

The Millennial Life Insurance Gap

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Foreword

With nearly half of 23- to 38-year-olds in the U.K. managing student loans or credit card debt, the average age of marriage on the rise, and homeownership among young people sitting 40% lower than 20 years ago,¹ where does life insurance rank on the typical millennial's list of priorities?

At first glance, most millennials may seem to have more pressing financial concerns than what would happen if they passed away tomorrow. However, according to our research, 37% of millennials currently have a mortgage and 45% plan to get one in the next five years, which suggests there will be a sharp increase in the need for mortgage protection.

As the U.K.'s no. 1 provider of life insurance,² Legal & General wanted to explore millennials' understanding of life cover. This report, based on a survey of more than 2,000 British millennials, reveals that the main reason only 26% have life insurance isn't because most feel invincible or too young to consider the benefits, it's simply because they believe other expenses must come first.

However, **9 in 10 overestimated the cost of a life insurance policy for a 30-year-old**, and 44% of those without cover didn't realise it could be used to help pay off the mortgage in the event of their death.

By publishing this report, we aim to bust some life insurance myths and raise awareness of its benefits, particularly among the estimated 1.5 million at-risk millennials who currently have joint mortgages but nothing in place to protect them.³

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Paula Llewellyn

UK Managing Director
L&G Insurance Direct

1. Based on data for 25–34-year-olds available at <https://www.resolutionfoundation.org/data/housing/>
2. Based on new individual life insurance sales in 2017, Term & Health Watch report 2018, Swiss Re
3. Estimated based on the percentage of millennial respondents in Legal & General's survey who said they did not have life insurance and mid-2018 single year of age population estimates from the Office for National Statistics.

10 Lessons About Millennials and Life Insurance

Legal & General's survey of over 2,000 millennials paints a detailed picture of their attitudes towards life insurance in 2019. Here are 10 key lessons we've learned.

1. Despite postponing the traditional life milestones, millions already have mortgages, families and life insurance policies.

An estimated 3.7 million millennials in the UK have life insurance that isn't an employee benefit.¹¹

2. Homeownership is the best predictor for life insurance ownership.

A 30- to 35-year-old married couple with at least one child is 2.4 times more likely to have life insurance if they have a mortgage than if they rent.

3. Many who have mortgages to protect don't have life insurance.

44% of 29- to 38-year-olds with mortgages and 37% of all millennials with joint mortgages don't have life insurance that isn't a work benefit.

4. The knock-on effects for uninsured joint mortgage holders could be serious.

36% of millennials with joint mortgages without life insurance say that in the event of their death, their partner couldn't afford mortgage payments on their own.

5. The reason many millennials don't have cover isn't because they feel invincible – it's just a matter of priorities.

Millennials are just as likely to worry to some degree about dying prematurely as Gen Xers and baby boomers. The main reason they don't have a policy is that they believe other expenses should take higher priority, such as bills, holidays and debt. One in 5 joint mortgage holders without cover said subscriptions like Netflix were more important than life insurance.

6. Although the expense of a policy is a barrier, life insurance could be cheaper than many millennials think.

A 30-year-old nonsmoker could get a policy worth £100,000 for 30 years at a cost of £7.27 per month, whereas the median guess by millennials was £23. Nine in 10 overestimated the cost.

7. It's hard to know how life insurance works if you've never had it.

44% of millennials without life insurance said they didn't realise it could be used to pay towards a mortgage in the event of one's death, which is a key reason a millennial would consider cover.

8. Some people who have life insurance don't know all the details either.

21% of millennials with life cover said they didn't know how much their loved ones would receive if they died tomorrow.

9. Cost comes first, but millennials also care about clear terms and product descriptions that don't sugarcoat the topic of death.

Nearly half said that honest marketing that tells it like it is would make them more likely to choose one provider over another.

10. On average, millennials with a joint mortgage but no life insurance say they'll get cover in 5.8 years (aged 38) – despite the fact that their loved ones could be left to deal with mortgage payments on their own.

Based on Legal & General's findings, there are over 200,000 millennials who have a joint mortgage but say they will never get life insurance to protect their loved ones' quality of life.⁴

4. Based on the results of Legal & General's survey of 2,327 British millennials in combination with mid-2018 single year of age population estimates from the Office for National Statistics.

Portrait of a British Millennial

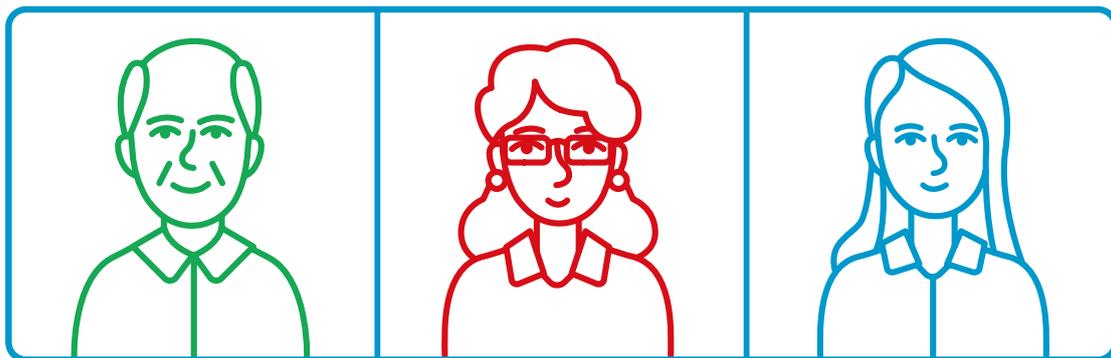
All grown up

Ten years ago, the youngest millennials were fresh-faced 13-year-olds, migrating from Myspace to Facebook on their iPhone 3Gs. The oldest, aged 28, while also flocking to Facebook, were simultaneously trying to forge careers in the wake of the financial crisis that shook the world a year earlier.⁵

