

**InvoiceCloud<sup>®</sup>**

Research report

# Keeping up with Millennial policyholders





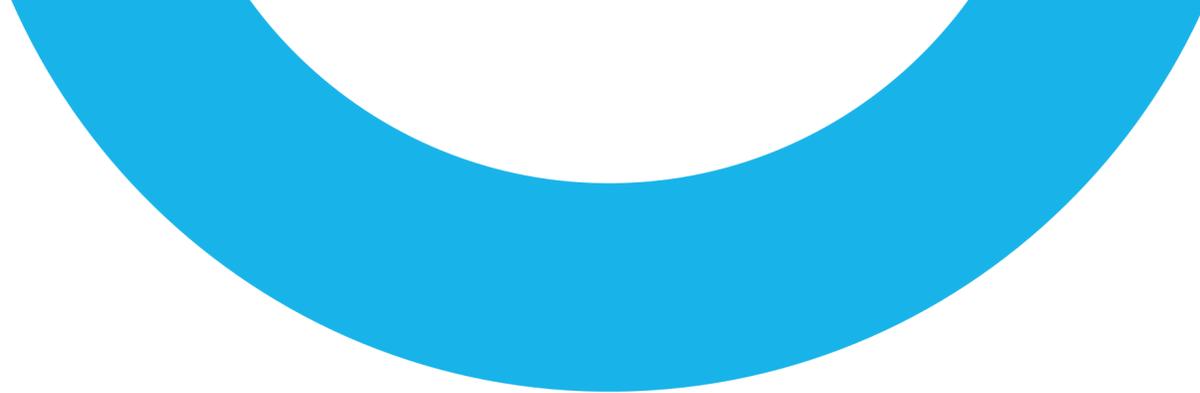
## The Millennial policyholder revolution

With a population of over 72 million, Millennials are currently the largest generation in North America. The significant buying power of this generation has compelled many traditional institutions and industries to modernize their practices, including the insurance industry.

As an industry that has been hesitant to embrace innovation, insurance organizations risk falling behind with this critical age group. This is especially pressing today, as digital native insurance carriers have risen to meet this generation's policy needs, while also providing the intuitive user experience they expect.

These insurance disruptors understand something fundamental about the Millennial generation that has enabled them to separate from the pack: **no matter the service or product, Millennials expect technology-driven customer experiences.** This new breed of insurance carrier is up to the task of delivering this experience, largely because they're willing to use innovative technology to their advantage – perfectly positioning them to attract and retain Millennial policyholders.





## The research

To help insurers keep pace with this influential generation, Invoice Cloud conducted [an online survey in January 2021](#) where we asked Millennial policyholders about [their existing and future policy needs, payment preferences, and what they expect from an insurance payment experience](#).

In total, we collected 1,769 qualified responses (to qualify, respondents must own at least one active insurance policy, any type) from insureds born between 1981 and 1996. (based on generational definitions from [Pew Research Center](#)). The genders of respondents were balanced according to census data. Find the full questionnaire in [Appendix A](#). The full breakdown of age can be found in [Appendix B](#).

After reviewing the survey results, we identified a few key points that insurance organizations can use to keep up with evolving insurance expectations, driven by this generation of policyholders.



### Why focus on Millennial payment preferences?

Payments are a critical piece of the policyholder experience puzzle. How easily an insured can pay their monthly bills is a huge contributing factor in whether they'll continue with their current provider.

This is especially true for Millennial policyholders. The convenience of technology in our day to day lives – i.e., one-click shopping on Amazon or instantly summoning a ride with Uber – are a huge reason for Millennials' enhanced service expectations. For insurance payments, this demand translates to how quickly and easily insureds can pay their monthly premiums.

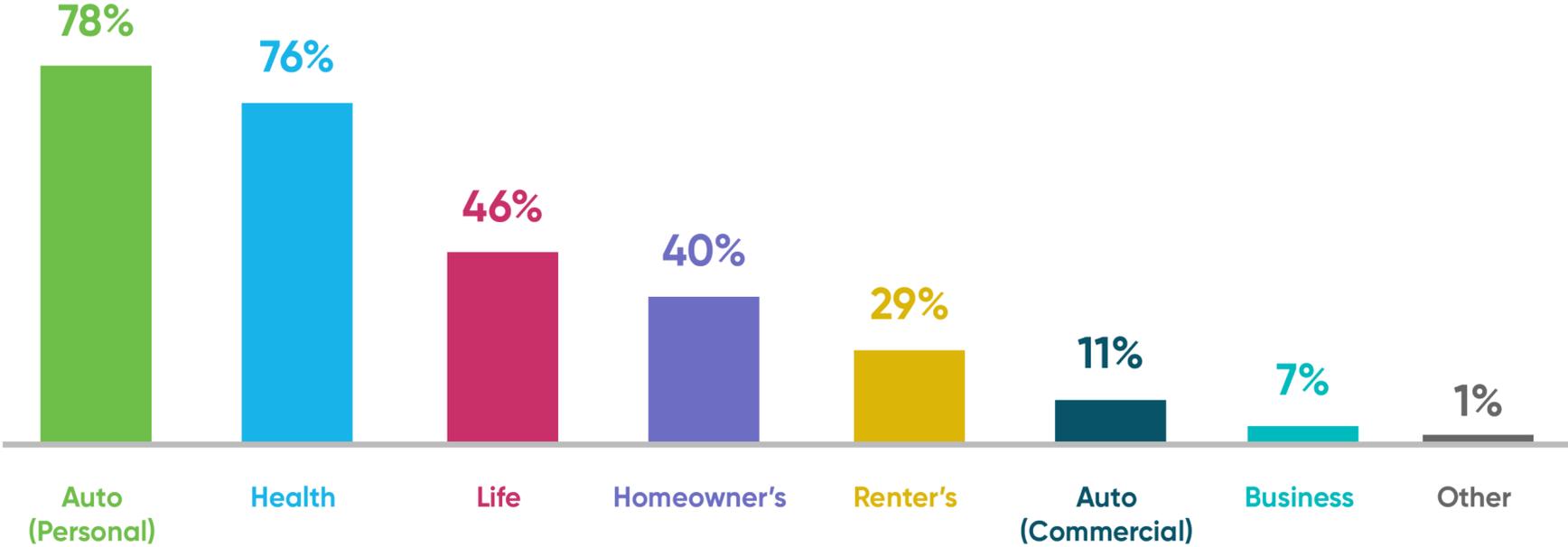
# Survey takeaways

## Millennials have significant purchasing power

In 2019, Millennials surpassed the Baby Boomer generation as the largest living adult generation. This means Millennials now make up a major percentage of consumers, spending trillions of dollars a year in goods and services – and insurance is no exception.

Millennials already have a sizeable presence in today's insurance market. According to the survey results, the most common policy among Millennials is personal auto insurance (78%), followed by health insurance (76%). However, Millennials are actively buying policies in other insurance sectors, as well.

Which of the following insurance policies do you currently own?

