THE GROWTH STRATEGY OF THE INSURANCE INDUSTRY IN THE EMERGING MARKET: A STUDY OF IMPACT FACTORS

Sandesh Srikissoon *, Bibi Z. Chummun **

* Graduate School of Business and Leadership, College of Law and Management Studies, University of KwaZulu-Natal, Durban, South Africa
** *Corresponding author*, Graduate School of Business and Leadership, College of Law and Management Studies, University of KwaZulu-Natal, Durban, South Africa
Contact details: Graduate School of Business and Leadership, College of Law and Management Studies, University of KwaZulu-Natal, Private Bag X54001, Durban 4000, South Africa

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Abstract

Financial inclusion can be defined as the delivery of financial services to the vast majority of low-income and disadvantaged groups at an affordable cost. Very preliminary studies have been conducted in South Africa to address the consumer populations' perception of inclusive insurance and insurers' view of actively selling inclusive insurance products to increase profit margins (Huneberg, 2021). The study explored the factors that influence the growth of the insurance industry in the emerging market. Using an approximate sample size of 120 insurers and 384 for the consumer population, 115 insurers completed the insurer survey while 375 consumers completed the survey. A quantitative research method was used in the form of two questionnaires, one for insurers and another for consumers. Data analysis revealed that more insurers would actively sell inclusive insurance products as a means to increasing revenues. More consumers are willing to purchase inclusive insurance products if given the option and proper information and education. Insurance companies should engage in marketing strategies that create awareness about the benefits of insurance products in the minds of consumers.

Keywords: Inclusive Insurance, Financial Inclusion, Microinsurance, Insurance Industry, Consumer Satisfaction

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1. INTRODUCTION

Evolutionary study has exposed humankind to the threat of risk since the beginning of the documentation of history. South Africa has a volatile economy with an escalating crime rate. According to "South Africa ranked among unsafest countries" (2020), South Africa was ranked as the 5th most dangerous country in the world out of 144 countries. As a result, the risk of incurring a loss is significantly higher. Exposure to risk is incremental to the life of South Africans (Dickason-

Koekemoer & Ferreira, 2019). Despite lifestyle demographics or residential locations, no South African is free from risk. The bulk of South Africans are in the low to middle-income category while many are subjected to levels of dire unemployment. Modern society has developed ways of mitigating risks.

Financial organizations are subjected to volatile economic environments in which market conditions greatly impact profit margins. Factors such as the global COVID-19 pandemic have impaired almost every commercial sector, including the insurance industry. Other factors, such as weak labour dynamics within the insurance industry and lack of trust from consumers, pose significant challenges to the industry.

Insurance architecture is encapsulated by companies offering insurance coverage to cater for customers' needs premised on uncontrollable risks. The risk factor is the catalyst for people to seek insurance coverage that is affordable and caters to their needs based on context. As claims that are filed necessitate higher financial costs, there is a movement away from mainstream insurance to microinsurance to cover people who cannot afford premiums offered by traditionally large companies (Karagyozova, 2023).

"Inclusive insurance is a term used to encompass many different vulnerable, underserved, unserved, or low-income sectors in emerging markets with affordable and appropriate insurance products" (Cheston, 2018). Microinsurance for people who have little disposable income and newer services and insurance products for the evolving middle-class population who are currently not served by existing insurance products are considered inclusive insurance. Malima and Louw (2017) described microinsurance in Africa to be in its infancy with a penetration of 2.6%, which is still low. According to Mazambani and Mutambara (2018), the low premium relating to the low-income or inclusive cover also contributes to the lack of profits by providers. It is perceived that by leveraging technology and the purposeful use of products such as microinsurance, insurers may be able to grow profit margins successfully. Therefore, the study explored the factors that influence the growth of the insurance industry in the emerging market. The following research questions were formulated:

RQ1: Are insurers in KwaZulu-Natal of the opinion that profit margins are likely to decrease over time?

RQ2: Do insurers in KwaZulu-Natal view inclusive insurance as a means to grow revenues and increase profit margins in the KwaZulu-Natal insurance industry?

RQ3: What is the consumer standpoint on inclusive insurance in KwaZulu-Natal?

RQ4: Are inclusive insurance products those that people from all structural equation modelling (SEM) groups may purchase?

These questions give rise to the following research objectives:

1) to determine whether the profit margin for insurers in KwaZulu-Natal is likely to decrease over time as a result of reduced customer loyalty;

2) to establish if inclusive insurance is a means to grow revenues and increase profit margins in the KwaZulu-Natal insurance industry;

3) to gain insight into the consumer standpoint on inclusive insurance in KwaZulu-Natal;

4) to reveal that inclusive insurance products are those that all SEM groups may purchase.

In an ever-changing economy, where competition has increased significantly in the general marketplace and technology is at the forefront as businesses evolve, the insurance industry has also been impacted. Consumers expect insurers to be technologically up-to-date and provide exceptional products at the best market-relates premiums for the level of coverage required. Technology in the insurance industry has improved strategically over the past ten years, particularly in areas such as claims processing and product offerings. This advancement has made it possible for many more consumers, who require different levels of insurance coverage, to be presented with products and services that meet their specific requirements.

The quantitative study has shown that consumer knowledge is an area that needs to be focused on by insurers to create awareness and education for general consumers regarding the value of insurance products. The study has contributed to the KwaZulu-Natal insurance industry by showing that insurance agent training may need to be improved. This was highlighted by the fact that many insurers were unaware of the current legislature regarding microinsurance. The study has revealed that customized insurance products, combined with technological advancements for insurance product delivery and claims processing, may become a driving force in the future of insurance companies. The study serves to benefit insurers, insurance underwriting companies that operate in South Africa, and the general consumer population of South Africa that requires insurance coverage. The results of this study may encourage more insurers to offer consumers more in terms of products that promote financial inclusion and encourage insurers to promote consumer education regarding insurance products as a financial tool.

