



PYMNTS  
INTELLIGENCE

AMERICAN  
EXPRESS

November 2023

# Insuring Generation Next: Meeting the Digital Expectations of Younger Insurance Consumers

B2B and Digital Payments Tracker® Series

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OCTOBER 2023

**B2B and Digital Payments  
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An Unstable Economy Elevates AR  
P. 04

Checks: Not Making the Cut  
P. 10

Why the Time for AI Automation Is Now  
P. 16

Shifting to a Strategic AR Mindset  
P. 24

- What Young Consumers Want From Insurance **P. 04**
- Information, Digital Tools Head Gen Z's Insurance Wish List **P. 10**
- Bridging the Insurance Industry's Digital Generation Gap **P. 16**
- Leveraging Generative AI for Next-Gen Insurance **P. 28**

# What's Inside

## 04 What Young Consumers Want From Insurance

Younger, digital-native populations have different insurance needs from those of their elders, yet they are already a market force to be reckoned with.

## 10 Information, Digital Tools Head Gen Z's Insurance Wish List

As relative newcomers to the insurance market, Generation Z consumers crave information above all else — and, lacking deep pockets, specifically price comparison data.

## 16 Bridging the Insurance Industry's Digital Generation Gap

With younger consumers' digital expectations evolving faster than insurance processes, a notable gap has grown between what insurers offer and what these customers want.

## 22 Instant Payouts for Insurance Claims Reach New High

Popular with younger generations, instant payouts are now the most common disbursement method for life and auto insurance claims — but the chances of being offered the choice appear to be dropping.

## 24 Raising the Bar on Digital Experience for a New Generation of Policyholders

PYMNTS Intelligence interviews Ian Drysdale, CEO of insurance industry digital payments network One Inc, on how the industry is accepting the challenge of meeting Gen Z and millennials' digital demands.

## 28 Leveraging Generative AI for Next-Gen Insurance

Generative AI has the potential to address multiple pain points across all lines of P&C insurance, but it must be leveraged wisely — and with caution — to fulfill its promise.

## 32 About

Information on PYMNTS Intelligence and American Express

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## Need to Know

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# What Young Consumers Want From Insurance

Generation Z — that demographic born between 1997 and 2012 — now accounts for [32% of the global population](#), making it the [largest generation](#) on earth. Having grown up in a world that was not only digital-first but also mobile-first, this group expects speed and immediacy in their digital interactions. Gen Zers' slightly older millennial peers, born between 1981 and 1996, also have a high level of digital expectations.

Naturally, these younger populations have [different insurance needs](#) from those of their elders, yet they are already a market force to be reckoned with. Although younger consumers are most likely to own automobile and health insurance, more than 60% plan to purchase one or more insurance types within the next 12 months, with nearly half looking to buy [life insurance](#). Regardless of which type they buy, half prefer to [purchase it online](#), and when they do, they are largely researching their selections on the internet and [social media](#).

[Instant disbursements](#) for insurance are also highly appealing to young consumers, with PYMNTS Intelligence research showing that two-thirds of millennials would choose to receive their payouts instantly if they could. As digital-first consumers transform the rules of customer engagement across industries, insurers are being challenged to rethink their strategies to attract and retain a new generation of insureds.