Fast-forward a decade to 2019. At 23, the youngest millennials are now the ones hunting for jobs, while the majority of the oldest, at 38, have young children and mortgages.⁶

The definition of a millennial, meaning someone born between 1981 and 1996, hasn't changed, but the experience of living as one certainly has.

Three generations at a glance



Baby Boomers
Born 1946 to 1964
Age in 2019: 55 to 73

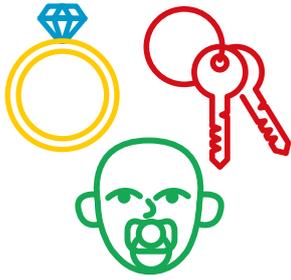
Generation X
Born 1965 to 1980
Age in 2019: 39 to 54

Millennials
Born 1981 to 1996
Age in 2019: 23 to 38

5. There is no universally agreed formula for defining generational cut-off points. In this report, the definitions by the Pew Research Center are used to define the age ranges of baby boomers, Generation X and millennials. Millennials are those born between 1981 and 1996, making them 23 to 38 in 2019.

6. Based on the results of Legal & General's survey of 2,327 British millennials, 2019. 57% of 38-year-old millennials indicated they had a mortgage, and 64% said they had at least one child.

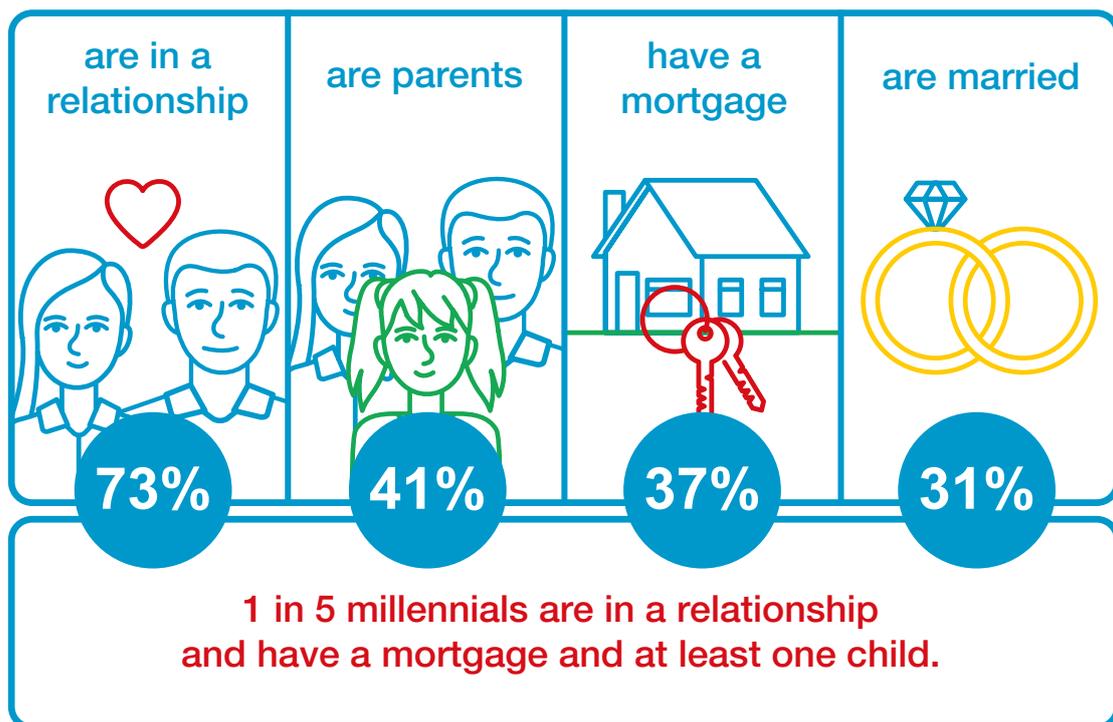
Later, not never



A defining characteristic of millennials is that they're typically waiting longer than previous generations to reach traditional life milestones. The stats back this up: The average age at which Gen Xers got married in 2003 was 31.2 for men and 28.9 for women. By 2016, it had increased among millennials to 33.4 and 31.5.⁷ In the same period, homeownership by 25- to 34-year-olds plummeted from 43.6% to 24.5%,⁸ while the median age of a first-time homebuyer shifted from 29 to 30.⁹

Some have dubbed millennials the 'Peter Pan' generation because of their apparent reluctance to grow up,¹⁰ but many are waiting out of necessity, not choice. The numbers make it clear that a lot of 20- and 30-somethings love the idea of wedding bells, a home they can call their own and the pitter-patter of tiny feet – they just need a few more years and more financial stability to achieve them.