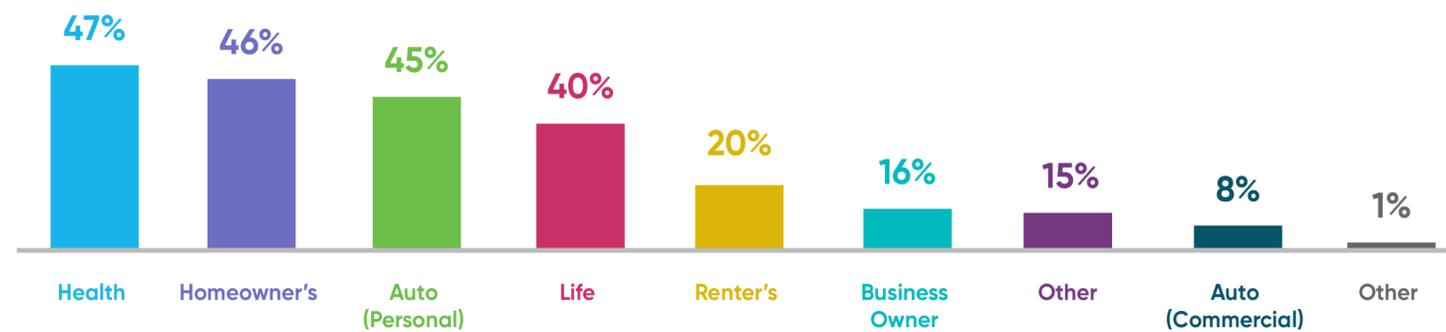




Looking ahead, the buying power of Millennials in the insurance market only becomes more formidable. **Nearly half of the respondents surveyed anticipate needing to purchase new – or even their first – health, homeowner’s, and personal auto policies in the next five years.**

**Which of the following insurance policies do you anticipate needing in the next 5 years?**

(Please select only policies you do not currently own.)



In total, **85% of the Millennial policyholders surveyed anticipate buying at least one new policy in the next 5 years.** This means that the money spent on insurance by this already influential demographic will inevitably increase, and rapidly.

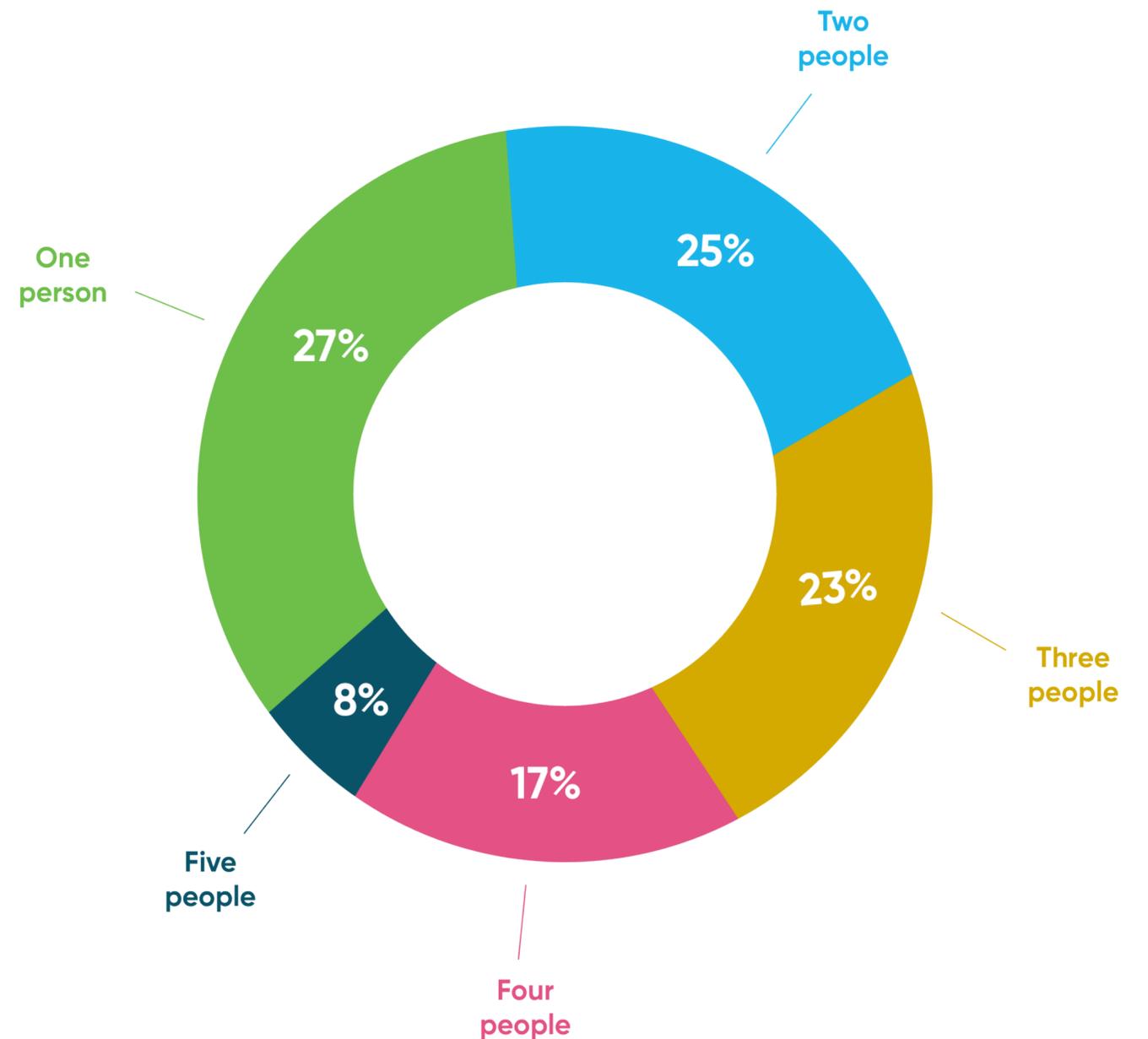


### Many Millennials are in transitional life phases

The Millennial generation currently spans individuals ages mid-twenties to late thirties, with the eldest of this generation turning 40 in 2021. This is a sizeable gap in terms of consumer needs and life experiences.

The younger end of this demographic has just entered their mid-twenties, which means many younger Millennials are starting at their first jobs, striking out in the renter's market, and are no longer covered by their family's insurance plans. On the other side of the age bracket, older Millennials are buying property, starting families, and purchasing more policies as their insurance needs grow.

### How many members of your household (including yourself) are covered by your active insurance policies?



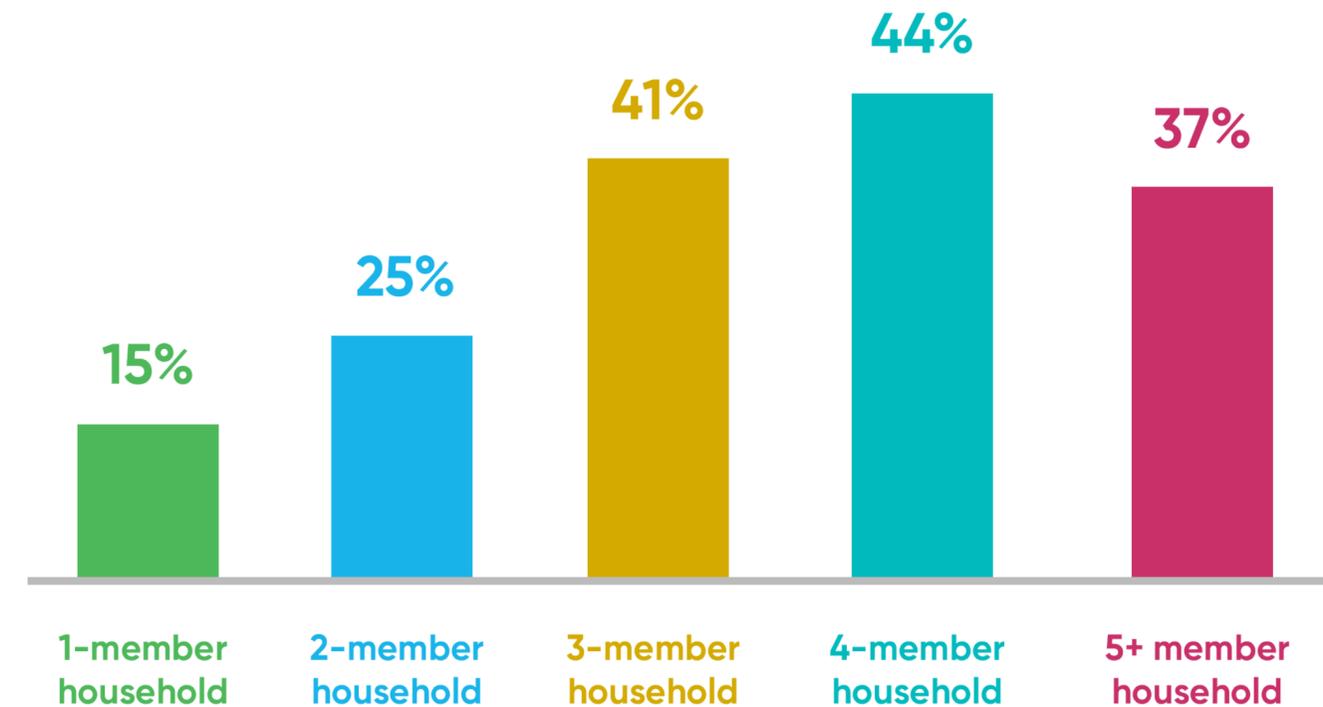
As the data shows, the gap between single Millennials (whose insurance policies only cover themselves) and Millennials who are starting families (whose insurance policies cover their partners and/or dependents) is gradually closing. **Twenty seven percent of Millennial policyholders have invested in insurance policies to only cover themselves, but 25% of that same demographic purchased policies to cover two people and 23% have purchased policies to cover three people.**

