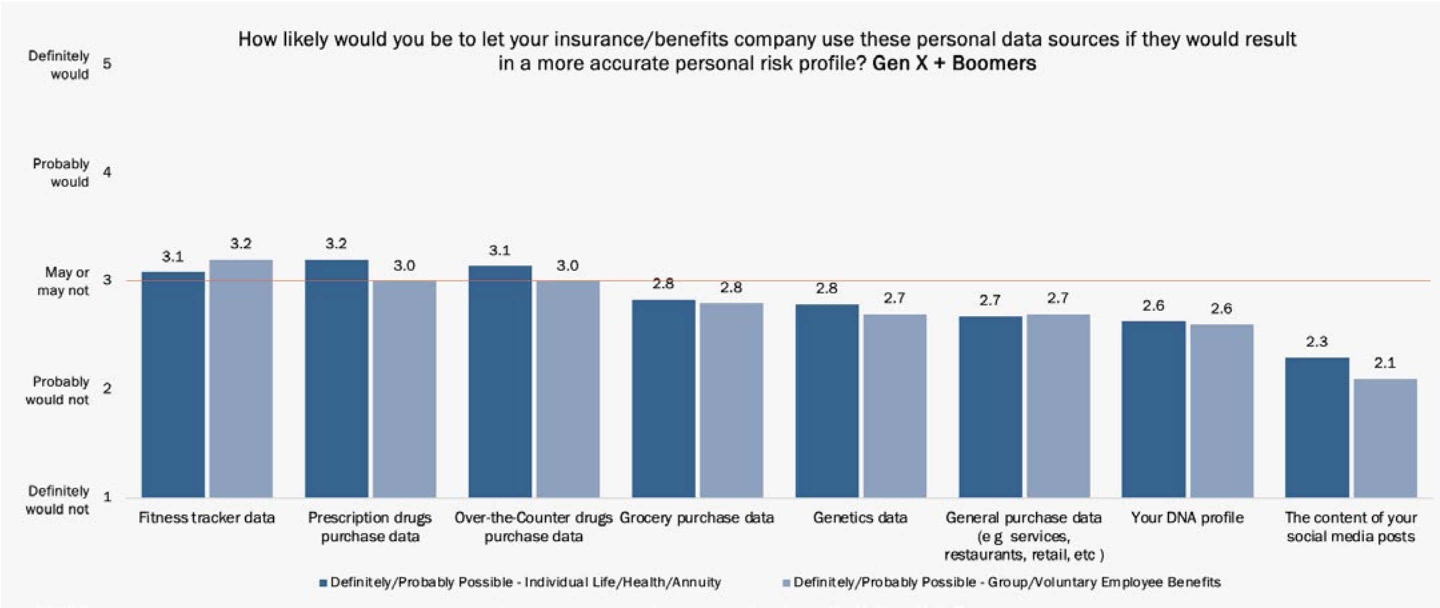
	Individual Life/Health/Annuity	Group/Voluntary Employee Benefits
Definitely/Probably **not** possible	43%	54%
Definitely/Probably possible	58%	46%

There is considerable consistency between individual and benefits consumers in considering the use of personal data sources to develop more accurate personal risk profiles that could change their rates, as seen in Figure 20.

The strongest interest for both consumer groups is for fitness tracker data, and over-the-counter drugs and prescription drugs purchase data, all rated at the mid-point level of interest. Grocery purchase data, genetics data, general purchase data, and DNA profiles all hover just under the mid-point. Consistent with all other segments in the survey, the content of social media posts is the least popular option.

Figure 20

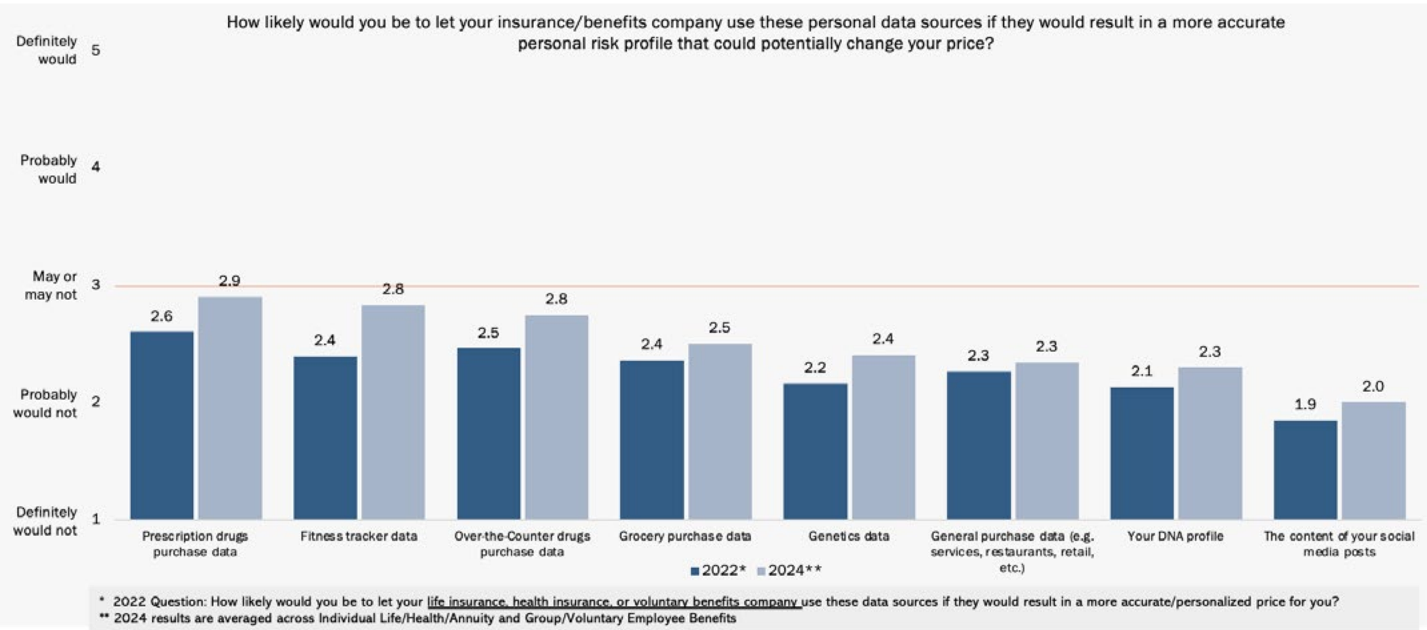
Gen X & Boomer customers' likelihood to use personal data sources for L&AH insurance pricing



