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Risk Mitigating Behaviour amongst Low Income Consumers
A South African Short Term Micro Insurance Study

Grace Oforiwa Sikapokoo
SN:13272285

A research project submitted to the Gordon Institute of Business Science, University of Pretoria, in partial fulfillment of the requirements for the degree of Master of Business Administration.

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Abstract

The uptake of micro insurance products by low income consumers has been low, especially in the short term insurance industry. Many studies have identified a number of challenges that insurers are faced with when trying to penetrate this market. This study explores this problem from a different angle, where it investigates whether low income consumers already apply risk mitigating strategies to their circumstances, precluding them from purchasing short term micro insurance products.

A qualitative design was followed, specifically to understand what the target population understood of insurance and whether they had their own existing methods of how to respond to risk events regarding their assets. 20 interviews were conducted with 10 from two townships namely Thembisa and Alexandra in the Guateng province of South Africa.

The research found that risk mitigating behaviour did indeed exist amongst low income consumers; however this behaviour was driven by a prioritisation process. This process was developed considering low income consumers' dilemmas of having limited resources but needing to mitigate the effect of what they would term as the most significant risk in their household. These risks would differ per household because of the different criteria that households would use to determine what is important, and this will lead to mitigating solutions that these consumers will engage in, thus resulting risk mitigating behaviour.

Key Words:

Risk, Risk Mitigating, Micro Insurance, Low Income Consumers

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Student details			
Surname:	**Sikapokoo**	**Initials:**	**GO**
Student number:	**13272285**		
Email:	**gopokoo@gmail.com**		
Cell :	**083 623 4752**	**Landline:**	**083 623 4572**
Course details			
Degree:	**MBA**	**Year completed:**	**2014**
Department:	**GIBS**		
Supervisor:	**Marcus Carter**		
Supervisor email:	**Marcus_carter@hotmail.com**		
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Signed:

Name: Grace Oforiwa Sikapokoo

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Dedication

This thesis is dedicated to my family, James my ever supportive husband, and my three little ones Vicky, James Jnr and Emmanuel, who always understood when Mommy had to work to complete this chapter of my life. Thank you so much for your support and I look forward to being home and spending more time with you all.

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Chapter 1- Introduction to research problem

1.1 Definition of problem and purpose

It is understood that micro insurance helps low income consumers mitigate their risk, which in effect helps to reduce their vulnerability to poverty (Radermacher & Brinkmann, 2011) by minimising the effect that a loss would have on them. However this has not been true for these consumers because penetration rates for micro insurance products have been quite low (KPMG, 2014; Zimmerman & Magnoni, 2014). According to the South African Insurance Industry Survey 2014 report the general insurance penetration rate for South Africa is 14.28% (KPMG, 2014) and this was the country that had the highest micro insurance penetration rate in the world (van der Merwe, 2014b). Another example of a similar market was Ghana where the micro insurance penetration rate was deemed to be much lower because the general insurance rate was 1.6% (Akotey, Osei, & Gemegah, 2011).

In other countries within Sub-Saharan Africa such as Nigeria with a total population of approximately 168.8 million, the general insurance penetration is one of the lowest at 0.68%, and that is quite far off from the country with the second largest insurance penetration rate of 7.5% (KPMG, 2014). Hence, if these were the general insurance penetration rates that comprised of life and non-life insurance, it can be assumed that the penetration rate for micro insurance in these countries is much lower. According to Biener and Eling (2012) industry experts estimated that only 5% of the potential micro insurance market is covered, this means that there was a fundamental reason why the world's poor are not taking up these products which are specifically designed to help them cope with risk (Churchill & Reinhard, 2012).

The purpose of this study is to understand why the purchase of micro insurance products is low. However the focus of the study is to understand whether risk mitigating behaviour exists within the low income consumer market, and as a result, could be one of the reasons that the penetration rates are low. In attempting to understand the reasons for the low uptake, micro insurance should be categorised by the risks it covers to determine where the problems lie. The common risks that micro insurance is developed for are risks associated with life, health, disability and property (Biener & Eling, 2011). Life insurance policies make up roughly 40% of the micro insurance market, and the remaining 60% can be equally distributed between health, disability and property insurance (Biener & Eling, 2012), making life products more commonly known and purchased. The study focusses specifically on micro insurance for assets, also known as non-life or property insurance because life products specifically funeral cover have recently doubled in penetration in 2014 in South Africa and Africa in general (Nyambura-Mwaura & Blair, 2013; van der Merwe, 2014a). This is similar to what has been happening in India where micro insurance penetration increased for life insurance and yet non-life insurance decreased in penetration over the period of 2002-2006 (Tom & Selvam, 2010), re-emphasizing the concerns around property micro insurance. There is very little uptake of property micro insurance across Africa and particularly in South Africa (McCord, Steinmann, Tatin-Jaleran, Ingram, & Mateo, 2012) signalling that it requires some attention to understand why, and there is also very little academic literature on property micro insurance (Biener & Eling, 2012) justifying this research.

1.2 Why was this problem selected

In South Africa, the Department of National Treasury has prioritized the provision of access to financial services because too many South Africans remain excluded from formal financial services (Republic of South Africa Department of National Treasury, 2011). This includes providing access to the short term insurance sector especially for the low income communities within South Africa. Micro insurance products are also seen as vehicles that can help promote financial stability which is linked to a form of prosperity and economic growth according to Outreville (2013). Outreville (2013) discovered that a well-developed insurance sector contributes to economic development in the form of long term investments, but also stabilises the economy because of the insurance industry's strong risk taking abilities. For example in the case of a consumer's motor vehicle being stolen which they use to run their family business, that incident will result in a reduction of economic activity, counteracting the family's struggle out of poverty. Micro insurance indeed has the potential to contribute towards poverty relief all over the world by absorbing such risks (Arun, Bendig, & Arun, 2012) especially in developing nations where a great majority of the world's poor reside.

The Gini coefficient is a measure of income disproportion between the poorest person and the richest person in an economy and the closer to one the measure is, indicates a high variance in these two people's income (World Bank Group, 2014) In SA the Gini coefficient is 65.00 (0.65) (World Bank Group, 2014), yet Bosch, Rossouw, Claasens and du Plessis (2010) disputed this measure, because they felt that the South African government's impact of social policies on inequality was not taken into consideration when calculating that measure. Nonetheless SA's Gini coefficient represents the massive amounts of poverty in South Africa, which is a concern and a challenge for the government and the current President Jacob Zuma (South Africa.info, 2014).

Poverty levels in South Africa have not reduced significantly since the fall of apartheid (Barrientos & Mase, 2012) and this is evident with the constant unrest within the economy, causing the longest strike in South Africa's history of five months in the Platinum sector (SAPA, 2014a). The strike was due to a demand for an increase of the miners' basic monthly salary to R12,500, and after five months of negotiating, the employers agreed (SAPA, 2014a). This subsequently caused the South African economy to grow at a slower pace, reducing the Real GDP by 0.6% in the first quarter of 2014 (SAPA, 2014b). Therefore if micro insurance can be made relevant causing uptake to increase, it could help to alleviate some of the pressures experienced by the South African poor.

1.3 What evidence is in support of this problem

According to the Republic of South Africa's Department of National Treasury (2011), the insurance sector is becoming a challenge with regards to providing access to low income consumers. An insurance penetration percentage of 25.6% was reflected initially in 2010 for formal insurance (Republic of South Africa Department of National Treasury, 2011), however in 2014, 14.28% penetration was reported in the 2014 South African Insurance Industry Survey conducted by KPMG (KPMG, 2014) this was closely aligned to the Finscope 2013 survey report that conveyed a rate of 16% for life insurance and 13% for asset or property insurance penetration (FinMark Trust, 2013), explaining that the take up of insurance had rather declined since 2010.