**Younger generations favor a digital-first approach to insurance purchasing and disbursement.**



**96%**

**Share of millennials and Gen Z consumers who turn to the internet to [research insurance options](#)**



**66%**

**Share of millennial consumers who prefer [instant disbursements](#) for payouts**

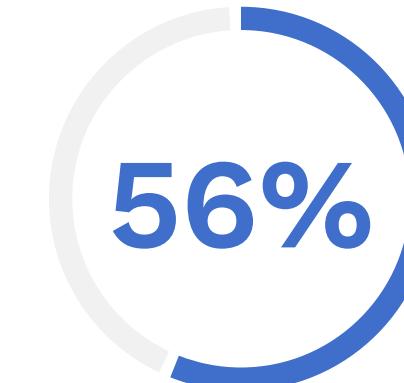
## Need to Know

# In practice, young consumers want both digital convenience and in-person expertise from their insurers.

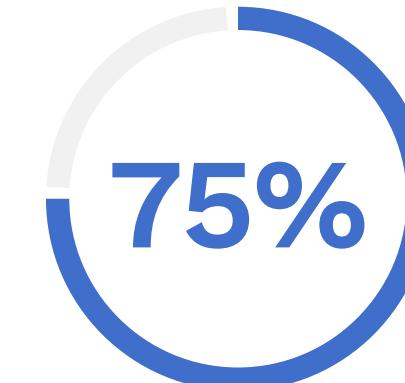
Despite this digital-first approach, recent research reveals a layer of complexity to young consumers' insurance-buying decisions. One study found that while millennial and Gen Z consumers place a greater value on digital insurance channels, three-quarters say they still want access to the advice of an [insurance professional](#) in person before purchasing online. The reason? More than half do not feel confident in their knowledge of insurance.

Another study similarly finds younger consumers saying that while in theory they would choose to purchase life insurance online, the overwhelming plurality [ultimately intend to buy it in person](#) after researching it on the internet. If insurers want to persuade the next generation to buy their products, clearly they must offer [education and support](#) to fill critical gaps in these customers' knowledge about their insurance choices.

**Young consumers ideally would prefer to buy insurance online, but a lack of knowledge prompts them to seek in-person assistance when buying.**



**Share of millennial and Gen Z consumers who do not feel confident in their insurance knowledge**



**Share of millennial and Gen Z consumers who say they still want access to the advice of an insurance professional if purchasing online**

## Need to Know

**To gain digital natives' loyalty, insurance must walk a fine line between digital agility and relationship building.**

As in other technology-driven industries, insurers must offer [effortless digital experiences](#), including mobile-friendly ones, to attract young consumers. However, the complexity of insurance also requires striking the right balance between developing digital prowess and cultivating human relationships.

Building these relationships will take effort. Another recent survey found that almost one-quarter of customers ages 25 to 35 said they lack a [feeling of connection](#) to their insurance companies, and they also show a strong interest in insurance challenger services. In addition, with more than three-quarters of millennials and Gen Zers turning to [social media for financial advice](#), the insurance industry must effectively leverage these outlets to meet and inform young consumers where they are.

**Share of consumers who turn to [social media](#) for discussion, advice and information regarding financial topics, by generation:**



**81%**

**Generation Z**



**75%**

**Millennials**



**48%**

**Generation X**



**27%**

**Baby boomers**

## News and Trends

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# Information, Digital Tools Head Gen Z's Insurance Wish List

A recent article claims that for insurers hoping to engage a Generation Z audience, providing [both digital tools and unbiased information](#) could be vital.

Being digitally native, Gen Z consumers are much more at home online than any other insurance customers, and digital features will necessarily factor into the experiences they choose. Moreover, carriers that offer payment methods popular with digital natives — such as Venmo, PayPal and Apple Pay — can make insurance shopping more accessible to this generation.

However, as relative newcomers to the insurance market, Gen Z consumers crave information above all else, the article contends — and, lacking deep pockets, specifically price comparison data.

“Gen Z is not really working with a broker for the insurance they may need, like auto or rental coverage,” said Jason Keck, founder and CEO of Broker Buddha. “You want to leverage as much third-party data as possible to be able to provide quotes, ... which can be done through comparison and other digital tools.”

Keck noted that Gen Z is also looking to understand more readily just what a policy covers without having to wade through vast expanses of fine print.

“For people who haven’t spent a lot of time around insurance, they’re guessing a lot,” he said. “It’s not a good feeling when you are forced to have to purchase something but don’t really understand the extent to which it is beneficial.”

While pricing may be top-of-mind for Gen Z insurance consumers, Keck said, additional factors of key importance to these buyers are a company’s environmental, social and corporate governance aspects and other ethical considerations. These facets, he maintained, could be decisive at the point of sale.

