

The Insurance Customer of the Future

Welcome to 2030



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PROPHET

Contents

Section One

Introducing Jamie: How Will Insurance Customers Change in the Next Decade?	3
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Section Two

New Expectations: Five Customer Demands That Will Shape the Future of Insurance	9
--	----------

Section Three

Get Ready for 2030: What Will it Take to Win Jamie's Business?	21
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Contact Us	30
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Endnotes & Acknowledgments	31
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Section One

Introducing Jamie: How Will Insurance Customers Change in the Next Decade?



How Will Insurance Customers Change in the Next Decade?

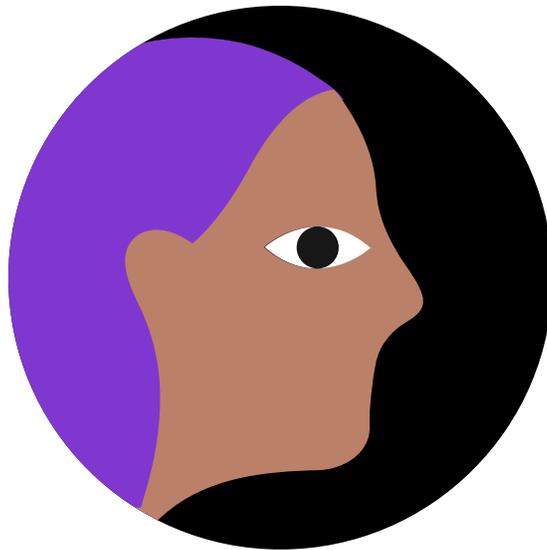
Consumers' expectations have changed quickly in the last year. In fact, some experts estimate some types of digital adoption—like online retail—have jumped ahead five years in just 12 months.¹ To find out what this ramped-up acceptance means to insurance companies, Prophet took a closer look at the digital transformation trajectory of the industry. We drew from our work with the world's leading insurance firms, modeling current behaviors with next-generation tech, resulting in an in-depth look at the consumer of 2030.

Prophet conducted interviews with 27 people who own (or are considering) life, home, auto, renters and pet insurance. From Gen Z to baby boomers, we asked how they want to protect the people and things they value and how they interact with brands outside the category.

We researched broad demographic, social, economic and technology trends that will shape our environment in 2030. We then layered in our deep understanding of how individual motivations, behaviors and attitudes are evolving across generations, as people think about managing risk and protecting what they love.

This research uncovered five inescapable consumer demands and five industry imperatives. These insights will power growth for insurance companies for the next decade—and beyond. Insurers must embrace them now and accelerate their transformation efforts if they hope to keep pace with demanding customers.

Meet Jamie, the insurance customer of the future.



Say hello to Jamie. She embodies the insurance customer in 2030, and we've unpacked much of our research through her eyes. That's because Jamie—and her 74 million millennial peers—are revolutionizing the industry.

In her early 40s, she lives in a thriving small city of Frisco, Texas. Although single, she still hasn't ruled out motherhood. For now, she's busy managing two careers.

She's a successful software engineer who works remotely. But she also has a thriving side hustle, running a digital

photo business from a communal studio. And, despite everything she's read about people her age shying away from real estate, she dreams of buying a home.

Digital convenience makes her world go round, and many of her apps and devices are connected to the insurance products she already owns. She gets groceries delivered on a bi-weekly basis by drone, through an app that shares purchases with her life insurance provider, so she gets a break on premiums for her healthy choices.

She doesn't own a car, instead renting one by the hour when she needs it. That, too, links to her insurance policy, just like her electric scooter.

She's committed to wellness, using an implant for everything from workouts linked to her biometrics to sending data to her healthcare provider.

Her rental apartment is her digital castle, run by apps. She shares some data with her rental insurer, but prefers to shut some of them off when it either feels like an invasion of her privacy, or like she's not getting a fair value in return.

Jamie is on a mission. She doesn't want more insurance. She wants a better way to protect the people and things she loves. Jamie's voice matters more than ever before.

Insurers need to understand her better. Jamie and her millennial peers are the most prominent cohort of potential insurance customers in the coming years. Millennials are the largest generation in U.S. history and will account for 40% of the U.S. population in 2030, with the youngest celebrating their 34th birthday and the oldest turning 49.² They will be in their peak earning, spending and parenting years, and some will begin to get serious about retirement planning — making them ideal candidates for P&C and life insurance.

40%

of the U.S. population in 2030 will be in the Millennial generation.²

In 2030, Jamie's generation will...

