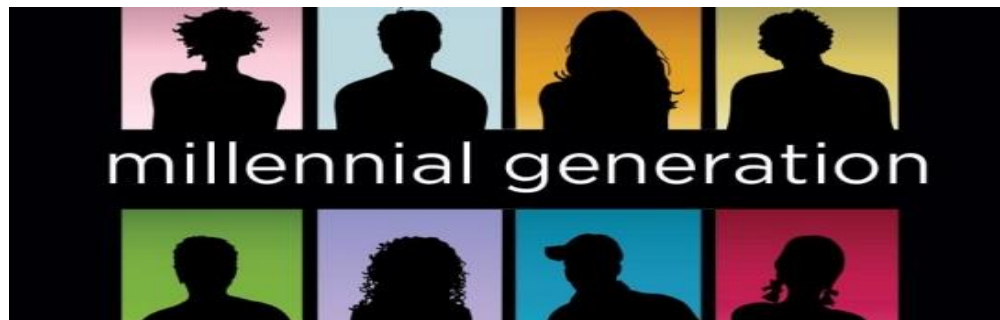




# INFORMATION PAPER ON YOUTH AND INSURANCE

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**ASSOCIATION OF KENYA INSURERS**

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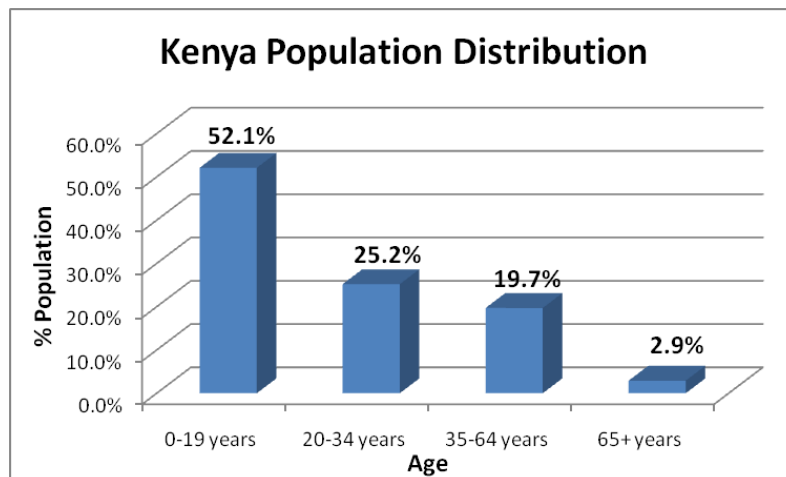
## PREAMBLE

Youth are seen as a significant segment that can boost insurance penetration in the country given their population numbers. Insurers have an opportunity to create a foundation and build loyalty to provide insurance coverage throughout their lifetime.

It is with this in mind that in 2013, AKI carried out a survey on youth needs assessment and disseminated the same to the industry. In 2016, AKI reviewed the market to determine which insurance products member companies have developed that are targeting the youth. Few products stood out. AKI went further and gathered information from different sources that will add value to the initial findings and provide insights that will help unlock this potential area.

## INTRODUCTION

Kenya's current population is over 47.5 million and growing, based on the latest United Nations estimates (<http://www.worldometers.info/world-population/kenya-population/>). On population distribution, Kenyans aged 0-19 years represent 52.1% of the total population; 20-34 years - 25.2%; 35-64 years - 19.7% and 65+ years - 2.9% (<https://populationpyramid.net/kenya/2016/>) as outlined in the chart below:



On usage of insurance products, the 12 million Kenyans aged between 20-34 years are about to become the most important customers. Despite many of them being unemployed

and having little or no money, they are the next big spenders. And while many are still climbing the income ladder, this group's size and age range highlights its long-term purchase power.

This group comprises people born approximately between the years 1982 and 1996. These are the Millennials also known as Generation Y, abbreviated Gen Y. This is the demographic cohort between Generation X and Generation Z.

Millennials are the most underinsured generation and this presents a great opportunity to the insurance industry. Insurers' future success depends heavily on their ability to attract Millennials. Insurers should therefore start signing up and retaining these youthful customers, whose buying strength will, within only a few years, exceed that of the previous generations.