“It isn’t far-fetched to think that if a Gen Z consumer were to find a policy that was 10% to 20% more expensive from a company that has better social and business values, they would choose that product over a cheaper option,” Keck said.

## News and Trends

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# Young adults seek a combined digital and in-person buying experience for life insurance

According to a new study, nearly half of Gen Z adults and millennials plan to buy life insurance this year, but their [unique purchasing preferences](#) will challenge the industry to meet their expectations.

Although purchasing online has been on the rise for the past 10 years, this year's survey marked the first time online buying was voted the top choice, with more young adults saying they would prefer to buy life insurance online than to work with a financial professional in person. This preference was especially dramatic among Gen Zers, with 38% saying they would prefer to buy online and 26% saying they would prefer to buy through a financial professional. The corresponding percentages for millennials were 27% versus 23%, respectively.

However, there was a twist: Gen Z and millennial consumers may say they prefer the convenience of buying online, but when it comes time for a decision, nearly half of each age group say they expect to research online but work with a financial professional to make the ultimate purchase. The rationale boils down to the significance of the decision — and younger consumers' lack of knowledge about insurance.

Four in 10 Gen Z and millennial consumers say they lack confidence in their knowledge of which life insurance product to buy, and this information deficit has kept more than one-quarter from purchasing any coverage at all. Working with a financial professional in person to answer these questions therefore makes sense to ensure they are getting the appropriate coverage for their needs.



## News and Trends

# How Gen Z is redefining the insurance industry

A recent podcast discussed how Generation Z consumers are driving a trend toward making the insurance process more “authentic, honest and immediate.” The reason, guests asserted, is that Gen Z wants [smooth digital insurance experiences](#), including mobile-friendly ones, as well as 24/7 availability, based on the speed and convenience of transactions they have come to expect elsewhere.

“I think [traditional insurers] can learn not only from InsurTechs but also from other industries that people want to do business when they want to do business, and that might mean purchasing insurance late at night or over the weekend, when most carriers aren’t open for business,” said Bobbie Collies, chief growth officer at Coterie Insurance. “We really have to listen to what the customers want and then try to figure out how we use the technology to deliver that.”

While insurers must match other tech-driven industries in delivering product speed and efficiency, Collies argued, an industry as complex and relationship-driven as insurance must negotiate a balance between digital and human experiences.

“Insurance isn’t an easy product to buy, right? It’s not like we’re buying shoes or jumping on Amazon and throwing a few things in our cart and then we’re out the door,” she said. “We found that a lot of folks [who] attempt to buy insurance online ... back out when they need more help. And that’s where the human touch really needs to continue with agents and brokers or resources to be trusted advisers.”

As the human touch continues to transform into online connections, insurers hoping to reach the next generation must see their role as offering technology that supplements, rather than supplants, human support.

“I think as the future of the industry changes, we really have to cater how we reach Gen Z and younger generations.”