**Based on Legal & General's findings,
the percentage of millennials in 2019 who ...**



7. Marriages in England and Wales: 2016, Office for National Statistics
 8. Labour Force Survey (LFS), conducted by the Office for National Statistics, based on households rather than adults
 9. Data from UK Finance, correct as of October of 2017
 10. Sarginson, S. 'My children are Millennials, but are far from the stereotypes society pokes fun at', *The Guardian*, 25 Nov 2017

Legal & General's research shows that 45% of millennials without a mortgage say they expect to have one in the next five years, and 37% without a child expect to start a family in the same time frame.

If these best-laid plans become a reality, the population of millennial parents could rise from 5.8 million in 2019 to 9.0 million in 2024, and the number with mortgages could increase from 5.2 million to 9.3 million over the same period.¹¹

With so many more millennials taking on the responsibility of children and mortgage debt, how many have a life insurance policy to protect the most important people in their lives?

11. Estimates of the population of millennial parents and millennial mortgage holders in 2019 and 2024 are based on the percentage of millennials in Legal & General's survey who said they are currently parents or have a mortgage, and the percentage who are not parents or mortgage holders but say they plan on having a child or buying a home in the next five years, combined with mid-2018 single year of age population estimates from the Office for National Statistics.

The Life Insurance Landscape

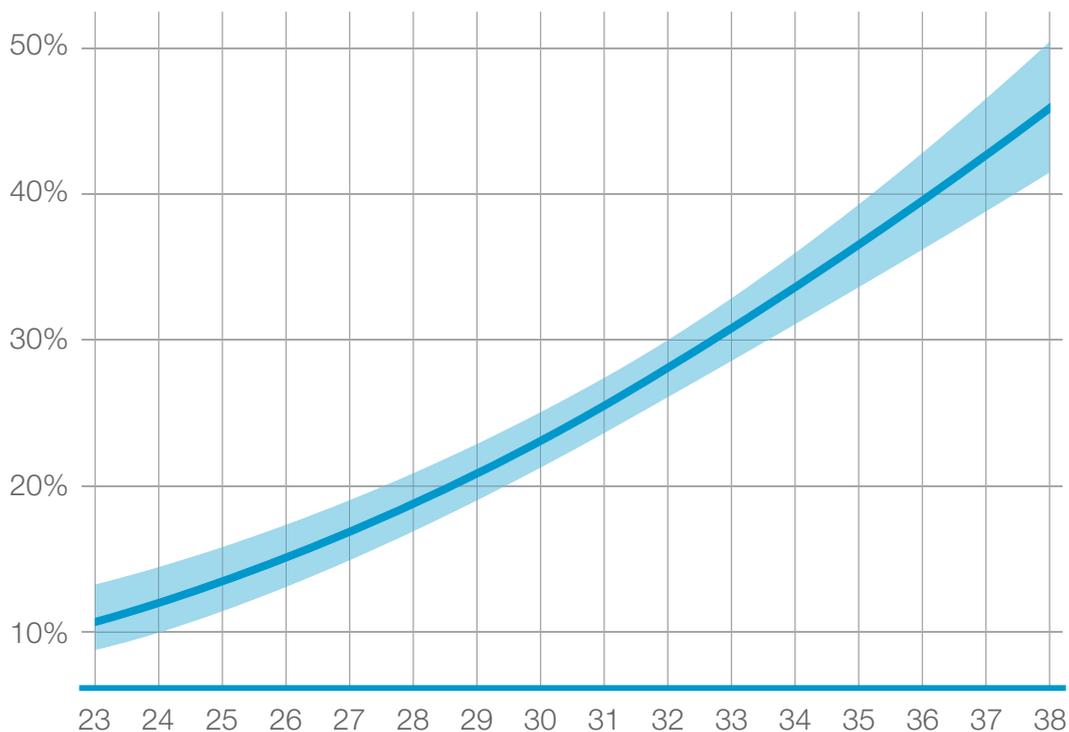


Twenty-six percent of millennials said they have a life insurance policy that isn't an employee benefit. Scaled across the whole population, this equals approximately 3.7 million 23- to 38-year-olds. This is lower than both Gen Xers (40%) and baby boomers (30%).¹²

As we'd expect, the likelihood that a millennial has life insurance greatly depends on their age. At 23, there's an 11% chance they have a life insurance policy, but by their 26th birthday, it's increased to 15%. From age 26 to 31, the odds increase by roughly 2 percentage points per year, then 3 percentage points per year from 32 to 38.

By the age of 38, a millennial is 4.3 times more likely to have a life insurance policy than when they were 23.

The percentage of millennials with life insurance, by age



12. Based on the percentage of millennials in Legal & General's survey who said they currently have a life insurance policy that is not an employee benefit and mid-2018 single year of age population estimates from the Office for National Statistics.

There’s a strong correlation between age and life insurance ownership, but it’s not because being older, on its own, is a compelling reason to get a policy. It’s people’s personal circumstances at each age that gradually raise their understanding of the benefits of life insurance.