This variety of coverage translates into an equally wide range of annual insurance premiums, varying from less than \$1k to \$15k or more spent on insurance a year. With such a wide range, it's difficult to make sweeping conclusions about the insurance spend of this group as a whole. If we break down annual spend by the number of household members covered by a policy, however, we can uncover some useful trends.

Understandably, the biggest difference in insurance spend comes when comparing single policyholders to those covering two or more people with owned policies. Eighty-five percent of single policyholders, for instance, spend less than \$5k per year on all insurance premiums. It's important to remember, though, that this group only accounts for 27% of survey respondents.

On the other hand, the proportion of respondents spending \$5k or more per year in insurance premiums is much larger for multi-person households.

**Percentage of households spending more than \$5k per year in insurance premiums**



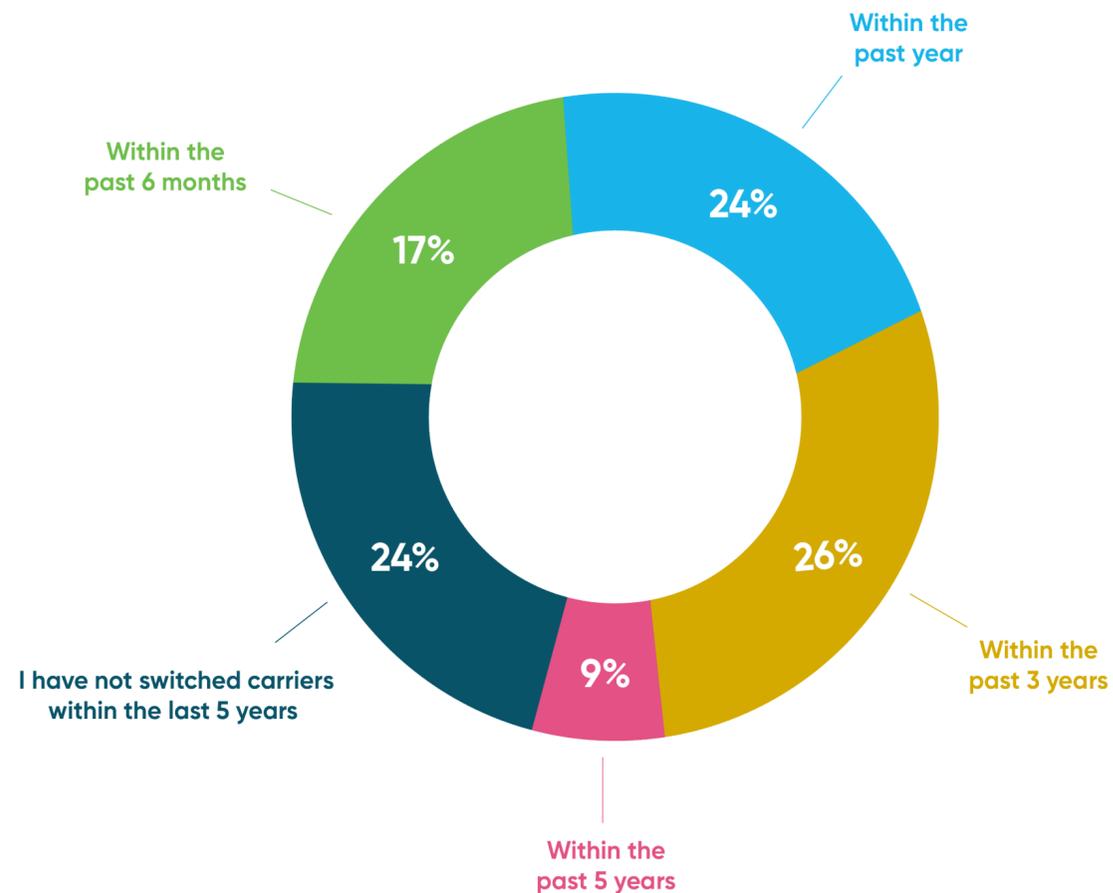
For insurers, it's important to think about this group as spanning a few different stages of life while keeping in mind the underlying themes both ends of this generation have in common. A focus on innovative technology and digital consumer experiences, for example, are preferences that most Millennials share, despite their differing life experiences.

## Millennials are switching carriers for better experiences

When it comes to insurer loyalty, the survey results show that Millennials will not hesitate to switch carriers if their current insurer isn't providing a satisfactory customer experience.