See More Female-Led Progress

Compared to prior generations, female millennials are more highly educated, less likely to be married and more likely to be working. They are increasingly ambitious, confident and affluent. Today, millennial women represent an estimated \$170 billion in buying power of the cohort's \$200 billion.³

Bring More Diverse Perspectives

This cohort is the most racially and ethnically varied of any prior generation, with 44% minority.⁴ About 21% are Hispanic, 14% are Black and 6% are Asian. Immigrants play a critical role, as 56% of Asians and 36% of Latinx people in this cohort were born abroad.⁵

Err on the Side of Caution

Compared to previous generations, this group has been punished by lower incomes and higher debt, multiple recessions and a global pandemic in peak earning years. They are prudent, wary and do their homework.

Spur the Sharing Economy

Jamie and her peers have reinvented the sharing economy, including an expanding appetite for gig work and side hustles. The sharing economy is estimated to reach \$335 billion by 2025, and millennials use sharing services at four times the rate of baby boomers.⁶



What Does Jamie Want and Need in 2030?

Winning Jamie over requires embracing the new demands of these customers. She and her peers are sick of being overwhelmed by too many choices. One recent study found that a typical woman might encounter more than 250 touch points in 73 days before buying a pair of jeans.⁷ Future customers will be smarter about avoiding decision fatigue. As e-commerce and data-sharing shift more power to people (and away from businesses), they'll use it to tame complexity.

So customers like Jamie will rely on easy-to-understand solutions that are most meaningful for their home, community and environment. They'll shop with new rules and guidelines to

make sure their decisions have the best impact on their entire life—not just work, but also home, health, relationships and financial freedom.

And insurance companies need to radically dial up their ability to create products that are adaptable and flexible. Millennials are digital natives, used to on-demand, frictionless, instant-access experiences. Yet when it's right, they also crave the personalized service and human connection they can only get from face-to-face interactions. Subscription and fractional services—for clothes, dog food, cars and even second homes—appeal to them.

Section Two

New Expectations: Five Customer Demands That Will Shape the Future of Insurance



Prophet's research unearthed five demands customers like Jamie will make as they navigate financial choices.

#1

"I need to be in charge of my personal data."

#2

"I want to feel as if the product was designed just for me."

#3

"I must trust and verify the brands I support."

#4

"I expect companies to follow me everywhere."

#5

"I need to be assured companies behave equitably and ethically."



DEMAND ONE

“I need to be in charge of my personal data.”

● Today

Companies can access and use customers’ data without offering much control.

● 2030

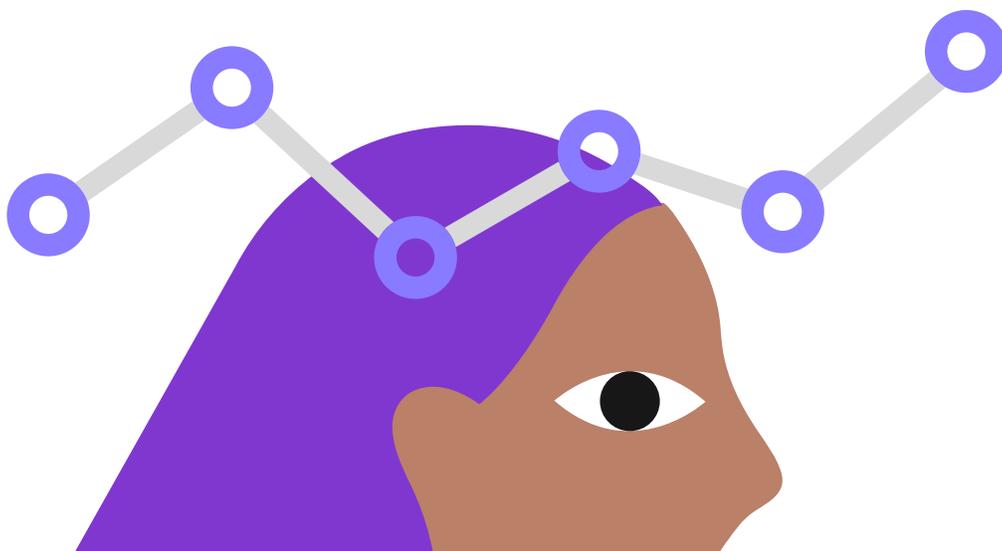
Customers may give up more information—but only on their terms.

Jamie sees protecting her privacy and data as a part of everyday life. She embraces trustworthy data intermediaries that serve as a shield between herself and the companies that want her as a customer.

