

# Insurance industry gears up for a 'millennial' shift

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With two-thirds of the Indian population below 35, insurance companies seem to be on the cusp of a great opportunity to pool in "millennial" savings.

These millennials constitute almost half of the country's working population and will be the primary contributors to economic growth as consumers, entrepreneurs or investors. However, in order to capitalise on this, insurance firms need to become more flexible and adaptive to the needs of this generation of customers, recommends a joint report by Associated Chambers of Commerce and Industry of India (Assocham) and IndiaFirst Life Insurance.

The survey was conducted on over 1,000 respondents from varied socio-economic and cultural background in Maharashtra, the report said.

Around 63 per cent of the respondents are financially independent, 70 per cent are single and, in terms of employment, 32 per cent work in the private sector as salaried employees, while 10 per cent work in government organisations. A substantial 28 per cent of the respondents are job seekers.

Nearly 60 per cent of respondents comprise individuals who save less than 10 per cent of their earnings or have none at all. This is an indication of their aversion to invest in financial products. "If we look at the values, monthly savings of a majority of the respondents are a little over ₹2,000. This indicates a shift towards the consumption economy, thus deviating from the previous generations' gradient of savings," states the report.

**Table 1** displays the annual savings of an individual as a percentage of respondents.

A recommendation based on the feedback received from the respondents is "to launch new products offering flexibility of premium payment if possible",



## STORY IN NUMBERS

Annual individual savings ₹	% of respondents
Less than 25,000	60
25,001-50,000	20
50,001-100,000	12
100,001- 200,000	3
200,001-500,000	4
Above 500,000	2

  

Preferred investment instrument	% of respondents
Life insurance	70
Mutual funds	69
Fixed/Recurring deposits	64
Stocks and equities	46
Pension funds	39
Gold and ETFs	35
Real Estate	26

Source: White Paper by IndiaFirst Life Insurance and Assocham

with an option for customers to pay premiums when feasible, therefore having gaps in their premium payments.

**Table 2** shows the investment pref-

erences of the respondents.

According to the survey, the top two preferred choices for investments were mutual funds and life insurance products. Gold, bonds and real estate are least preferred. This marks a significant shift in the preferences of young customers as compared to the older generations

Another important finding is that half the respondents said they would only stay invested in a product for a maximum of five years, while only 17 per cent were willing to invest in a long-term product of 10 or more years. Around 83 per cent of the respondents would prefer investing in short-term or medium-term products.

The survey found that a staggering 80 per cent of individuals did not plan for investments even though their priorities were 'protecting their families' and 'fulfilling lifestyle needs', when it came to investments.

The report states insurers "need to bridge the disconnect between people demanding a short-term product and industry propagating a long-term product". The real issue is not the lack of education about long-term investment and savings but that the 'time-horizons' of millennials have greatly altered.