In the 2022 survey, we asked their opinions about the use of these data sources and compared those to the 2024 survey. The key takeaway is the opposite of what we saw with Gen Z and Millennials; with Gen X and Boomers average ratings in 2024 higher than 2022 across the board as shown in Figure 21. It was led by an 18% increase in interest for fitness tracker data, 12% increase for prescription and over-the-counter drug purchase data, and 11% increase for genetics data. Surprisingly, even DNA data and content of your social media posts scored 8% higher as compared to 2022.

Figure 21

Gen X & Boomer customers' likelihood to use personal data sources for L&AH insurance pricing, 2022 vs. 2024



Consumer View on Technology and AI

The relationship between generations and technology is complex, influenced by a variety of factors including technology advancements, society and peer norms, attitudes and expectations and perceived value of the technology. Each generational group experienced the emergence of different technologies, from personal computers, the Internet, and consumer electronics to mobile phones, high-speed broadband, streaming and now GenAI. Each of these technologies were, to varying degrees, embraced in both their personal and professional lives.

Understanding the unique perspectives and acceptance of these technologies is crucial for insurers as they continue to create digital experiences and engage their customers. In our survey, we asked about some of these technologies that have real potential value for both insurers and their customers.

Digital Technologies and Payment Options

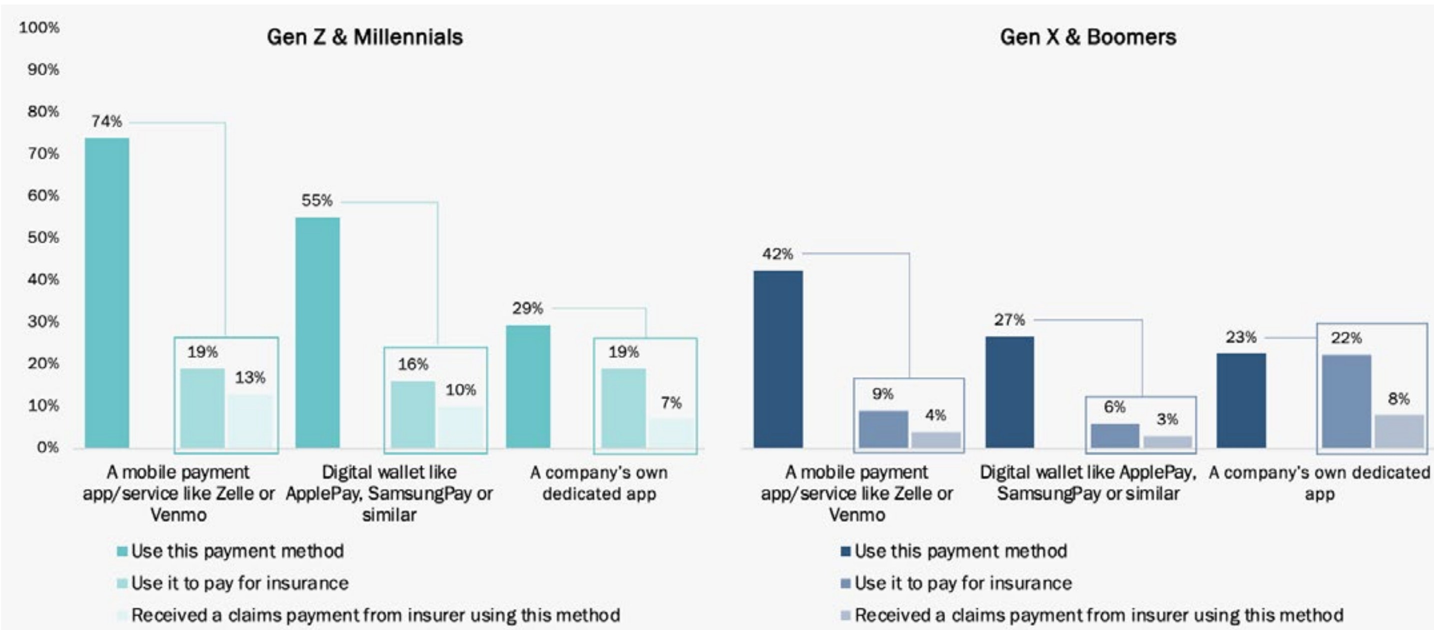
Given that Gen Z and Millennials have become digital leaders, it is not surprising they outpace Gen X and Boomers in using mobile payment apps and digital wallets by sizable margins as shown in Figure 22. However, use of a company's dedicated app is much lower for Gen Z and Millennials (29%), half the usage rate of digital wallets (55%) and 2.5 times lower than mobile payment apps (74%) reflecting a loyalty to specific types of digital payment options they use on a regular basis. Likewise, Gen X and Boomers are similar in the lower use of a company's app (23%).

