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A Tale of Self-Doubt and Distrust Onboarding Millennials: Understanding the Experience of New Insurance Customers

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Editorial

Insurance customers are a diverse and multi-faceted group. Their needs and aspirations vary widely, as do their expectations concerning the protection, level of service, and client interaction offered by their insurers. What is more, these expectations evolve over time and vary from one age group to another.

Insurers strive to provide the best possible combination of products, services, and premiums based on their knowledge and understanding of their customers. In addition, they continually look to update this knowledge to enhance their commercial and organizational capabilities.

The Center for Risk and Insurance at Zurich University of Applied Sciences was created to support insurance players in their efforts. It endeavors, among other things, to gain a deeper understanding of changing customer behavior, especially as it is affected by generational change.

This study provides some deeper insight into how young customers experience the process of becoming insurance clients for the first time. Their experience is influenced by expectations developed while searching and buying products and services from other industries rather than by previous interactions with their insurance company. The study, therefore, highlights the challenges of the current insurance business model in addressing new, young customers. I hope the reading will provide food for thought, lead to lively discussions, and motive customer-centric improvements in the insurance industry.

Daniel Greber

Head, Center for Risk & Insurance
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Management Summary

Millennials are starting to become customers of insurance companies. They come to this insurer-customer relationship with expectations and emotional needs that may be different from those addressed by current retail insurance processes. If this gap is too substantial, the relationship may suffer, potentially leading to serious challenges for the industry in the near future.

We conducted a series of in-depth explorative interviews with new insurance customers to understand their emotional experience during the onboarding process. We spoke with graduate students in Swiss universities and found their feedback to be remarkably consistent. They confirmed the positive feeling of being protected by insurance, but they considered the process of buying it to be slow, complicated, and energy-draining. More significantly, they found it to be a process where more trust may be lost than gained. The advice and guidance provided by an insurance agent or broker is associated with positive feelings, but new customers established the contact only after trying and failing to purchase insurance online. Many other aspects of the experience were negative: insurance companies and their products are difficult to tell apart, the terminology of insurance is unfamiliar and the process is complex and opaque. The emphasis on the legal language in the insurance policy may trigger outright distrust.

The title of this study, *A Tale of Self-Doubt and Distrust*, attempts to capture the feeling of inadequacy arising from the technical language and the distrust engendered by the process of buying an insurance policy. The study highlights the negative emotions emerging from the current customer onboarding process and develops a series of actionable recommendations for insurance companies.

The new millennial customers in our sample felt obliged to move offline to purchase insurance and were satisfied only when they found the "right" agent for them. Insurance companies need to be more mindful of the negative emotions the process can evoke in their customers and counteract them by tailoring their products and their services to their new customers, improving their online/offline coordination, and developing more consistent ways to address the generational shift with their agent network.

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1. Introduction

A beginning is a very delicate time[1]. This is especially true for the beginning of relationships between customers and companies. A positive experience can win over a customer and ensure a profitable business relationship for many years to come, while a negative experience can make someone a detractor for life. The beginning of a customer relationship is the time to set the rules of engagement and manage expectations on both sides. Negative or positive customer experiences should not be seen as attributes of objective quality. Rather, they are a measure of whether the intentions, expectations, and the process match on both sides of the relationship. Both fast-food chains and gourmet restaurants, for example, can be successful and elicit positive feedback from their customers as long as both parties are clear on expectations and service delivery.

Most people become customers of insurance companies relatively late in life. As they turn 18 and become increasingly independent from their parents, they usually enter into their first insurance contracts. In Switzerland, this is typically health insurance coverage. However, because of family support and the relatively low value of the possessions they may want to insure, young adults usually do not think seriously about insurance coverage until they are in their mid-20s. This is especially the case for young adults who continue their education after turning 18 rather than entering the workforce and/or starting a family immediately. By the time they become insurance customers, young adults have experienced a great variety of personal and professional interactions, have traveled and in some cases worked abroad, and have been customers of many companies, in some cases for up to a decade. Some of these companies have established standards regarding how convenient, fast, and personalized business interactions and services should be. As a result, new consumers will approach insurance companies with expectations of similar standards. These expectations can become problematic, especially if they originate in industries with fundamentally different dynamics from insurance. Making the beginning of this relationship even more challenging for insurance companies is the fact that the behavior and expectations of millennials as a generation can be fundamentally different from that of the preceding generations, and comparisons with existing insurance customer cohorts can be misleading.