For example, being in a relationship increases the chance of having cover – only 8% of single millennials have a policy, compared to 1 in 3 couples. Having children increases the odds as well. Forty-one percent of 23- to 38-year-olds with children have life insurance, compared to 15% who don’t have children.

However, it’s homeownership that best predicts whether someone has life insurance. Just over half (55%) of millennials with a mortgage have life insurance, compared to only 9% of those without a mortgage. Put another way, a 30- to 35-year-old married couple with at least one child is 2.4 times more likely to have life insurance if they have a mortgage (65% with a mortgage versus 27% without a mortgage).

The prevalence of life insurance among millennials by age and situation

Note: The numbers without brackets are the percentages of each group with life insurance. The numbers in brackets are the percentages of each group who are married, have a mortgage, have children or all three.

Age	 Has life insurance	 Married	 Mortgage	 Children	 Married, mortgage & children
23–25	8%	17% (7%)	43% (11%)	18% (14%)	50% (<1%)
26–28	17%	36% (16%)	51% (25%)	24% (25%)	47% (4%)
29–31	28%	49% (31%)	58% (36%)	43% (40%)	64% (14%)
32–34	33%	48% (44%)	54% (49%)	42% (57%)	67% (22%)
35–38	39%	54% (52%)	56% (56%)	50% (63%)	65% (33%)
All millennials	26%	48% (31%)	55% (37%)	41% (41%)	64% (15%)

Based on Legal & General’s research, the most common age at which someone takes out a life insurance policy for the first time is 30, which is around the same age as the average first-time homebuyer outside of London in the first quarter of 2019 (31).¹³

13. UK Finance data, 2019

Life insurance goes hand in hand with homeownership because it takes most people years to get on the property ladder and decades longer to pay off their mortgage. Without life insurance, if a significant contributor to the mortgage dies at any time between collecting the keys and making the final mortgage payment, their loved ones' finances could be turned upside down.

The majority of 29- to 38-year-olds with mortgages seem to recognise this risk (perhaps in many cases due to advice from their mortgage adviser), as 56% of them have life insurance. But 44% are unprotected or unsure if they have life insurance. Most notably, 37% of millennials with joint mortgages don't have life insurance, and 1 in 3 of this group (36%) says that if they were to die, their partner wouldn't be able to afford the mortgage repayments on their own.

Given the risk of their loved ones being left to foot the bills if they pass away, what's stopping nearly 4 in 10 millennial homeowners with joint mortgages, equal to 1.5 million people, from increasing their peace of mind by taking out a life insurance policy?

Why Many Millennials Don't Have Life Insurance

One theory for why millennials don't prioritise life insurance is that they feel invincible, but Legal & General's research suggests otherwise.¹⁴

Only 28% of millennials said the following statement was at all true of them:

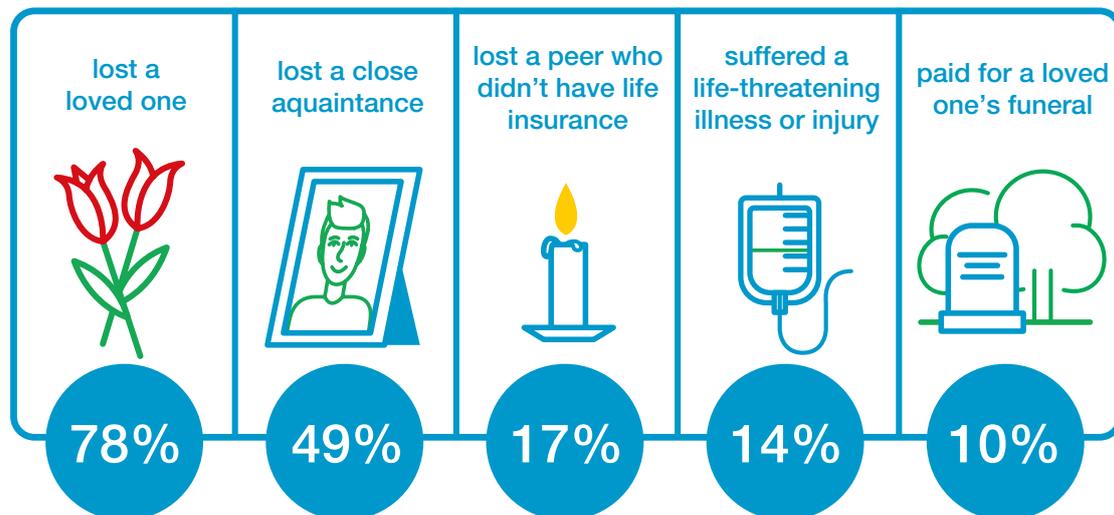


'I feel invincible in day-to-day life. I don't worry about negative life events such as serious illness or premature death and can tackle any issues that come my way.'

The percentage of millennials who felt this statement was true of them was almost identical to Generation X and baby boomers (30% and 27% respectively), which suggests that the 'invincible millennial' stereotype might be a myth.

When asked specifically about the prospect of dying prematurely, the level of concern among generations was again extremely similar. Eighty-three percent of millennials said they were worried to some degree about dying young, with nearly 30% saying they were moderately (20%) or extremely (9%) concerned. Among Generation X, 74% said they were worried about dying prematurely, compared to 79% of baby boomers.