According to the KPMG (2014) report and Biener and Eling (2012) some of the reasons for the low micro insurance penetration rates are due to affordability, inadequate reliable information, lack of product flexibility, lack of consumer education and general perceptions of mistrust concerning insurance, there isn't an indication whether it could be due to consumers having existing mitigating strategies in place already. However this is an ongoing concern that needs to be addressed in South Africa where because majority of South Africans do not have any form of insurance against death or disability (Kamhunga, 2012) This research will investigate whether risk mitigating behaviour is really one of the reasons why property micro insurance uptake is low, or is it due to some, if not all the reasons mentioned already.

1.4 Research Scope

This report will focus on determining whether risk mitigating strategies exist within the low income consumers market. The research will be conducted using an exploratory approach based on 20 in depth interviews with consumers from LSM segments 1-4 and 5-6. The consumers will be selected at random, after using screening questions to ensure that they form part of the LSM groups.

This study benefits both the business and academic bodies of knowledge, because the research will help to develop better micro insurance products to meet the needs of the target market. It will also help to reveal some of the reasons why short term micro insurance products have not been purchased as much as the life products. From an academic perspective the research will contribute to the current lack of literature on micro insurance, and perhaps create further opportunities for much more research to be explored in the future, especially regarding risk behaviour.

1.5 Conclusion

The research will provide insights into the behaviour of low income consumers when they are faced with risks and whether this behaviour is part of the reasons why these consumers are not purchasing property micro insurance products.

Chapter 1 was used to introduce the research problem being addressed and the motivation of the significance of the research. Chapter 2 will cover the literature that will be reviewed to establish this gap motivating the reason for the study. This will also help to determine the research questions which will be presented in Chapter 3. The research questions will be presented with some explanation as to why they were selected in Chapter 3. Chapter 4 will discuss the methodology that will be used as well as the analysis approach to obtain insights from the research. Chapter 5 will present the findings from the research in categories that emerged from the content analysis approach, and these will be discussed in detail in Chapter 6. This will also reflect the final themes that emerged from the data. Finally, Chapter 7 will summarise the findings from the research and discuss the significance of the findings and what it means for the insurance industry.

Chapter 7 will also recommend possible suggestions for future research to enhance the collective literature on micro insurance, particularly regarding property micro insurance.

Chapter 2 - Theory and Literature Review

2.1 Introduction

The previous chapter introduced some of the challenges that are faced by the micro insurance industry regarding the low uptake of micro insurance products by low income consumers, however it also suggested that risk mitigating behaviour could be a possible reason behind this low uptake. The previous chapter also emphasised on the focus of property micro insurance as opposed to popularly known life insurance, because it is less known and very limited academic literature exists regarding property insurance.

This chapter provides a literature review on micro insurance, its challenges and the impact it has on economies. The chapter also defines the low income segment and discusses their purchasing behaviour. Lastly it defines risk and delves into possible risk mitigating strategies that low income consumers' exhibit, which could be the reason for the low uptake of micro insurance products.

2.2 Micro insurance

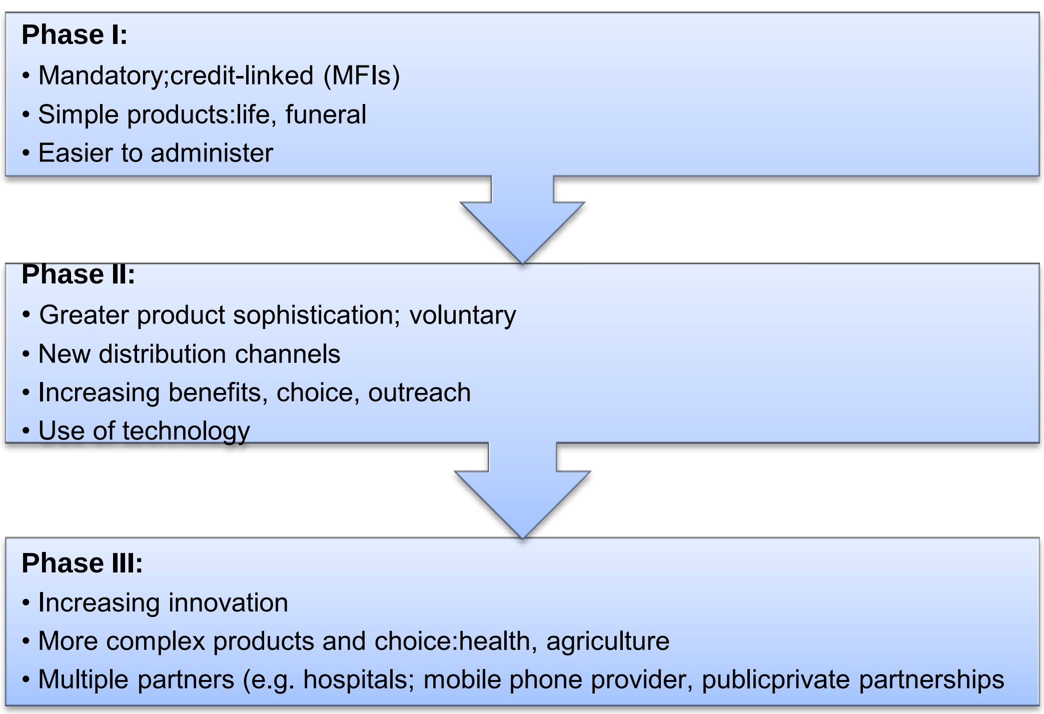
2.2.1 What is micro insurance?

Churchill and McCord (2012) define micro insurance as the ''protection of low income people against specific perils in exchange for regular premium payments, proportionate to the likelihood and cost of the risk involved'' (p.8). Tadesse and Brans (2012) also define ''insurance as a risk pooling mechanism that combines the resources of many policy holders to compensate for the accidental losses of a few'' (p. 1) and this is aligned to Tom and Selvam's (2010) definition of micro insurance. This explains that in order for micro insurance products to truly benefit low income consumers and fully function, there has to be community or group buy in, to create that risk pool that will compensate for the losses of the few. Giesbert, Steiner and Bendig (2011) argue that micro insurance is not different from conventional insurance but that the difference lies in the fact that these are designed with low income consumers in mind. However Biener and Eling (2012) argue that simply downsizing conventional products for low income consumers is not the most resourceful way of approaching this market, and that it is far more effective to design specific products founded on research an understanding of these consumers.

Micro insurance is about protecting the assets and lives of low income people against insurable risks; which are defined as risks that can be minimised by insurance cover (Anaïs & Hier, 2012; J. Singh, 2014), hence there are various products designed to cater for these risks. The most common risks that are considered when developing micro insurance products are life which includes funeral and credit life insurance, health, disability and property also known as asset or non-life risks (Biener & Eling, 2011). These products are usually distributed by micro finance organizations, low cost vendors or any other organisations that have access to the low income market (Churchill & McCord, 2012).

Micro insurance products emerged when a modification of a life insurance product was required to accommodate small wage earners (Churchill & McCord, 2012), and since then it has developed and evolved over the years to accommodate the poorest of the poor. Figure 1: Evolution of micro insurance products and processes depicts the evolution of micro insurance in three phases; this is according to Churchill and McCord (2012).

Figure 1: Evolution of micro insurance products and processes



Source: (Churchill & McCord, 2012)

2.2.2 Challenges of Short Term Micro insurance demand

The same challenges that most insurers faced seemed to be magnified for micro insurance providers. Some of the challenges identified were issues around affordability, access, the lack of product design flexibility, little or no consumer education (lack of financial literacy) or awareness, creating demand and general perceptions of mistrust concerning insurance which kept on being re-enforced by some insurers who don't understand the importance of providing insurance access to the poor (Biener & Eling, 2012; Biener, Eling, & Schmit, 2014; KPMG, 2014).

