

THE YOUNG GENERATION'S ATTITUDE TOWARD RETIREMENT

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Abstract: This article aims to show the attitudes of young people towards insurers and insurance services offered on the Web. This relates to a number of questions. Does the quality of an insurance offer influence insurance awareness and reflect the demand for retirement? To what extent do social problems of pension systems affect the need for an additional pension among young people? Are life insurance companies trusted?

The article uses the results of studies conducted by the Insurance Institute of the University of Applied Sciences in Cologne, and the German Audit Bureau of Circulations (IVW) for the "retirement security sales campaign" and the Social Diagnosis 2013.

JEL Classification Number: G 220, **DOI:** <http://dx.doi.org/10.12955/cbup.v3.618>

UDC Classification: 368

Keywords: new technologies, digital generation, life insurance, retirement security

Introduction

From the historical point of view, insurance has accompanied people or rather their actions since ancient times. It has evolved considerably with the changing conditions (legal and political, socio-economic and technological ones), and today, it plays an important role in the effective functioning of a country economy (Iwanicz-Drozdowska, 2013; Znanięcka & Wieczorek-Kosmala, 2014). Insurance reflects the development level of most processes within the market. It supports the mobilisation of savings (for future financial needs); is an important factor of GDP growth; fulfils a preventive role (assuaging business cycles); and assists, or even replaces, the public sector in the area of social or health insurance (Handschke & Monkiewicz, 2010).

Insurers are transforming the traditional form of insurance products by considering new ways to reach the customer. In this respect, insurers are shaping the market by changing the demand, the tools to create insurance awareness, and the convenience of distributing forms to the customer.

However, more and more problems of inefficiency are arising in financial systems of the world, including systems of pension and health security. The extension of retirement age, worsening unemployment rates, and concerns about earnings, conditions and quality of life, and health care, leave no doubt, that we must take care of our future retirement benefits, ourselves. In the face of these dilemmas, voluntary life insurance is gaining more and more importance. These increasing problems and planning forecasts indicate that the attitude of young people towards retirement security should rise, and thus increase the demand for insurances. However, we ask whether this is true.

The purpose of this article is to present the attitudes of young people towards insurers and insurance services offered to them via the Web. In addition, it examines young people's trust in financial institutions, especially insurance companies. The article attempts to find answers to the following questions. Does the quality of insurance on offer (and the trust in insurers) influence the insurance awareness of the "digital generation", and thus, result in greater demand for retirement benefits? To what extent do the problems of social retirement systems influence the need for additional insurance benefits among young people, and how are these needs satisfied?

New technologies in life insurance

The use of modern technologies to offer insurance is gaining importance in an age of developing digital technologies and youth of a digital era. It happens so because these digital technologies are now shaping information societies. They create technical, economic, and educational conditions where

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information sharing builds relationships between business and customers. Common access to mobile devices and the skill of using tele-information technologies introduce a higher quality of life (MSWi/MAiC 2012). Hence, the way insurers interact with customers through this technology is important, to the extent that technological possibilities in connection with customer's expectations are changing the insurance sector.

The effectiveness and increase in the quality of service arising from the use of new technologies for connecting with customers prompted some insurers to be the first to implement the offer individual products and extend traditional networks to include the internet, by creating websites and telephone helplines. Internet websites of insurers gained recognition in the business sector, and became a new, developing distribution channel.

The World Insurance Report of 2014 confirmed that there is a rapidly growing need for digital networks. Insurers predict that within five years almost a third of their operations will involve new communication avenues, including 29% based on the internet and almost 11% on mobile networks (Capgemini & Efma, 2014).

The main reason for the use of new technologies in the life insurance sector is to build relationships with new and existing customers. Posting appropriate information on the net stimulates insurance awareness, and conveniently promotes the insurer's brand.

New technologies can develop existing sales networks to help reach young people who constantly use mobile devices. Many authors indicate that an entities' knowledge of insurance types and functions (insurance awareness) determines their market behaviour (Pazio & Formanowska, 2002; Rogowski, 2000; Szumlicz, 2006; Völler, 2013).