This study investigates the experience of *becoming an insurance customer* from the perspective of these new customers, focusing on the emotional journey they undergo as they move through the process. Our motivation is that by shedding light on this experience we can help insurance companies meet the expectations and manage the emotions of their customers more effectively and begin better, more positive, stronger, and longer-lasting relationships with millennials.

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[1] Herbert F. (1984), *Dune*.

2. Methodology

This study follows a purely qualitative approach based on explorative interviews aimed at understanding the conscious and subconscious motives and emotions accompanying the decision-making process of new insurance customers. We have called this the customer's "emotional journey." The methodology focuses on the use of images and metaphors rather than narrative or numbers, allowing the investigation of emotions and ideas that are difficult to express in words. It is based on insights from psychological research showing that images and metaphors are powerful tools in eliciting subconscious thoughts and feelings (Zaltman and Zaltman, 2008). Therefore, this study does not attempt to provide a statistically significant representation of the buying and onboarding process for new customers of insurance. Rather, it aims at highlighting and understanding the subjective experience of the new customers sampled. The results of this approach are meant to be informative, provide inspiration for significant improvements to the client experience, and pave the way for further quantitative research.

We interviewed 10 respondents from 5 different nationalities, recruited among international graduate students in Switzerland, who had become customers of insurance companies in Switzerland in the previous 18 months. The interviews were conducted in April and May 2018. The interviewees prepared for the interview by selecting three to five pictures at their discretion that best described their thoughts and emotions throughout the "onboarding" process, i.e., the process of becoming an insurance customer. To ensure an open exchange, the instructions emphasized the personal nature of the picture selection and the fact that there was no right or wrong picture or emotion. Intentionally, no other instructions were given to the interviewees. We then conducted 90-minute interviews structured around the images to understand why they had been chosen and investigated further based on the answers provided. The interviews were conducted either in English or German, depending on the preference of the interviewee. For the paper, some of the German quotes and insights have been translated into English while trying to preserve the emotional message as well as the factual content. The interviewees chose the sequence of the conversation, with some selecting a chronological order through the process, while others organized their thoughts by relevance or strength of the associated emotion. Each investigator recorded his or her conversations by writing anonymized minutes separately. We then looked for common themes and outliers to create a summary of the insights gained.

The focus of our study was a particular class of new customers: young adults pursuing graduate academic studies and with international experience. While this group is unique, we expected their responses to provide general insights into the experience of becoming an insurance customer for millennials. Unlike their predecessors, the expectations of millennials are shaped by experiences that are increasingly consistent across their age cohort rather than nationality or other factors. Our goal in interviewing international millennials in their early to mid-20s with well-developed critical thinking skills and a broad spectrum of experiences was to maximize the opportunity to gain new, unexpected, and valuable insights.

3. Results

While the list of interviewees was fairly heterogeneous, their experience during the onboarding process and their emotional journeys were remarkably similar. We were therefore able to extract robust insights that we believe can highlight significant weaknesses in the insurance onboarding model and suggest important changes needed to improve the customer experience.

3.1.   INSURANCE IS COMPLEX

Most respondents started the discussion by highlighting the complexity of insurance. Approaching insurance for the first time is daunting. The products are experienced as highly complex, especially because of the lengthy text to be studied for what is covered and what is not, and because of the seemingly opaque and industry-specific jargon used. This language has evolved over time to reflect the technical aspects of underwriting and risk selection rather than to facilitate understanding by the customer of the coverage offered. New customers, even relatively sophisticated ones, have not spent much time analyzing and understanding their own risk exposure, nor have they been confronted with the language of insurance in other settings, and have therefore not developed an affinity to insurance. In short, the product structure and the policy language have not been developed with (new) customers in mind. Rather, they have been developed to address technical considerations. This engendered feelings of failure and inadequacy in the new customers we interviewed. The fact that, for our sample, the journey of becoming an insurance customer started with a feeling of inadequacy and a lack of understanding cannot be stressed enough. It permeates the entire customer relationship and, quite possibly, the way insurance is viewed, by the general public.

Figure 1

ANNOYANCE[2]

"The product range offered is very wide, the products are very complex, and insurance sales people are pushy and try to sell you things you don't want. I had explicitly asked for a yearly cancelable policy, and they sent me a contract for three years."

Figure 2

INFORMATION OVERLOAD

"I thought I already knew quite a lot, but I'm confronted with the fact that this isn't the case. I feel under pressure, and even online comparison tools don't solve my problem."