While there is high use of the digital payment options overall, the discouraging insight is the disconnect and low use of them for paying insurance premiums or receiving claims payments. Less than 20% of Gen Z and Millennials use digital apps for these purposes and less than 10% of Gen X and Boomers do as well.

Furthermore, while Gen X and Boomers had the highest use of a company's dedicated app to pay for insurance (22%), this nets out to just 5% of all Gen X and Boomer customers, a paltry usage rate and a potential reason why insurers should look to mainstream digital payment options for their customers, regardless of generation. With mobile payment apps and digital wallets becoming table stakes for simplifying and removing friction in consumers' financial transactions, it is extremely important for insurers to adopt and promote these options for their customers.

Figure 22

Customers' use of digital payment methods



With regard to the usage of smart connected devices, Gen Z and Millennials lead Gen X and Boomers by wide margins, with half of them using fitness trackers and smart home devices as compared to Gen X and Boomers, reflecting their rapid adoption of these technologies. However, as seen in Figures 23 and 24, both generational segments have increased their use of these devices substantially as compared to the results from our 2022 consumer survey, indicating a continued growth in adoption of these devices as they become valuable in their everyday lives, just like mobile phones did. This highlights an opportunity for insurers to leverage these devices to provide new products and services.

One of the benefits of these devices is the rich data they provide; data that can provide useful insights for insurers about risk, which can translate into more accurate, personalized pricing and new services for customers. Unfortunately, like digital payment options, there are large gaps between consumers' use of these items and insurers' use of their data.

Many Gen Z and Millennials (47%) and Gen X and Boomers (62%) who have smart home devices don't use them for insurance. This trend continues with non-usage of fitness tracker data of 51% and 69%, respectively, for insurance. A key reason why is likely due to insurers not offering these options as reflected by 10% and 15% of each generation expressing this.

Given the high general usage of these devices, insurers once again are missing out on an opportunity to provide products and services that use them, particularly to provide alerts and help to manage risk.