However, to sell insurance to Gen Y, insurers need to understand them to deliver appropriate products and services.

## CHARACTERISTICS OF MILLENNIALS

### Tech-Savvy

Millennials have grown up in a new era of technology; they recognize that tech tools are powerful assets in virtually every aspect of their lives. They love staying up to date with the latest technology and they are looking for better service through digital channels.



## Connected - Social Media



Millennials are constantly perusing Facebook, Twitter, Instagram, Snapchat, etc. It's how they share and get information; they collaborate and cooperate with each other and with brands.

## Informed

Millennials are more educated than the previous generation and they love to keep learning and bettering themselves; they spend a lot of time researching topics online. When they make a purchase they are already well informed on the item. They love brands that understand them and have offerings that can help them on their journey.



## Interactive



Millennials are no longer passive consumers of media; they want on-demand choice and expect interaction with platforms. In return, they want something back for the time or effort they spend with your campaign. More than ever they're keen to co-create with brands but have to feel they're getting something out of it. For brands that can

harness this power, expect lots of social currency!

They define the great advertising that they love as subtle, authentic and impressive - they like seeing a real effort to relate to them.

To this generation, great advertising is when brands make an effort to relate to them. They are motivated by brands who talk about passions beyond their product. These brands must however be genuine, funny, beautiful or clever but above all well understood.

### **Price conscious and deal savvy**

Millennials' are coming of age in the most uncertain economic environment making them price conscious; their affinity for technology is also reshaping the retail space. With product information, reviews and price comparisons at their fingertips, Millennials are turning to brands that can offer maximum convenience at the lowest cost. But despite being price conscious, Millennials are not willing to sacrifice quality, they're willing to pay more for better.



## WHAT IT MEANS TO THE INSURER

### Invest in Technology

Insurers should make sure that their companies stay up to date technologically. Statistics show that as at March 2016, 87.2% of Kenyans had access to the internet and 99% of them accessed it through the mobile phone (<http://ca.go.ke/index.php/statistics> ).



Insurers therefore need to mobile optimize their services and products so they can be easily accessed. Millennials expect to be able to “visit” their financial professionals and their accounts anytime they want, virtually or electronically, 24/7.

The underwriting process should be made fast and easy by allowing people to apply and make payments and changes online.

For in-force policies, Millennials need to be able to evaluate their policies, check updates and increase or decrease the coverage or structure more easily.

### Engage in Social Media



In order to be relevant to Millennials, insurers should keep their social media outlets active at all times; start conversations that will engage by talking about topics that interest them. Insurers should listen to them, understand them and value their input into a solution and act in their best interest.

## **Build Loyalty and Trust**

To attract Millennials, insurers need to be seen as a trustworthy resource working in the best interest of their customers. Millennials are looking for someone they can trust, relate to, converse with and learn from; someone with good online presence and whose previous interactions can be evaluated with good referrals.

Insurers should focus on relationship building with Millennials, be looked upon as a partner to help them rather than an advisor telling them what to do.

## **Effective Communication and Advertising**

The market does not necessarily have to come up with new products for the Millennials. What needs to change is how the products and services are communicated. Insurance products need to be marketed and not sold as is the norm. For instance, with regards to Life Insurance, focus on benefits rather than telling stories about death.



Insurers need to communicate transparently and honestly in a way that helps Millennials understand how their services are making a difference in their everyday lives with all the facts.

Insurance is extremely important and, as we know, typically the younger you purchase protection products, the more cost-effective they are. Millennials need to learn more about risk products and be given recommendations tailored to them in the context of their overall financial plan.

