MILLENNIALS AND THE NEED FOR PROTECTION

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Not a week goes by without a story in the media about the plight of 'millennials', that cohort of adults (aged between 20 and 37) who receive praise and scorn from commentators in equal measure. These clients are no longer teenagers, but instead now represent a potentially large section of the protection market. With the first millennials now in their mid-30's, and reaching a life stage where responsibility and earning power are making them more financially aware, this is not being reflected in protection sales. So how do we as an industry start to learn and cater for the protection needs of this generation?

Firstly, are there actually protection needs out there to be serviced? The average age for life events such as getting married, buying a house, or starting a family is rising. According to the ONS, the average age for a man and woman in England and Wales to get married was 37.0 and 34.6 years, whilst ten years earlier it was 32.5 and 30 years.[1] The reason why is mainly economic, with the credit crunch and its aftermath having a greater effect on those in their 20s than older generations. If you combine a fall in income, an uncertain job market and increased house prices, then it's not hard to see why young people are delaying traditional life events that would normally lead to a protection conversation.

However, this doesn't mean there aren't other needs out there to be met. "Generation Rent" is sadly a well-worn reality and the fall in UK first time buyers is shown in the decline of 'millennial' home owners. In 1991 67% of 25 to 34 year olds were homeowners; by 2014 this had fallen to 36%.[2] It's not just young people who are affected, research by the Resolution Foundation shows that the number of families who live in owner-occupied property had also fallen from 63% in the early 2000s to 51% in 2016.[3]

Renters (young or not) still have a need to protect the roof over their head, even if they don't own it. And whatever way you look at it the figures for current protection coverage are worrying. Only 18% of millennials have life insurance, and 8% have critical illness. The figures for renters overall are even worse, with 16% of people in private rental accommodation having life insurance and only 3% with critical illness.[4]

This is even more troubling since the level of state support renters can expect in times of need has reduced. Today, the Local Housing Allowance (LHA) is based on the lowest third of local market rent in a council area, and the amount paid out is capped on the number of bedrooms the local authority believes you need, not how much you have. This means that renters in a more affluent area may need to move to a cheaper area within their local authority. This disruption could bring changes in access to amenities, commuting, or even a need to change schools if they have a family.

[1] Office of National Statistics 2016
[2] Office of National Statistics 2016
[3] Resolution Foundation Research 2016
[4] Scottish Widows Protection Research 2016

Even if a young person is a renter, in many cases they'll be trying to save a deposit to buy their first property. So a protection conversation doesn't just have to be about securing the roof over their head, but also how to ensure they do not have to dip into their deposit when they face times of financial uncertainty. That potential first time buyer will also often be relying on support from their family, with Lloyds Bank calculating that, on average, parents spend approximately £8 billion a year on helping their children buy a home.[5] This increase in intergenerational lending by the "bank of mum and dad" brings protection opportunities with generations of the same family, with advice needed around inheritance tax and "gifting".

So with protection opportunities out there, how can we engage millennials? Most people would point to digital as the way forward, and young people are certainly digital savvy, going online more than older generations. An IPSOS Mori poll found that 16 - 34 year olds in the UK spent 1,457 minutes on average a week on their smartphone – that's a staggering one day a week.[6] There is a strong likelihood that millennials will also research you or your firm online before any meeting, which reinforces the need for a clear value adding website.

Millennials willingness to go online, contribute and share experiences of services also has implications for how we can build trust. As an industry, we need to do more than just publish claims statistics; rather we need to look at real life stories, sharing customer experiences and online testimonials. We also need to ensure our products continue to be relevant to a generation whose experience of instability means they are focused on now. Remark in their recent research on millennial's put it best with the tagline "Health not Wealth", to explain this focus.[7]

We need to remind millennials of the true value of advice. Being confident digitally does not always work out the best if it leads to self-diagnosis. It's a bit like getting a chesty cough and rather than going to a doctor, you go onto the internet, look up the symptoms and decide you have something much worse. People don't always fully understand their protection needs or understand the wider trends that impact those needs. That's where face-to-face advice can truly add value.

In conclusion, the protection needs of young people are not the same as previous generations due to the delaying of key life events that prompt a protection conversation. There have been other needs created, notably through the rise of "generation rent", but how much these prove to be an opportunity will depend on our ability to engage with millennials.

[5] Lloyds Bank Family Savings Report 2015
[6] IPSOS Mori, Millennial, Myths & Reality Report
[7] Remark, Life is a Roller coaster Report 2017

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