Figure 23

Customers' use of smart devices

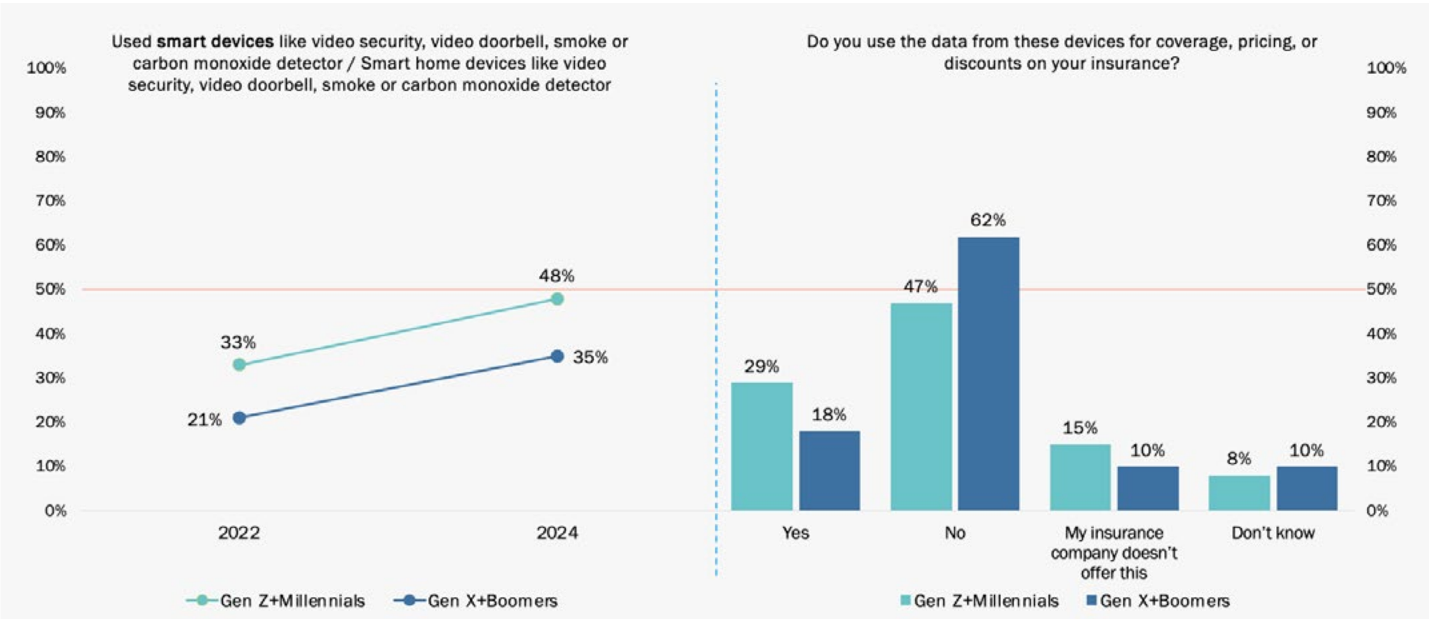
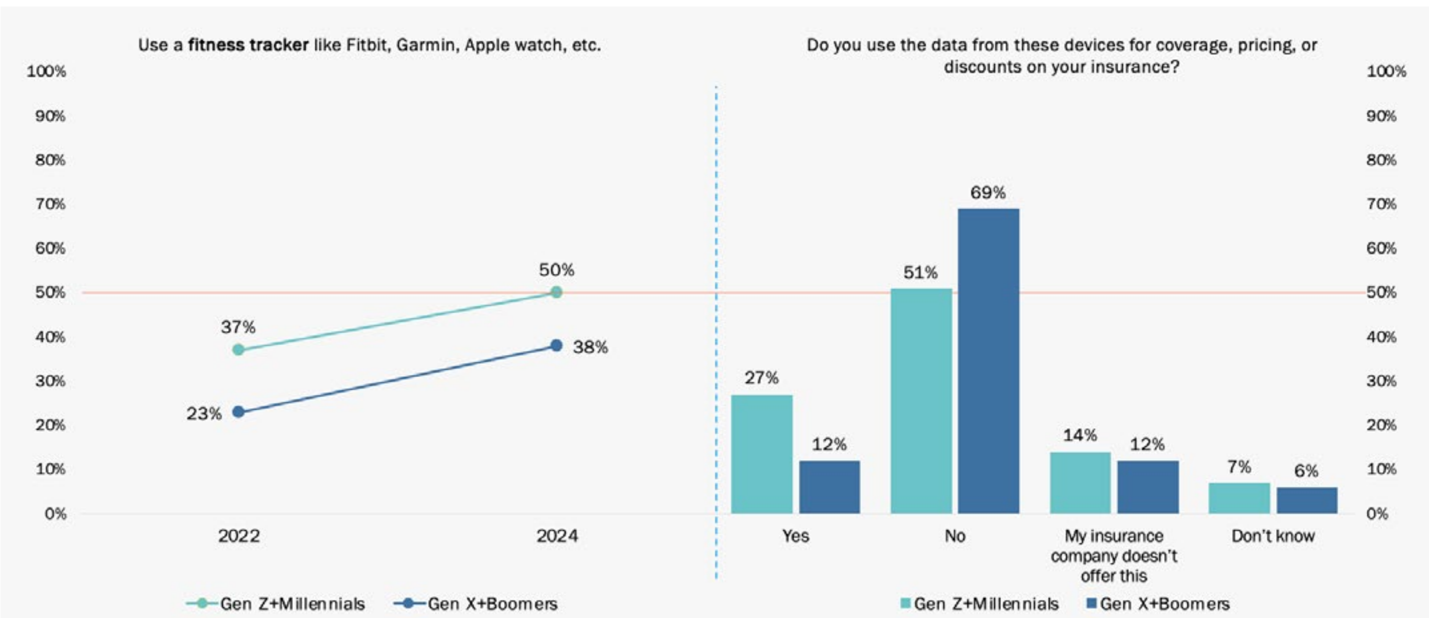
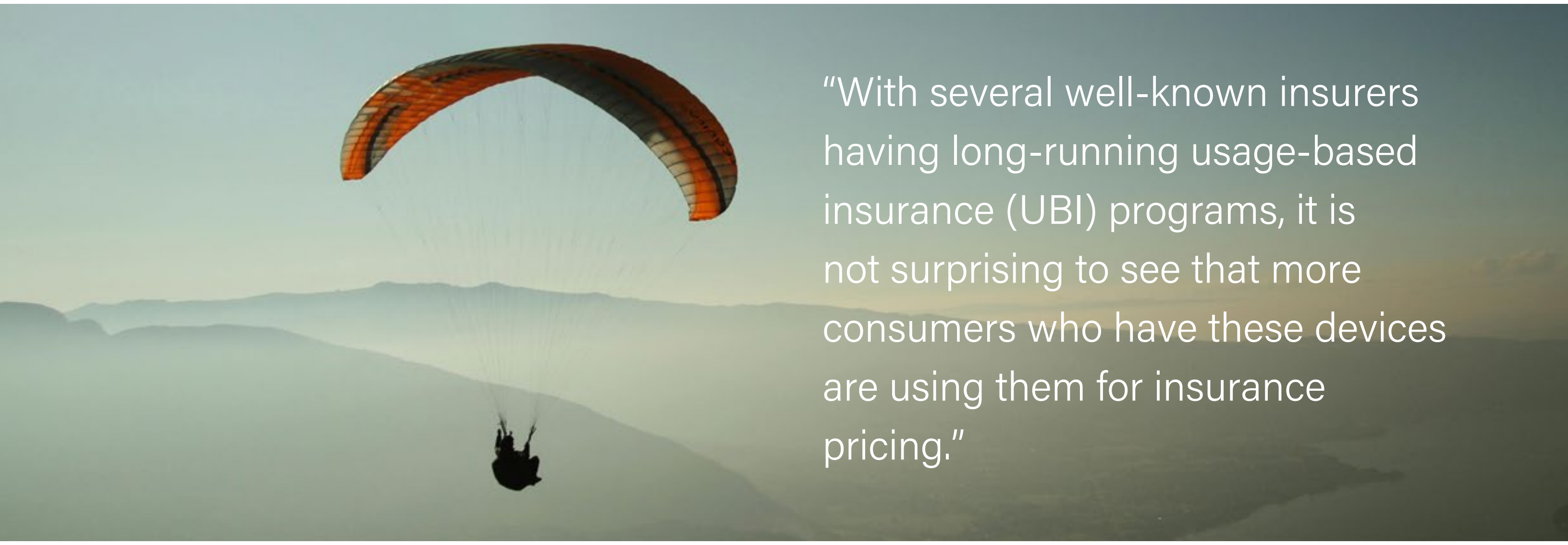