**BOBBIE COLLIES**  
Chief growth officer



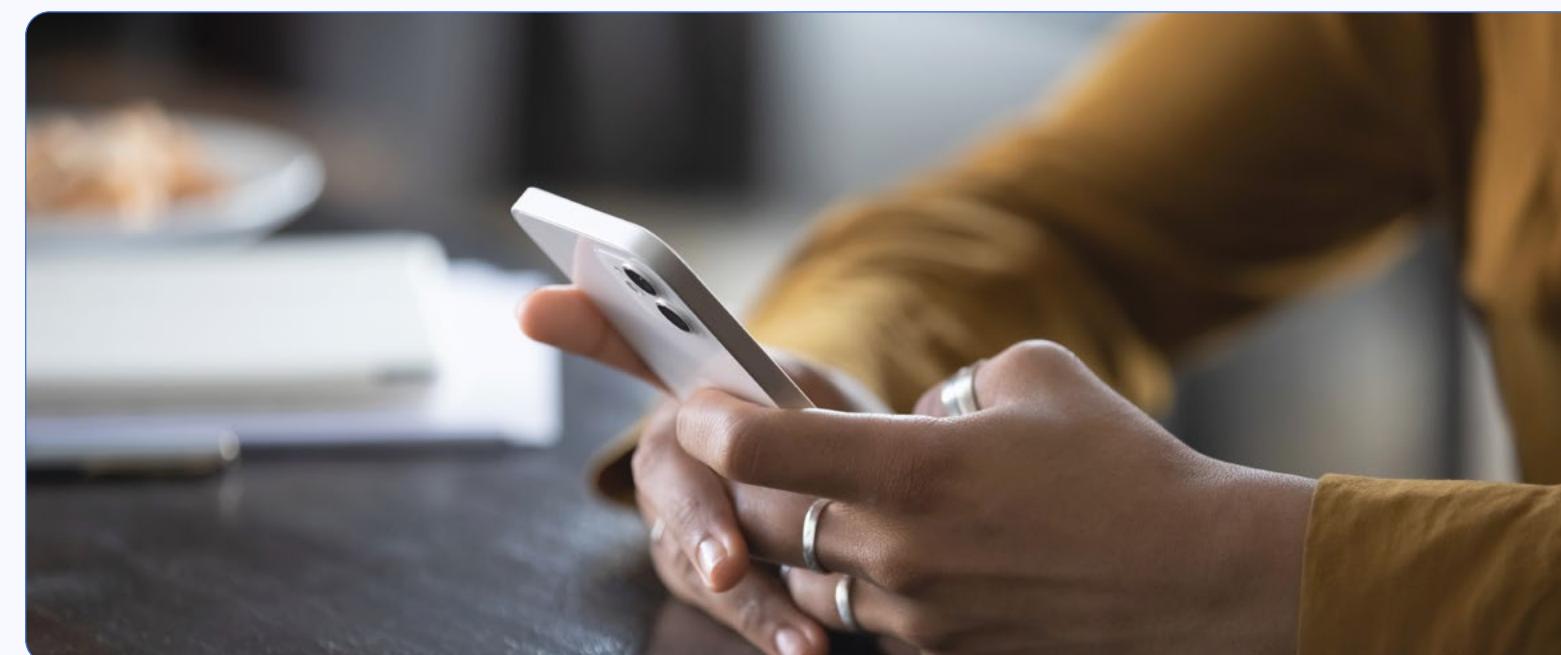
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# Bridging the Insurance Industry's Digital Generation Gap

The [generation gap](#) does not make headlines as much as it used to, but one way in which it has unquestionably widened in recent years is through the rapid advancement of technology. The youngest adults today have never known a world without the internet, social media and smartphones. These influences translate to differences not just in digital payment expectations but also in the most basic aspects of human interaction. Recent research, for example, found that 49% of Gen Zers feel anxious about speaking on the phone, instead preferring to text. This preference was largely attributed to texting's speed, with this factor a priority for nearly 70% of Gen Zers and millennials compared to 27% of all respondents.

As younger consumers' digital expectations evolve faster than insurance processes, a notable gap has grown between what insurers offer and what these customers want. While the industry is working diligently to eliminate this gap, it was still evident in recent satisfaction data regarding the [sector's digital transformation](#). Although young people showed a strong preference for digital options, with 32% of millennials purchasing car insurance online, many of their experiences were found wanting, with lengthening claims cycles and redundancies across channels becoming substantial complaints.

For carriers looking to cover the next generation of insureds, customer experience has never been more important. As personalized advice, omnichannel offerings and [seamless end-to-end journeys](#) become the norm across industries, insurers must find a way to meet the needs of the growing generation of digital natives — or risk losing them to challengers.



**PYMNTS Intelligence**

## Insurance's digital transformation is a work in progress.

According to a recent survey, although a majority of North American insurance customers would opt to use [digital channels](#) for payments and other everyday insurance services, they are often disappointed when they do. More than 30% of customers said they were dissatisfied with their insurance companies' digital options, with only 20% naming digital channels their preferred way to interact with their insurers. Another survey found that insurers met customers' digital expectations just 34% of the time due to frustration with [redundant processes](#), including having to obtain in-person estimates even after submitting photo evidence via mobile apps.