According to Legal & General's findings, the percentage of millennials who have ...



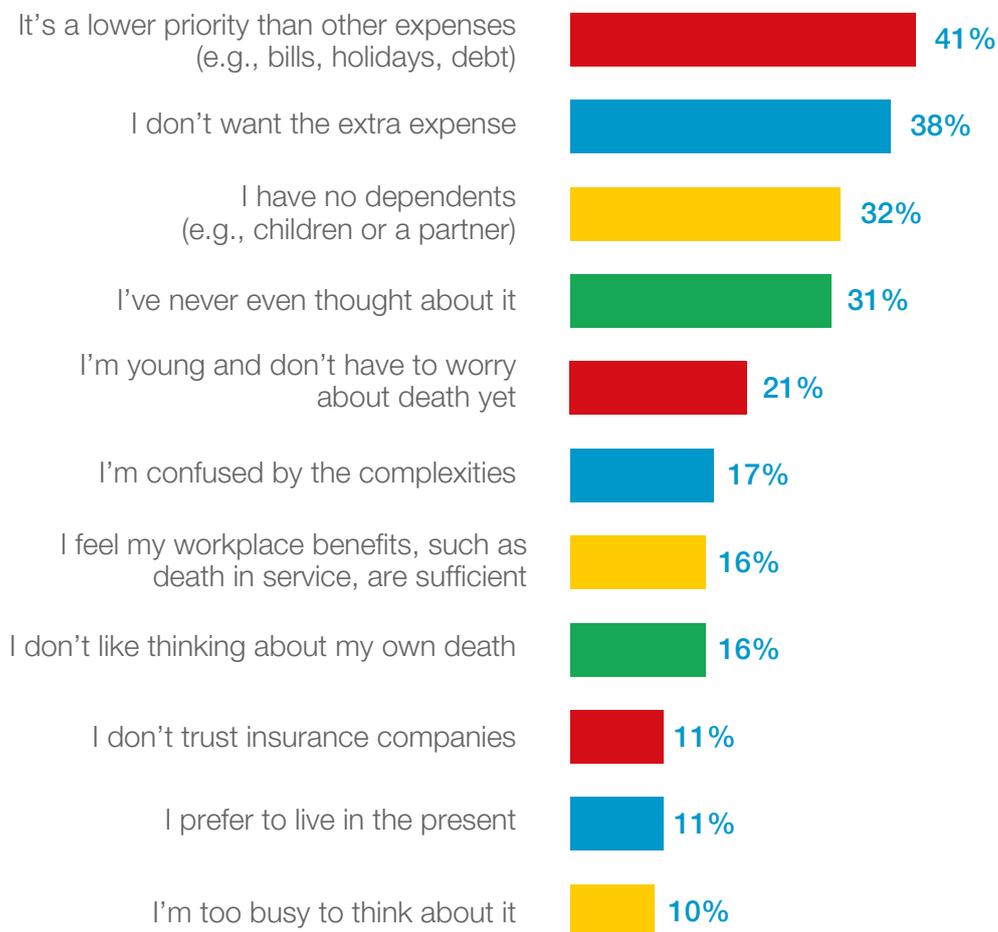
14. <https://bdaily.co.uk/articles/2018/07/18/millennials-dont-see-the-value-of-private-healthcare-says-the-health-insurance-group>

Most millennials are now old enough to have first-hand experience of tragedy and loss. Almost 8 in 10 have lost a loved one, roughly half have known a close acquaintance who passed away, and nearly 1 in 5 has lost a peer of a similar age who didn't have life insurance.

Death is by no means an abstract concept to millennials, which may explain why, when asked if they believe that someone who is young and healthy should consider getting life insurance, 73% said yes, an almost identical proportion to Generation X and baby boomers (both 74%).

Home ownership only makes a small difference to whether millennials think life insurance is a sensible choice when someone is young and healthy, as 71% without a mortgage said that it is, compared to 77% with a mortgage.