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[2] The heading of each picture was chosen by the interviewees themselves. In the case of interviews held in German the heading was carefully translated into English. The accompanying quote also comes directly from the interviewees, although in some instances it was adapted to allow the spoken word to be expressed in writing.

Figure 3
DESPAIR

"I was under time pressure to get health insurance to study abroad, and I was devastated when I heard the cost of the solution proposed by my insurer."

Figure 4
BLIND SELF-ASSURANCE

"I thought my friend and I would manage, so it was a shock when we found out how complex insurance was and how helpless we were."

Implications for Insurance Companies

The insight that young people find insurance too complex generates two sets of implications for insurance companies:

Firstly, companies need to be mindful of this relative lack of technical sophistication even among otherwise accomplished new customers. The language of insurance and risk management needs to be introduced carefully, but not in a condescending way. The concepts and key elements of insurance need to be presented at the appropriate level and explained thoroughly. In practical terms, insurance companies need to explain risk management and risk assessment before introducing insurance as one of the options to manage risk. Just like good physicians have learned to provide more explanations and options in their communications with patients, insurance specialists need to explain options clearly and provide space for customers to make their own decisions. The necessity to present products in a more accessible way is especially critical when dealing with millennials, who are accustomed to online, self-directed purchases.

Secondly, the educational process should ideally happen at an earlier time. Part of a new customer's learning process is to understand their own risk exposure, and insurers need to communicate earlier and better regarding this topic. Just as other financial service providers have started to develop age-appropriate programs for students, insurance companies should support efforts by schools to introduce the concepts of risk and risk management at an earlier age.

3.2. THE EMPHASIS ON LEGAL DOCUMENTS UNDERMINES THE TRUSTWORTHINESS OF INSURANCE COMPANIES

The sheer volume and the language used in insurance policies create an even stronger negative reaction among new customers. Having to read and sign so many pages of carefully worded legal text is not a positive experience for new customers. In our interviews, typical reactions were "insurance companies are trying to cheat me" and "where's the catch?" There were no other reasonable explanations in the minds of the respondents for the lengthy and oddly worded documentation of insurance policies. Even when we prodded them about the nature of insurance claims and the risk associated with vaguely-worded contracts, this relatively sophisticated group of new customers were unimpressed. The emphasis on precise and complicated contracting creates a significant barrier for insurance companies to establish the trust necessary to sustain a long-term, mutually beneficial customer relationship. One interviewee captured the general feeling with a quote from her father: "You either read the general terms and conditions [of an insurance product], or you sign them."

Figure 5

FLOOD OF PAPERWORK

"I printed the general conditions, which turned out to be 150 pages. For me, this bureaucracy creates distrust; why can't I find on 1-2 pages what is really covered?"

Figure 6

SOCIAL COERCION

"I don't have a lot to insure; why then is the policy so long and so complicated? Where is the catch? At the end I have to trust the insurer, but not in good faith."

Implications for Insurance Companies

Recent efforts by several companies to simplify and streamline policy language should be extended and accelerated. Companies that are able to better and more concisely explain their products will experience a much lower barrier to establishing trust and will be able to more quickly develop a relationship with new customers. Again, this is probably even more significant in the case of millennials, whose expectations for personally relevant and tailored communication have been honed by targeted online marketing and messaging. In future, companies who are unable to adapt their policy language and their communication in general may have to rely solely on tied agent networks for their messaging (see also 3.4) or witness the growth of independent and third-party distributors better equipped to communicate with new customers.

3.3. INSURANCE PRODUCTS / COMPANIES ARE UNDIFFERENTIATED

New customers are not able to easily distinguish among the different insurance companies. They are also not able to easily differentiate among the different product offerings. Only over time and through their search process new customers slowly develop a rough sense for each insurer's respective positioning and market focus. Understanding the advantages and disadvantages of different products, on the other hand, typically required more professional, tailored advice. One respondent, for example, expressed this lack of differentiation among companies with a picture of a fish bowl with several seemingly identical goldfish. Partly due to their lack of familiarity with insurance, and partly because of the lengthy and jargon-filled language of insurance policies, new customers experience the differences between products of different insurers as being insignificantly small or at least not understandable. Some respondents were interested in commercials and used them to better understand the positioning of insurance companies they were investigating once they were exploring their products. However, they did not pay much attention to marketing communication prior to their active search phase. This lack of familiarity and understanding held true even for companies which insurance professionals would consider household names.