The paper is structured as follows. Section 1 introduces the background of the article. Section 2 reviews the relevant literature informing the study. Section 3 analyses the methodology used to conduct empirical research on the study. Section 4 reports the relevant results. Section 5 discusses the results using our analytical findings. Section 6 concludes the study.

2. LITERATURE REVIEW

The history of insurance dates back to the ancient era of civilization, well before the current economic and monetary system. Insurance existed in a multitude of forms, with the earliest dating back to the 2nd and 3r dmillennia BC. Babylonian, Chinese, and Indian traders would redistribute their goods among many different ships used to transport goods across the ocean. This practice was driven by the uncertainty of traversing treacherous waters, ensuring that if one ship overturned, all the goods would not be lost.

Araujo (2022) defined insurance underwriting as the procedure through which an insurance provider evaluates the risks and financial viability of providing a policy to a person or business. It is

a method by which an insurance company comprehends and, to a certain extent, predicts the risk it is taking by offering insurance coverage to the person or the business.

According to Holzheu et al. (2018), global direct insurance premiums exceeded five trillion US dollars for the first time in history in 2018. The report also stated that even though the values increased, the rate of growth was slower than in 2017. The slower rate of growth was due to a weaker global life insurance sector in 2018.

Despite making up over 17% of the world's population, the insurance industry in Africa accounts for less than 1% of all insured catastrophic losses globally (Statistics South Africa, 2021). The African population generally show low levels of insurance uptake. The biggest driver of growth for the insurance industry in Africa was noted to be gross domestic product (GDP) growth, while the insurance penetration rate in South Africa was 16.99%.

Usually, potential customers who are educated are those who are interested in using insurance for high-quality health and other protection. According to Sapelli and Vial (2003), there is a link between education and the capacity to pay for private insurance. Higher-educated individuals think that the cost of their investment is far less than the intricate risk protection provided by insurance companies. A relationship marketing approach is necessary due to the complexity of the product purchasing process. Payne, is cited by Bazini et al. (2012), provides evidence that relationship marketing techniques can be used in the insurance industry.

Salespeople, particularly insurance agents, should have the capacity to sell adaptively because it is crucial. Self-discipline, bisexuality, empathy, openness, the control centre (internal locus of control), experience, and orientation to job interest and type are some conditions that can be marketed to someone through adaptation (Yudiani, 2005). According to Baumann (2020), the insurance industry is usually prepared for major events that result in loss. He states that the financial impacts will take time to play out as the pandemic evolves, with insurers working on multiple fronts as employers, investment managers, and claims payers.

Digital customer relationship management (CRM) deals with the application of customer-level database marketing tactics to create dependable connections between businesses and their clients. Digital CRM solutions have a favourable effect on the insurance sector as a direct result of these advantages (Al-Weshah et al., 2019). Customers are frequently forced to discontinue insurance because insurance products and services are expensive and occasionally unavailable (Romley et al., 2012). Traditional insurers are looking at digital transformation in the insurance sector as a method to lower processing and reconciliation costs through customer-centric processes (Stoeckli et al., 2018). Combining digital and physical elements results in new services or business models that allow businesses to enhance consumer experiences and generate better products for broader societal adoption (Gulamhuseinwala et al., 2015).

The insurance sector is undergoing a revolution thanks to Internet of Things (IoT) technology, which connects physical and digital assets to allow for the collection and sharing of data. Smart gadgets that process patient data, such as smartwatches, can, for health insurers, improve patient health outcomes, lower billing costs, and enhance patient-provider communication (Kelley et al., 2018). Insurers can employ smart contracts with blockchain technology to streamline processes like claims processing and customer acquisition.

Showers and Shotick (1994) concluded that deciding on issues such as financial needs evaluation and selecting an insurance package is confusing to consumers. Schwarcz (2010) stated that insurance-making decisions are amongst the most difficult tasks for consumers to make, as it involves predicting the magnitude and likelihood of unfamiliar and unlikely future events. Improving the financial and insurance literacy of consumers would greatly aid them in understanding the value of insurance. Underinsurance, typically in the health insurance sector, may hinder human development, while understanding the value of insurance would promote the uptake of essential insurance products.

Income has a significant impact on insurance coverage. Two crucial factors for acquiring insurance are income elasticity and hedging. Various studies on health insurance have found that when both of these factors are less than one, the demand for insurance falls as income rises (Jacob & Lundin, 2005).

The insurance market is a crucial economic institution where customers and insurance businesses engage in a beneficial trade whereby consumers purchase insurance companies' guarantees that they would pay for the financial repercussions of any losses by paying premiums for these services (Nienaber & Reinecke, 2009). Consumer perception is the method by which people choose, put together, and interpret numerous stimuli to create meaningful and cogent representations (Lamb et al., 2010).

Many scholars have investigated the effect of microinsurance on the financial performance of insurance companies, which is based on profit margins (Omondi, 2017; Banerjee et al., 2014).

Based on the above literature review, the following hypotheses were formulated:

H1: Profit margins for insurers in KwaZulu-Natal are likely to decrease over time.

H2: Inclusive insurance products are a means to grow revenues and increase profit margins in the KwaZulu-Natal insurance industry.

H3: Consumers in KwaZulu-Natal are willing to purchase inclusive insurance products.

The study found that the link between the need for inclusive insurance in South Africa and profitability was more advanced in South Africa than in other emerging countries due to a large number of underserved communities. In addition, the authors pointed out that it was essential for organisations operating in emerging markets to embed the insurance culture to observe global events and trends. Congruently, Horvey et al. (2024) discovered that it is essential to investigate the factors that propel inclusive insurance profitability.