Reasons millennials don't have life insurance



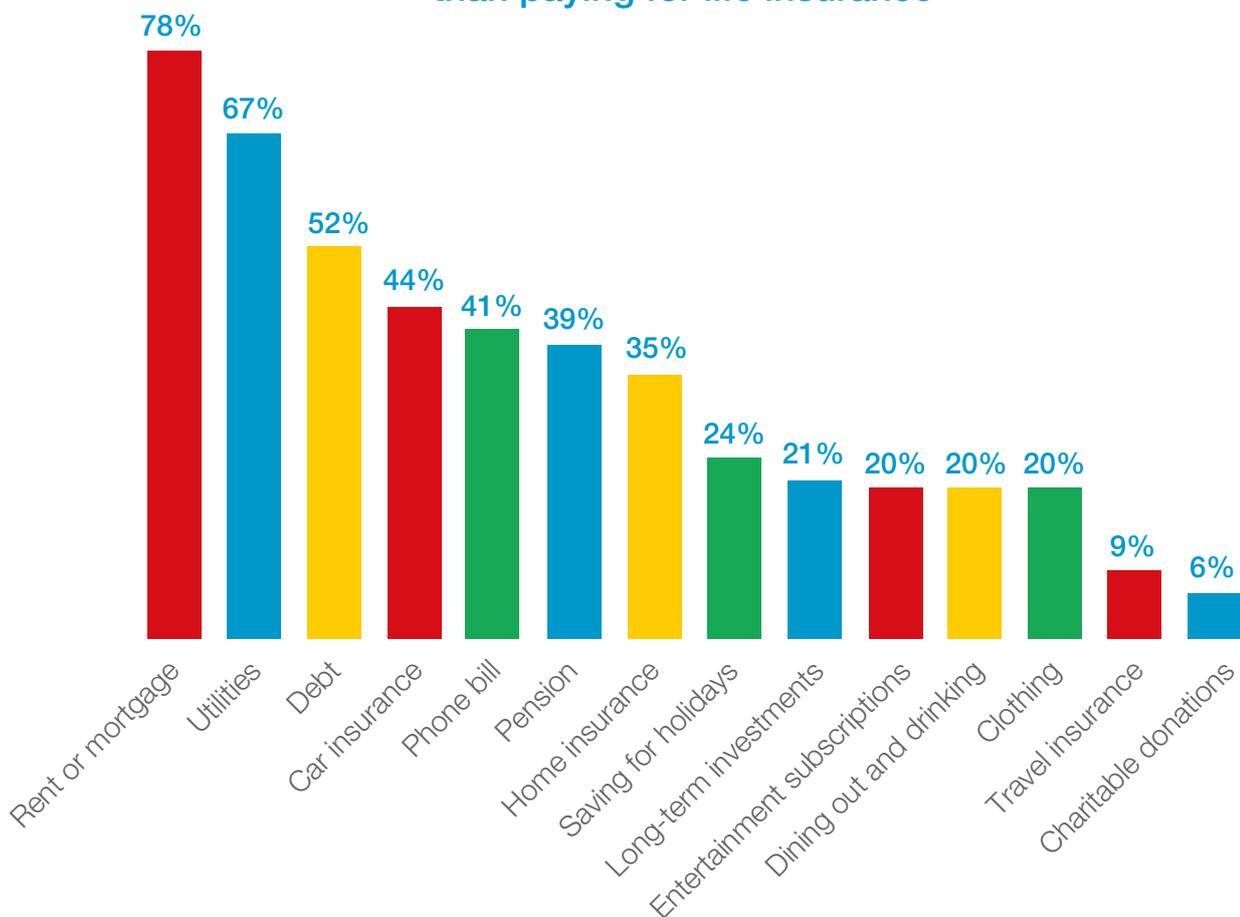
The number one reason millennials don't have life insurance is that they feel it's a lower priority than other expenses, such as household bills, saving for holidays, and paying off debt. Four in 10 said that they either don't want the additional expense of a monthly life insurance premium or that it's too far down their list of priorities to add it to their outgoings.

Once more we see that some millennials’ reluctance to take out a life insurance policy isn’t primarily a product of a ‘what will be, will be’ attitude. Only 1 in 5 said they don’t have life insurance because they’re too young and therefore don’t have to worry about death, and 89% rejected the explanation that they simply prefer to live in the present.

People in their twenties typically cited more reasons for not having life insurance than those in their thirties (on average, a 23- to 25-year-old selected three reasons, while a 35- to 38-year-old chose two), and their reasons differed depending on their age and circumstances. For instance, a 23- to 25-year-old was over five times more likely than a 35- to 38-year-old to say they didn’t have life insurance because they were too young to think about death.

Nevertheless, the most cited reason for millennials of all ages was that other expenses come first.

Expenses millennials consider more important than paying for life insurance



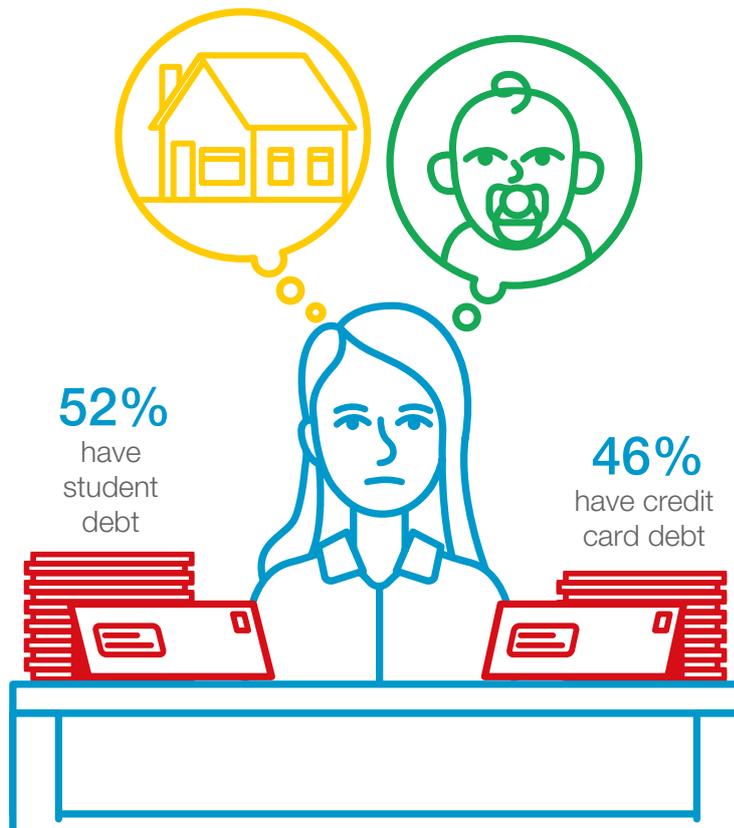
Note: Based on responses from millennials without life insurance

Making rent or mortgage payments understandably trumps paying a life insurance premium for nearly 8 in 10 people, with utilities like gas and electricity not far behind (67%).