This shield allows her to manage her digital data, selectively sharing with companies in her digital ecosystem. She is in complete control of what data is shared, with whom and what she gets in return.

86%

of consumers were a victim of identity theft, credit or debit card fraud or data breach in 2020.⁸



DEMAND ONE: I NEED TO BE IN CHARGE OF MY PERSONAL DATA

Jamie sees herself as the rightful owner and distributor of her data, and she demands tangible value in exchange for it. If companies can't demonstrate that value or use it to punish her (like increasing home insurance rate because house was unlocked), she knows she can stop sharing.

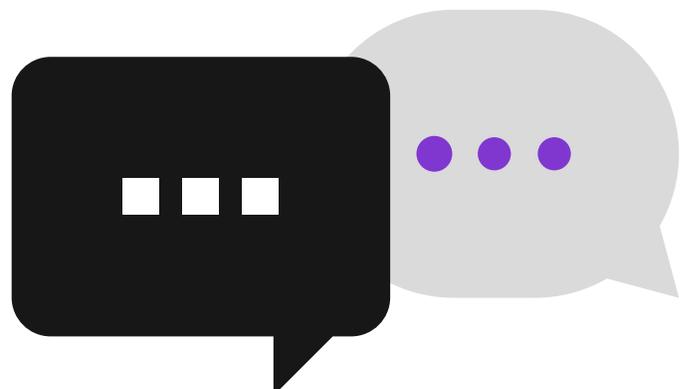
Although Jamie feels entitled to fair value exchange, others—including many in Gen X—have less trust in the system. They'd rather not participate in trading data for value and favor scrubbing their identity from the digital ecosystem entirely.

“Why does everything need to communicate? They're selling this as all about convenience, but I don't need this much convenience—especially if it means my data is automatically shared.”

— Female, 41 (Gen X)

12%

of global users opted in for app tracking on their devices following the iOS 14.5 update.⁹



DEMAND TWO

“I want to feel as if the product was created just for me.”

Today

Personalization means just getting a customer’s name right.

2030

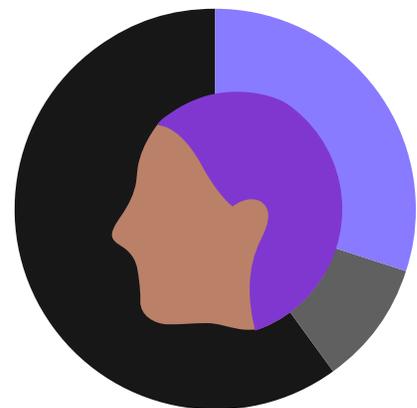
Individualized products, services and experiences that demonstrate empathy and adaptiveness.

As Jamie navigates her world, everything morphs to fit her needs. Her environment changes based on her preferences, and she wants products and services reconfigured for her based on these changes.

Since Jamie is consciously curating the personal data she shares, she expects companies to recognize her individuality and unique trajectory. As a result, companies suggest products that reflect and flex with her evolving needs, behaviors and preferences—as well as how she experiences them. She enjoys highly personalized app interfaces and can easily view the latest coverage recommendations—updated in real-time—that are best suited for her current needs, future plans and financial circumstances. She can even develop more self-awareness around her needs by reviewing her behavior history.

2X

Millennials are twice as likely as baby boomers to consider using a robo-advisor for investments.¹⁰



DEMAND TWO: I WANT TO FEEL AS IF THE PRODUCT WAS CREATED JUST FOR ME

“I expect a user-focused experience with an app that’s simple. I appreciate talking to a real human for some things. But for insurance, I only need to talk to someone if I have an issue.”

— Male, 23 (Gen Z)

And while digital experiences have become incredibly sophisticated, companies understand that customers like Jamie still value empathic, adaptive and relatable connections through human-to-human interactions. When a transaction is complicated, Jamie prefers to pick up the phone or text someone for reassurance. Companies continue to make space for these interactions specifically through customer service, community management and sales. But as digital emotional intelligence becomes more advanced and accurate, companies also invest more heavily in digital-to-human exchanges, including AI bots.

Jamie expects this deeply individualized — even humanized — experience with every company in her life. She wants insurers to seamlessly serve her in each unique context, from a self-driving car she rents by the day to smart-home technology that senses her lighting and heat preferences.



DEMAND THREE

“I must trust and verify the brands I support.”

Today

Brands expect blind trust.

2030

Consumers want products they can (easily) understand and verify independently.