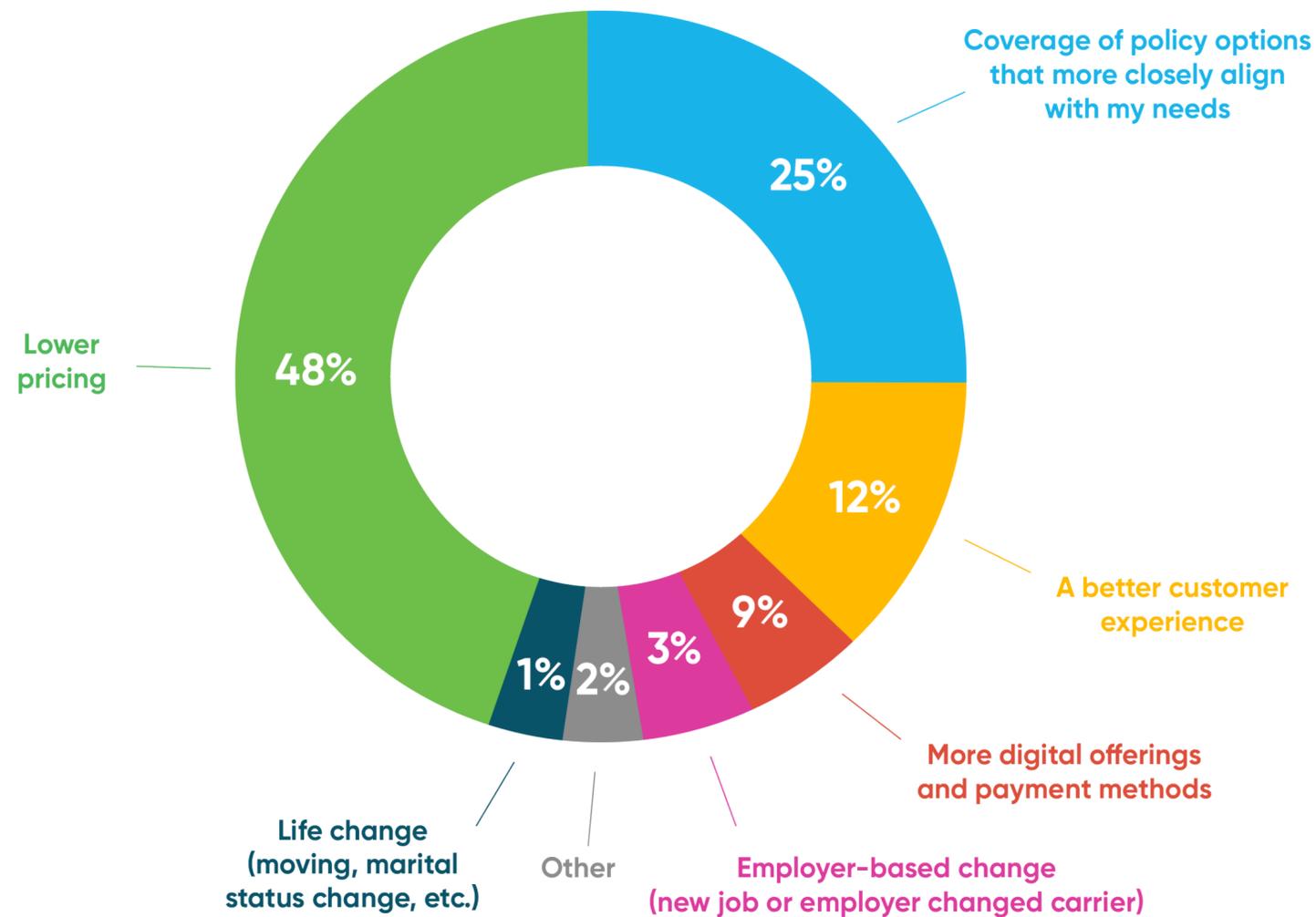
**Forty-one percent of the Millennial policyholders surveyed have switched insurance carriers within the last six to 12 months** and an additional **26% of respondents have switched carriers within the past three years.**

When was the last time you switched insurance carriers?



To better understand why 76% of these Millennial policyholders have switched carriers in the last five years alone, we asked respondents to pinpoint why they decided to leave their former insurance provider.

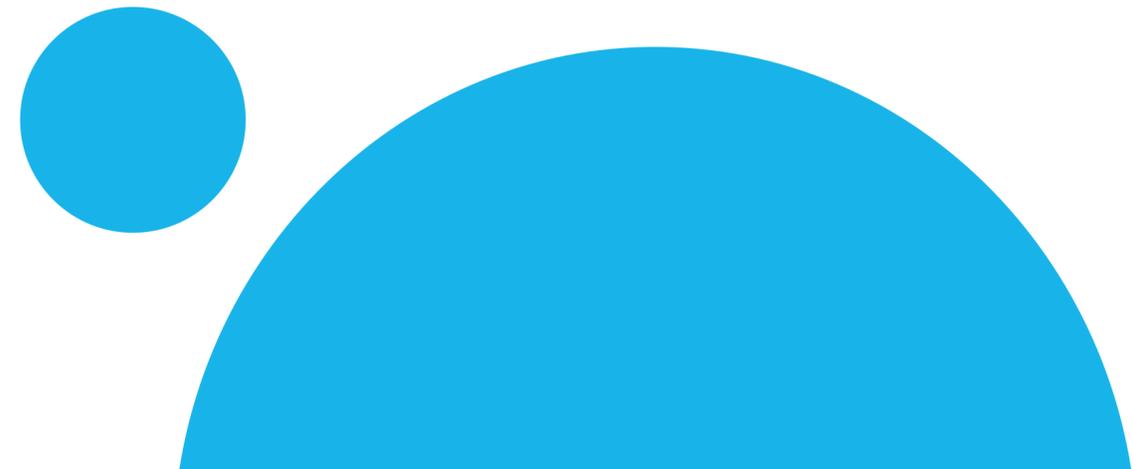
**What was the primary reason you switched insurance carriers?\***



While 48% of respondents cited that price was a primary driver for switching carriers, what's more informative for insurers are the **21% of Millennial respondents that switched carriers for better customer experiences or expanded digital offerings and payment methods.**

Competitive pricing will always exist in the insurance space and no carrier can accommodate the changing needs of every insured – it's much more attainable for your organization to improve the policyholder experience and expand digital payment options. Making a concerted effort to do so could retain that 21% of policyholders who jumped ship for insurers that are already offering those online experiences and payment methods.

**Action item:** Try auditing your policyholder experience and payment offerings. Taking the time to evaluate what it's like to pay premiums with your organization could help identify the challenging aspects of your payment experience, giving your organization the opportunity to address these issues and avoid spikes in customer churn.



\*Of the 76% of respondents who have switched insurance carriers within the past 5 years

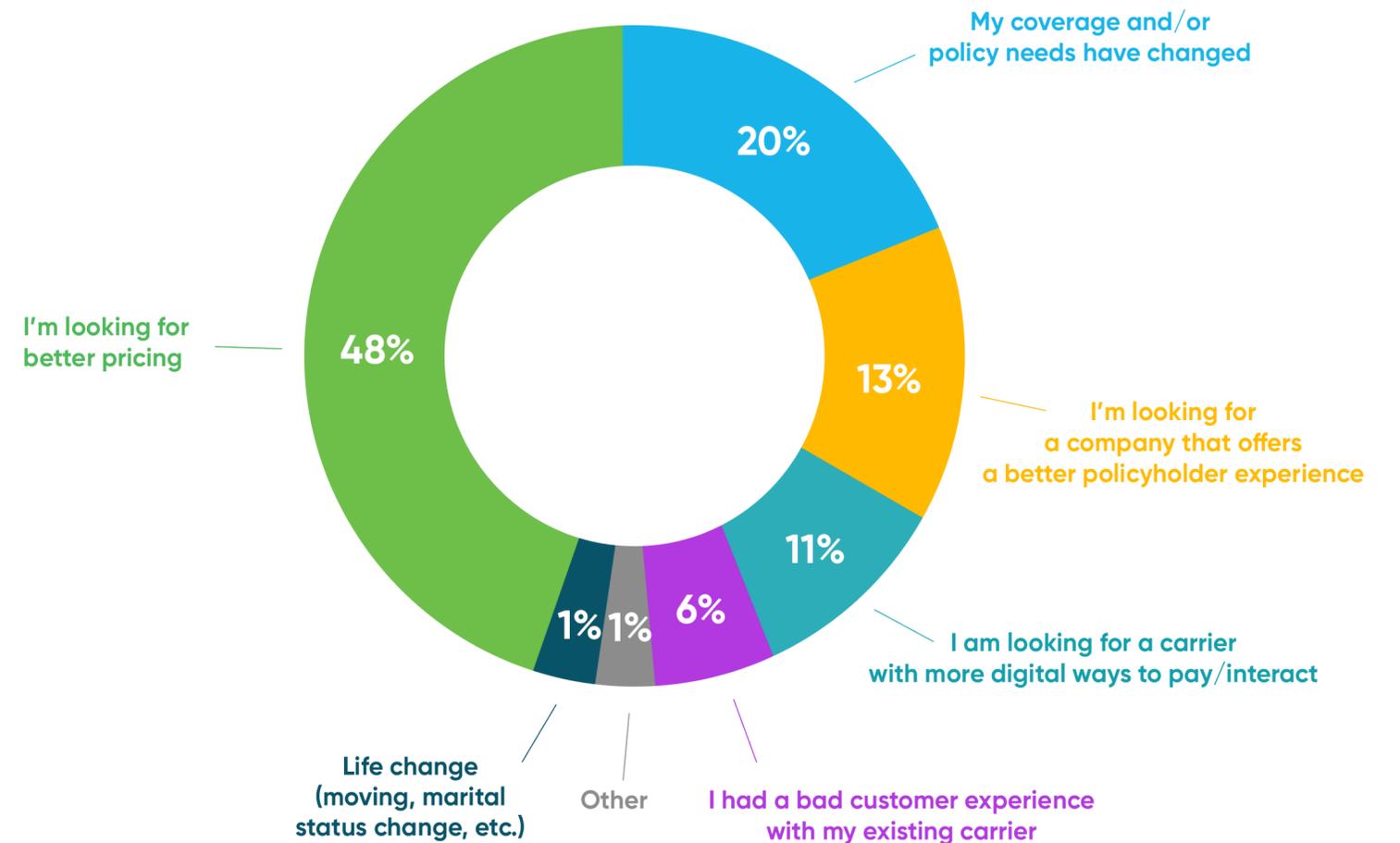
## Policyholder experience dictates Millennial attraction and retention