The abovementioned challenges being experienced by micro insurers were discussed in detail below:

1. **Accessibility of Products**

   Providing access was about making these micro insurance products affordable, however the transaction costs associated seemed to be quite high (Matul, Dalal, De Bock, & Gelade, 2013). According to Matul et al (2013) these costs related to the actual cost incurred to purchase, renew the policy, file a claim and receive benefits. Biener, Eling and Schmit (2014) concurred that micro insurance products had high administrative costs and they further stated that the transaction and financing costs were the leading drivers that caused high premiums for micro insurance products. This is part of the reason why micro insurance products were seen to be expensive and ultimately caused the market failure of the asset or property insurance (Biener & Eling, 2012)

2. **Product Development**

   Although micro insurance has the same principles as conventional insurance, downsizing the insurance products for the low income consumer is one of the first crimes that most insurers commit when they want to enter that market (Biener et al., 2014). Micro insurance products need to be developed from consumer insight, and tailored to meet the needs of the poor (Tadesse & Brans, 2012). The purpose of micro insurance products is to mitigate the risks of the poor to help low income consumers eventually escape poverty (Tadesse & Brans, 2012).

   Most micro insurance products were standardised with no element of flexibility to meet the consumer needs (Tom & Selvam, 2010). In addition to that, products were not tested to gauge consumers' understanding, even though this was required to ensure that consumers understood what they were buying (Biener et al., 2014). These products were not kept simple although the poor were known to have very low financial literacy levels (Biener et al., 2014).

According to Akotey et al (2011) found that flexible payments and collection of the premiums encouraged informal sector workers to demand micro insurance, however this is not normally communicated as consumers are not aware that they have these options. Tadesse and Brans (2012) agree that proper structuring of price (premiums) in terms of cost, flexibility of payments and ease of collection are criteria that all micro insurance products need to fulfil before they are launched.

3. Trust

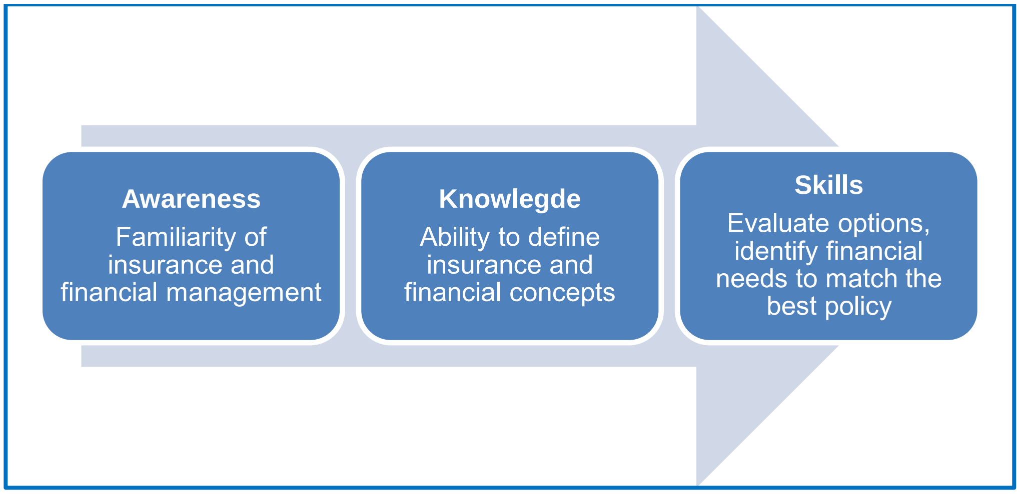
In addition to the product development challenges, customer protection has been noted to be a concern, where insurers have been known to abscond with premium payments from these consumers, especially when a claim is lodged (Biener et al., 2014; Zimmerman & Magnoni, 2014). In South Africa, it is behaviour like this that will be dealt with through regulations such as the Treating Customers Fairly (TCF) and is endorsed by the Financial Services Board (Financial Services Board, 2013). One of the main reasons behind consumers not trusting insurers is due to the product not being tangible enough (Matul et al., 2013) especially in the targeted market, and this has resulted in numerous consumers lapsing their premiums because after a few payments, they did not feel that they were benefitting from the product.

4. Negative Perceptions and Consumer Education

Tom and Selvam (2010) pointed out that consumer education was required for low income consumers to help them understand the benefits of having insurance. Moreover the consumer education would create much needed awareness of micro insurance products and help change the negative perceptions and attitude towards insurers overall. Participation in financial services is determined by the consumer’s understanding of the benefits that they can derive from these products, and Arun and Bendig (2010) define this as a household’s financial capability level.

Matul et al (2013) discusses that the understanding of micro insurance needs to be influenced by the creation of awareness which leads to having knowledge and skills, as seen in Figure 2: Understanding of Insurance. The diagram explains how a consumer becomes empowered from becoming aware during a marketing campaign, to receiving knowledge in order to have the ability to evaluate options and select the best policy for themselves. This eventually makes a household capable to manage their finances, prepare accordingly for risks and plan ahead, ultimately making use of financial services (Arun & Bendig, 2010).

Figure 2: Understanding of Insurance



Source: (Matul et al., 2013)

Some of this knowledge can be acquired through experience, but consumer education, training and passive information from the media and brochures can help (Arun & Bendig, 2010).

A lack of education leads to consumers becoming reactive in their approach to risks making the household become very vulnerable, because any loss that occurs, has the ability to set the household back financially. Janzen, Carter and Ikegami (2012) also concurred that financial capability was highly related to a household's vulnerability, meaning that financial literacy and consumer education was imperative to reducing a household's vulnerability. Arun and Bendig, (2010) discovered that majority of poor households were excluded from financial services because they had a very poor understanding of financial products and their benefits. Some consumers were deterred because of one person's bad experience and the strength of the word of mouth, in creating a bad perception of micro insurance (Giesbert & Steiner, 2011).

5. <u>Creating Demand</u>

In determining how to increase the uptake of micro insurance amongst low income consumers, there Tadesse and Brans (2012) argue that demand for micro insurance is determined by the need for a risk to be transferred. They continue to state that the capacity of the need to transfer the risk is determined by the severity of the risk (Tadesse & Brans, 2012)This is also, which further is determined by the probability of the risk occurring (Tadesse & Brans, 2012). and the coping capacity which can assist in reducing the probability of the risk occurring (Tadesse & Brans, 2012). Whereas the attitude towards insurance according to Tadesse and Brans (2012) is dependent on three factors which are:

- the perception of the value of the insurance as a concept and it includes knowledge of how insurance works
- the accessibility of insurance and that includes the affordability and product delivery
- the trust that low income consumers would develop in relation to the actual product offerings and providers

2.2.3 Micro insurance effect on the economy

Micro insurance was developed to protect the poor or low income consumers financially, and that protection can provide them with an opportunity to rebuild from the bottom up and create a foundation of retail insurance, which ultimately makes a stronger contribution to the country's general economic development (Churchill & Matul, 2012). This was confirmed at the first United Nations Conference on Trade and Development in 1964, where it was formally acknowledged that a sound national insurance and reinsurance market is an essential characteristic for economic growth (Outreville, 2013). Tom and Selvam (2010) found that there is a significant growth in the standard of living, educating children, in the safeguarding of assets and reduction in poverty of rural people through health and asset micro insurance.

The assurance of micro insurance can be perceived at various levels because it benefits the working poor and their service providers, ultimately contributing towards economic development (Churchill & Matul, 2012). This is best illustrated in an example where a livestock business experiences drought which they have been covered for, so instead of experiencing financial loss for that season, the owner essentially receives a pay-out, which he could use to build his business up again. This is what causes business continuity because if the owner didn't have insurance, he could have remained trapped in the cycle of poverty. According to Swiss Re (2010) insurance is a cornerstone that uplifts economic growth and stability in any nation especially developing economies, exemplifying the importance and the effect that insurance has on economies. Without insurance the poorest of farmers would not be able to cope financially especially when he would have lost his entire crop to floods or drought (Swiss Re, 2010).