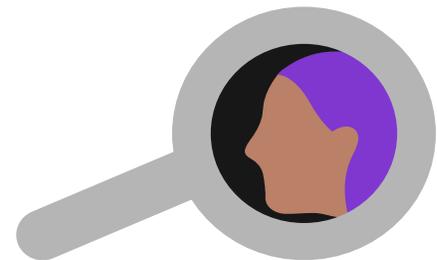
When making choices, Jamie is confident about her own decision-making capabilities. She carefully considers tradeoffs and researches offerings, often tapping her social networks for opinions. She can't imagine blindly trusting messages, advertisements and communications she gets from companies. She personally verifies that commitments are kept and that she gets what's been promised.

In industries where specialized knowledge or skills are needed, she looks to companies to provide her with access to expert insights so that she can become her own expert.

With insurance products, Jamie wants to know how she's benefiting from the policy throughout the policy term, and she wants assurance that she would be covered if there was an issue.

“I prefer texting with my insurance provider. That way, I have easy proof.”

— Gen Y

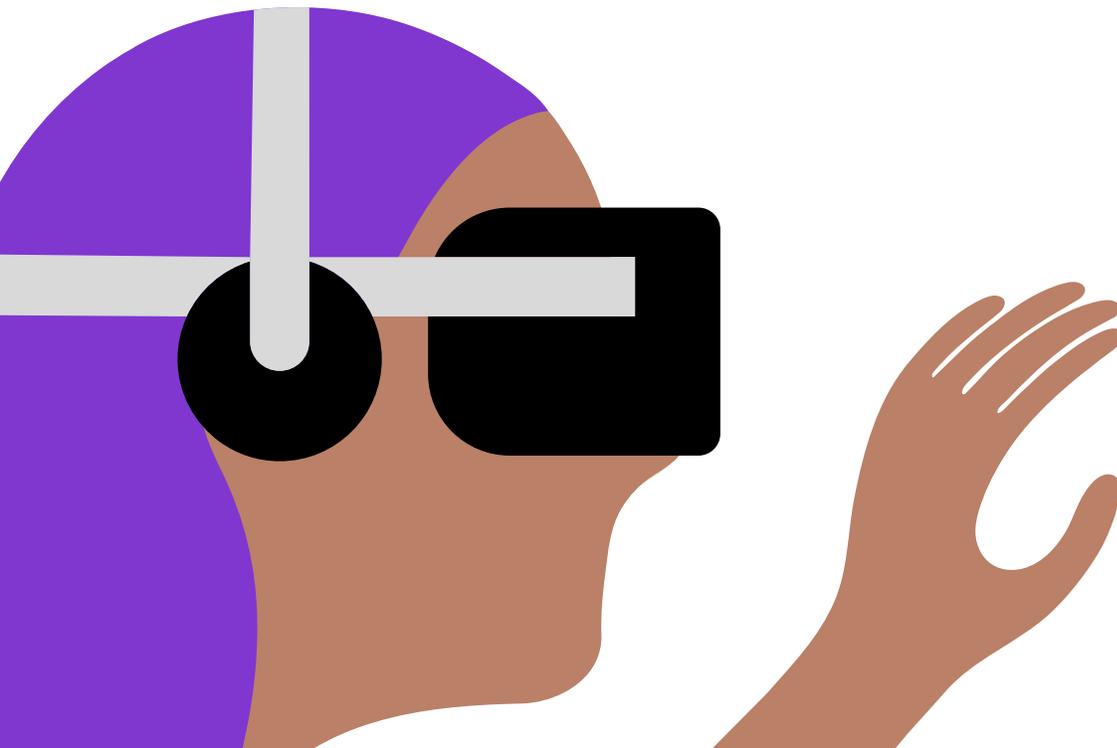


DEMAND THREE: I MUST TRUST AND VERIFY THE BRANDS I SUPPORT

“I’d do a lot of searching through Google first. I may go to a broker for advice as I make my final decision, but I’d need independent information first.”

— Gen Y

When she engages with advanced technology, such as biometric scanners and augmented-reality experiences, she wants companies to share signs that the technology is working as it should. This layer of information equips her with the confidence she needs to feel in control of her experience and thus supportive of the brand.



DEMAND FOUR

“I expect companies to follow me everywhere.”

Today

Insurance designed for static customer needs and characteristics.

2030

Customers are evolving. Companies must evolve with them to meet new needs that emerge during different life chapters.

Jamie experiences increased mobility in all aspects of her life—from her job to her physical location. With augmented and virtual reality experiences, she can be anywhere she needs to be—from anywhere she wants to be. Even when she stays in one place, she values the freedom of possibility. And she wants to work with companies that she knows will support her wherever she goes.