Unfortunately, the trend of Millennial policyholders abandoning their current insurance carriers isn't slowing anytime soon. The survey results show that 50% of Millennial policyholders are "very likely" or "somewhat likely" to look for a new insurance carrier in the next 12 months.

**Thirty percent of those respondents are looking to change carriers because of a negative customer experience with their current provider.**

More specifically, 13% of respondents looking to switch carriers are searching for insurers with better policyholder experiences, 11% of respondents are planning to leave their current insurer for a carrier that offers more digital payment options, and 6% of respondents are switching due to a bad customer experience with their existing carrier.

### What is the primary reason you are considering switching?\*



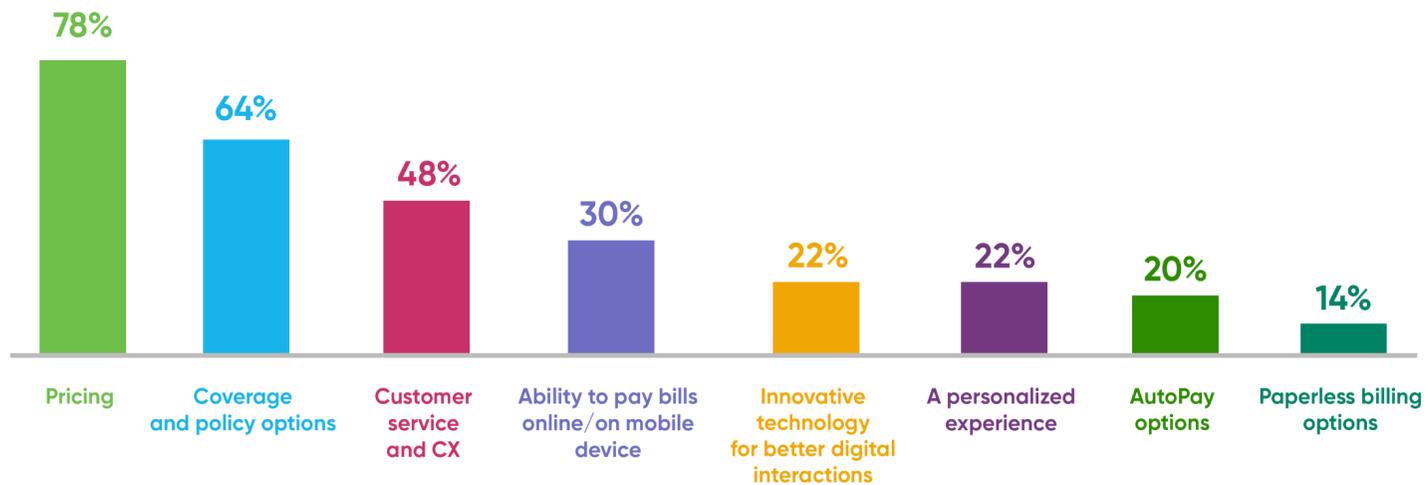
*\*Of the 50% of respondents who are 'very' or 'somewhat likely' to look for a new insurance carrier in the next 12 months*



Enhanced online offerings – or lack thereof – aren't just why Millennials are considering leaving their current insurance carrier. These digital experiences are among this demographic's top three factors that will determine the new carrier they select.

When asked to rank decision-making factors, **48% of respondents cited a superior customer experience** as a critical factor in their decision. Also notable are the **30% of respondents looking for a carrier that offers online and mobile payment options** and the **22% of respondents drawn to insurance organizations that utilize innovative tech.**

When you think about selecting a new insurance carrier, which of the following factors are the most important for making your decision?  
(Please select your top 3 factors.)



Again, aside from pricing and policy options, the quality of the policyholder experience carries the most weight with Millennials searching for a new carrier.

One aspect of the policyholder experience that comes up time and time again with this demographic are the payment options available to insureds. For example, **90% of Millennials said online or mobile payment options are 'very important' or 'somewhat important' when selecting a new insurance carrier.**

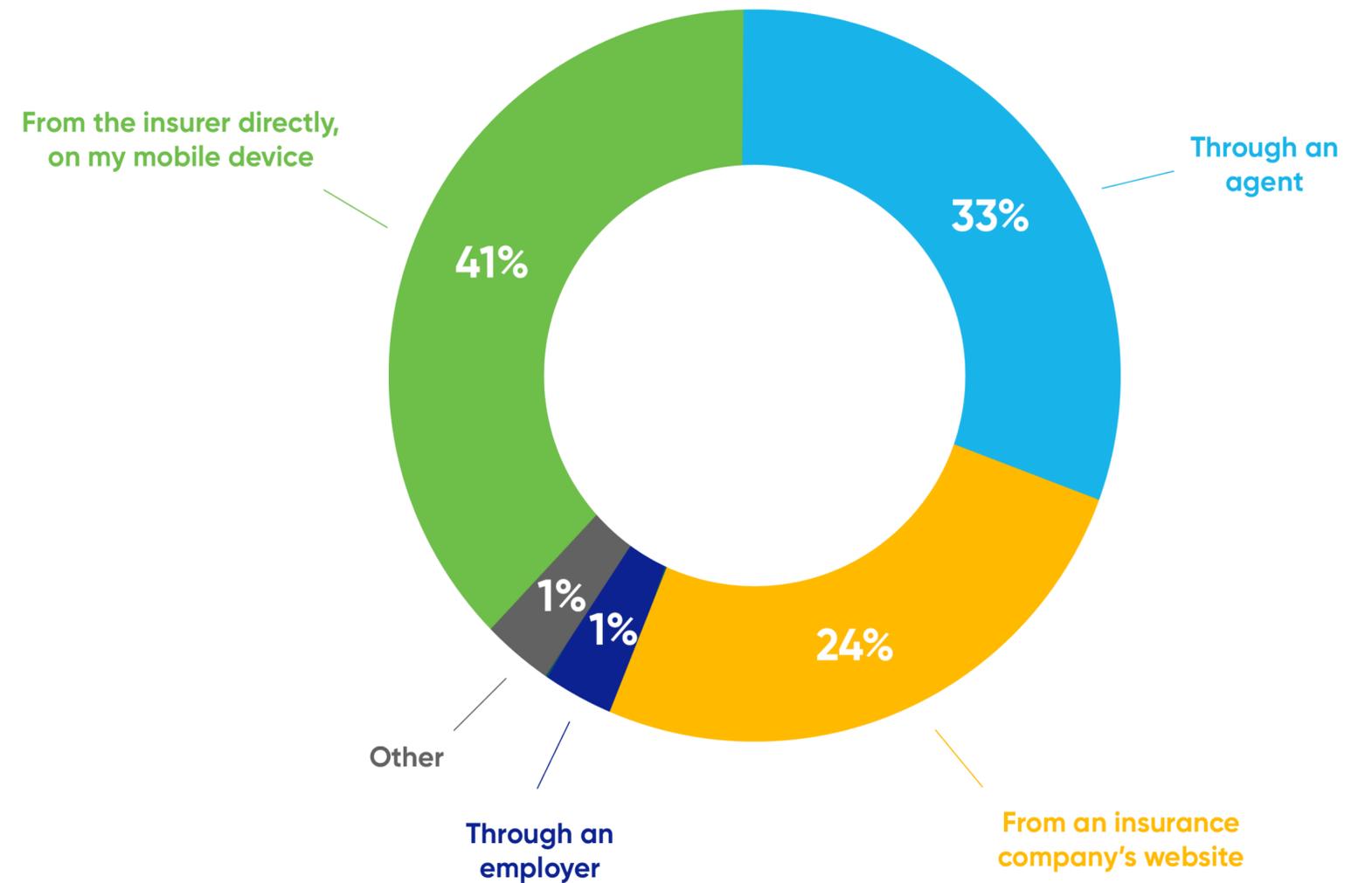
**Action item:** It's clear that a range of payment offerings is a key piece of what makes the policyholder experience outstanding for Millennials. To keep pace, insurance organizations must put an increased focus on providing insureds with optimized, omni-channel payment experiences. This means offering an equally simple, intuitive experience across all platforms – mobile, online, Interactive Voice Response (IVR) systems, etc. – so a policyholder can begin a payment on one channel and pick up their payment later, on a different channel, with the same ease and context.