Digital challenges are also evident in the buying process for insurance, where the low frequency of customer interactions heightens the importance of providing a seamless experience every time. This is not yet the reality in insurance, with six in 10 customers [switching channels](#) before purchasing and one in six reporting no follow-up from insurers after an initial consultation. Closing these gaps and removing duplicative processes across channels are crucial for insurers to engage digital natives.

**Younger generations often report feeling only a tenuous [connection](#) to their insurers.**



**25%**

**Share of consumers ages 25–35 who do not feel a strong connection to their insurance companies**



**57%**

**Share of consumers ages 25–35 who have a low understanding of what their insurance actually covers**

Another recent survey identified areas where insurers' [relationships with younger customers](#) are missing the mark. It found that almost 25% of customers ages 25 to 35 said they lacked a feeling of strong connection to their insurance companies, and less than half said they understood what their insurance covers. These customers also reported a keen interest in insurance challenger services, signaling a need for greater transparency and support from traditional industry players.

## PYMNTS Intelligence

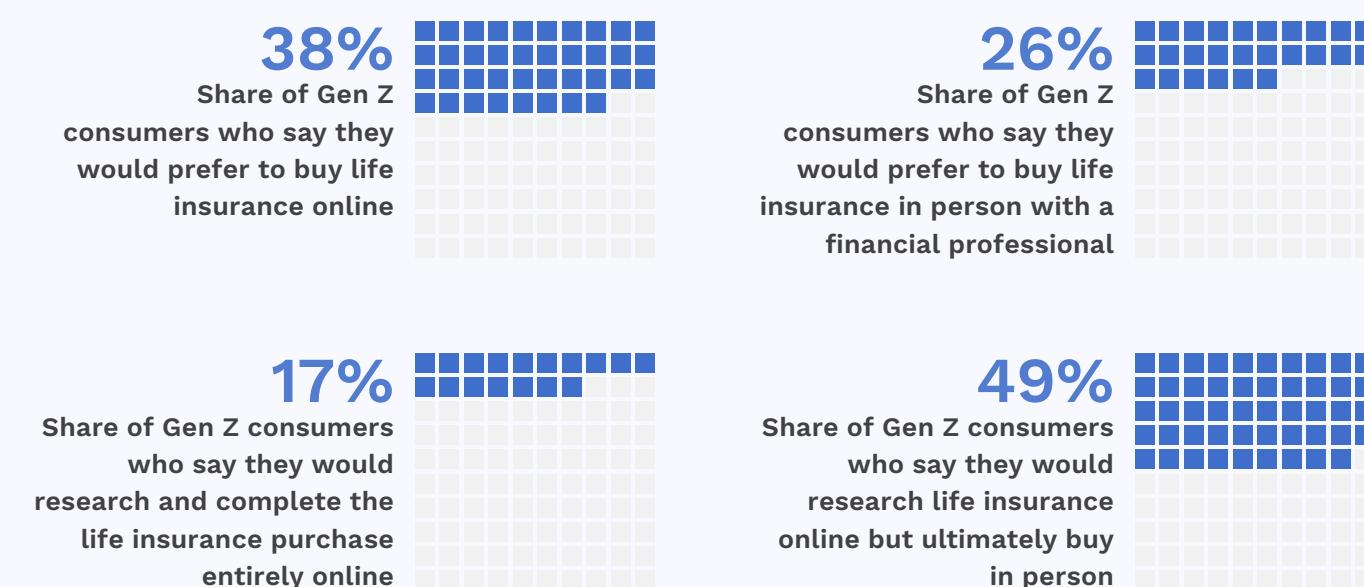
# Insurance requires a digital shift without losing the human touch.

Although insurers have some work to do on the digital technology front, it is equally clear that no amount of digitalization can replace the human touch in this industry — particularly for young consumers. According to one report, more than 70% of insurance customers favor in-person interaction with agents or representatives for complex processes such as buying a policy or resolving an issue, and customers contact their insurers an average of four times when considering a purchase. Agents and advisers are also the highest-rated channel in insurance customer satisfaction, with 20% of insureds saying they would leave a carrier if their adviser left.