Her life is fluid and adaptable. She can commute through a ride-share, a bike, train, bus, scooter or car—if she goes to the office at all. When she works remotely, she can be at home, in a telepresence environment or in a shared workspace.

“As your life changes, your insurance needs change. It would be great to have a subscription model covering anything from home to life to renters to auto.”

— Female, 41 (Gen X)



DEMAND FOUR: I EXPECT COMPANIES TO FOLLOW ME EVERYWHERE

"One of my goals is to travel a lot, so I definitely do not want to have too much stuff to hold me down."

— Female, 21 (Gen Z)

"I don't want my possessions to own me. I only have the things that make me happy."

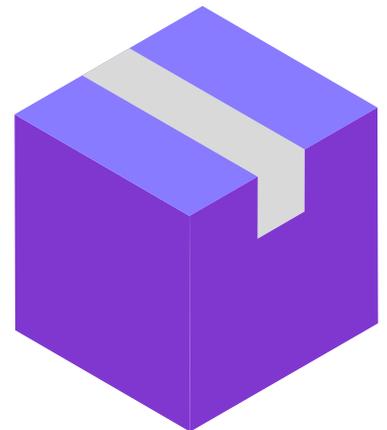
— Male, 19 (Gen Z)

This nomadic lifestyle shifts the way she thinks about what she values. She's less interested in protecting physical items, like family heirlooms or collectibles that tie her down. She puts more value on experiences and connections with friends and family.

As she insures what she cares about, Jamie demands more flexible policies that fit what she needs in the moment while not limiting her choices in the future. She also seeks more options that enable her to protect loved ones.

22%

of Americans have relocated during the pandemic or know someone who has.¹¹



DEMAND FIVE

“I need to be assured companies behave equitably and ethically.”

Today

Companies can thrive without providing transparency on equitable access.

2030

Customers demand transparency on fairness practices and shun businesses that don't do so.

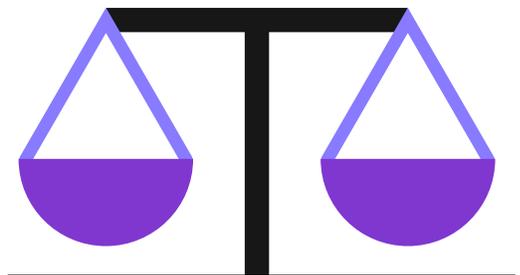
In an increasingly polarized world, Jamie seeks brands that align with her values. She sees brands as a reflection of who she is. She keeps a close eye on corporate behavior and holds the businesses she engages with accountable.

Jamie sees herself as a part of a global community, connected to multiple sub-communities and cultures. This interconnectedness drives her to demand that the companies and experiences she engages with provide equitable access. She expects to see that they serve people of all genders, races and income levels.

She believes insurers should remove bias, in both human and digital touchpoints. She wants to see her values and ethics reflected in how insurers engage with her and with others.

90%

or more of Gen Z consumers expect companies to do more to protect the environment, promote racial justice, combat sexual harassment and create more jobs.¹²



DEMAND FIVE: I NEED TO BE ASSURED COMPANIES BEHAVE EQUITABLY AND ETHICALLY

“I have environmental concerns. In 2030, we’ll need to see what types of human-caused issues develop. It might be interesting if there were additional offerings from insurance companies to help protect against those ‘Acts of God.’ ”

— Male, 51 (Gen X)