3. RESEARCH METHODOLOGY

A quantitative research approach was chosen for this study as quantitative data accurately meets the research objectives while statistical analysis allows for inferences to be drawn when analysing data results from a sample. Using an approximate sample size of 120 insurers and 384 for the consumer population, the first and second objectives of the research focus on insurance providers in KwaZulu-Natal. According to the Financial Sector Conduct Authority (FSCA, n.d.), there are 174 registered insurers in South Africa, all of which have been operating in KwaZulu-Natal. The survey was sent out electronically to all reachable agencies in KwaZulu-Natal. The study uses both descriptive and inferential statistics, including T-tests, Chi-square, and logical regression.

The third research objective concerned the general consumer population of KwaZulu-Natal, and a simple random sampling design was used. According to Statistics South Africa (2021), the population of South Africa has grown to 59.62 million. The researcher created two questionnaires for this study: one to gather information from insurers operating in KwaZulu-Natal and the another to gather information from KwaZulu-Natal consumers. Descriptive research enables the identification of variability in many phenomena and allows for the description of that variability. Explanatory research allows the researcher to examine and interpret links that may or may not exist between various variables, potentially explaining specific cause-and-effect relationships. The first questionnaire was directed at practising insurers in KwaZulu-Natal and addressed the first two objectives. The second questionnaire was directed at consumers of insurance products in KwaZulu-Natal and addressed the third objective. Both questionnaires incorporated questions on demographic data, multiple-choice questions directly related to the research objectives, and open-ended questions.

3.1. Insurer questionnaire

This questionnaire was designed to gain insight into the insurance industry in KwaZulu-Natal. It comprised 16 questions aimed at insurers operating in the KwaZulu-Natal region. The questionnaire was structured as follows: three questions based on demographic information, ten questions directly related to the insurance industry and based on a Likert scale, and three open-ended questions requiring respondents to type their opinions. The three questions relating to demographic data included questions about the gender of the insurance agent, the age of the insurance agent, and the number of years that the insurance agent has been operational. Gender was used to draw conclusions on the sales preferences and habits of males and females who sell insurance products to KwaZulu-Natal consumers. The age of the insurance agents and the number of years in the KwaZulu-Natal insurance industry were used to draw conclusions about experience and associated understanding of inclusive insurance products as well as market needs in KwaZulu-Natal.

The ten questions that were based on a Likert scale (strongly agree, disagree, neutral, agree, or strongly agree) were directly related to the research objectives. These included aspects of the insurer's opinions on profitability within the insurance industry in KwaZulu-Natal, their understanding of inclusive insurance products, their knowledge of consumers' needs in KwaZulu-Natal, and their willingness to use inclusive insurance products such as microinsurance to actively grow the insurance industry in KwaZulu-Natal. Questions pertaining to profit margin aimed to establishing if insurers found it increasingly difficult to grow profit margins over the past five years, including the impact of the COVID-19 pandemic on the insurance industry, and whether insurers believed that profit margins are likely to decrease over time. Such information would be vital to highlight the need for an instrument such as inclusive insurance products to grow the insurance industry in the province. Insurers were also asked questions regarding customized and tailor-made insurance products. These data would provide insight into how insurers perceive their customers' requirements regarding inclusive insurance products. Additionally, insurers were asked if, in their opinion, profit margins would increase by actively selling inclusive insurance products. This information would indicate whether the sales of inclusive insurance products could be successful as a financial instrument to grow the insurance industry in KwaZulu-Natal.

The three open-ended questions addressed the following: 1) the reasons for insurers not currently marketing and selling inclusive insurance products; 2) the current percentage of inclusive insurance sales for those insurers who currently market and sell inclusive insurance products; 3) the insurer's opinions of factors that can be employed to sustain and grow the insurance industry in KwaZulu-Natal.

3.2. Consumer questionnaire

This questionnaire was designed to gain insight into the opinion of KwaZulu-Natal consumers regarding their understanding of insurance and inclusive insurance products. It was made up of 15 questions aimed at consumers who live in the KwaZulu-Natal region. The questionnaire was designed in the following manner: two questions based on demographic information, twelve questions directly related to the consumer's understanding of insurance and based on a Likert Scale, one open-ended question requiring respondents to type their opinions. The two questions regarding demographic data referenced the gender and age group of KwaZulu-Natal consumers. This information would be relevant to draw conclusions regarding the habits and opinions of males and females in different age categories with reference to how they differ regarding their views on insurance and how they differ in terms of their spending habits when considering insurance products. The twelve questions that were based on a Likert Scale were directly related to the research objectives and included aspects of the consumer's current risk profile; knowledge of insurance as a financial instrument and consumer preferences regarding purchasing insurance products as well as what aspects of insurance marketing consumers in KwaZulu-Natal

find most attractive and viable. Questions pertaining to consumers' knowledge of their risk profiles were directed at establishing if consumers fully understood their risk profiles and if not whether inclusive insurance products would be useful in providing consumers with added financial benefit. Those consumers who have some form of insurance coverage were asked about the type of current coverage that they have and the number of insurance policies that they have, this information is critical to understanding the consumer market in KwaZulu-Natal and to identifying gaps that inclusive insurance products may be able to fill as well as the impact of the COVID-19 pandemic on consumers in KwaZulu-Natal with regard to insurance premium payments. Consumers were also asked questions pertaining to what factors contribute to their uptake of an insurance policy and what qualities they deem essential from an insurance provider. Consumers were also asked about avenues of insurance marketing and via which marketing method would they be most likely to commit to an insurance product. Such information would be useful for insurers to understand where they improve to better meet consumers' needs and better develop their marketing strategies to provide value-driven insurance products and services that would enable a higher consumer uptake of inclusive insurance products. The one open-ended question directed at consumers dealt with factors that would likely result in consumers having to cancel an insurance policy. These data would enable insurers to gain insight into consumers' mindsets and work to address these factors such as to result in a lesser number of consumers wanting to cancel policies.