More and more often, insurers implement solutions that allow for friendlier contact with customers. They launch mobile systems of customer service in order to reach young people who may become their customers in the near future. Insurers are concerned about providing cover for young and healthy people who will pay their premiums for many years. For these, the likelihood of claiming insurance during the contract period is nominal, and each life-changing event will require different insurance needs (Przyłuska, 2013). Thanks to sales applications that are designed for tablets or smartphones, a customer is able to acquaint themselves with offers, meet the insurance agent, and then buy the policy at a time and place convenient to them. In this way, it is possible to limit the insurance formalities to the necessary minimum.

The introduction of mobile applications and mobile sales of insurance policies is becoming a market necessity. It extends and supplements the existing distribution networks. Market trends indicate the need for creating high quality service, and the need to reach customers, particularly young ones who are unaware of future benefits from public systems of social insurance. Consequently, the problem in this group of potential customers is underestimated. The main objective is to educate young people about the advantages of setting aside financial resources to increase their future pension. At present, when young people start working, they see various other needs on which to spend their money, without thought of the need for additional retirement protection. In return for payments to compulsory social insurance, they expect fair pension benefits in the future and this is where their concern about the future mainly ends. Nevertheless, these are the people who have no problems operating online technologies and mobile devices, which offer a possibility for insurers to convince them to take up insurance policies (Völler, 2013).

New technologies force insurers to reach customers in alternate ways to the traditional customer contact. On the one hand, the dynamics of mobile technology development in this sector has potential; and on the other, it is still relatively poorly developed area. Hence, there is opportunity to improve

customer connections with insurance companies, and promote the insurer's positive brand and image as a modern, friendly and trustworthy one.

Digital generation needs a challenger for insurers

In the face of contemporary problems with their effect on retirement benefits for the next generation, arise a number of questions. How much are digital people aware of insurance products? Are there any turning points in the process of making their decision about entering into an agreement? Finally, how do young people perceive insurers and their products offered in the Web?

Today, young people are called the “digital generation” as they include the digital world in everyday life. A smartphone has become a tool for everything. It is an object desired by many, like a Swiss penknife 30 years ago. A Smartphone of today offers multiple applications in one device. These range from a camera or voice recorder, a flashlight and a navigation system, to a digital spirit level. The smartphone provides easy access to information in such services as Google or Wikipedia, and effortless downloads from a favourite place. Convenience, clarity, and ease of using these tools determine the highest benefits in terms of utility. Anything harder to operate or difficult to explain, is omitted or eliminated. Such knowledge offers various possibilities, but is also a challenge for insurers (Völler, 2013).

In the face of the information overflow, a breakthrough would involve a youth successfully going through the process of understanding a pension scheme, identifying an insurance need, and then choosing the appropriate insurance.

First, the youth must be aware of a specific problem. This means they understand the problem, not just theoretically, of the inadequacy of the state retirement benefit. Additionally, they would recognise the need for urgent action. Next, it is important they, more or less, find out which way to implement the process and know the benefits and drawbacks. They would need to know the answers to the following questions. Which form of retirement scheme is appropriate for them? Is this milestone feasible? Then, the next direct barrier is identifying the “right” product and the “right” supplier. While consulting a broker, they may clarify the details, as well as assess the seller or their representative, in terms of their reliability. Maybe not at once, but later, they will decide to arrange insurance. They may search for advice in a private environment or find proper recommendations in an Internet forum. They will find the “reliability” rating points allocated to the insurance service provider that will not need to stand in the way of entering into an insurance agreement.

Results of conducted survey

A recent survey conducted by the Insurance Institute of the University of Applied Sciences in Cologne gives some hope. This indicated that 95% of young respondents have abstract awareness of the problem of retirement, although it is clear for them that state retirement is not sufficient for old age benefits. However, it is shocking that, from this knowledge, less than half of the people concluded there was an urgent need of their own (Völler, 2013).

Those who know to arrange insurance at a young age have usually entered into a retirement contract. However, further examination reveals that such contracts in almost all the cases were canceled due to an external stimulus. This suggests that about half of the people are subsidized by parents or the employer. For those who do not recognize the need for their own action, the picture is even more dramatic. Without the specific awareness of the problem, less than 30% of people entered into a retirement contract, and they did so only when a third party had undertaken to pay or, at least, subsidies their contracts.