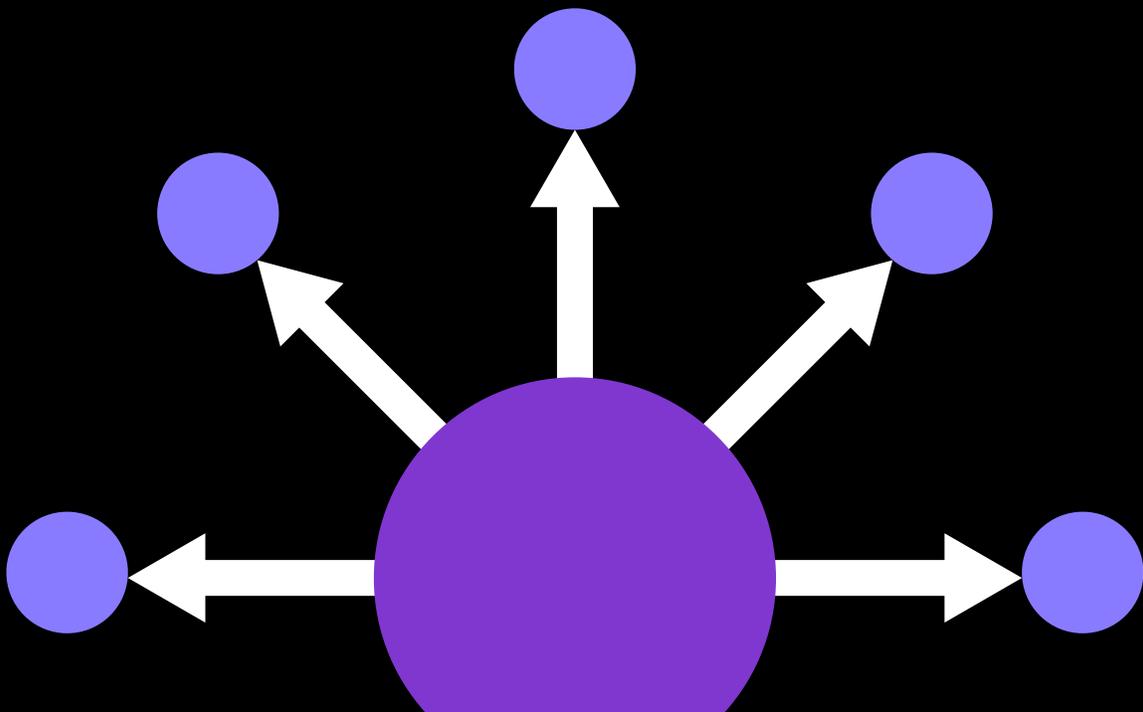
57%

of consumers are willing to change their purchasing habits to help reduce negative environmental impact.¹³



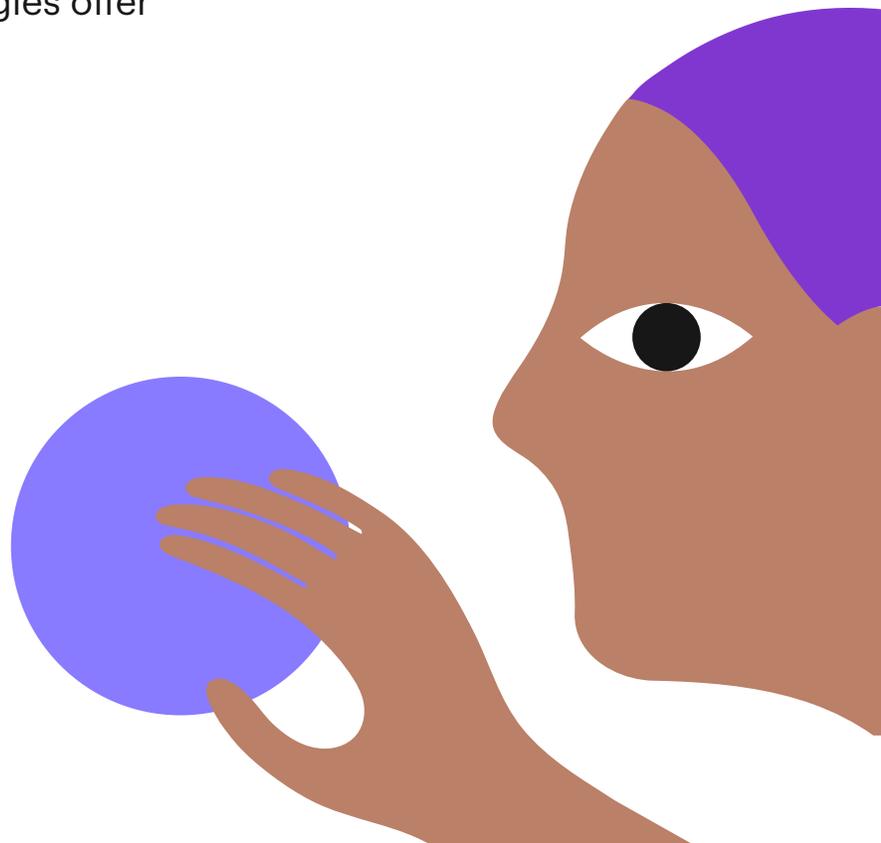
Section Three

Get Ready for 2030: What Will it Take to Win Jamie's Business?



It won't be easy to become the kind of insurance company Jamie wants to choose.

The insurance sector faces colossal changes in the coming decade, driven by seismic shifts in generational demographics and consumer expectations. As digitally enabled new entrants and intermediaries storm the category, established companies need to keep up with these digitally native companies and innovative products. Triggered by breakthrough data access and availability from millions of devices, the ongoing AI revolution and its cognitive technologies offer countless possibilities.