3.3. Data collection and analysis

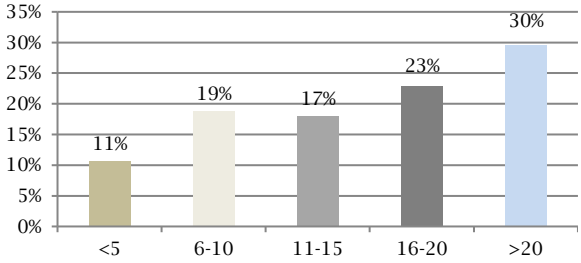
The researcher coded electronic surveys using Question Pro (an online survey tool). Both insurer and consumer questionnaires, as well as the informed consent and covering letters, were electronically emailed to insurers and consumers residing and operating in KwaZulu-Natal. Data from the survey questionnaires were coded numerically and entered into Microsoft Excel spreadsheets for graphical processing. Descriptive analysis, Chi-square, logistic regression analysis (LRA), and SEM were conducted. IBM SPSS software was used for the non-descriptive analysis.

4. RESULTS

Using a self-administered fully structured online survey, the researcher employed the simple random sampling method to recruit participants in South Africa. The sample size for consumer data was 384, while for insurer data it was 120, with response rates of 98% (375) and 98% (115), respectively.

With regard to the insurer survey, 189 insurers viewed the survey, 144 insurers responded to the survey, and 115 insurers completed the survey. The total number of dropouts recorded was 29 insurers, resulting in a completion rate of 79.86%. With regard to the consumer survey, 919 consumers viewed the survey, 481 consumers responded to the survey, and 375 consumers completed the survey. The total number of dropouts recorded was 106 consumers, resulting in a completion rate of 77.96%.

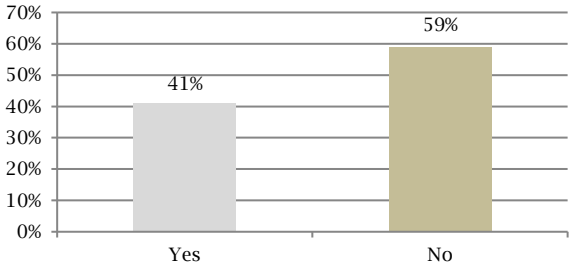
Figure 1. Years of experience in the KwaZulu-Natal insurance industry



Source: Authors' elaboration.

The distribution in term of years of experience regarding the insurer population varied appropriately, as illustrated by Figure 1. 11% of all insurers who responded were shown to have less than five years of experience working in the KwaZulu-Natal insurance industry. As an increment in percentages, the next highest percentage was shown to be those insurers who had 11–15 years of working experience in the region, with this particular group making up 17% of the insurers. This was followed by those insurers who had 6–10 years of working experience in the KwaZulu-Natal insurance sector, with this group making up 19% of all respondents. Those insurers who had 16–20 years of experience in Kwa-Zulu-Natal made up 23% of the sample group, while the largest percentage of insurers in terms of years of experience was 30%, made up of those insurers who worked in KwaZulu-Natal for over 20 years at insurance companies.

Figure 2. Insurers currently selling microinsurance products

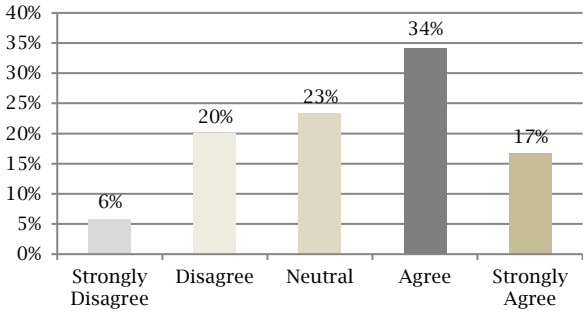


Source: Authors' elaboration.

Figure 2 shows the percentage of respondents who currently sell microinsurance products. As illustrated above, 59% of all insurers did not currently sell microinsurance products, while only 41% of all insurers who responded to the survey currently sold microinsurance products. These data expose the gap that exists, as the majority of insurers currently do not sell microinsurance products, thereby highlights the potential that exists if more insurers incorporate microinsurance products into their product portfolios. Those insurers who responded "Yes" to currently selling microinsurance products were asked an open-ended question to provide an approximate of what percentage of their business is microinsurance. The responses varied, with the lowest percentage being stated as less than 1% by one respondent and the highest percentage being 50%, again by a single respondent. The majority of responses to this

question were in the range of 10%–20% of the respondents' business currently being microinsurance for those insurers who currently sold microinsurance products in their portfolios. This information highlights the potential of microinsurance products, as even though 41% of those insurers who responded to the survey currently sold microinsurance products, the market penetration rate was averaging less than 20% for these insurers, thus leaving over 80% of the general market untapped.

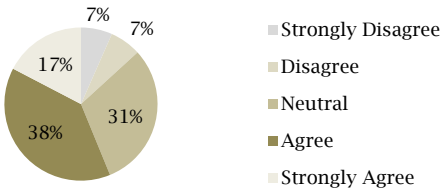
Figure 3. Opinion regarding the decrease of profit margins over time



Source: Authors' elaboration.

Figure 3 depicts the responses from insurers regarding their opinions on the likelihood that profit margins in the insurance industry would decrease over time. The majority of respondents were of the opinion that profit margins would most probably decrease in the future, with 34% of all respondents agreeing with this statement and 17% of all respondents strongly agreeing with this statement. 20% of all respondents disagreed with this statement, while 6% of insurers strongly disagreed that profit margins were likely to decrease over time. 23% of all insurers who responded took a neutral stance regarding this question.