Thus, the first step in the breakthrough to create the “specific awareness” is the most important aspect. It is not as easy as the convenience and utility, which the young generation crave, and which conflicts with the flood of information and the complexity of the matter. The survey indicates that over 75% of the respondents are unaware of the action needed, and feel overloaded and disorientated about retirement benefits (Völler, 2013). For many young people, an additional barrier is their craving for present consumption. More than half of the respondents consider retirement products as inflexible and claim that they do not have enough money for long-term contracts. Instead, they save to fulfil their smaller and greater desires of the near future. Many of them neither see nor appreciate the urgent need for a retirement scheme. Furthermore, nearly half of those unaware of the action needed, think that old age is still far away. In the eyes of those young people, there is still a lot of time to take care of their retirement.

Insurers on the Internet

How can an individual person recognise an urgent need for action? Is the information in the Internet helpful? According to the Insurance Institute of the University of Applied Sciences in Cologne, the digital generation acquires information about insurance from the Internet. Young people usually start to search for information about insurance using search engines like Google. This is not surprising since this search engine is usually the first place people go to seek information. The second place is to directly access the website of the seller (service provider), which is often used by over 60% of young responders to discover information about insurance. The insurer's website is viewed as relevant and is often visited.

In ranking information sources, the insurer's internet website rates highly in the areas of insurance information. The opinions in popular press and advisors in the closest private sphere, such as friends and relatives follow the online website. As for insurance products, insurers' website has a clearly higher value than consumer goods.

Therefore, it is even more surprising that some insurers on their websites offer to young target groups insignificant, and hardly visible incentives (momentum, drive) to organize retirement benefits. The analysis of Internet websites of 20 largest insurance companies in Germany brought a shocking result based on income from contributions generated by the Digital Generation in summer 2012. Many insurers, despite offering a separate “youth area”, generally do not include and do not discuss the problems of pensions. Special offers refer mainly to civil liability and vocational disability due to accident at work and health insurance.

In view of the above, these results have a negative impact on decision and insurance demand of the youth. Many do not consider retirement as an urgent problem that they should consider immediately. However, young people are the ones who most often use insurers' websites, which they consider an important source of information, whereas the insurers fail to provide evidence to suggest the need to deal with this problem sufficiently in advance. Therefore, it is necessary to take action in the sector of insurance, and restructure their internet websites. Insurers must clarify to the young users, and their new customers, the complex problem of pensions, which has no entertainment value. They must raise their awareness of the urgent retirement pension. However, such action must be thoroughly planned, as it competes with the flood of information that flows onto this generation every day.

Poles' trust toward insurers and the concern about the future

Social Diagnosis 2013 reveals whether the respondents trust financial institutions in Poland, including life insurance companies. The percentage of positive answers confirming the trust was 31%. However, the negative answers of 34% prevailed. The remaining 35% of the respondents were not able to express their opinion, based on their trust in insurers (Szumlicz, 2014).

The report shows that life insurance institutions clearly lowered their trustworthiness from 49% of trust in 2007, although retaining a relatively high level. An interesting research operation in the description of trust in financial institutions was established in cases where trust outweighed the lack of trust. Such situations referred to the trust in life insurance institutions, but only for 25-34 year olds from areas of higher education, higher income, and private sector workers. From the research, it can be concluded that the prevalence of mistrust over trust in life insurance institutions concerns most respondent groups by gender, age, education, prosperity, and professional status (Czapiński & Panek: 2014).

The lack of trust in financial institutions is a serious social problem, as the notion that trust is the most important factor of social life, from both the theoretical and practical point of view, is obvious. However, the mistrust in financial institutions is explained in diametrically different terms. On the one hand, the lack of experience in using the services of financial institutions is said to be the cause (despite the fact that 25 years have passed since the beginning of the transformation). On the other hand, the greed of financial institutions, seeking a “fair” profit from their activity, is noted. In addition, cultural aspects of trust should not be overlooked, including problems of the culture of trust, and the general trust strengthening the social bonds, which permeates the entire community and is treated as an obligatory rule of behaviour. This, in a crisis, is certainly difficult to attain (Czapiński & Panek, 2014). This trust seems to be confirmed by the structure and forms of saving by Polish people (Table 1).