New research further suggests that younger consumers' expressed preference for digital channels is masking a true desire for a combined digital and in-person insurance journey. Despite saying that online purchasing was their top choice for buying insurance, both Gen Z and millennial consumers admitted they ultimately expected to work with a financial professional in person to make their purchase decisions.

As seamless omnichannel experiences become the gold standard of customer engagement everywhere, there is no need for consumers to expect anything less from insurance. Adopting this strategy will ensure the industry's ability to gain and keep digital-native customers — for many generations to come.

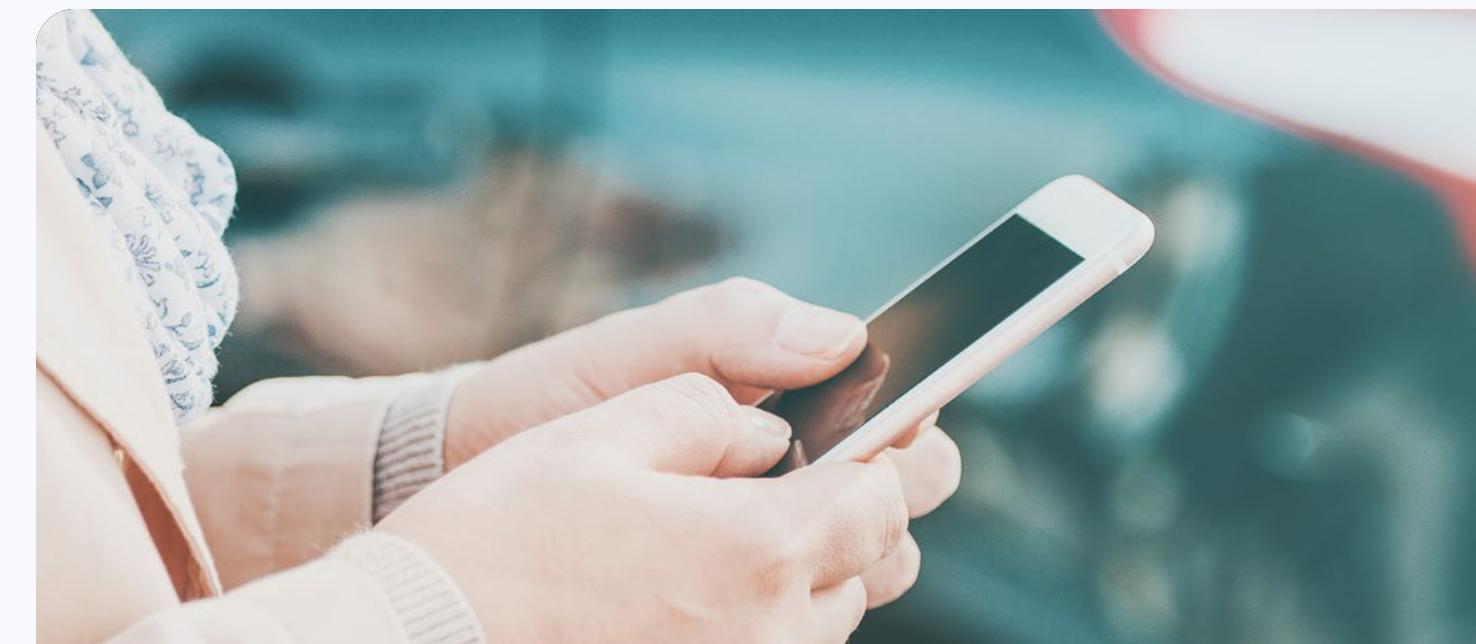
**What younger generations say they prefer and what they would ultimately do indicate a true preference for an omnichannel experience in insurance purchasing.**