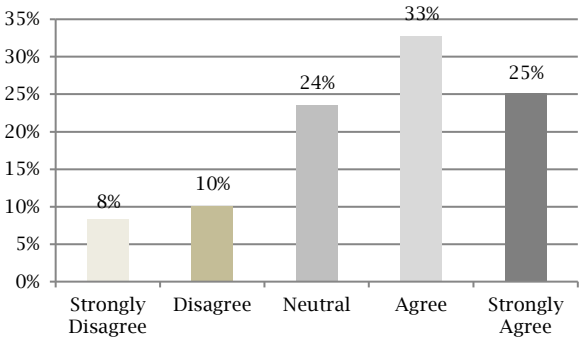
Figure 4. Opinion as to the potential increase of profit margins due to microinsurance policies



Source: Authors' elaboration.

Microinsurance products are pivotal tools of inclusive insurance; hence insurers were asked for their opinion on whether microinsurance products have the potential to increase profit margins and thereby potentially grow the insurance industry in KwaZulu-Natal. The majority of respondents believe that microinsurance has the potential to grow profits in the insurance industry in KwaZulu-Natal, with 38% of all insurers agreeing and 17% of all insurers strongly agreeing with the statement, as seen in Figure 4. 7% of insurers surveyed disagreed and 7% strongly disagreed with the statement, while 31% of respondents were neutral regarding this question.

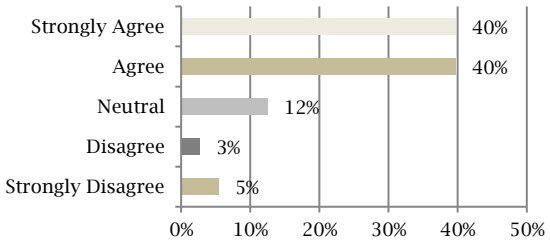
Figure 5. Insurers who actively sell microinsurance products to grow revenue in KwaZulu-Natal



Source: Authors' elaboration.

Figure 5 depicts the responses to the question of whether insurers in KwaZulu-Natal would actively sell microinsurance products with the view of growing profit margins. It was noted that the majority of insurers would sell microinsurance products to actively grow revenue, with 33% of insurers agreeing and 25% strongly agreeing. 10% of respondents disagreed, while 8% strongly disagreed with this statement. 24% of insurers had a neutral opinion on whether they would actively sell microinsurance products to grow revenue.

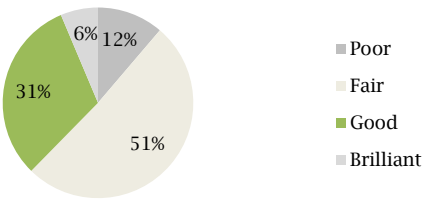
Figure 6. Opinion that insurance is essential



Source: Authors' elaboration.

Consumers were asked to provide their opinions on whether insurance as a financial tool is essential. 80% of all consumers were in agreement that insurance is essential, with the split being 40% who strongly agreed and 40% who agreed, as depicted in Figure 6. 8% of consumers believed that insurance is not essential, with the split being 5% who strongly disagreed and 3% who disagreed. 12% of all consumers had a neutral opinion regarding this question.

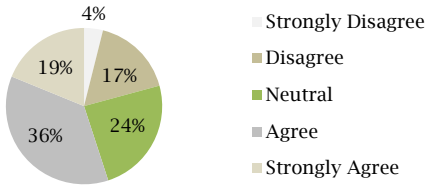
Figure 7. Consumer knowledge of insurance



Source: Authors' elaboration.

Traditionally, the better-informed consumers are regarding a product or service, the better their decision to purchase it. Consumers were asked their opinion of their individual knowledge of insurance as a financial product. 51% of consumers believed that their knowledge of insurance was fair, while only 31% of consumers believed that they had a fairly good understanding of insurance products. 12% of consumers responded by stating that their understanding of insurance products was poor, and only 6% of all respondents stated that they had a brilliant knowledge of insurance products. This information, as illustrated in Figure 7, shows that gaps in purchasing decisions are prevalent in the insurance industry, as consumer knowledge regarding insurance as a financial tool is not well understood by the majority of consumers in KwaZulu-Natal.

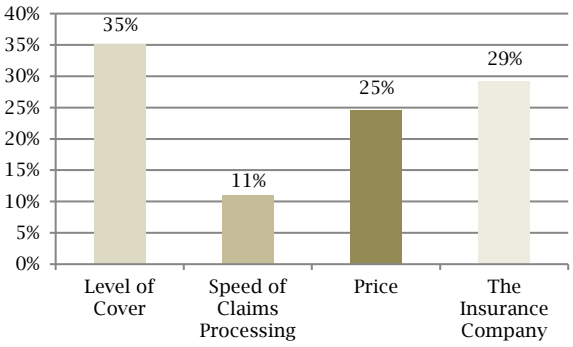
Figure 8. Consumer opinion regarding the smallest asset which should be insured



Source: Authors' elaboration.

Figure 8 depicts the responses of consumers to the question regarding their opinion of insuring their smallest asset. It was noted that 55% of consumers believed that their smallest asset should be insured, with the split being 36% who agreed and 19% who strongly agreed with this statement. 17% of consumers disagreed, while 4% strongly disagreed with having their smallest asset insured. 24% of respondents remained neutral regarding this question. Microinsurance is typically designed for smaller assets; therefore, as the majority of consumers believe that their smallest asset should be insured, the potential of microinsurance products is further highlighted.

Figure 9. Factors which consumers consider when purchase insurance



Source: Authors' elaboration.

There are a number of factors that consumers consider when purchasing insurance products. For this study, consumers were asked whether their main factor regarding the purchasing decision would be the level of cover, speed of claims processing, price, or the insurance company itself. Figure 9 depicts the responses to this question. The fourth most important factor regarding insurance purchase was noted to be the speed of claims processing, with a response rate of 11%. Price was noted to be the third most important factor, with 25% of respondents opting for price as a factor. 29% of all respondents opted for the insurance company itself as a factor, while the most important factor when considering the purchase of insurance was the level of cover, as 35% of all consumers opted for the level of cover as a factor.