2.3 Risk

2.3.1 What is risk?

Risk can be defined as ‘‘a situation or event where something of human value’’ is in a situation where it could be lost yet the ‘‘outcome is uncertain’’ (Aven & Renn, 2009). Aven (2011) also mentioned that risk was based on probabilities and could further be defined by the ‘’probability and severity of adverse effects’’ (Aven, 2011). This confirmed how Lang (2011) defined risk which was in a mathematical multiplication of the ‘‘Probability of an event occurring multiplied Impact of the event occurring’’ where the probability is a measure of likelihood of a loss occurring and impact which emphasises the value of the loss for the person concerned.

Boholm and Corvellec (2011) use the relational theory of risk in defining a risk by first understanding what the value of the item is before looking at the threat of it being lost, and understanding the vulnerability of the item before determining the resilience of its environment from it getting lost. This really explains how risk can be determined because if the owner of an item determines the value of that item they own as high and they feel the environment they are in is not resilient to loss, then the probability in their mind of the item being stolen (lost) is very high, therefore the item would be at risk.

Low income consumers are extremely vulnerable to risk events because their ability to respond to such is impeded by their inability to ensure the generation of regular income and secure themselves against the adverse effects of the macroeconomic environment (Akotey et al., 2011). Some of the risks that they are exposed to are quite common such as getting three meals a day, being able to pay school fees for children or being able to repay loans (Bali Swain & Floro, 2014) or debt from purchasing items on credit. Radermacher and Brinkmann (2011) discuss that these risks are lifecycle related meaning that when the economy or a new political party is elected the effect could either be positive or negative and when it is negative the poor are normally not able to deal with the consequences fully.

In order to prevent a loss from potentially occurring, risk mitigating strategies and mechanisms need to be put in place. In some instances risk is transferred and these types of strategies are defined through a process of risk management. Risk management is about planning for and identifying risks to develop mitigating strategies as a response to the identified risks (Kerzner, 2013). Tadesse and Brans (2012) refer to risk management as coping mechanisms for the poor, therefore the greater the severity of the risk, the greater the coping capacity should be to deal with the risk at hand. These coping mechanisms are also known as mitigating factors which will be explored further under that section. Risk sharing techniques have emerged as one of main solutions for risk reduction amongst these consumers (Karlan, Ratan, & Zinman, 2014), because it is one of the simpler and more affordable options in which to reduce risk. Risk sharing can either be community based or between a few households or simply within a household (Karlan et al., 2014; Ortigueira & Siassi, 2013)

2.3.2 Risk Mitigation Strategies

According to Bali Swain and Floro (2014) is commonly acknowledged that people's livelihoods especially low income consumers, include developing strategies to cope with risk and respond to shocks. These risk management strategies need to be efficient and sufficient as they are seen as critical contributors to any poverty reduction strategy (Akotey et al., 2011; Arun & Bendig, 2010). If the risk management strategies are efficient then they are able to minimise the impact of the shock or risk event.

Low income households have developed and discovered a number of coping mechanisms which are able to minimise the effects or mitigate the risks that they face on a daily basis (Bali Swain & Floro, 2014; Tadesse & Brans, 2012). These can be grouped into four categories which are self - insurance, self-protection, informal risk sharing which includes community-based arrangements and formal risk sharing (Lohse, Robledo, & Schmidt, 2012; Tadesse & Brans, 2012). These risk management strategies will discussed further below:

a) <u>Self-Insurance</u>

Lohse et al (2012) discuss self-insurance as any mechanism that is able to reduce the size of the loss due to a risk event. However Tadesse and Brans (2012) explain that self-insurance is about retaining the risk, by absorbing any loss that was experienced and compensating it by one's assets. This means self-insurance could come in the form of savings, or in the form of a fire department in the public, because that too retains some of the loss especially if a fire was contained before the whole house was burnt (Lohse et al., 2012; Tadesse & Brans, 2012). There are many different types of self-insurance mechanisms and for the purposes of this research; six have been identified as the most relevant for low income households. This does not mean that the mechanisms are limited to these; it is what was focussed on for this project.

Self-insurance examples are as follows:

1. Savings can be defined as putting money away on a regular basis to cater for any emergency that may arise as a result of risk. Saving in a household often serve as an insurer and tends to increase when uncertainty of future income sets in (Giesbert, Steiner, & Bendig, 2011). For example if one is retrenched or ones assets are stolen or destroyed, that creates an uncertain environment which triggers an increase in savings and that will help reduce the impact of the loss, because the savings will assist in maintaining and sustaining them (with regards to daily needs like food) or replacing the lost or destroyed assets. Karlan et al (2014) explain that although savings are seen as an effective form of coping with risk, it can be quite unaffordable when using formal channels for savings such as banks. This generates constraints and hinders the usage of savings as an insurance vehicle for the poor. Karlan et al (2014) further explain that five sets of constraints exist in preventing poor people from saving and they are transaction costs, lack of trust and regulatory barriers, information and knowledge gaps, social constraints and behavioural biases. In South Africa new savings innovations have developed such as ‘‘Instant Money’’, which is a channel developed by Standard Bank for the poor (Illingworth, 2014). Instant Money does not need a bank account and the customers don’t need to ever visit a branch, they simply deposit the money by a retail partner or automatic teller machine (ATM) and they cash in the voucher they receive when depositing, to receive the funds when needed (Illingworth, 2014) .
2. Remittances are defined as household income received from one country to another however it is mainly provided by migrant expatriates (Yang, 2011). These may either be in cash or kind, and it is sent through a number of various channels such as banks, people travelling or money transfer channels such as Moneygram (Yang, 2011). According to Singh, Haacker, Lee Goff (2011) remittances are a form of insurance because they assist in

absorbing the impact of a shock. This confirms that when economic conditions in the home country deteriorate, migrants remit more to protect their families from the adverse effects on the economy and this helps the family to enjoy the quality of life they are accustomed to.(Arun & Bendig, 2010; M. Carter, 2013; R. J. Singh, Haacker, Lee, & Le Goff, 2011; Yang, 2011).

3. Investing in Livestock because they have the added advantage of producing offspring, which increases the income for the owner (Tadesse & Brans, 2012). This is also a form of savings, but so much more because the livestock not only have a particular value, but during their lifecycle they also produce livestock products which can also be used during an economic shock to level consumption. Tadesse and Brans (2012) also confirm that the livestock can be rented out as a further generation of income.
4. Public services such as the police and fire departments provide a service to citizens and sometimes these services form as a type of self-insurance because they have the ability to minimise the loss when a shock such as theft or fire occurs (Lohse et al., 2012)
5. Receiving informal income that only develops in response to a loss. This could be through obtaining a second job or by taking your children out of school to earn an additional income (Gubert & Robilliard, 2008).
6. Social insurance is a form of social protection that provides a basic income grant to people in certain circumstances, such as if they have experienced a major loss like losing their home in a flood or losing their jobs due to the companies closing down, without any specific criteria (Piachaud, 2013). The funds are generated from taxation and can be in food parcels or cash and these would basically be available to all citizens if they are found under similar circumstances (Piachaud, 2013).

b) <u>Self-Protection</u>

Lohse et al (2012) defines self-protection as a mechanism that reduces the probability of a loss occurring and this means that self-protection is about placing preventative measures in place. Therefore a household will place an alarm with a dog or two to indicate if intruders are trying to get in the home, or a lighthouse built to prevent ships from steering into rocks or simply carrying a teaser to prevent oneself from being robbed. These are all examples of ways and means of self-protection.

c) <u>Informal Risk Sharing methods</u>

Risk sharing arrangements are used as risk mitigating strategies which can be developed as a group, household or community (Ortigueira & Siassi, 2013).