Figure 7

THEY ARE ALL THE SAME

"An immense range of products with endless 'general terms and conditions' but, in the end, only marginal differences among them. It left me indifferent to making a decision; I'd just pick a product at random."

Implications for Insurance Companies

Waiting to establish a brand and competitive positioning until potential customers reach early adulthood and begin their search for an insurance product is a dangerous game for insurers. By that time, customers have formed meaningful relationships with companies / brands in other industries, and the danger is that these relationships may become an alternative conduit for insurance transactions or otherwise influence customer behavior. A typical scenario discussed in the insurance industry, for example, is how social media companies or search engines could leverage their familiarity with millennials and more effectively become a gateway and/or a broker for accessing insurance products. Insurance companies should establish a brand presence with young future customers through age-appropriate communication / presence and especially through the support of relevant, meaningful social activities.

3.4.   A GOOD AGENT OR BROKER MAKES ALL THE DIFFERENCE

A significant common thread in the interviews and an important watershed moment in the onboarding experience came with the introduction of the agent or broker. Before the agent is met, the (legal) necessity to purchase insurance creates a stressful and slow-moving situation, especially considering that insurance products were often perceived as being complex, undifferentiated, and creating distrust. Once the right agent/broker enters the picture, however, the process becomes more relaxed and comes to a positive conclusion after a series of several relatively quick iterations. The agent can elicit the risk profile of a customer, discuss general aspects of products, explain options, and make tailored recommendations. All four of these aspects were deemed significant by interviewees. Showing a real understanding of a customer by listening to him or her and highlighting his or her risk exposure shows respect and willingness to invest in the relationship. Explaining at the appropriate level of detail and offering options engenders trust and lowers the sales pressure. Finally, providing advice offers an expert opinion to guide decisions and signals expertise and support. It is not surprising, therefore, that new customers start speaking of trust at this stage in the process, but not before. This may seem somewhat mundane for industry professionals, but it certainly is not for this customer cohort. As highlighted in 3.1, the starting point for millennials is online. It is only after they *give up* that they contact intermediaries. The positive feelings that most of our interviewees expressed regarding agents or brokers seems largely to be the result of the disappointing experience of independent exploration and trying to buy insurance online.
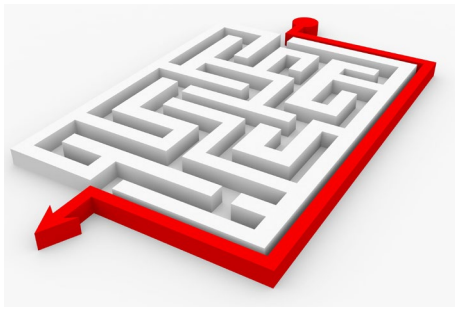
Figure 8

SIMPLICITY, THE MOST CONVENIENT WAY TO SOLVE THE PUZZLE

"I needed insurance for a scooter, and it felt like being in a jungle. I was really happy when somebody sat down with me for the liability insurance and explained the whole thing."

Figure 9

DECISION-MAKING

"The agent reduced the complexity to three options, which all fulfilled my needs in a different way and gave me the certainty that I was able to make the right decision. It gave me a good feeling."

Figure 10

TRUST

"Making a step together, without feeling pushed, feels good."

Implications for Insurance Companies

The figure of the agent/broker is, without doubt, a very positive one. Its implications for insurance companies, however, constitute a double-edged sword. The right agent can provide the beginning of a long-term, mutually beneficial customer relationship. Insurance companies should therefore redouble the efforts to identify, recruit, and retain intermediaries who are able to win over millennials as customers. On the other hand, customer loyalty is more likely to be to the agent and not to the insurance company, and if agents switch companies, their customers may follow them. Additionally, this phenomenon opens the door for new intermediaries, and potentially for new market players, to establish meaningful long-term customer relationships by leveraging existing relationships and making use of a deep understanding of customer needs. Incumbents should focus on a simpler, personalized translation of insurance needs aimed at an online-savvy new customer cohort. This could also create a more meaningful interaction/relationship with insurance companies, as discussed in Section 3.1.

3.5.   BUYING INSURANCE IS A SCARY PROCESS

Purchasing insurance is unusual in two important ways: On the one hand, it represents a long-term commitment, and on the other, it forces new customers to think about the downside of their lives and all the ways in which things could go wrong. It is therefore not surprising that our interviewees expressed unease about the process.