Form of savings	Estimated share of form of savings
Zloty bank accounts	43.2
Foreign currency accounts	6.0
Bonds	3.9
Investment funds	11.4
Individual Pension Funds / Retirement Insurance	2.1
Stock exchange shares	2.3
Shares in companies not listed on the stock exchange	1.3
Real estate	5.2
Investment in material goods other than real estate	2.4
Cash	13.5
Insurance policies	3.7
Long-term savings plan	2.7
Other forms	2.1

Source: Social Diagnosis (2013), p. 91 (80)

The table shows that the biggest share of Polish households’ savings (over 43%) is in the form of Polish zloty PLN (currency) savings accounts. In the second place – despite this form usually causing a lack of trust in financial institutions – there are 13.5% of savings in the form of cash. Polish people keep over 11.4% of free resources in the form of investment funds, while only 3.7% in insurance policies.

The results of the savings structure analysis by purpose indicate that households are aware and react to the signals about needing to make their own provisions for security in old-age. Hence, security in old-age (18.9%) with a view to retirement, receives the biggest share of Polish households’ savings that accumulate. Almost equally important is the accumulation of resources in case of unexpected events or emergency, for which 18% of savings are put aside (Czapiński & Panek: 2014).

Table 2: Structure of savings by saving purpose (in 2013)

Purpose of savings	Estimated percentage of savings with a given purpose
Current consumption reserve (food, clothing etc.)	5
Regular household bills	2.1
Purchase of consumer durables	4.7
Purchase of house/flat, down payment for building association	10.3
Renovation of house/flat	5.8
Healthcare	4.5
Rehabilitation	2.3
Leisure	6.6
Reserve for the unexpected	18
Children's future	9.0
Old-age security	18.9
Own business development	2.8
Other purposes	5.8
No special purpose	4.1

Source: Social Diagnosis (2013), p. 91 (80)

As an expression of concern about the future, we can consider the accumulation of resources with a view of securing the future of children, medical treatment or rehabilitation. An estimated 9% of savings are allocated to secure children's future, while 6.8% is saved for medical treatment and rehabilitation (Table 2). The purposes shown in Table 2 closely align with the services being offered by life insurance institutions, but, due to the fall in trust in these institutions, Polish people are trying to secure these, often urgent, needs in a different manner.

Importance of the new users for insurers

Insurers are aware that the number of Internet users in Poland is growing steadily, and that it is important to develop a new face for the insurance industry. This knowledge makes it possible to recognise the needs of the target group and adjust an appropriate offer, as well as to build new, better relationships with customers.

In Poland, a vast majority of young people use the internet. 16-24 year olds (97%) and a substantial majority of 25-34 year olds have mastered the skill of using the Internet, while making use of a range of services offered through the Web. Young people aged 16-34 now account for 48% of internet users, and are active users of the Web. The results of statistical surveys indicate that people aged over 45 only account for 30% of users. This means that the skill of using new technologies and the desire to have and apply them decrease with age.

Apart from age, education is the second most important factor determining use of web technology. Almost all students (99%) and highly educated people (91% of people with tertiary level of education) use the internet. This contrasts with 88% of those with primary education that do not. In Poland, over 41% of people with higher education, more than half of pupils and students aged over 16 (51.4%), have a smartphone (Czapiński & Panek, 2014).

The above data indicate that the target market for insurers exists and develops by means of modern technologies. A lot depends on the insurers. For example, on whether and how they encourage the young generation to explore the problem of their future retirement, identify the immediate need for action, and react early enough to organizing retirement security.

Conclusion

The Internet is becoming the main source of information for various spheres of life. It refers not only to the professional situation, but also to the social and cultural aspects. It is a tool to access information, but also, indirectly, a tool for activity outside the Web. Consequently, the ways of functioning in the virtual world, and coping with various situations, are becoming obvious for a generation of Internet users. This is a great challenge for insurance companies and insurers must be aware, that in the times of Web 2.0, young people deal with insurance only when necessary. The attention span is too small, the demand for quick understanding and utility is high, and the subject is complex. The growing popularity of mobile devices makes it necessary to clear the overloaded and excessively text-clogged websites. What may seem a threat at first sight may turn out to be a lucky coincidence. Keeping the text to the essential minimum, substituting it with visualisations and videos, and with dialogue offers, could contribute to a better understanding of these problems by the young. However, consistent implementation and realisation of such ideas is a great challenge for the insurance industry.

Yet, if this fails to succeed, the insurers must “get back to the roots”, which means that parents and employers will need to continue to encourage the young generation to organize their own security in retirement.

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