Table 1. Association between broker's experiences and sustainability of the insurance industry

Years of experience in the insurance industry in KwaZulu-Natal?	***You are of the opinion that profit margins are likely to decrease over time***		***Total***
	Disagree	***Agree***	
≤ 5 years	7	6	13
6–10 years	9	13	22
11–15 years	7	13	20
16–20 years	13	13	26
≥21 years	22	12	34
Total	58	57	115
Chi-square tests			
Variable	***Value***	***df***	***Asymptotic significance (2-sided)***
Pearson Chi-square	5.578*	4	0.233
Likelihood ratio	5.645	4	0.227
Linear-by-linear association	2.325	1	0.127
Number of valid cases	115		

*Note: * 0 cells (0.0%) have expected count less than 5. The minimum expected count is 6.50.*
Source: Authors' elaboration.

It was found that brokers' experiences were not significantly associated with the profitability of the industry over time, as similar views were observed from brokers with different years of experiences (p = 0.233) (Table 1).

Table 2. Association between COVID-19 and sustainability of the insurance industry

The COVID-19 pandemic has had a negative impact in your industry			*You are of the opinion that profit margins are likely to decrease over time*		*Total*
			Disagree	*Agree*	
Disagree			23	3	26
Agree			35	54	89
Total			58	57	115
Chi-square tests					
Variable	***Value***	***df***	***Asymptotic significance (2-sided)***	***p-value (2-sided)***	***p-value (1-sided)***
Pearson Chi-square	18.541*	1	< 0.001		
Continuity correction**	16.733	1	< 0.001		
Likelihood ratio	20.138	1	< 0.001		
Fisher's exact test				< 0.001	< 0.001
Linear-by-linear association	18.389	1	< 0.001		
Number of valid cases	115				

*Note: * 0 cells (0.0%) have expected count less than 5. The minimum expected count is 14.00; ** Computed only for a 2 x 2 table.*
Source: Authors' elaboration.

When asked about the impact of COVID-19 on the sustainability of the industry, the majority of respondents indicated a positive impact. It was found that there was a statistical association between the two variables ($p < 0.001$) (Table 2).

Table 3. Brokers perception and sustainability: Profit margins growth difficulty (past five years)

You found it increasingly difficult to grow your profit margins over the past five years			*You are of the opinion that profit margins are likely to decrease over time*		*Total*
			Disagree	*Agree*	
Disagree			37	4	41
Agree			21	53	75
Total			58	57	115
Chi-square tests					
Variable	***Value***	***df***	***Asymptotic significance (2-sided)***	***p-value (2-sided)***	***p-value (1-sided)***
Pearson Chi-square	41.093*	1	< 0.001		
Continuity correction**	38.712	1	< 0.001		
Likelihood ratio	45.170	1	< 0.001		
Fisher's exact test				< 0.001	< 0.001
Linear-by-linear association	40.756	1	< 0.001		
Number of valid cases	115				

*Note: * 0 cells (0.0%) have expected count less than 5. The minimum expected count is 22.00; ** Computed only for a 2 x 2 table.*
Source: Authors' elaboration.

Results showed that those insurers who found difficulty in growing profit margins also agreed that it would be difficult to sustain the industry. A significant association was found between the two variables ($p < 0.001$) (Table 3).

Table 4. Customised insurance policies and sustainability: Profit margins

Customized and tailor-made insurance policies for the individual would result in greater profit margins			*You are of the opinion that profit margins are likely to decrease over time*		*Total*
			Disagree	*Agree*	
Disagree			28	14	42
Agree			30	43	73
Total			58	57	115
Chi-square tests					
Variable	***Value***	***df***	***Asymptotic significance (2-sided)***	***p-value (2-sided)***	***p-value (1-sided)***
Pearson Chi-square	6.967*	1	0.008		
Continuity correction**	6.008	1	0.014		
Likelihood ratio	7.059	1	0.008		
Fisher's exact test				0.014	0.007
Linear-by-linear association	6.910	1	0.009		
Number of valid cases	115				

*Note: * 0 cells (0.0%) have expected count less than 5. The minimum expected count is 22.00; ** Computed only for a 2 x 2 table.*
Source: Authors' elaboration.

There was a statistically significant association found between customized and tailor-made insurance policies for individuals and the resulting greater profit margins and sustainability of the insurance industry ($p = 0.008$). This was evident as those who agreed that customized and tailor-made insurance policies for individuals would result in greater profit margins also agreed with the sustainability of the industry (Table 4).

Table 5. Microinsurance policies: Growth in profit margins and business sustainability

Microinsurance policies have the potential to increase profit margins			*You are of the opinion that profit margins are likely to decrease over time*		*Total*
			Disagree	*Agree*	
Disagree			40	10	50
Agree			17	48	65
Total			57	58	115
Chi-square tests					
Variable	***Value***	***df***	***Asymptotic significance (2-sided)***	***p-value (2-sided)***	***p-value (1-sided)***
Pearson Chi-square	34.022*	1	< 0.001		
Continuity correction**	31.929	1	< 0.001		
Likelihood ratio	35.937	1	< 0.001		
Fisher's exact test				< 0.001	< 0.001
Linear-by-linear association	33.743	1	< 0.001		
Number of valid cases	115				

*Note: * 0 cells (0.0%) have expected count less than 5. The minimum expected count is 22.00; ** Computed only for a 2 x 2 table.*
Source: Authors' elaboration.

Based on Table 5, there was a statistically significant association found between microinsurance policies having the potential to increase profit margins and business sustainability ($p < 0.001$). This was evident as the majority of those who agreed that microinsurance policies have the potential to increase profit margins also agreed with the sustainability of the industry.