The long-term commitment is literal in the case of life insurance, but even for non-life and health insurance products, interviewees tended to approach the issue not as a single, product-specific decision to be repeated annually, but rather as an interconnected decision for several products with a long-term partner. This was due in part to the complex nature of insurance decisions and products (riders, coverage options, additional services, overlapping coverages, or gaps in coverage), and in part to the onboarding process itself. Especially thinking about personal risk exposure created a high level of negative stress. This was particularly the case for the more risk-averse interviewees. New customers want a quick solution to cover the risks of which they have just been made aware, so they can return to a relative peace of mind.

Once customers had invested the time to understand a company (often through the agent) and reached a level of comfort, they were unwilling to repeat the process and therefore tended to remain "loyal" to the same company. This loyalty was less evident across main product lines (life, health, property & casualty) as some companies did not provide sufficient geographic coverage (especially for health insurance for international students in Switzerland) or product options. Whether this loyalty extends beyond the first set of interactions into a longer-term relationship was not addressed in the study, as interviewees are new to the insurance market.

Figure 11

LOST

"I'm very risk-averse, and during the buying process you realize even more all the things that can happen while you're not covered."

Figure 12

RELIABILITY

"The process of decision-making feels like falling (you don't want it to last long), but I'm sure I'll be caught by the insurer."

Implications for Insurance Companies

Even relatively sophisticated new customers are uneasy about the implications of needing insurance. This means that experience, expertise, brand, and quality of advice will continue to play a significant role in purchasing decisions for insurance and may constitute significant barriers to entry for new players. In addition, the time between understanding a risk exposure and getting coverage for it should be reduced as much as possible in order to mitigate the stress caused by the heightened awareness of risks.

3.6. FAMILY AND FRIENDS ARE CRITICAL, BUT AFFECT THE DECISION DIFFERENTLY

In contrast to the image of the empowered, self-help-prone digital natives, the family and friends of those surveyed played a critical role in the decision-making process. Generally, their involvement was sought after a first, negative experience trying to use digital means to purchase insurance coverage. These personal networks were generally willing to disclose their information and experience. However, they tended to play fundamentally different roles in the information-gathering and decision-making processes.

Friends tended to provide rather general information. The relative inexperience of the friends network typically prevented any meaningful exchange about the more detailed aspects of insurance products. Advice was limited to overall product information, coverage limits and good sources of additional information online. Even information about "good" companies and "good" agents or other sources of advice was, somewhat surprisingly, very limited. In the rare occasions where this was offered, it was not accepted right away, but was used as an additional piece of raw information to be investigated in detail and validated before being used in making a decision.

Family feedback, on the other hand, was critical in selecting the agent, and in turn the insurance company. This worked in both directions: Good, knowledgeable family agents were a welcome shortcut to the tedious decision-making process. This was especially the case where the family was sufficiently "important" for the agent to invest his or her time and support new customers with explanations of products and coverage options. On the other hand, poor experiences, especially with claims, provided a clear "no-go" signal for new customers. Partly because of their personal profile, the new customers interviewed tended to be quite critical of the knowledge of their parents' trusted agents. If the agent had not kept up with new products, was not able to express him- or herself clearly, or had provided incorrect advice and information in the past, respondents typically avoided seeking their advice.
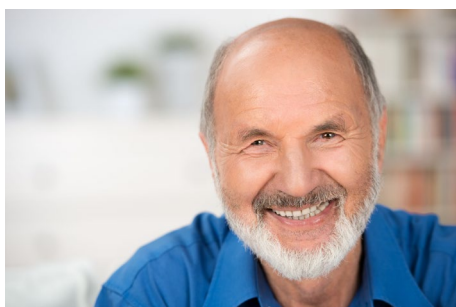

Figure 13

ADVICE; MY DAD

"It gives me great comfort that I can trust my father as a person who has no financial interest, of course, in giving me wrong advice."

Implications for Insurance Companies

The implications of the different roles played by friends and family members in the process are two-fold. The relatively minor role played by friends indicates that efforts to recruit new customers through their friends are not likely to produce significant results. The important role of the family's experience, on the other hand, indicates that there is significant potential for developing relationships across multiple generations. This means that communication efforts by agents and other company representatives should be extended beyond the primary policyholder to include potential new customers. In addition, the investment of time and effort at the right moment can develop future relationships early on. However, insurance companies need to pay attention to how agents develop new generations of clients and/or bring in new colleagues to establish these relationships. This confirmation of the importance of family ties in the insurance buying process of millennials leads to a clear organizational recommendation: companies need to develop the transition between generations and across agents in a structured and well-controlled manner.