Figure 24

Customers' use of fitness trackers





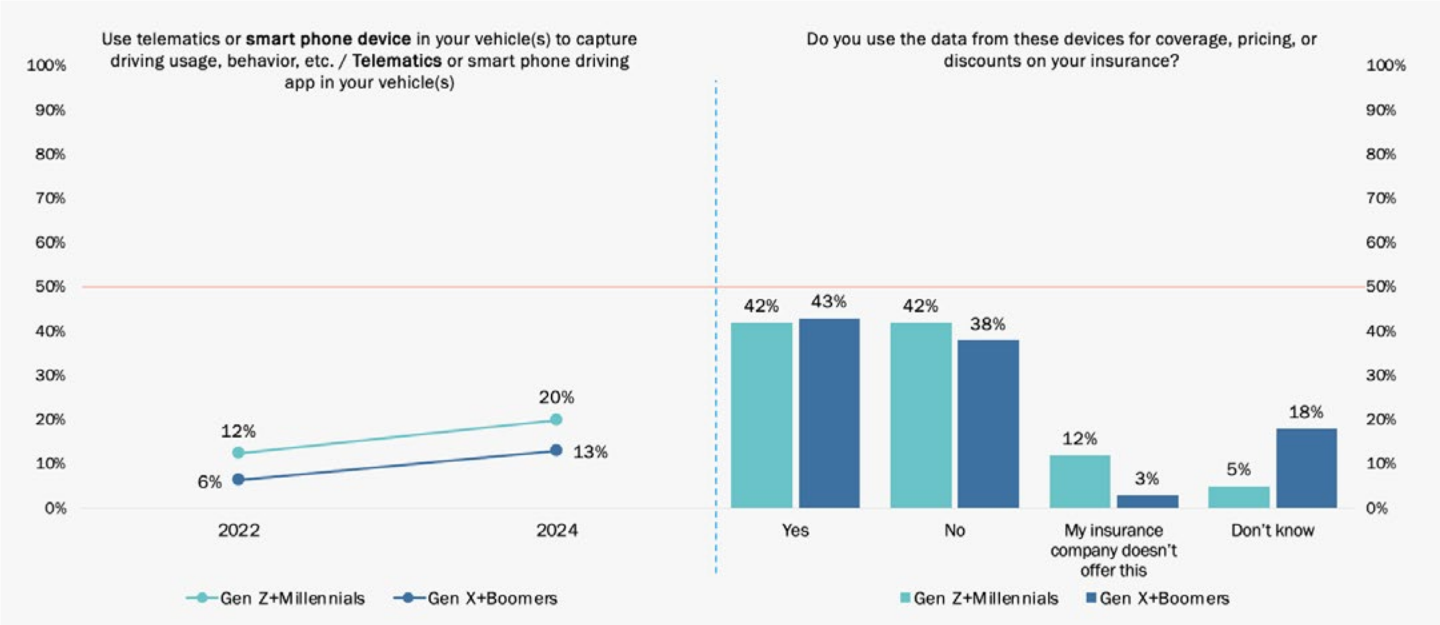
The two generational segments are more aligned in using telematics or a smart phone driving app in their car, at 20% for Gen Z and Millennials and 13% for Gen X and Boomers. While relatively low, they show strong growth since 2022, as seen in Figure 25.

With several well-known insurers having long-running usage-based insurance (UBI) programs, it is not surprising to see that more consumers who have these devices are using them for insurance pricing. Gen Z and Millennials (17%) and Gen X and Boomers (21%) indicate either their insurer doesn't offer this, or they do not know – once again a missed opportunity for insurers, particularly given the growth in usage noted previously.

Reinforcing this missed opportunity, our 2024 Strategic Priorities research with insurers revealed that just 27% saying they were implementing or had already implemented usage-based insurance products, and just 20% doing the same with IoT/telematics-based insurance products.

Figure 25

Customers' use of telematics or smart phone devices in vehicles



Artificial Intelligence

With Artificial Intelligence (AI) being one of the hottest topics in the news and across most industries, it is not surprising that a sizable proportion of both generational segments are familiar with it through their use of voice assistants like Siri and Alexa. In addition, Gen Z and Millennials' experience – nearly double or more that of the older generation - also extends into generative AI text tools for personal and work use, and chatbots/virtual assistants for interacting with companies as noted in Table 12.