## Chart of the Month

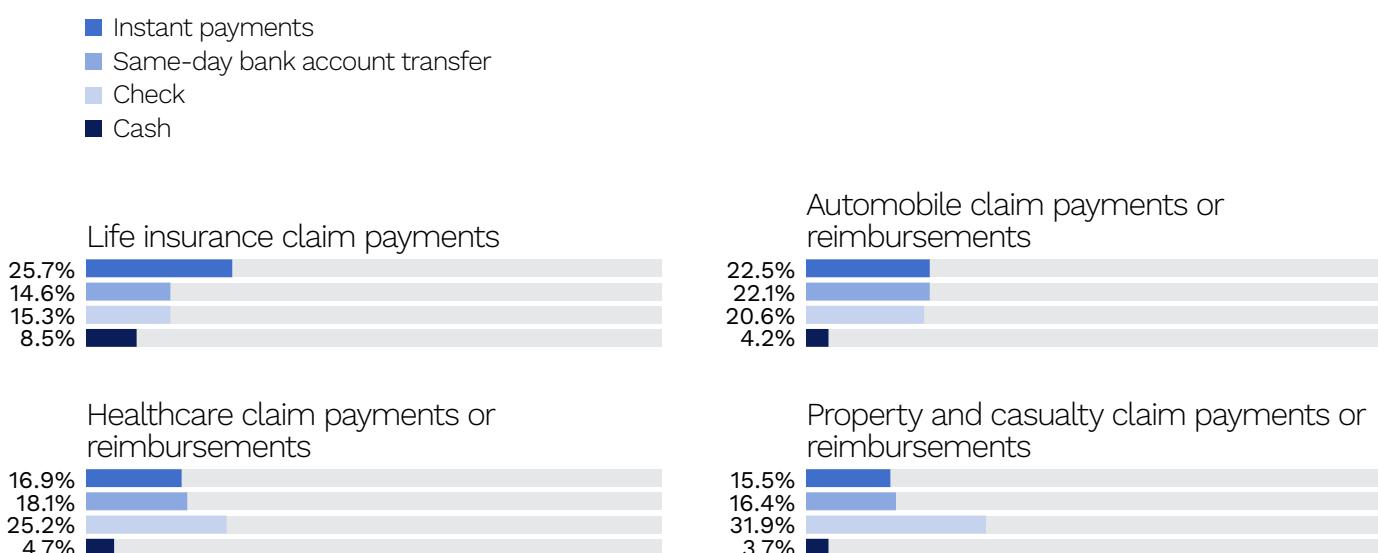
# Instant Payments for Insurance Claims Reach New High

According to a recent PYMNTS Intelligence report, the volume of [instant insurance payouts](#) reached a new high in 2022, with 24% of customers who received disbursements receiving at least one instant payout, up 12% from the previous year. This made instant payments the most common disbursement method for both life insurance and automobile claims, representing 26% and 23% of these claims, respectively. However, the likelihood of being offered the choice appears to be dropping, with consumers given a choice of method for only 62% of the payouts they received — a 12% drop from 2021. As instant disbursements are most popular with younger generations such as millennials, issuers that fail to offer this option could risk losing business as time goes on.



### Common disbursement methods

Share of consumers citing the most common ways they receive insurance disbursements, by type of claim payout



Source: PYMNTS Intelligence

Insurance Disbursements Brief 2022, February 2023

N = 2,421: Complete responses, fielded June 9, 2022 – June 23, 2022

**Insider POV**

# Raising the Bar on Digital Experience for a New Generation of Policyholders



IAN DRYSDALE  
CEO

“To help attract and retain a new generation of policyholders, insurance companies are now putting a high priority on millennial- and Gen Z-friendly digital transformation.”



**PYMNTS Intelligence interviews Ian Drysdale, CEO of insurance industry digital payments network One Inc., on how the industry is accepting the challenge of meeting Gen Z and millennials' digital demands.**

Generation Z and millennial consumers are setting a high bar for digital experiences across industries — including **insurance**. These generations are about frictionless, effortless interaction, Drysdale told PYMNTS Intelligence.