3.7.   ONLINE – OFFLINE – ONLINE – OFFLINE

As expected for this generation, the search for insurance solutions typically started online with the gathering of general information and – as for other goods or services – looking for customer reviews. However, the complexity of the product and the millennials' relative lack of knowledge usually brought them to a dead end in their online buying process. They then moved offline and asked for help among their friends and family, who typically pointed them to an agent or broker. Since they had started the buying process with a disappointment, as they engaged in a series of tentative conversations with potential insurance companies and agents, the hurdle to regain the trust of these customers was high. Even when the "right" agent/broker was found – based on their ability to help them translate their needs and cut through the complexity – the new customers surveyed did not immediately sign insurance contracts. Rather, they stepped back for a few days to review the offers, discuss them with family members (typically their parents), and gather additional information online for comparison purposes. This last round of information-gathering focused especially on pricing. Only after due reflection and online validation did they finalize the purchasing decision – again somewhat unexpectedly – back with the agents who provided the information and advice in the first place. This group of new customers were willing to pay a (moderately) higher price for the service and advice provided by the agent, as long as they deemed the price to be fair and within market parameters.

Figure 14

EXPERT NETWORK

"I want a single point of contact in the broad network that comes into play to provide service, be it information when buying insurance or assistance in case of a claim. Ideally, that's the insurance agent, but only if I trust him or her. "

Implications for Insurance Companies

This sophisticated online and offline information-gathering and purchasing behavior has significant implications for insurance companies. First, it further confirms the need to fully integrate online and offline channels: customers do not care for internally imposed channel separation. Second, agent/brokers have to be aware that the new customer will challenge them more intensely than previous generations. This attitude also has implications as the relationship develops over time as millennials are likely to continue to review the price of the policy vs. the value they receive in return. Insurance companies need to think even more carefully than before about the ongoing value and advice they provide and they need to resist the temptation to gradually increase prices faster than the market for existing millennial customers will allow. In addition, if purely digital players are able to provide a convenient, automated, and accurate translation of customer needs into insurance offerings, they may bypass the offline advice phase. In this case, they will be able to leverage their cost and scaling advantages into successful acquisitions beyond the current core set of digital-only customers, and may undermine the current intermediated structure of insurance distribution.

3.8.   BEING INSURED VS. GETTING INSURANCE

Being insured is a wonderful feeling, our interviewees told us. Not only are customers able to embark on interesting endeavors such as vacationing or driving a car without undue financial exposure, they also report a feeling of overall security and safety for themselves and their loved ones. Buying insurance, on the other hand, has been consistently reported as engendering negative emotions (see 3.1 and 3.2, especially). Feelings of inadequacy and distrust early in the process constitute a heavy burden on the relationship between insurance companies and customers and undermine the positive emotions associated with being insured. Over the years, the insurance industry has developed an internal, product-focused view. This view, while technically correct and important for the financial success of the companies over time, does not correspond with the reality experienced by their customers and needs to evolve to – in the language of software development – match real use cases. Customers buy insurance to meet particular needs and enable other activities and developments in their personal lives, whether it is the freedom of movement enabled by a new car or the peace of mind afforded by renters' insurance. The onboarding process needs to further emphasize these positive emotional aspects while removing the current emotional tripwires.

Figure 15
THE HELMET

"You're either a bit annoyed now (wearing a helmet isn't fun), or much more 'annoyed' when something happens and you don't wear one."

Figure 16
UNFORGETTABLE FEAR

"When I was a child, there was a fire in my house and I was very scared. Feeling insured is very important to me, as well as knowing that others get compensated when I inflict damage on them."

Figure 17
RELIEF

"The moment my insurance was approved, I felt joy and relief. When I get a renewal reminder, it's a good thing."

Figure 18

ADRENALINE

"Being insured bolsters me when I take conscious risks."