To win in this new world, insurers need to transform their businesses in five ways:



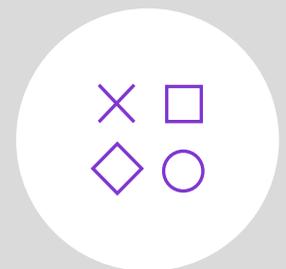
1

Go Beyond Personalization



2

Find Partners to Build Holistic Ecosystems



3

Transform Business Models to Serve Next Gen Customers



4

Double Down on Capital-Light, Value-Added Services



5

Reimagine the Mind, Body and Soul of the Organization



1. Go Beyond Personalization

Tech players continue to raise customer expectations for dramatically increased personalization to deliver individualized, continuously adaptive products, services and experiences—creating higher standards for insurers.

Importantly, as new entrants in the category move toward preventing risk rather than just insuring it, more traditional brands need to follow. For life insurers, that might include individualized health coaching. And for P&C, it is paving the way for lock-the-door reminders and suggesting safer driving routes.

But these efforts must not ask customers to compromise too much of their privacy standards. To win, insurance brands will have to build more sophisticated dashboards to provide transparency and win customer confidence.

Action steps for today:

- Define a customer data-value exchange strategy
- Develop AI underwriting systems that use proprietary data
- Modernize product and experience development capabilities



2. Find Partners to Build Holistic Ecosystems

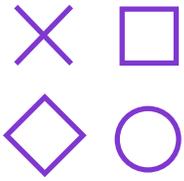
Jamie's life is constantly evolving. To stay with her, insurers will need to serve her seamlessly in all areas, even when it extends beyond their core business boundaries. But insurers don't need to develop all of these capabilities themselves, they have the opportunity to work with a rich universe of partners.

Near term, such an ecosystem might comprise of data intermediaries and device makers, such as wearables and biometric scanners. Her many choices for a morning commute, for example, may include bike-sharing, a scooter or an autonomous car share. The right insurance will cover any preference in real-time.

Longer-term, that ecosystem is likely to expand to other risk aggregators, underwriters, health organizations and identity-protection firms with a rich universe of partners, which further enlarge the ways insurers can support her.

Action steps for today:

- Define a partnership ecosystem strategy that clarifies how your organization will create value and competitive advantages
- Define partner value propositions
- Develop technological capabilities for digital interoperability, including an upgrade to lightweight architecture built on microservices and APIs to enable bidirectional integration



3. Transform Business Models to Serve Next Gen Customers

The scale and influence of customers like Jamie and her peers translate into a compelling opportunity. But to win, insurers must develop simpler, accessible products, like lower face-value life insurance or personal pension plans.

This requires transforming business models and leveraging digital efficiency to deliver products with substantially lower operating costs. This might mean:

- **Streamlined product development with simpler, smarter product portfolios**
- **Highly efficient digital marketing and lead generation capabilities**
- **Stronger digital distribution across both direct and agent/broker supported channels**
- **Digitally enabled, self-directed service models that also balance a need for empathy and care**
- **Automated claims handling systems that leverage AI for fraud detection and prevention**

Here, it is especially important to look outside the world of insurance and financial services. With millennials propelling the rapid growth of subscription models, co-ownership, resale and purchases that promote a circular economy, they'll be drawn to any company offering an unexpected business model.

Action steps for today:

- Expand distribution models to enable customers to access coverage in more ways (e.g. end-to-end digital experience)
- Explore models that allow for a closer alignment between individual risk level and coverage (e.g. usage-based insurance)
- Bundle additional benefits with insurance coverage in a subscription model



4. Double Down on Capital-Light, Value-Added Services

Insurers can help customers lead healthier, happier lives with value-added services. Such add-ons can create meaningful revenue and margin opportunities for insurers, especially amid persistent low-interest-rate environments. The primary vectors for such benefits include:

Health and Wellness

Allow Jamie to use her fitness data to lower her life insurance premium

Access and Assistance

Provide options for Jamie to “auto-resolve” a cyber-attack, where her insurer secures accounts and recoups losses

Lifestyle Management

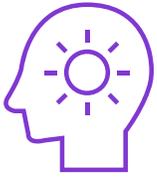
Aggregate Jamie’s data into a single dashboard that allows her to monitor her entire ecosystem

Risk Monitoring and Prevention

Watch Jamie’s smart home devices and notify her about potential fire hazards

Action steps for today:

- Define a value-added services strategy to identify opportunities for new offers, along with the economic and strategic impacts of such services
- Develop human-centered product and service design capabilities to build, pilot and ultimately scale non-insurance-based services



5. Reimagine the Mind, Body and Soul of the Organization

Accomplishing all these areas of evolution requires more than a piecemeal attempt at improvement. Instead, insurers will need to take a comprehensive, structural strategy for transformation.