Table 12

Gen X and Boomer customers' experience with AI and GenAI tools

Do you currently use, or have you recently used any of these technologies?	Gen Z + Millennials	Gen X + Boomers
An AI voice assistant like Siri or Alexa to get information, questions answered	39%	30%
A generative AI text creating tool like ChatGPT for personal use	31%	16%
A generative AI text creating tool like ChatGPT for work use	39%	30%
AI chatbot(s)/virtual assistant(s) to get information, questions answered from companies you do business with	20%	12%
A generative AI image creation tool like DreamStudio, Dall-E, Stable Diffusion or similar	8%	2%

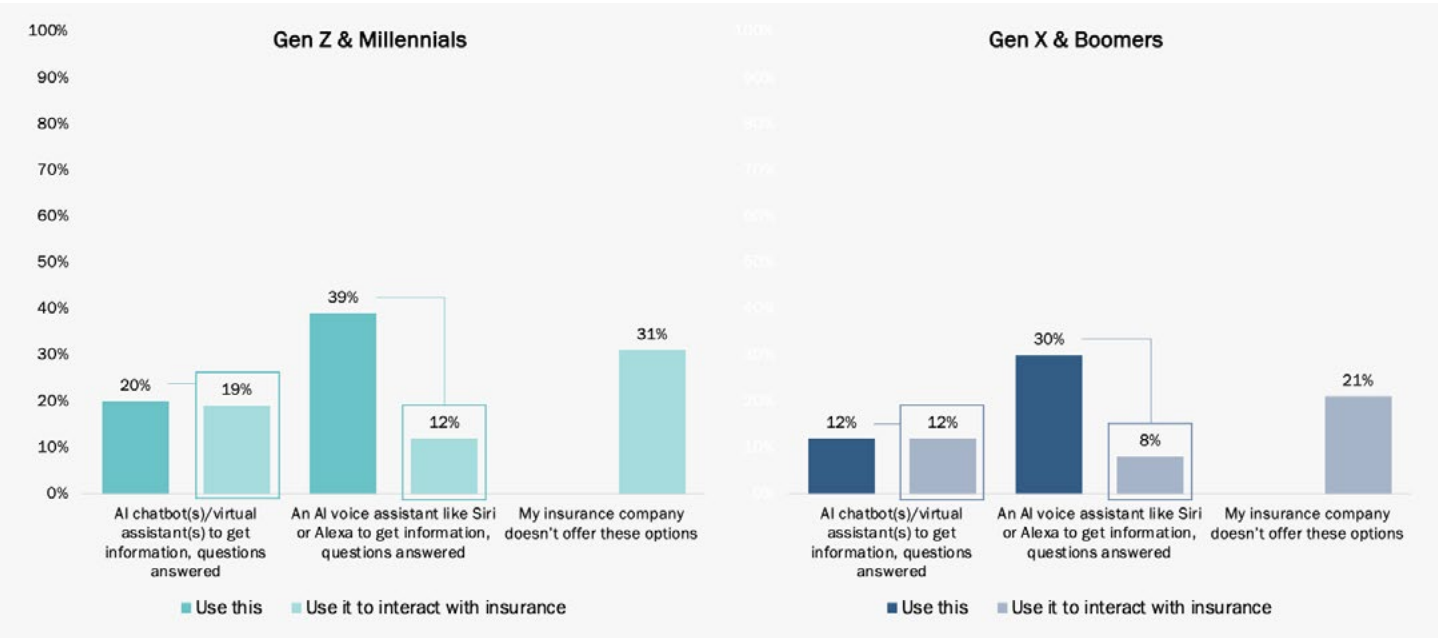
"Gen Z and Millennials' experience – nearly double or more that of the older generation - also extends into generative AI text tools for personal and work use, and chatbots/virtual assistants for interacting with companies."

However, when using these technologies to engage with insurers, there is a clear missed opportunity.

The usage levels for insurance by Gen Z and Millennials net out to just 3.8% for AI chatbots and 4.7% for AI voice assistants and just 1.4% and 2.4%, respectively, for Gen X and Boomers as seen in Figure 26. Thirty-one percent of Gen Z and Millennials and 21% of Gen X and Boomers indicate their insurer doesn't offer these options, suggesting that they tried to find these options but were not available – a missed opportunity by insurers.