### Mobile experiences are essential

We've touched on the role monthly premiums play in the overall policyholder experience – but what about the decision to purchase a policy? When asked how they purchased their latest insurance policy, **41% of Millennial respondents said they bought the policy on their mobile device**, directly from the insurer.

Think about the last time you purchased a new insurance policy.  
How did you make the purchase?

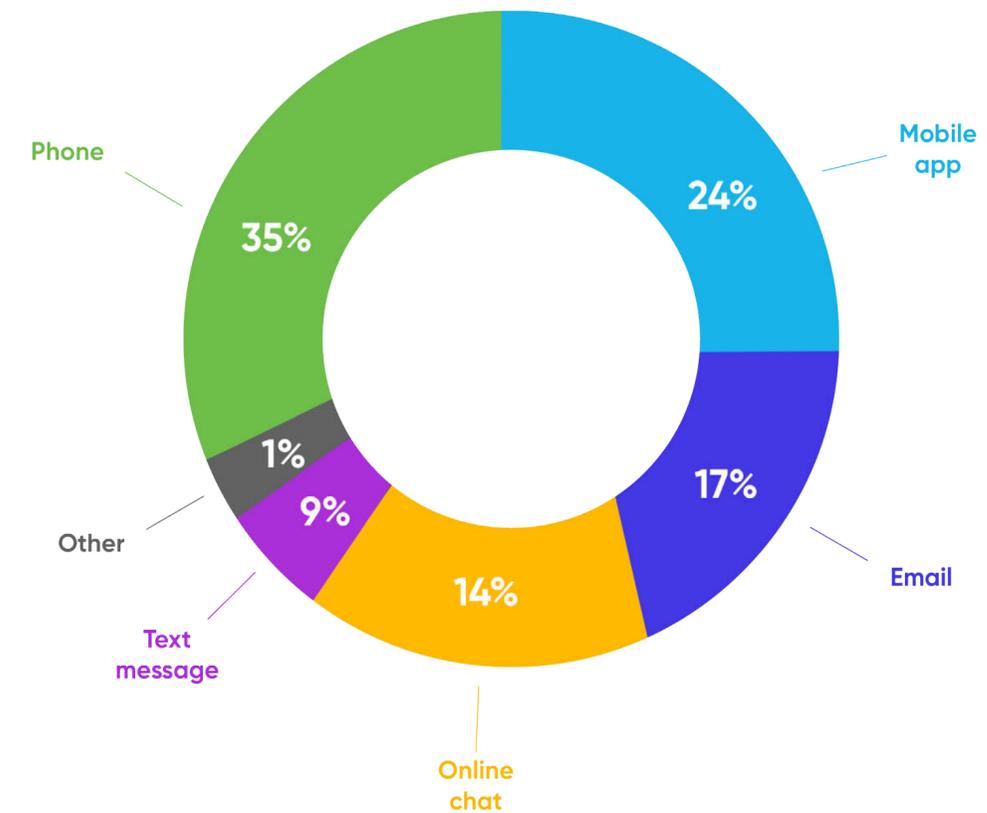


Considering that the consumer mindset relies on mobile channels more than ever before (especially within this demographic), it makes perfect sense that a mobile purchasing route took the top spot here.

Purchasing policies and paying premiums aren't where mobile preferences stop, either. When asked about their communication preferences, **64% of respondents would rather communicate with an insurance carrier through a digital or mobile channel**, greatly outweighing the 35% that said they prefer to interact via phone.



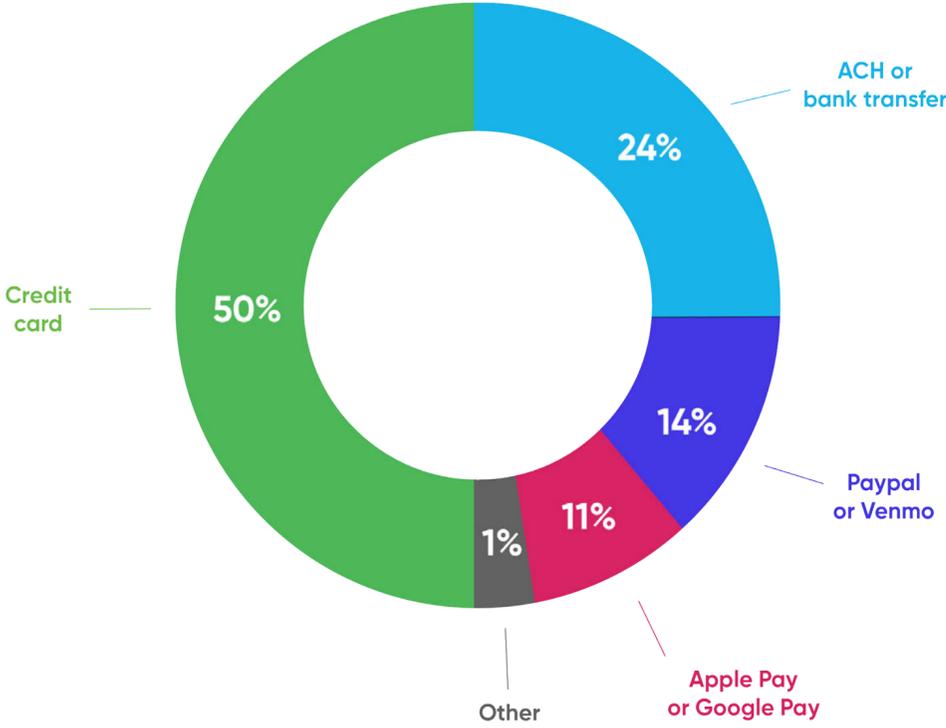
**How do you prefer to interact with your insurance carrier when you need to file a claim, ask a question, etc.?**



This data indicates a major shift for insurers, signaling a transition from the policyholder preferences of older generations to the digital-centric expectations of Millennials.



Which of the following online payment options would you use to pay your insurance premium, if available?\*



\*Of the 90% of respondents who said online or mobile payment options were 'very' or 'somewhat important' when selecting a new insurance carrier

Even payment method preferences are evolving as Millennials take up more of the insurance space. While credit cards and ACH are still common methods for making premium payments, **25% of Millennials who said online or mobile payment options were "very" or "somewhat important" would rather pay their premiums via PayPal/Venmo or Apple Pay/Google Pay.** This is another huge shift that's unique to this rising demographic.