But more than 2 in 5 Millennials said their phone bill was more important, and 1 in 5 said entertainment subscriptions such as Netflix and Spotify were a higher priority expense than life insurance.

It's understandable that younger millennials without dependents or a mortgage value entertainment over life cover, but it's harder to explain why nearly 1 in 5 (17%) with joint mortgages and no life insurance said that maintaining access to streaming services was more important to them.

Others said they were more focused on managing their debts. Fifty-two percent of millennials said they have student debt, and 46% have credit card debt. Unfortunately, the chance of having credit card debt is higher among older millennials. Twenty-nine percent of 23- to 25-year-olds owe money on plastic compared to 55% of 35- to 38-year-olds. The chance of sharing credit card debt with a partner also rises from 4% to 13% between these age brackets.¹⁵



This means that while many older millennials grapple with the cost of their joint mortgage and child-related expenses, they must also deal with student loans and credit card debt – life insurance therefore takes a backseat.

15. Prevalence of student loan debt and credit card debt based on Legal & General's survey of 2,327 millennials in 2019.

How Much Millennials Think Life Insurance Costs

In 2018, 1 in 5 UK adults aged 25–34 spent over 60% of their monthly income on the same day it entered their account,¹⁶ which may explain why many millennials are reluctant to see another monthly charge appear in the ‘Out’ column of their bank accounts. However, Legal & General’s findings suggest that many young people don’t have an accurate sense of how much a life insurance premium actually costs.

The actual cost of life insurance, by applicant age

Age	Monthly cost	Annual cost
22	£6.00	£72.00
24	£6.00	£72.00
26	£6.28	£75.36
28	£6.76	£81.12
30	£7.27	£87.12
32	£7.56	£90.72
34	£7.86	£94.32
36	£8.83	£105.96
38	£10.65	£127.80

They were asked to guess the typical monthly cost of a life insurance policy to cover a 30-year-old nonsmoker with a cash sum of £100,000 for 30 years.¹⁷

The median guess by millennials was £23 per month, which is just over three times more than it could actually cost a 30-year-old nonsmoker to take out a 30-year level term life insurance policy from Legal & General.

Twenty-three percent of millennials gave an estimated cost of over £50 per month, compared to 11% of Generation X and 17% of baby boomers.

In reality, a policy is more likely to cost £50 per month or more for applicants aged 54 or above.

92% of millennials overestimated the cost of life insurance for someone aged 30, which suggests that many don’t have a grasp of how much cover could cost them if they were to take it out to protect their loved ones.

16. Consumer survey conducted by YouGov for KPMG UK, 2018

17. The monthly costs of life insurance by age are based on quotes by Legal & General for either £100,000 of cover or the minimum amount offered for each age shown. Prices are for level term cover with a 30-year term and for applicants who are nonsmokers. Annual costs are based on premiums paid monthly, not annually. If paid annually, the annual cost would be 4% lower than shown in the table. Quotes were calculated on July 21, 2019 and are subject to underwriting. Quotes offered by other life insurance providers may vary.

Millennials' Understanding of How Life Insurance Works

A mystery to many

On the face of it, life insurance is fairly straightforward. If the worst happens and you die during the length of the policy, a cash sum could help your loved ones. Perhaps because death isn't spoken about as much as holidays, pets or our homes, and because there are different kinds of cover, many people remain unaware of the ins and outs of life insurance.

Twenty-seven percent of millennials said they had no knowledge at all about how life insurance works, nearly twice as many as Generation X (15%) and almost three times more than baby boomers (10%).



Knowledge by experience

It seems that life insurance isn't something you learn about simply by getting older. Uninsured people approaching 40 were no more confident in their level of understanding than unprotected people in their early-20s. Instead, it appears to take first-hand experience with life cover to fill in the blanks.

Thirty-five percent of millennials with life insurance said they felt moderately or extremely knowledgeable about how policies work, compared to just 10% of those without cover.

But having cover doesn't give everyone an understanding of what their life cover entails. Thirty-two percent of millennials said they don't know what type of cover they have. This compares to 23% of baby boomers and 22% of Generation X. It's also possible that some policyholders are mistaken about the type of cover they've signed up for, or at least the jargon used to describe its features, as 1 in 5 millennials with life insurance said they have a whole-of-life policy, which is typically more expensive and more common among over-50s.

Awareness of how level term and decreasing term policies work

The percentage of millennials who didn't know how level term and decreasing term life insurance work

Level term

76%

of all millennials

54%

of millennials with life insurance

8%

of millennials with level term life insurance

Decreasing term

80%

of all millennials

51%

of millennials with life insurance

7%

of millennials with decreasing term life insurance

To dig deeper into how well millennials understand different policy types, Legal & General presented them with definitions of two common life cover options: level term and decreasing term.