Figure 26

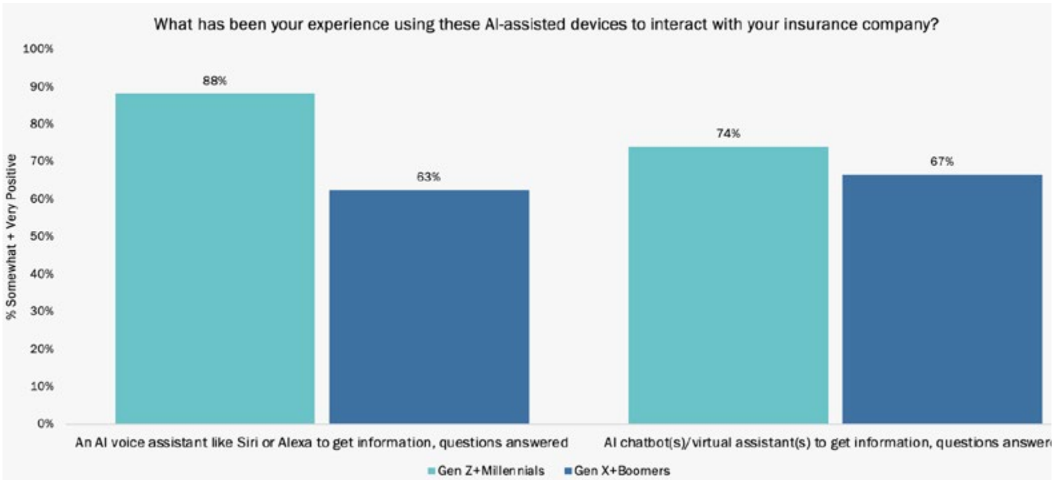
Customers' use of AI-assisted devices



This is unfortunate, as the customers who used these AI-enabled tools were very satisfied with the experience: 88% of Gen Z and Millennials for AI voice assistants and 74% for an AI chatbot experience. Well over half of Gen X and Boomers had positive experiences as well (63%, 67%). Given these positive experiences, it indicates an opportunity to gain trust and loyalty with customers by offering them these experiences.

Figure 27

Customers' satisfaction with their experience using AI-enabled tools

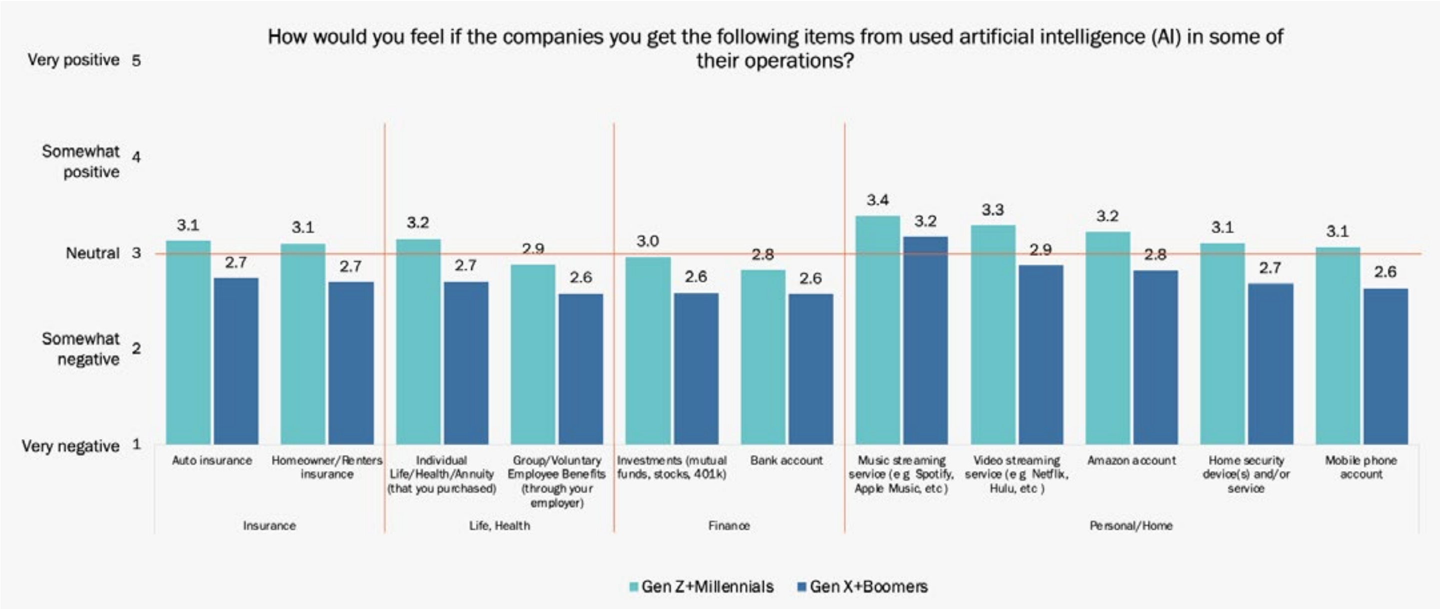


Insurers are rapidly experimenting with and expanding the use of Artificial Intelligence and GenAI beyond customer-facing service use cases to other parts of their operations. Gen Z and Millennial consumers are more comfortable with them using artificial intelligence in their operations as compared to Gen X and Boomers as seen in Figure 28. For both generational segments, the perceived benefit is highest with Personal/Home items, however there is strong interest by the younger generation for use in P&C and L&AH insurance.

The relatively consistent levels of comfort by consumers across different types of businesses indicate the growing acceptance and use of artificial intelligence in day-to-day interactions.