Community based risk management arrangements are much more effective when dealing with distinctive risk related events (Battamishra and Barrett, 2010), risks such as death, sudden illness or having funds available for school fees in January, which is the beginning of the school year in South Africa. These types of risks are shared amongst households or friends and deemed an important strategy for coping with shocks (Tadesse & Brans, 2012). In South Africa communities or groups of friends have formed societies known as stokvels, where they contribute a fixed amount of money to a common pool on a regular basis for expensive functions such as weddings or funerals (Illingworth, 2014; Lemanski, 2011). In Ethiopia, similar to South Africa and other developing nations in Sub-Saharan Africa have community based risk management strategies such as funerals and they are known as *iddir,* which are burial societies, livestock sharing where the community will each provide at least 10 cattle per household, which they will receive back once the affected family is back on their feet (Tadesse & Brans, 2012).

d) <u>Formal Risk Sharing</u>

Insurance is probably the only formal financial risk management strategy that is known to effectively help the poor deal with different kinds of risks (Akotey et al, 2011). Therefore different micro insurance solutions have been developed in response to the various risks, such as health micro insurance, life micro insurance or in this case short term or property and casualty micro insurance, all of which are specifically designed for low income consumers (Churchill & Matul, 2012). Insurance is defined as a risk pooling mechanism that consists of contributions from many policy holders to compensate for the accidental losses of a few (Tadesse & Brans, 2012). Other forms of formal risk sharing strategies are discussed below:

1. Credit Life Insurance is the insurance that will pay out if the debtor passes on and as a result is unable to complete their debt (Wipf, Eamon & McCord; 2012). This is mostly found included with a small premium in every loan contract,

because it ensures that if something happens to the debtor, the loan will be repaid.

2. Social insurance is a form of social protection that is used for risk events such as old age, unemployment, sickness or even crop failure (Piachaud, 2013). (Hujo & Gaia, 2011) explain that social insurance refers to programs funded through contributions from both employees and employers. In most cases, recipients need to meet certain criteria before they can qualify to receive the income grant, because this is normally the only social protection instrument available (Hujo & Gaia, 2011; Piachaud, 2013). An example of these is the Unemployment Insurance Fund (UIF) for previously employed individuals who go on maternity leave or get retrenched.

2.4 Low Income Consumer Behaviour

2.4.1 Low income consumers

Bottom of the Pyramid (BoP) research was first brought to light by Prahalad and Hart, where they defined the BoP as the world's poorest people and determined that by any persons earning less than US$ 2,000 a year (Hart & Prahalad, 2002) or approximately R15,000 a year in South African Rands (Chipp, Corder, & Kapelianis, 2012). The Bottom of the Pyramid in South Africa was developed using cluster analysis in conjunction with the personal and household income variables from All Media and Products Survey (AMPS) studies according to Chipp et al (2012). According to Hofstede (2011) individualism was about individuals looking after themselves and keeping their relationships with others loose, whereas collectivism was about having cohesive in-groups that include extended families in exchange for loyalty. Therefore household income was developed using a collectivist approach, summing up the income of everyone living in the home whereas Prahalad and Hart's theory was based on personal income which was in line with an individualistic approach. This is unique to the South African context and was confirmed with research conducted by Hofstede (2011) on the integration of individuals into primary groups or segments, where he found that low income consumers in South Africa tend to have a collectivism approach. Hofstede's theory assisted in discovering that there was a breakdown between individualism and collectivism in South Africa, where the wealthier tended to be more individualistic and more likely White, and the poorer to be Black and be more collectivistic (Chipp et al., 2012; Hofstede, 2011). This was confirmed by Laher

(2013) when she explained that South Africans specifically Blacks, Indians and Coloureds developed the reliance on collectivistic structures from being classified as out-groups during the apartheid era, and this seems to have become part of their family structures especially in the lower income groups.

FinScope SA 2013 defines the low income consumers, which could also be referred to as the Bottom of the Pyramid segment, as individuals who fall within LSM 1-6, where 6.56 million people form part of LSM1-4 and 18.4 million form part of LSM 5-6. This selection was based on the average household income that coincided with the average household income of the South African Foundation and Core segments as defined by Chipp, Corder and Kapelianis (2012). Chipp et al (2012) developed their own South African Pyramid which they adapted from conducting an analysis on Prahalad and Hart's version of the pyramid, and subsequently developed the following four clusters namely as:

- The Foundation which formed the base, and is South Africa's bottom of the pyramid; 35.8% of South African adults (11 194 000);
- The Core, representing 33.7% of South African adults (10 534 000);
- The Buttress, representing 16.3% of South African adults (5 105 000);
- The Apex, representing 14.3% of South African adults (4 463 000)

These four clusters were defined by personal and household income and the Living Standard Measures.

The concept of the Living Standards Measures (LSM) was developed by the South African Advertising Research Foundation (SAARF) as a marketing segmentation tool in classifying the commonalities with all South African adults, regardless of their age, ethnicity or location (Haupt, 2012). The list of variables that were used to define each LSM level has evolved over time however the process of generating the household variables remains essentially unchanged (Haupt, 2012).

The four clusters developed by Chipp et al (2012) had the following income breakdown as per personal and household income and LSM groupings:

Table 1: The South African pyramid average incomes

	Pyramid Group			
Income Measure	**Foundation**	**Core**	**Buttress**	**Apex**

Average personal income per month	R1 321.00 ($187.43)	R2 642.70 ($377.53)	R6 071.52 ($867.36)	R11 159.02 ($1 594.15)
Average personal income per day	R43.73 ($6.25)	R88.09 ($12.58)	R202.38 ($28.91)	R371.97 ($53.14)
Average household income per month	R2 069.60 ($295.66)	R4 664.16 ($666.31)	R12 125.90 ($1 732.27)	R23 562.60 ($3 366.09)
Average household income per day	R68.99 ($9.86)	R155.47 ($22.21)	R404.20 ($54.74)	R785.42 ($112.20)
Household income/ personal income	1.58	1.76	2.00	2.11

Source data: South African Research Foundation (2009a)

The Finscope 2013 report also provided a breakdown of what each LSM group could earn on average for personal and household income (FinMark Trust, 2013), this was presented against the pyramid developed by Chip et al (2012), specifically identifying the foundation and core segments.

Table 2: Finscope 2013 and 2012 average personal and household income per LSM

	LSM 1-2	LSM 3-4	LSM 5-6	LSM 7-8	LSM 9-10
2012 Average HH income	R1 631.6	R2 176.9	R4 677.4	R11 917.1	R25 304.4
2013 Average HH income	R1 353.3	R2 098.2	R4 497.6	R12 026.4	R25 453.5
2012 Average PM income	R1 055.8	R965.1	R1 864.0	R4 889.2	R11 981.8
2013 Average PM income	R746.3	R1 099.3	R1 845.5	R4 825.1	R13 301.7

Source data: Finscope 2013 Report (FinMark Trust, 2013)

This helped in defining what the average income levels could be for low income consumers, as that definition was not purely based on what is known as the bottom of the pyramid. For the purposes of this research, low income consumers were defined as individuals who had an average personal monthly income of R1,099 till R2,642.70 and who had an average household income of R1 631.60 till R 12,100. This was reflected in Table 3: Low income consumer personal and household income levels Table 3: Low income consumer personal and household income levels.