Table 6. Sales of microinsurance policies and profit margins

You would actively promote the sales of microinsurance policies in KwaZulu-Natal to grow revenue			*You are of the opinion that profit margins are likely to decrease over time*		*Total*
			Disagree	*Agree*	
Disagree			35	15	50
Agree			23	42	65
Total			58	57	115
Chi-square tests					
Variable	***Value***	***df***	***Asymptotic significance (2-sided)***	***p-value (2-sided)***	***p-value (1-sided)***
Pearson Chi-square	14.712*	1	< 0.001		
Continuity correction**	13.344	1	< 0.001		
Likelihood ratio	15.047	1	< 0.001		
Fisher's exact test				< 0.001	< 0.001
Linear-by-linear association	14.591	1	< 0.001		
Number of valid cases	115				

*Note: * 0 cells (0.0%) have expected count less than 5. The minimum expected count is 22.00; ** Computed only for a 2 x 2 table.*
Source: Authors' elaboration.

Results showed that there was statistically significant association between the statements: "You would actively promote the sales of micropinsurance policies in KwaZulu-Natal to grow revenue" and "You are of the opinion that profit margins are likely to decrease over time" ($p < 0.001$) (Table 6). It was observed that the majority of brokers were in agreement with both statements: actively promoting the sales of microinsurance policies to grow revenue and the statement related to the sustainability of the insurance industry.

In the final model, four variables were identified: "Do you currently sell microinsurance products in your portfolio?", "You found it increasingly difficult to grow your profit margins over the past five years", "The insurance industry in KwaZulu-Natal is a declining industry", and "Microinsurance policies have the potential to increase profit margins". Those who currently sell microinsurance products were five times more likely to favour the sustainability of the industry compared to those who were not selling the micro products (odds ratio = 4.96). Similarly, brokers who did not find difficulty to grow their profit margins were eight times more likely to support the sustainability of the industry (odds ratio = 8.33). Brokers who believed that the industry in KwaZulu-Natal is not a declining were four times more likely to agree with the industry being sustainable (odds ratio = 3.93). Finally, endorsing more microinsurance policies for the industry's sustainability need to be implemented (odds ratio = 11.20).

Table 7. Association between identifying most important factor and currently have insurance

The most important factor when you consider insurance is:	*Do you currently have insurance?*		*p-value*
	No	*Yes*	
Level of cover	12	122	0.007
	24.2%	36.8%	
Speed of claims processing	11	27	
	22.6%	8.8%	
Price	14	78	
	27.4%	24.1%	
The insurance company	13	98	
	25.8%	30.3%	

Source: Authors' elaboration.

Results showed that there was a statistically significant association between knowing the important factors and having insurance (p = 0.007). For example, 37% of the participants who have insurance indicated the level of coverage as one of the most important factors, followed by the insurance company (30%).

Table 8. Association between considering buying an insurance policy based on if it was marketed using various platform and currently have insurance

You would consider buying an insurance policy based on if it was marketed using:	*Do you currently have insurance?*		*p-value*
	No	*Yes*	
Television	16	107	0.211
	27.9%	33.1%	
Radio	5	13	
	9.8%	4.3%	
Newspaper	2	28	
	4.9%	8.9%	
Telephonically	17	67	
	29.5%	20.9%	
SMS	1	6	
	3.3%	2.1%	
Social media	14	99	
	24.6%	30.7%	

Source: Authors' elaboration.

It was found that of those having insurance, 33% indicated they would buy the insurance product if it is marketed via television, while 30% would buy from social media. However, no association was found between these two variables (p = 0.211) (Table 8).

It was found that in the final model, three variables were identified: *age group, opinion on insurance,* and *understanding risk profile*. Participants aged 51–60 years old were 24 times more likely to have insurance than those younger than 21 years old. Additionally, participants from the age group of over 60 years old were 26 times more likely to have insurance compared to those younger than 21 years old. Participants who disagreed that insurance is essential were less likely to have life insurance compared to those who strongly agreed with the statement (odds ratio = 0.171, p = 0.049).

The results obtained from SEM analysis show a strong positive and significant relationship between service quality and customer loyalty. The relationship between service quality and customer loyalty is statistically significant, with a p-value less than 0.01. The unstandardized coefficient ($\beta 1$) for service quality is 0.111. This implies that customer loyalty for consumer insurance products increases by 0.111 for every improvement in service quality. This positive growth in customer loyalty is expected to lead to increased demand for microinsurance products.

SEM analysis also revealed a strong significant and positive relationship between customer loyalty and customer satisfaction. The relationship between customer loyalty and customer satisfaction is statistically significant, with a p-value less than 0.01. The unstandardized coefficient ($\beta 2$) for customer loyalty is 1.064. This implies that customer satisfaction with consumer insurance products increases by 1.064 for every improvement in customer loyalty. This positive impact on customer satisfaction is anticipated to drive demand for microinsurance products among consumers.

Lastly, SEM analysis demonstrated a strong positive and significant relationship between service quality and customer satisfaction. The relationship between service quality and customer satisfaction is statistically significant, with the p-value is less than 0.05. Customer satisfaction's unstandardized coefficient ($\beta 3$) is equal to 0.059. This implies that customer satisfaction with consumer insurance products increases by 0.059 for every improvement in service quality. This finding suggests a positive impact on the demand for microinsurance products among consumers.

5. DISCUSSION

The African population generally shows low levels of insurance uptake. According to Holzheu et al. (2018), South Africa had a positive growth in the insurance industry in 2019 (0%–2.5%), and it is projected that there will be a negative growth in 2020 and 2021 (-2.5%–0%). This highlights that the South African insurance industry is set to decline in the near future. The biggest driver of growth for the insurance industry in Africa was noted to be GDP growth while the insurance penetration rate in South Africa was 16.99%.