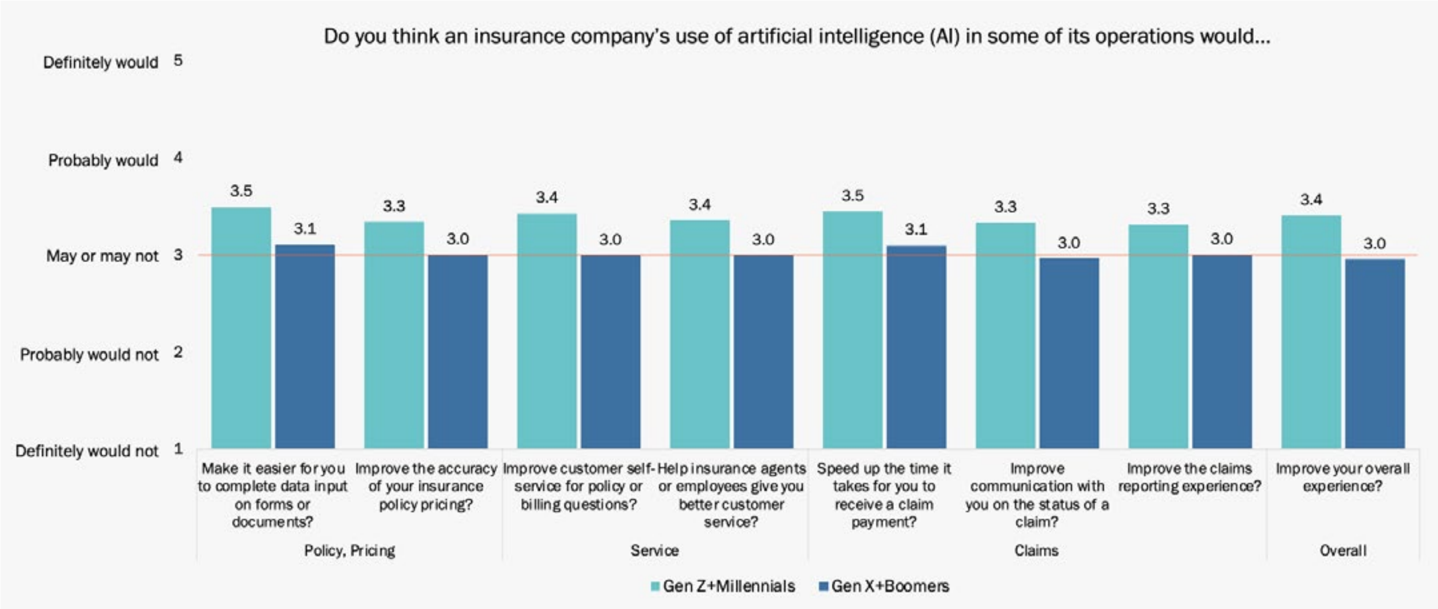
Figure 28

Customers' perceptions of AI use by companies they do business with



Consumers showed positive and consistent feedback for insurers using AI across the value chain as seen in Figure 29, once again highlighting the potential for this technology to enhance insurance engagement and experiences. Gen Z and Millennials are particularly positive with the potential to enhance all aspects of their insurance experience, with the older generation not far behind.

Figure 29
Customers' perceptions of AI use by insurance companies



Similar to when digital engagement emerged with the Internet and smartphones, insurers once again have a golden opportunity to capitalize on consumers' enthusiasm and increasing use of AI and GenAI to create even better experiences that can significantly improve loyalty and trust. There is no better time than the present to get out ahead of this by experimenting with and leveraging this technology to make insurance accessible, affordable and relatable.

Conclusion

Consumer expectations drastically changed in the digital age but are now rapidly changing again due to converging factors of a new era of risk and macroeconomic conditions that are driving up the cost of insurance. The result is changing expectations for insurance products, how risk is assessed, how consumers can manage or reduce risk and the use of technology to do so.

The increased insurance costs across nearly all lines of business are unsustainable for consumers, forcing them to make difficult decisions such as not buying insurance, switching for a lower cost, increasing deductibles and more. It is a tipping point of change, one that insurers must respond to if they want to remain viable and relevant with consumers.

While new risks have emerged over time, the changes were gradual. Insurers responded by building new risk and pricing models and we applied them to our traditional business operating model. But today is different. The traditional operating model is fractured and unstable. It cannot respond to the multitude of consumer changes and expectations impacting products, risk assessment, risk mitigation approaches, technology and more that we're now seeing. Trying to apply these changes to an unstable foundation only further weakens it and negatively impacts customer loyalty and trust.

Customers want and need insurance. But it needs to adapt and change to meet a changing risk environment and customer expectations and needs as seen in this research. In today's complex world, customers want insurance to help make their lives easier, not harder.

Doing the same things we've always done will no longer work. There are numerous opportunities for insurers to truly listen to what customers are needing and demanding in a much-changed world.

Insurers' future relevance and viability is vitally connected to demographic trends, market trends, customer expectations, and adoption of new technologies highlighted in this research. The time to start is now.

Are you listening to your customers? Are you ready to act on what they're saying?

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Prior to Majesco, Garth's extensive leadership career has spanned both business and IT across the insurance industry such as Century Companies, CUNA Mutual Group, Mutual of Omaha, Bowne Global Solutions, ACORD, Innovation Group, and Strategy Meets Action. A renowned strategic thinker, innovation leader, international speaker, and author, Garth has deep international ties across North America, Asia and Europe. She is active in the InsurTech space, is an Advisory Board Member for the Silicon Valley Insurance Accelerator, and a Mentor for the Global Insurance Accelerator. Garth holds a bachelor's degree in math and computer science from Central College in Iowa.

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