Table 3: Low income consumer personal and household income levels

	Foundation (2009 data) (Chipp, Corder& Kapelianis, 2012)	FinMark Trust 2013 LSM 1-4	Core (2009 data) (Chipp, Corder& Kapelianis, 2012)	FinMark Trust 2013 LSM 5-6
Average Household Monthly Income	R2,069.60	R2,098.20	R4,664.16	R4,497.60
Average Personal Monthly Income	R1,312.00	R1,099.30	R2,642.70	R1,845.50

Source data: South African Research Foundation (2009a); Finscope 2013 Report (FinMark Trust, 2013)

2.4.2 Characteristics of low income consumers

Low income consumers are extremely vulnerable because when they are faced with shocks such as a death in the family, the effect of the shock tends to reduce their income significantly. According to Bali Swain and Floro (2014), vulnerability relates to the lack of resources in dealing with adverse risks and economic conditions, meaning that the speed at which a person bounces back after a loss determines how vulnerable the person really is. Therefore the vulnerability of these low income consumers who make up at least 80% of the world's population (London & Hart, 2010) reflects the lack of funds or resources that they could have had in place to respond to any risk events.

Poverty manifests itself in various manners like where there is hunger and malnutrition; a lack of income, a lack or limited access to health, education or basic services such as sanitation, water and housing (Maile, 2013), however these conditions create a vulnerable environment because of the deprivation. This explains how vulnerability and poverty reinforce each other (Akotey et al., 2011), because vulnerability appears wherever there is poverty which is about not having.

Some of the characteristics of low income consumers include indebtedness usually from micro lending and credit purchases which seem affordable because of the small instalments rather than the actual price (Bali Swain & Floro, 2014; Jacobs & Smit, 2010) and purchases of good quality materials (London & Hart, 2010). This confirms Jacobs and Smit's (2010) findings of low income consumers being materialistic, especially in South Africa. Arun and Bendig (2010) explain that a poor household are not able to manage their money or plan ahead because they tend to live from hand to mouth and react to any risk event.

Life is hard for the poor especially when constantly faced with risks, and some can be so common such as having three meals or being able to seek medical assistance when ill (Bali Swain & Floro, 2014). It is this continuous cycle that results in households experiencing persistent poverty (Barrett & Carter, 2013). The struggle of low income consumers can be summarised according to(M. R. Carter & Barrett, 2006) in a statement made by David Copperfield in Charles Dickens' David Copperfield alluding the debtor in the story:

> *"Shocks that push [low income consumers] people below the [the poverty line] threshold can set them on a downward spiral into destitution from which they do not recover, or keep them from growing their way out of persistent poverty by knocking them backwards as they struggle to climb out the trap, …"*

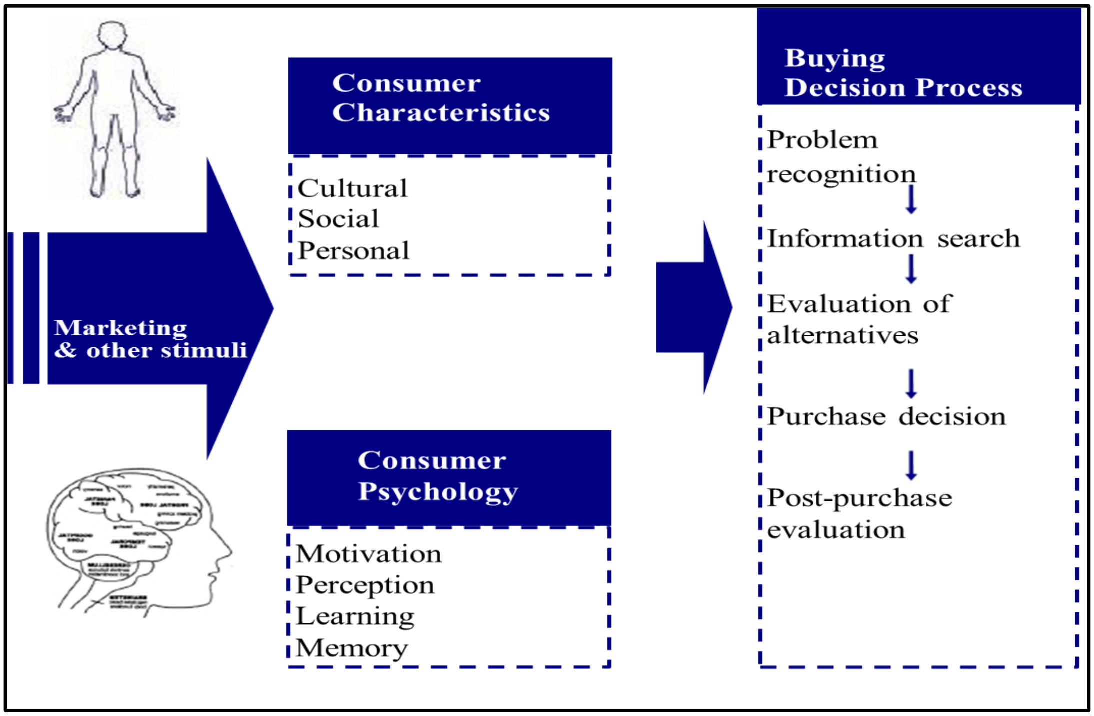
2.4.3 Defining Consumer Behaviour for low income consumers

*"*Consumer behaviour is defined as the study of individuals, groups or organisations and the processes they use and dispose of products, services, experiences or ideas to satisfy needs and the impacts that these processes have on the consumer and society" (Chen, Chen, & Huang, 2012) . However in understanding how low income consumers behave, one needs to understand what behaviour means first. Behaviour is defined as an attitude that is developed over time by a reaction to consequences (Foxall, 1986) in particular, the reaction of low income consumers to consequences. Low income consumers tend to purchase products that they know and have trusted over the years, and even though it is unexpected, they are willing to spend a little more to purchase high quality products or brands that they will be proud to have (London & Hart, 2010).

According to Kotler and Kelly (2012) consumer behaviour is influenced by a number of factors such as a person's cultural background, their perceptions, motivations, what they have learnt and also their economic status, just to mention a few. Hoffmann, Henry & Kalogeras (2013) also confirm that in developing any behaviour, the first steps are driven by any decisions made by the consumer. The extent to which each of these traits is developed depends on the consumer's decisions (Hoffmann, Henry, & Kalogeras, 2013) . It can also be deduced from Hoffmann, Henry and Kalogeras (2013) that decisions are associated with behaviour and the impact of that decision can determine whether a person is more risk averse or less risk averse.

These influences determine how the consumer will behave especially when making a decision on what to purchase. Figure 3: Consumer Behaviour Model adapted for low income consumers is a model from Kotler and Keller (2012) and it depicts the process and factors that determine a consumer's behaviour in making a purchase.

Figure 3: Consumer Behaviour Model adapted for low income consumers



Source : Consumer Behaviour Model (Kotler & Keller, 2012)

Low income consumers are mostly driven by price, because they are quite sensitive to changes in prices (Matul et al., 2013). According to Hamilton (2009) one of the features of making decisions for low income consumers is having limited products available to them, making them prone to purchase second hand goods because they are affordable. This could be due to price, as they have limited funds available or product distribution, where only a limited amount of product choice is available because of the supermarkets within their area. Therefore it is fair to state that low income consumers behave in the same manner as other consumers, which is in line with Kotler's model (Kotler & Keller, 2012) except when they reach the buying decision process, where low income consumers will have fewer alternatives to evaluate because of the price.

When it came to purchasing insurance there were certain key criteria that influenced consumers' decisions according to (Kunreuther & Pauly, 2006) and they were:

- how low the premium is,
- whether it has easy payment options and
- the type of cover in relation to the premium.

When the poor were faced with economic challenges they tried to cope by tapping into their savings, or getting more micro loans, which pushed them into more debt, making them poorer than they were before (Tadesse & Brans, 2012).