A human-centered approach will be required for insurers to transform their organization to change their...

Mind: Energize the Talent

Ensure skill sets match the capabilities needed to meet the transformation agenda, building from within and attracting new talent where needed

Body: Reinvent the Operating Model

Operate in a way that best serves the customer, breaking down traditional silos and reimagining processes in service of the customer

Soul: Create More Meaning

Define the organization's purpose to clarify the transformation and inspire employees, customers and prospects

Action steps for today:

- Expand the organization's transformation strategy to ensure it takes a human-centered, comprehensive and structural approach.

Final Thoughts

Insurance business leaders have the capacity to accelerate their company's customer-centric transformation. To adequately serve the 2030 customer means digging more deeply into generational trends and technological possibilities, understanding the many different ways ever-evolving consumers want to live their lives, both digitally and offline.

Prophet helps its insurance clients grow alongside their customers—developing tailored transformation strategies that meet customers in the right moments and ultimately accelerate their own business' growth.

Our Solutions

Human-Centered Digital Transformation Strategy

CX Strategy and Design

Value Proposition Development

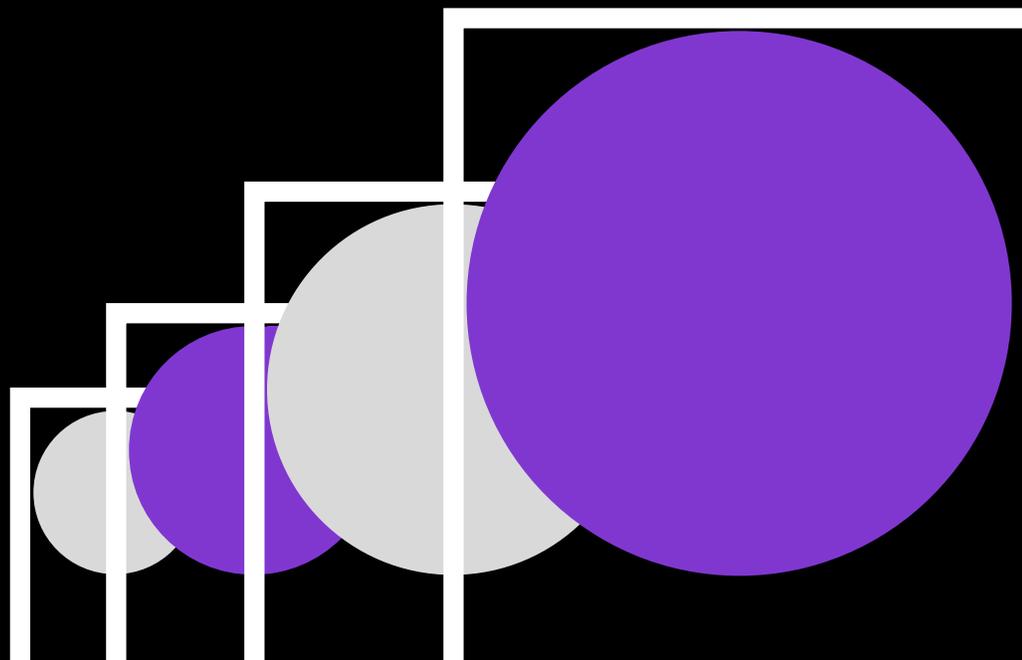
People-Focused Culture

Customer Data Opt-In Strategy

Business Model Transformation

Customer-Centric Innovation

Brand Positioning Portfolio Architecture



Let's Talk.

Prophet is a digitally-powered, creatively-inspired consultancy that helps our clients unlock uncommon growth in the face of disruption. Unprecedented levels of change and disruption require new thinking and transformative approaches to growth. From purpose to product, brand to experience, customers to operations, we bring the insight, rigor and expertise needed to help our clients realise transformative opportunities.

Our global team combines insight, creativity, data and technology to help our clients unlock growth that is human-centred, transformative and durable. We are guided by a mission and set of values that are focused on a higher-order approach to growth. Our global footprint operates within a single P&L, enabling us to bring the right people with the right experience together to solve our clients' current business challenges from across our 12 global offices.

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