Implications for Insurance Companies

Insurance as a stand-alone product or service is not what new customers are interested in. Rather, it is a means to an end. Savvy insurance companies need to continue to emphasize the activities enabled by insurance, rather than the product itself. They need to leverage these deep emotional needs and eliminate, where possible, the process steps that engender negative feelings. Some of the necessary improvements will include: early and engaging interaction, simple product descriptions and clear policy language, easy and personalized online translation of personal needs into coverage, integration of online and offline activities, as well as integration with other activities and products. This link to physical products and ancillary services could be especially significant. Currently, customers mostly experience insurance through the (negative) buying process, while they experience physical products after purchasing and in more positive ways. Linking insurance to the positive experience can help reduce this emotional gap. This can be achieved by integrating insurance offerings with physical products (for example, when motor insurance coverage is sold together with the vehicle or charged according to usage together with the vehicle lease) or by enhancing the insurance coverage with assistance services to support the positive experience, rather than just protecting the asset.

The implications of this shift are profound: instead of selling a stand-alone product, insurance companies can position themselves as enablers of other activities and develop packages of products and services beyond the financials to support these positive customer activities. Like with any opportunity, there are, of course, also drawbacks: a) customer intentions and ambitions are varied, potentially leading to a fragmentation of messages and processes, and b) new entrants may be better able to address specific customer needs through specialized knowledge and physical product offerings, relegating insurers to the role of plug-in product provider. The solution for insurers is to develop and market-test integrated insurance products and service offerings to satisfy the ultimate customer needs of millennials rather than just providing a stand-alone financial product.

4. Conclusion

The feedback provided by new customers in the interviews has been remarkably consistent, and we have been able to extract insights and actionable recommendations for insurance companies. It is surprising how many negative emotions are associated with becoming an insurance customer. Some of the issues we identified are related to the very nature of understanding risk exposure, by definition associated with some level of anxiety. The current approach taken by insurers, however, exacerbates the problem with an overreliance on complicated technical language and long legal contracts. This starts off the process by engendering with the new customers feelings of inadequacy and distrust. "Good" agents and brokers, meaning specialists who are both technically proficient as well as effective communicators, can change these emotions. Overall, while customers agree that having insurance is a great feeling, they also consistently maintain that getting there is a painful process.

4.1.   THE EMOTIONAL EXPERIENCE

We can map the insights generated according to the emotions new customers associate with them on a subjective scale between positive and negative, and along a rough timeline, as shown in Figure 19. The last two insights constitute more of a summary of the entire process and are not strictly coded as positive or negative.

Figure 19

THE EMOTIONAL EXPERIENCE OF BECOMING AN INSURANCE CUSTOMER
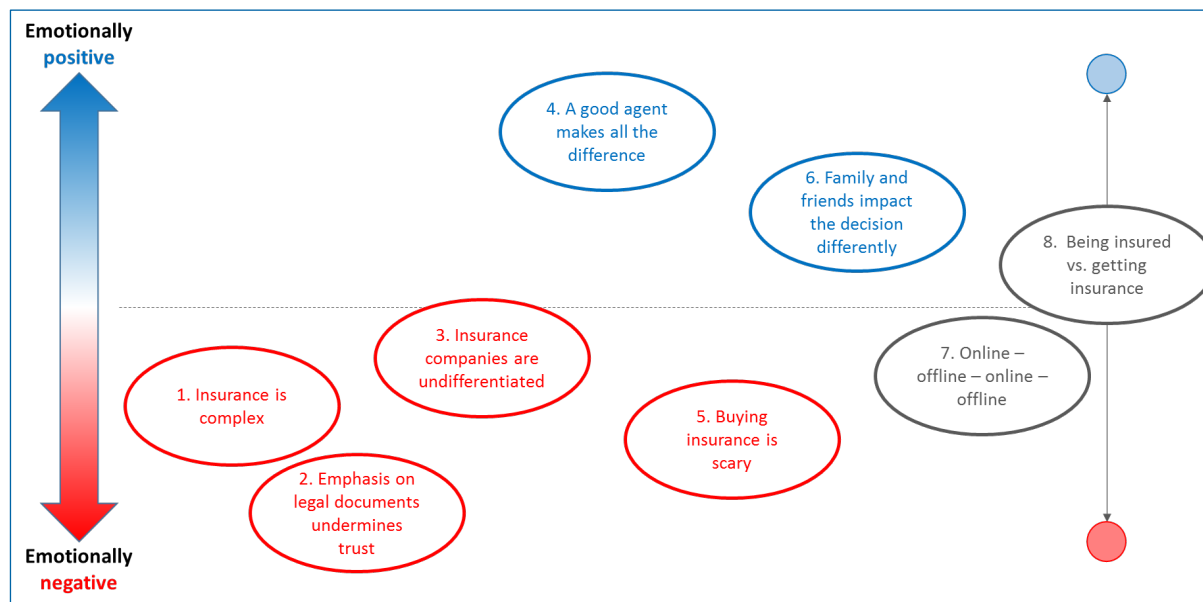
4.2. SUMMARY OF IMPLICATIONS FOR INSURANCE COMPANIES