Overall, around 8 in 10 millennials didn't know how either worked, but those with life cover fared a bit better, with just over half saying they were familiar with the definitions before they were explained. Reassuringly, 9 in 10 people who specifically said they had level term or decreasing term policies knew how their respective type worked.

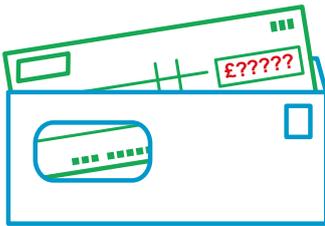
Fundamental misunderstandings

There's clearly a knowledge gap between those who have life insurance and those who don't, but it's understandable that the uninsured don't know the details of particular policy types. After all, they've not yet had personal experience with a policy.

However, among those without insurance, there is also a significant proportion who are unaware of some of the general principles of life cover. For instance, 44% of millennials without life insurance said they didn't realise it could be used to pay off a mortgage in the event of one's death.

The amount of cover one typically requires for family protection was also a point of confusion, as 51% of uninsured millennials said they had no idea what amount they should consider.

One approach is to take out life insurance worth the equivalent of 10 years' salary, but almost 1 in 3 millennials with life insurance said they thought the right amount was less than this, and among the uninsured, more people said that the equivalent of five years' salary seemed right than those who said 10.



Perhaps most surprisingly, 21% of millennials with life cover said they didn't know how much their loved ones would receive if they died tomorrow. There's clearly some work to be done to raise awareness among the uninsured as to how life insurance works and to help some of the people who already have life insurance understand exactly what they're paying for.

However, millennials aren't the only ones who sometimes don't know how much cover they have – 20% of Generation X and 17% of baby boomers also said they didn't know how much their loved ones would receive.

The Most Important Factors When Millennials Choose Cover

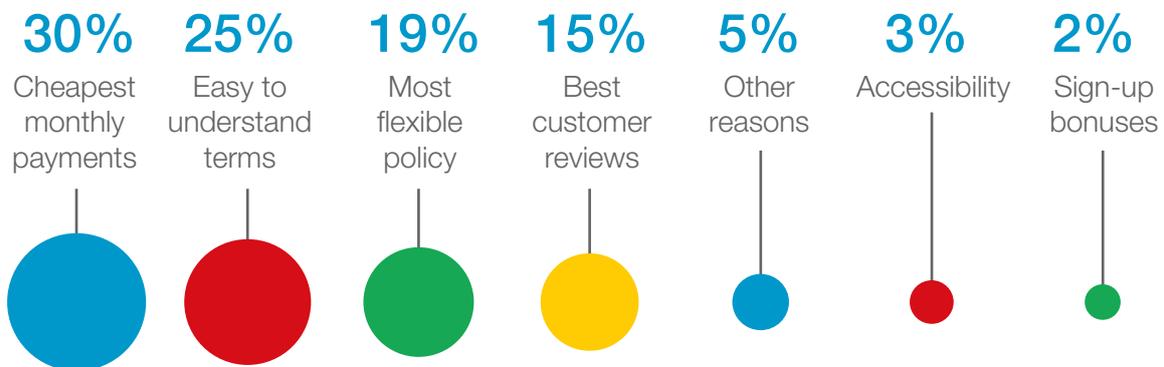


The main reason millennials without life insurance haven't taken out cover isn't because they aren't concerned about dying or that they feel too young to worry about the future. It's simply that a life insurance premium is a lower priority expense than other monthly outgoings.

With this fact in mind, it makes sense that the most important consideration when a millennial considers a life insurance provider is to get the lowest cost option available. Nearly 1 in 3 said finding the cheapest premium was their top priority.

Nine in 10 millennials overestimated the cost of cover for an example scenario involving a 30-year-old nonsmoker, which suggests that finding an option that's suitably cheap might be easier than many uninsured millennials realise. For those with a need for a life insurance who want the cheapest fixed premium, it could pay to take out insurance earlier rather than later.

The most important consideration when choosing a life insurance provider



Note: Based on responses from millennials with life insurance
Each respondent chose one option from those above. Figures do not sum to 100% due to rounding.

The next most important consideration, chosen by one-quarter of respondents, was that their policy's terms are easy to understand. This result is especially relevant in light of our finding that 21% of millennials with life insurance don't know what the payout would be if they died tomorrow. As well as clarity in the terms, millennials also value clear, honest marketing of life cover. Forty-seven percent said they would be more likely to choose a provider if its marketing and product descriptions felt honest and didn't sugar-coat the concept of death.

Scope & Methodology



These findings are based on a nationally representative survey of 2,997 British millennials, Generation X and baby boomers carried out by Legal & General in June 2019. 2,327 respondents were millennials at the time they took the survey, defined as being born between 1981 and 1996. The remaining respondents were Generation X (born 1965 to 1980) and baby boomers (born 1946 to 1964).

Our findings rely on the accuracy of respondents' self-reporting of their personal circumstances, including the type of life insurance they may have. It's possible that the true distribution of life insurance policies differs in small ways to self-reported ownership.