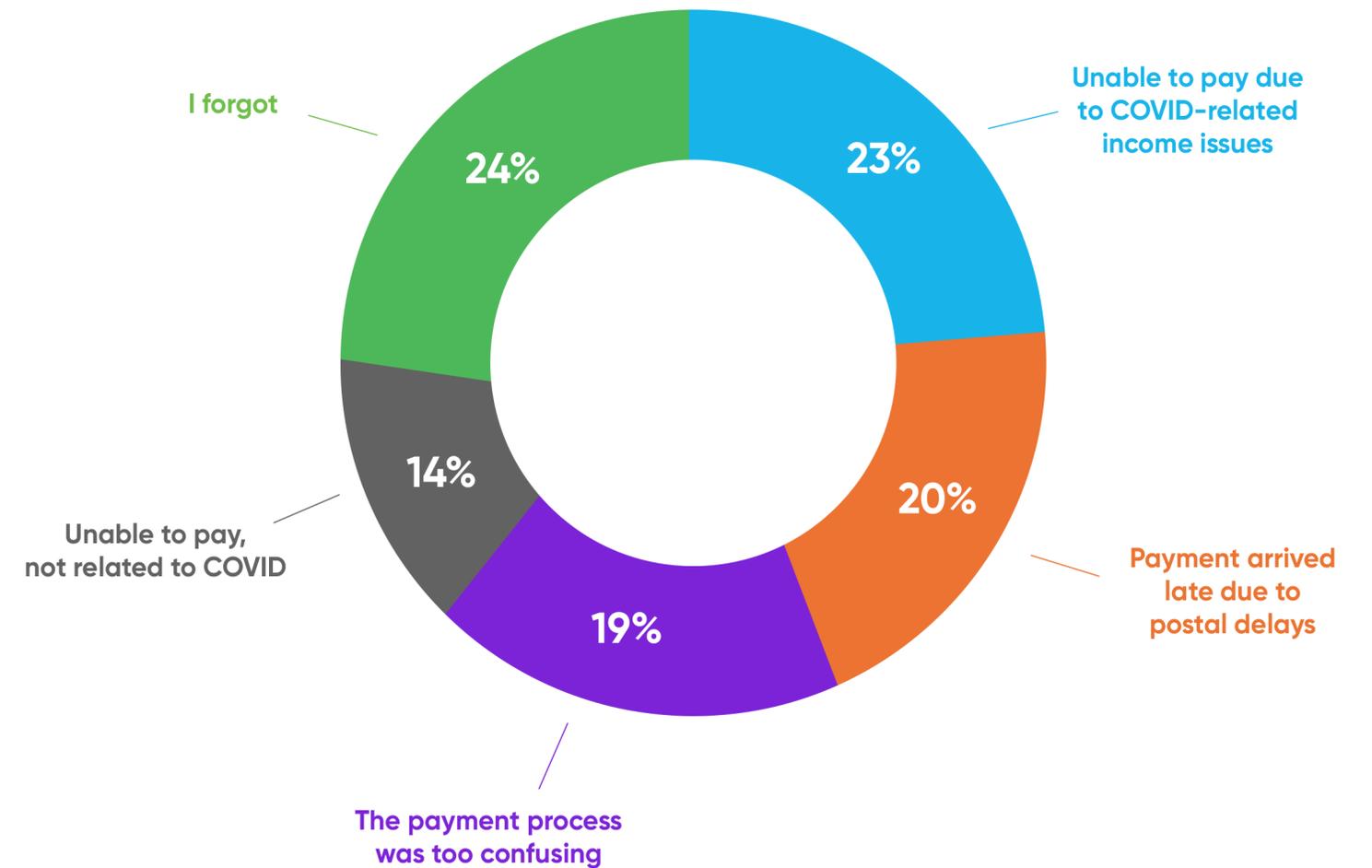
**Action item:** Insurance organizations can no longer afford to ignore mobile payment channels and methods. To cater to the new consumer mindset, insurers must provide mobile channels for purchasing policies, communicating with insurers, paying premiums, and more. They must also ensure that these mobile channels are fully optimized by offering digital wallet options, pay by text functionality, and a well-designed mobile interface for an outstanding user experience.

## Tech is key for keeping Millennial payments consistent

Clearly, the key to meeting Millennial expectations as an insurer is utilizing technology to improve the policyholder experience, particularly with seamless digital payment offerings. But today's innovative tech can serve another important function for Millennials – keeping Millennial payments on-time and consistent.

When asked if they've missed or made a late payment within the past 12 months, 20% of respondents said yes, they have paid late or missed a payment altogether in the last year. **Twenty-four percent of those respondents confessed they forgot** to make their premium payment. Another **20% of respondents who missed their payment due date cited that postal delays caused their payments to arrive late**, an increasingly prevalent issue due to the COVID-19 pandemic.

What was the primary reason you missed a payment, if ever?\*



\*Of the 20% of respondents who missed or made a late payment within the past 12 months

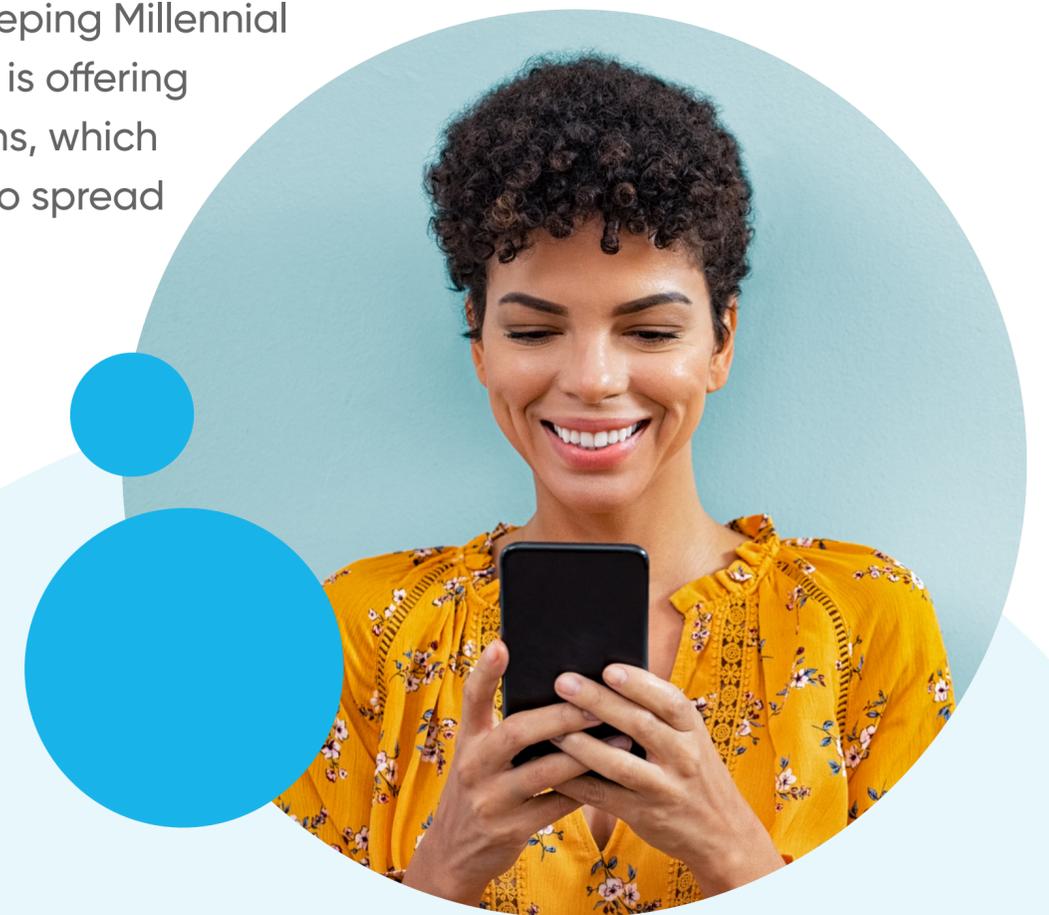
During this uncertain time, digital payment offerings would help this 20% of policyholders who have missed a payment in the last year make on-time premium payments, keeping your organization's collection efficiencies consistent and sparing policyholders unwarranted late fees or even policy cancellations.