For each of the eight insights gained from the interviews, we have posted actionable implications for insurers. These implications, which are summarized in Table 1 below, stem in part directly from the interviewees themselves, and in part from the interpretation of these statements in discussions in expert workshops. From a research standpoint, it would be interesting to further explore especially the negative feeling engendered at the beginning of the onboarding process and to understand how these feelings are shared across age cohorts and, in particular, customer segments.

Table 1

SUMMARY OF INSIGHTS	Implications for Insurance Companies
Insurance is complex	Explain without using insurance jargon
	Teach risk management concepts earlier
Emphasis on legal documents undermines the trustworthiness of insurance companies	Streamline policy language and de-emphasize legal documents
Insurance products / companies are undifferentiated	Establish brand and strengths earlier, including through socially-relevant activities
A good agent / broker makes all the difference	Identify, recruit and retain effective intermediaries
	Monitor the development of third-party relationships
	Develop online approaches to understand customer needs and personalize product and service offerings
Buying insurance is a scary process	Minimize the time gap between creating awareness of risk and providing coverage
Family and friends are critical, but they impact the decision differently	Be aware of the past experiences of family members of new customers
	Prepare and plan for the generational transition of customers and agents
Online – offline – online – offline	Millennials will come informed and check afterwards. They will also honor service with higher margins, up to a point
	Online and offline value propositions need to be harmonized
	Potential for digital-only offerings to bypass the offline stage
Being insured vs. getting insurance	Insurers need to defuse the negative emotions in the buying process and increase the barriers to new entrants with integrated products and services targeted at enabling specific customer activities

While the value of the products and services offered is readily recognized by new customers, the process of onboarding new millennial customers needs to be greatly improved to remove or, at the very least, defuse negative emotions. This can be achieved by offering more understandable coverage, integrating services, and avoiding approaches that overemphasize legal contracts. Failing to do so will potentially open the market to new entrants that are able to conveniently translate insurance needs into appropriate products and services while providing a better emotional journey for new customers.

Further Reading

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Tables

Figures

Authors

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Dr. Carlo Pugnetti is a lecturer of risk and insurance at the ZHAW School of Management and Law. His research focuses on the impact of technology adoption and evolving customer behavior on the insurance industry.

Prior to joining ZHAW, Carlo spent 14 years at Allianz, where he served as CEO of Allianz Global Assistance in Switzerland and led several strategy and transformation projects. Before then, Carlo was a consultant with Oliver Wyman.

Carlo holds a Ph.D. in Risk Analysis and a Master's in Electrical Engineering, both from Stanford University.

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Xavier has 25+ years of experience in both consulting and line management, mainly in the EU and the US.

He combines strategy and behavioral economics to help companies innovate through service design with high customer adoption.

Xavier Bekaert was previously at Bain & Company, AT Kearney and Puratos GmbH before joining some of his former colleagues in creating Benthurst & Co.

He co-wrote and initiated a book about organizations that measure their success in a century instead of in quarters (*Iconic*, LID Publishing, 2016).

Appendix

We interviewed 10 respondents recruited from among international graduate students in Switzerland. Nine were pursuing a Master's program in International Business at Zurich University of Applied Sciences (ZHAW) in Winterthur, while one was a doctoral student at the Swiss Federal Institute of Technology (ETH) in Zurich. The interviewees selected had become insurance customers in Switzerland in the previous 18 months. Table 2 below provides an overview of their profiles, including a brief descriptor of the information they shared about themselves during their interview.

Table 2

INTERVIEW PARTNERS	Age	Nationality	Descriptor
1 - Male	27	Canadian	International
2 - Male	26	German	Performance-oriented
3 - Female	22	Russian	Smart
4 - Male	22	German	Confident
5 - Female	23	Russian	Kind
6 - Female	33	multiple	Optimistic
7 - Female	25	German	Loves to organize everything
8 - Male	26	Swiss	Authentic
9 - Female	25	Swiss	Needs to understand everything
10 - Male	26	Swiss	Open-minded

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