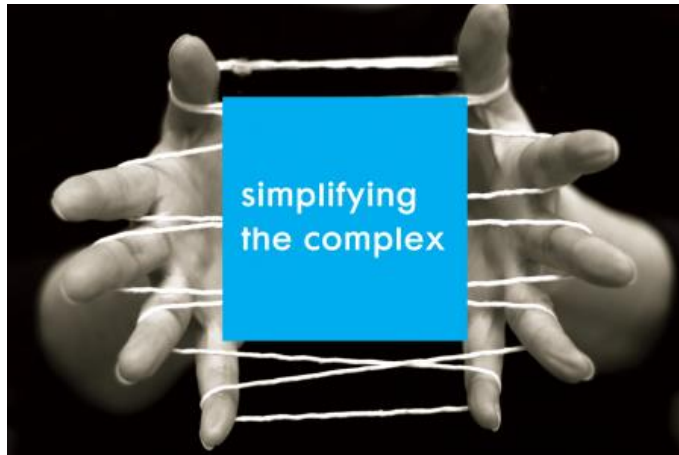
## **Simplified Information**

Millennials like to have information before taking action. They are the most educated generation to date and are hyperaware of their decisions. They want to learn through

expert advice and guidance from professionals while maintaining the ability to make their own decisions.

Insurers should also continually learn the Millennials unique circumstances then provide them with multiple winning options, of how insurance fits into their overall financial strategy and the importance of risk mitigation and saving from an early age.

To connect with this demography, insurance carriers and financial professionals should focus on natural, straightforward communications. It will be crucial to be able to relay the value proposition of the solutions being offered, and to be able to provide more information, in an easily palatable format.



### **Value Based Pricing**

Millennials are price- sensitive. Insurers need to make it very clear what they are paying for; a solid fee structure and service package is key for this group.

### **ATTRACTING MILLENNIALS: WHAT HAS WORKED**

Insurance companies know Millennials are a difficult audience to reach, and so the need to expand their communications options. Traditional insurance brokers are still available for those who prefer face-to-face meetings.

Millennials are skeptics and are likely to view insurance brokers as shady salespeople. To squash these fears, Insurance companies have provided full details about all of their insurance options and available policies on their websites. Millennials can therefore read up on the policies before going to the broker's office, or they can complete the insurance application online.



Insurance companies have created mobile apps so Millennials don't have to put down their phones to sign onto a computer. Most traditional life insurance policies require a medical examination and meeting with a sales person, processes that do not appeal to Millennials used to making transactions with a few clicks on their smartphones. For those Millennials who really don't want to talk to a live person, some policies can even be completed without a medical exam.

A few examples of major insurers who have come up with new ways to attract Millennials:

- **MassMutual** - American Insurance Company Mass Mutual opened a youth-friendly hangout space near Boston in October 2014 called the Society of Grownups. It is a social, fun and safe place for young people to talk openly about money as well as other major adult topics like negotiating salary, buying a home, planning for a family, and saving for retirement. It helps individuals create their own personalized approach to managing their money.



This financial literacy learning initiative aimed at the millennial generation is a really new, innovative concept driving conversations around money, personal finance, and being a Grownup in an entirely new way.

- **Haven Life**- lets users apply for and receive life insurance coverage online a process that aims to attract younger consumers unlike the traditional way of purchasing life insurance, which

**HAVEN** life

requires meeting with a salesperson and undergoing a medical exam. The site also has a life insurance calculator to determine how much coverage is needed.

- **Shelly Alvarez Insurance**- assists Millennials with life insurance options to suit their needs. You can obtain a free quote and apply online for coverage.
- **USAA**- Created a new kind of insurance benefit in 2015 for their millennial customers (aged 18-35) that allows life insurance policy holders to increase their coverage by \$100,000(approx. ksh10,000,000) following a qualifying life event such as a marriage, birth of a child or buying a home without additional underwriting. The additional coverage option can be exercised once within the first ten years of the policy at an average additional cost during the level premium period ranging from \$8 to \$25 (Approx. Ksh800-Ksh2,500) per month.
- **Acquisition of innovative companies that add value to insurance companies**

### **Northwestern Mutual- LearnVest**

Northwestern Mutual acquired millennial-focused financial planning company LearnVest for \$250 million in March 2015. LearnVest's basic financial planning resources are free with a pay option to engage a financial planner who will give them advice about spending, budgets, investing, and more. LearnVest with about 1.5million users carved a niche in the financial planning business by attracting young professionals who sought a more modern way to manage and budget their money. For the Northwestern Mutual, LearnVest will provide it with an information rich resource to better understand the Millennials behavior and motivations which can further propel the insurance business.

All of these experiments by insurers are about establishing a relationship with Millennials. They may not bear fruit right away, but it will build trust and lead to sales down the road.



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