2.4.4 The role of decision making for low income consumers

Hawkins, Best, and Coney (2001) argued that the decision-making process for consumers contemplating product purchase is orderly and composed of five kinds of activities: issue delineation, information searching, brand evaluation and choice, commodity evaluation and choice, and after-purchase process. This is in line with Kotler and Keller's (2012) Buying Decision process (refer to Figure 3: Consumer Behaviour Model adapted for low income consumers) which also consists of five stages namely; problem recognition, information search, evaluation of alternatives, purchase decision and Post-purchase behavior. Therefore in order to make a decision one would need to follow the following steps:

1. **Problem Recognition/ Issue Delineation**: At this stage a consumer realizes what problem they have, in this context, the problem would be based on what risk they are most exposed to. Some examples would be the risk of floods occurring which would destroy their crop which has been planted for commercial purposes or it could be the risk of losing their assets which they use for commercial purposes.
2. **Information Search**: It is important for consumers to obtain correct information about products and also sufficient information to lead them in making an informed decision. Therefore at this stage it's all about gathering the right information on solutions for the problem of certain risks. Although consumers may not necessarily process information in a known manner, the fact of the matter is for that information gathered to help a consumer in deciding whether to purchase insurance or not. Some of the other factors that a consumer would have to consider are the severity of the risk, the probability of the risk occurring and what the coping capacity will be especially if insurance cover is not purchased (Tadesse & Brans, 2012) This

process will help in providing options on how to solve the problem identified in the previous step.

3. **Brand and commodity evaluation/Evaluation of alternatives**: At this stage a number of options have been highlighted and in this stage, options are weighted and evaluated according to certain restrictions or preferences that the consumer may have. For example budget constraints (Kunreuther & Pauly, 2006) will be part of the consideration in selecting the final product required for providing cover. Other considerations would include the various companies' claims history and how easy it is to do transact with them (M&F Brand Tracker, 2014), and the probability of a loss occurring against the amount of the expected loss in relation to the cost of coverage (Kunreuther & Pauly, 2006) and payments methods.
4. **Purchase decision/choice**: At this stage after weighing all the options provided in the evaluating stage, a decision to either purchase an insurance product or not, is made. In particular a specific product from a specific company may be selected in this stage.
5. **After – Purchase process**: In this stage, consideration for renewal would be determined by the performance of the product purchased in terms of it delivering according to the agreement when a claim occurs or whether the price of the product offers real value for money, against other competitors in the market. The consumer may also conduct a cost-benefit analysis to determine whether the benefit they are receiving from the product out-weighs the cost of the product.

2.5 Conclusion

Low income consumers acknowledge that they need to protect themselves against risk events, hence the development of mitigating strategies to protect them against any shocks. However when it comes to micro insurance, which is a risk management tool, there seems to be a lack of understanding as to what the product offers, that aren't provided in the existing strategies and this, could be a possible reason why the uptake is quite low as discussed in Chapter 1.

The following chapter discusses the questions developed to understand whether these mitigating strategies are really the reasons behind the low penetration of micro insurance products, or is it a combination of the challenges experienced in conjunction with the mitigating strategies that exist already.

Chapter 3 - Research Questions

As mentioned in the previous chapter, the research attempts to answer four key questions that were established during the literature review. These were designed to determine whether an existing behaviour exists which could justify why the uptake of micro insurance products in particular is very low.

3.1 Research Question1: To ascertain what items are in the home and owned by the respondent

This is to establish what types of assets are owned by low income consumers to determine if a market for short term micro insurance truly exists.

3.2 Research Question 2: Are there plans in place to replace the items you own, should something happen to your home and belongings?

In understanding how important their assets are to them, the objective is to understand what risk mitigating plans are in place for replacing their assets should anything happen to them.

3.3 Research Question 3: What are the reasons for not purchasing short term insurance?

This objective is to determine the reasons why low income consumers either have any form of short term micro insurance for the assets that they own or not. The objective also gauged what the consumers understanding of insurance is and for them to provide examples of products that offer insurance.

3.4 Research Question 4: Is micro insurance, in its current form of products, effective for the low income consumer?

This is to understand, of those who do have insurance, whether they are satisfied with their current product and if not what they suggest could improve the product. However it was also relevant to non-users of micro insurance products because they were able to inform the researcher what types of products would appeal to them which would persuade them to take up these products.

3.5 Identify any significant differences between LSM 1-4 and LSM 5-6 with regards to risk mitigating behaviour?

This question was included to establish whether significant differences regarding risk mitigating behaviour existed or not between the two LSM groups. These groups were very similar and only separated by household income of R5,000.

Chapter 4: Research Methodology

4.1 Introduction

This chapter outlines the methodology used in conducting the research required to answer the questions proposed in Chapter 3. Due to the nature of the research problem an exploratory approach was assumed which led to qualitative data collection and analysis techniques, and this helped to understand whether risk mitigating behaviour existed amongst low income consumers.

4.2 Research Method

The purpose of this study was to explore whether risk mitigating behaviour existed amongst low income consumers with regards to their assets as per the definition in Chapter 2. This research conducted was exploratory in nature because of the lack of information regarding the research question which was about whether low income consumers exhibited risk mitigating behaviour (Saunders & Lewis, 2012). A qualitative approach was deemed appropriate because qualitative research is about understanding the world from the perspective of the people being researched and making sense of how the behave (Ezzy, 2013). As opposed to quantitative research which is about explaining certain phenomena by collecting numerical data and using mathematical analysis to analyse the data (Muijs, 2011).

Rossman and Rallis (2012) also suggested that qualitative research best fits this approach because it seeks to learn about aspects of the social world to generate new understandings that can be used to contribute to the greater body of knowledge. Creswell (2014) also mentioned that qualitative research is exploratory and useful when a researcher does not know the important variables to examine, and this was the case with this research. The study aimed to understand how low income consumers mitigate their risk with regards to their assets, if they were to get stolen or damaged.

Holliday (2002) further describes qualitative data as a form of research that allows actions within a specific setting, therefore this approach was flexible to adapt to the conversation, even though it was still within the discussion framework. This led to a number of similar variables that illustrated some of the behaviour developed by these consumers.

4.3 Research Philosophy

The research approach that was used to determine the research objectives was a combination of realism and interpretivism. Saunders & Lewis (2012) explain that realism is about understanding that beneath what you observe could be underlying factors that are driving the behaviour that you observe. This meant that a person's behaviour could be determined by certain underlying factors that one may not perceive by simply observing their behaviour. Richie and Lewis (2003) also agreed that these perceptions relate to our human interpretations of what we sense and not our senses alone, and that our understanding of the world results from us thinking about our experiences and not only based on our experiences alone

Saunders & Lewis (2012) define interpretivism as an approach that helps one understand the differences in human behaviour under certain circumstances. For example when a person has to move from a role of a student at university to becoming an employee, it means that there is a process of social adaptation that takes place and reflects their interpretation of which behaviours are appropriate as an employee (Saunders & Lewis, 2012). Therefore this approach helped to understand which behaviours were adapted after an asset was stolen or damaged resulting in a financial loss amongst low income consumers.

4.4 Research Design

In determining whether risk mitigating behaviour existed among low income consumers, the research needed to be open-ended to unfold what various themes would emerge to assist the researcher in understanding the lives of these consumers (Holliday, 2002). Welman, Kruger and Mitchell (2005) explain that this is an appropriate method of collecting data especially when the researcher has a list of general open ended questions. It is not known whether risk mitigating behaviour exists amongst low income consumer communities and that could only be determined by asking a general series of questions on their assets. The data was collected through semi-structured individual in depth interviews. Rossman and Rallis (2012) recommend that in-depth interviews are most appropriate to obtain an understanding of individual perspectives. This generated rich and descriptive data which assisted the researcher in obtaining a better understanding of the consumers (Rossman & Rallis, 2012). Saunders & Lewis (2012) also affirm that semi-structured interviews are used to conduct exploratory research.