However, even considering COVID-related payment delays, forgetfulness was still the number one cause of missed payments for Millennials. For this tech-driven demographic, paper reminders are likely not the most effective or the more preferred way to remind Millennial policyholders of upcoming payments. To effectively reach this generation of insureds and keep their premiums consistent, it's critical to send reminders on channels Millennials gravitate towards – meaning text messages, mobile notifications, emails, and similar digital channels.

**Action item:** Insurance carriers must utilize intelligent payment reminders, on the appropriate channels, to keep Millennial payments consistent. Consider asking policyholders how they prefer to receive payment reminders, making sure to outline an array of channel options to choose from, including email, phone, and text notifications.

Insurance organizations would also be wise to consider communications beyond payment reminders. Outbound campaigns functionality, for instance, is a simple way to leverage existing customer information (geographical location, preferred communication channels, their policy information, etc.) to provide bill reminders and late payment notices, as well as updated hours, shut off notices, policy cancellations, and emergency communications.

Another tactic for keeping Millennial premiums consistent is offering payment plan options, which allow policyholders to spread payments out.





## Optimizing the policyholder experience for Millennials

The Millennial generation holds significant sway in the insurance market – an influence that will only become stronger as this demographic’s insurance needs continue to evolve. Millennials’ noticeable presence in the insurance space has put an increased focus on their digital-centric preferences, providing an opportunity for disruptive insurance organizations to dominate the space.

Unless traditional insurance organizations can adapt to the new standard of the insurance industry – **digital payment offerings and intuitive user experiences** – they will be unable to keep pace with these modern insurers, who are already using tech to their advantage.

To retain and attract Millennials, insurance organizations must optimize their policyholder experience in the following ways:

- ✔ **Evaluate what it’s like to pay premiums with your organization.** Identify the challenging aspects of your payment experience and address these issues to avoid spikes in customer churn.
- ✔ Put an increased focus on providing insureds with **optimized, omni-channel payment experiences.**
- ✔ Provide **mobile channels that are fully optimized** with mobile wallet options, pay by text functionality, and a well-designed mobile interface for an outstanding user experience.
- ✔ Utilize **intelligent payment reminders** on your policyholders’ preferred channels to keep Millennial payments consistent.
- ✔ Opt for an **online payment solution** that offers personalized outbound communications to most effectively communicate with Millennial policyholders and keep internal collections consistent.

If you’re ready to optimize your online payment platform, Invoice Cloud offers a true SaaS payment solution that makes payments simple and provides the digital experience Millennials are searching for. To learn more about Invoice Cloud’s highest adopting online payment platform and see our user experience in action, [schedule a demo](#) today.

# InvoiceCloud®

Invoice Cloud is the leading provider of online bill payment services.

Founded in 2009, the company has grown to be one of the leading disruptors in the electronic bill presentment and payment (EBPP) space, helping legacy institutions put customer experience first.

By switching to Invoice Cloud, clients improve customer engagement, loyalty, and efficiency while reducing costs, churn, defaults in the process. With over 2,100 clients across the US and over 50 million payments processed annually, the Invoice Cloud solution is one of the most secure, innovative, and inclusive fintech solutions in the market.

To learn more, visit  
[www.invoicecloud.com](http://www.invoicecloud.com)

## APPENDIX A: Full Questionnaire

### 1. Which of the following insurance policies do you currently have?

- Auto: Commercial
- Auto: Personal
- Health
- Homeowner's
- Life
- Renter's
- Business Owner
- I do not currently own any active insurance policies **[DISQUALIFY]**
- Other, please specify

### 2. Which of the following insurance policies do you anticipate needing in the next 5 years? Please select only policies that you do not currently own.

- Auto: Commercial
- Auto: Personal
- Health
- Homeowner's
- Life
- Renter's
- Business Owner
- I do not anticipate needing any additional policies
- Other, please specify

### 3. How many members of your household (including yourself) are covered by the insurance policies you currently own?

- 1
- 2
- 3
- 4
- 5 or more

4. Approximately how much money does your household spend on insurance policy premiums annually (all policies combined)?

- Less than \$1,000
- Between \$1,000 and \$4,999
- Between \$5,000 and \$9,999
- Between \$10,000 and \$14,999
- Over \$15,000

5. For the remaining questions, please think about one of your insurance policies where you selected the carrier yourself (vs. one where the carrier was selected by your employer, for example).

When was the last time you switched insurance carriers?

- Within the past 6 months
- Within the past year
- Within the past three years
- Within the past five years
- I have not switched insurance carriers within the past five years

**[For those who responded anything except 'I have not switched insurance carriers within the past five years' in Q5]**

5a. What was the primary reason you switched?

- Coverage or policy options that aligned more closely with my needs
- Lower pricing
- A better customer experience
- More digital offerings or payment methods
- Other, please specify

6. How likely are you to look for a new insurance carrier in the next 12 months?

- Very likely
- Somewhat likely
- Not at all likely

**[For those who responded 'somewhat likely' or 'very likely' in Q6]**

**6a. What is the primary reason you are considering switching?**

- My coverage and/or policy needs have changed
- I'm looking for better pricing
- I had a poor customer experience with my current insurance carrier
- I am looking for a company that offers a better policyholder experience
- I am looking for a company with more digital ways to pay or interact

**7. When you think about selecting a new insurance carrier, which of the following factors are the most important for making your decision? Please select your top three factors.**

- Coverage and policy options
- Pricing
- Customer service and customer experience
- Innovative technology for better digital interactions (online, mobile, via text)
- Ability to pay bills online or via a mobile device
- Ability to enroll in automatic payments
- Ability to enroll in paperless billing

- A personalized experience

**8. Think about the last time you purchased an insurance policy. How did you make the purchase?**

- Through an agent
- From a carrier's website
- From a carrier, on my mobile device
- Other, please specify

**9. How do you prefer to interact with your insurance carrier, when you need to file a claim, ask a question, etc.?**

- Phone
- Online chat
- Email
- Text message
- Mobile app
- Other, please specify

10. When it comes to selecting an insurance carrier, how important is personalized service in your decision-making process?

- Very important
- Somewhat important
- Not at all important

11. When it comes to selecting an insurance carrier, how important are online or mobile payment options in your decision-making process?

- Very important
- Somewhat important
- Not at all important

**[For those who selected 'very important' in Q11]**

11a. Which of the following online payment options would you use to pay your insurance premium, if available?

- ACH or bank transfer
- Credit card
- Paypal/Venmo
- Apple Pay/Google Pay
- Other, please specify

12. In the past 12 months, have you missed an insurance payment or made a late payment?

- Yes
- No

**[For those who selected 'Yes' in Q12]**

12a. What was the primary reason you missed a payment?

- Forgot my payment was due
- Unable to pay as a result of COVID-related income issues
- Unable to pay, non COVID-related
- Payment arrived late due to mail delays
- The payment process was too confusing

**[For those who answered 'Unable to pay...' in Q12a]**

12b. Do you anticipate going without insurance in the next year due to financial reasons?

- Yes
- No

## APPENDIX B: Survey Demographics

Ages: 24 -39 (born between 1981 – 1996)

24-29 = 40%

30-39 = 60%