The best way to increase sales is to use advertising and promotion tools at the point of sale, where the customer makes the final decision. A risk that limits a company's financial stability is the potential for financial losses due to inefficient capital structures that result in unbalanced cash flows. Results showed that insurers who found it difficult to grow profit margins also agreed that it would be difficult to sustain the industry. There was significant association was found between the two variables. *H1* is accepted due to these results.

In general terms, people who are more affluent are able to afford insurance products, and due to the nature and costs associated with insurance products income earners do not always have the opportunity to afford insurance products. Microinsurance products can bridge this gap and provide a form of financial inclusivity as microinsurance products offer insurance coverage for low-income earners. Huneberg (2021) stated, "In order for microinsurance to succeed in emerging markets, it is essential that these policies are specifically designed with the correct target market in mind" (p. 224). Microinsurance products and policies must be designed for a different group from the current, average consumer. Today, the promotion of microinsurance is an integral part of programs to promote the financial system and to strengthen health and social security systems (Régnier et al., 2008). The increase in investment activity demonstrates the potential importance of insurance companies as institutional investors in the economic process (Catalan et al., 2000; Rule, 2001). A statistically significant association was found between brokers' preferences and the sustainability of the insurance industry. This means that significantly more brokers who prefer to sell long-term insurance were in favour of the sustainability of the industry. There is an association between insurers currently selling micro-insurance products and the sustainability of the insurance industry. SEM analysis showed that customer loyalty to consumer insurance products increased by 0.111 for every improvement in service quality. This will eventually lead to a positive growth in inclusive insurance products. The results show that insurers who currently sell microinsurance are not doing this to sustain the insurance industry in KwaZulu-Natal. This highlights the gap that inclusive insurance products can fill in the KwaZulu-Natal insurance industry. *H2* is therefore accepted.

Improving the financial and insurance literacy of consumers would greatly aid consumers in knowing the value of insurance as underinsurance, typically in the health insurance sector for example, may hinder human development while understanding the value of insurance would promote the uptake of essential insurance products. Insurance purchasing decisions is a complex task on the part of the consumer as it has an emotional and behavioural bias to it and a consumer needs to have a deep in-depth understanding of decision-making under uncertainty. Sheth et al. (1999) argued that people act and act based on their perceptions rather than objective reality. Therefore, consumer awareness is much more important to value insurance marketers and traders than knowing the objective reality. Results showed that the majority of the participants who currently had insurance, agreed or strongly agreed that an in-depth explanation is required before being insured (90%). A significant association was also found between having insurance and getting an in-depth explanation of various insurance information. There was also a statistically significant association found between customized and tailor-made insurance policies for the individual would result in greater profit margins and sustainability of the insurance industry. This was evident as those agreed that customized and tailor-made insurance policies for the individual would result in greater profit margins also in agreement with the sustainability of the industry. The analysis showed that customer satisfaction with consumer insurance products increased by 1.064 for every improvement in customer loyalty. This will have a positive demand for inclusive insurance products for consumers. also showed that customer satisfaction with the consumer insurance products is increased by 0.059 for every improvement in the service quality. Ultimately there will be a positive demand for inclusive insurance products for consumers. *H3* is accepted as most inclusive insurance products can be tailored to meet individual needs.

6. CONCLUSION

The results of the study show that insurers are of the view that profit margins are likely to decrease over time. It was also found that more insurers would actively sell inclusive insurance products as a means to increasing revenues as insurers are of the view that actively selling microinsurance products as a means to increasing revenues would be successful. The third research objective of the study showed that more consumers are willing to purchase micro-insurance products if given the option and proper information and education about micro-insurance as a financial tool, thus from the research, we would recommend that insurers should take time to discuss micro-insurance products with each and every potential and existing client as this would ultimately result in increased profit margins and increased levels of client satisfaction which would in turn lead to greater repeat business from satisfied consumers.

Another recommendation would be that insurance companies engage in marketing strategies that create awareness about the benefits of insurance products in the minds of consumers. This could be done through television, social media, telephonically and suitable print media as the study revealed that this was the order of preference for insurance marketing from consumers in KwaZulu-Natal. A recommendation following this study is that the study be conducted in South Africa as well as future research to specifically test the penetration rate of digital marketing platforms for insurance sales in South Africa. It is also recommended that insurers provide platforms for insurance agent training and development such that all insurers are up to date regarding legislation changes in the South African insurance industry.

From the results of the consumer survey, many consumers are not well informed regarding the benefits of insurance products and the effects of insurance as a financial tool, therefore it rests with

insurance companies and insurers to better educate consumers on the benefits of having insurance cover for even their smallest asset as technological and legislation advancements in the insurance industry have made it possible to mitigate many of the risks associated with daily life in South Africa in terms of economic instability, crime and force majeure events. Insurance companies are encouraged to enhance product development with regard to microinsurance offerings that cover a broader range of SEM groups and to engage in consumer education by embarking on consumer awareness campaigns to educate consumers on the benefits of insurance products as a financial tool.

Even though the required number of responses to the questionnaires was obtained such that the data obtained is statistically significant, there was reluctance from many participants to complete the insurers' questionnaire. The results of the study showed that insurers are of the view that profit margins are likely to decrease over time. It was also found that more insurers would actively sell inclusive insurance products as a means to increasing revenues as insurers are of the view that actively selling micro insurance products as a means to increasing revenues would be successful. More consumers are willing to purchase micro insurance products if given the option and proper information and education about micro insurance as a financial tool.

This study was conducted in South Africa and an important recommendation is that many consumers are not well informed regarding the benefits of insurance products and the effects of insurance as a financial tool, therefore it rests with insurance companies to better educate consumers on the benefits of having insurance cover for even their smallest asset. Technological and legislation advancements in the insurance industry have made it possible to mitigate many of the risks associated with daily life in South Africa in terms of economic instability, crime and force majeure events. Insurers should specifically test the penetration rate of digital marketing platforms in enhancing insurance sales in South Africa. This consideration would be taken forward as part of future research.

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