“They require digital wallets, such as Apple Pay, Google Pay, PayPal and Venmo, so they can say yes with a biometric or a single click,” he explained. “They similarly expect a mobile-first solution for claims to be paid out to their payment type of choice — the one they use for premiums — without reentry.”

Furthermore, he said, younger consumers expect all the data they need to be online — pulled from the insurer’s core systems in the background — without ever needing to contact a call center. Similarly, they don’t expect to be contacted to update card-on-file information.

## Insider POV

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**To meet their needs, insurers have accepted the digital challenge.** Today, Drysdale said, savvy insurers offer online policy renewals and payment options, digital claims management, customer service through easy-to-use websites and mobile apps, and payment features like text-to-pay.

“Insurers are also rapidly transitioning to cloud-based core systems with integrated, client-facing mobile capabilities — including payments — that deliver the best experiences to policyholders and help build loyalty,” he noted.

In addition, using network tokens helps insurers reduce friction for policyholders by automatically updating when a card is lost, stolen or expired.

**Insurance’s digital transformation is just starting to accelerate, Drysdale observed, and new technology is advanced.** For example, cloud-based core systems with fully embedded payment solutions now give insurance companies easy access to technology that significantly streamlines payments — for both themselves and their policyholders. Insurers also need to provide a seamless experience across channels, he stated, including web, mobile, social media and in-person. Policyholders should be able to start a process through one channel and continue it in another — without friction.

**Insurance is rising to meet generational challenges not only regarding service, however, but also in communicating with different customer segments.** Social media, Drysdale believes, is a strategic way for an insurance company to promote its thought leadership and digital capabilities.

“From guest appearances on podcasts to short videos, social posts drive traffic back to the insurer’s website and convert prospects into satisfied policyholders,” he said.

**The innovation doesn’t stop there.** With generative artificial intelligence (AI) now making its way into every industry, Drysdale contends that advances in this technology as well as others will play a growing role in meeting the next generation’s insurance needs.

“Generative AI chatbots will become stronger and stronger. They will be able to answer questions and sell policies, manage claims and settle disputes,” he predicted. “One Inc has already enabled text messaging — both for premiums and claims — for seamless, instant payments. These capabilities will be taken to a whole new level.”

## What's Next

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# Leveraging Generative AI for Next-Gen Insurance

Generative AI is disrupting industries across the board, and [insurance is no exception](#). A recent report highlights the technology's potential to address multiple pain points across all lines of property and casualty (P&C) insurance, including inefficient processes, inaccuracies of settlement estimates and a lack of seamless omnichannel experiences.

Although generative AI can offer significant efficiency gains while optimizing the experience for digital-native customers, study authors caution it is vital to ensure the quality of training data to minimize hallucinations and bias. Moreover, with younger customers expressing a strong preference for purchasing based on trusted in-person advice, generative AI should be viewed as a relationship-enhancing tool rather than a substitute. Indeed, generative AI can serve as the ultimate workload-reducing sidekick for customer-facing claims professionals, assisting and informing their decisions for faster and smoother claims processing. If leveraged wisely, generative AI promises to help broaden the industry's perspective from a traditional risk management focus to a sweeping customer-centric mindset.



## What's Next

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“ Responding to preferences of younger generations, insurers are prioritizing adopting digital payments — think cards or mobile wallets, versus checks — and further customizing the insurance buying experience. By adopting new technologies — such as the payment methods American Express provides — insurers can allow customers to pay the way they prefer to drive satisfaction while encouraging on-time payments with a card on file. ”

**MELISSA HURD**  
Vice president and general manager,  
Everyday Spend, National Client Group

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# About

**PYMNTS**  
INTELLIGENCE

**PYMNTS Intelligence** is a leading global data and analytics platform that uses proprietary data and methods to provide actionable insights on what's now and what's next in payments, commerce and the digital economy. Its team of data scientists include leading economists, econometricians, survey experts, financial analysts and marketing scientists with deep experience in the application of data to the issues that define the future of the digital transformation of the global economy. This multilingual team has conducted original data collection and analysis in more than three dozen global markets for some of the world's leading publicly traded and privately held firms.

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