The semi structured in depth interviews allowed the participants to expand on each question providing the researcher with an in depth understanding of their social environment. Marshall and Rossman (2011) described in depth interviews as informal open ended conversations that are guided by the use of an interview guide and that was how this research was conducted. This was also in accordance to the exploratory research method because it provided a great deal of flexibility but not in the absence of direction and focus (Saunders & Lewis, 2012).

4.5 Scope

The research was targeted at individuals who were found at Living Standard Measures levels 1-4, with an average monthly household income of R4, 497.60. Therefore the household income could be much more but did not exceed the average monthly household income of R12,026.40, which defined LSM 5-6 (FinMark Trust, 2013). This was aligned to how Chipp, Corder & Kapelianis (2012) defined the foundation and core markets of South Africa. The foundation market was defined as 35,8% of SA's adult population and the core market as 33,7% of SA's adult population with an average monthly household income of R2,069.60 and R4,664.16 respectively (Chipp, Corder & Kapelianis, 2012).

The study was based on understanding the financial habits and behaviour of these selected groups, with regards to their assets and the protection of those assets. The scope also included the understanding of how assets were replaced when a loss occurred as a result of a peril.

4.6 Population and Sampling

4.6.1 Population

The population comprised of individuals who were found within the LSM groups from 1-6 as defined in the FinMark Trust 2013 research and who formed part of the foundation and core segments as defined by Chipp, Corder & Kapelianis (2012) research. Therefore the population was specifically defined by income and LSM grouping.

4.6.2 Sampling and sample size

Non-probability sampling was used because the research was exploratory and the quota sampling method was applied. Quota sampling is a non-probability sampling method that ensures that the selected participants represented have certain characteristics in the population that has been chosen (Saunders & Lewis, 2012). The sample selected, represented the characteristics of individuals within LSM 1-6 and an average of household of up to R12,000 . To ensure that the correct respondents were selected, a set of screening criteria was developed and if a selected respondent did not meet that criterion, they were excluded from the sample (see Appendix 1). During the fieldwork two selected respondents did not meet the criteria; this extended the fieldwork slightly because two more respondents had to be selected to complete the sample which would later be used for comparative analysis between the two selected groups.

Marshall and Rossman (2011) suggested that the sample should provide sufficient variability and sufficient depth for the study to be credible, given the time the researcher had to complete the research. In order to provide for variability the sample was randomly selected within the Johannesburg geographical area in South Africa, specifically from two townships namely Alexandra and Thembisa.

20 in depth interviews were conducted, with ten selected for each LSM segment and to not reach a point of data saturation. Data saturation is a stage where any additional data collected will provide few, if any new insights into the research questions and objectives (Saunders & Lewis, 2012). (Francis, Johnston, Robertson, Glidewell, Entwistle, Eccles & Grimshaw, 2010) also emphasised the importance of data saturation because it addressed whether an interview study was likely achieve an adequate sample for content validity. However Malterud (2012) argues that data saturation should not be the focus, rather it is more important to get an information rich sample that will provide detailed stories around what is being researched.

The quota was breakdown according to LSM (as shown in Table 1 below).

Table 2

	LSM1-4	**LSM 5-6**
Average Household Income	R4,497.60	R12,026.40
Individual in depth interviews	10	10

4.6.3 Unit of analysis

The unit of analysis that was used as a basis for all the analysis was the theme of risk mitigation. According to (Elo & Kyngäs, 2008) a unit of analysis can be a theme or word, however it needs to be linked to what the researcher wishes to analyse in detail. This was therefore used as a framework for the research to maintain focus on the theme, but emphasising on risk mitigation for assets ie asset protection. The analysis also included understanding the drivers of their behaviour was regarding risk and determining whether or not risk mitigation was part of it.

4.7 Research Instrument

A semi-structured interview guide was developed to direct the interview (See appendix 2). In a semi-structured interview the researcher will have a list of topics or themes to be covered and a number of questions to be asked in any order as long as all the questions and topics are discussed in the interview (Saunders & Lewis, 2012). Using this approach allows the researcher to follow up on insights suggested during the interview and from earlier interviews. Rossman and Rallis (2012) recommend that in-depth interviews are most appropriate to obtain an understanding of individual perspectives. It was also used to recognize when data saturation was reached (Saunders & Lewis, 2012).

4.7.1 Reliability and Validity

Validity was used to determine whether the research findings were really about the protection of assets and how they are replaced amongst the chosen sample, which raises the question as to the accuracy of the data collection (Saunders & Lewis, 2012). The factors that could potentially have rendered the findings invalid were the following:

1. **Subject selection**: the biases which could result in a selection of participants who were not representative of the population or universe. This was dealt with using the screening criteria document, and that ensured the right respondents were selected.
2. **History**: specific events needed to have taken place in a specific order for the participants affected to be part of the research. In this case the participant would have had to have purchased an asset of any type that is very valuable to them

Meeting and ensuring that the above two points were handled when selecting participants reinforced the validity of the research results.

Reliability referred to the consistency of the findings developed by the data collection and analysis procedures (Saunders & Lewis, 2012). This reliability was influenced by the data collection methods and analysis procedures which produced consistent findings. Saunders & Lewis (2012) explained that the level of consistency should be in accordance with the following criteria:

- The measures used produced the same type of results with all 20 interviews
- If other researchers used the same methods in the same way, they would have yielded the same type of results
- If anyone attempted to interpret this research, they would clearly understand how the conclusion was derived from the collection of the data and they would yield a similar conclusion

Similar to validity, there were factors that threatened the reliability of the research findings and conclusions for this research and this is how they were avoided:

- **Subject bias**: where participants provide you with unreliable information because they think telling the truth may shed them in bad light. This was not an observed concern because most respondents were engaging and they volunteered to participate in the research, so it can be assumed that almost all of them were honest
- **Observer error**: different researchers may ask the same question in different ways could bias the results and make them inconsistent. The research was conducted by two interviewers who were present at all the interviews that were conducted. They understood the research objectives and both conducted pilots with a full debriefing and analysis process to eliminate any noticeable differences in their interviewing techniques.
- **Observer bias**: different researchers may interpret the same data using different methods, thus biasing the findings and conclusions. This bias was eliminated because the data was analysed by a single research analyst.

The above processes prevented the research from being deemed unreliable.

4.7.2 Pre-testing

The semi-structured interview was tested during a pilot phase to determine the duration and logical flow of the interview. A pilot is trying out the interview as if it were a real recorded interview (Saunders & Lewis, 2012). It was during the pilot phase that certain changes were identified and made on the interview guide, to improve the interview process and outcomes. The pilots were done in Johannesburg in a suburb called Orange Grove, amongst two respondents that met the sampling criteria requirements. Both interviews were completed by each of the interviewers in English and a local language. This enabled the interviewers to understand the structure of the interview and also learn to probe where necessary.

During the pilot phase areas that required amending in the interview guide were identified and the changes were made to create a better flowing interview guide (see appendix C)

4.8 Qualitative Data Analysis

4.8.1 Data Collection

All the interviews were audio recorded (with permission from each participant received) with a combination of capturing some of the insight during the interview. Each interview lasted approximately 20 minutes and was held face to face with the randomly selected individuals. The recorded audio was converted into text through the process of transcribing in order to have text available for the qualitative analysis (Saunders & Lewis, 2012), but also because the interview was conducted in the respondents native dialect. There were a number of points to note when the audio file was converted into text according to Saunders & Lewis (2012) and these were followed in order to ensure that all respondents' responses were recorded as separate files.

4.8.2 Content and Comparative Analysis

According to Marshall and Rossman (2011) qualitative data analysis involves breaking down the data into manageable volumes by identifying common patterns and themes that have emerged from the data. A type of qualitative analysis was content analysis which was about reducing the data into small important chunks (Mayring, 2004) and making inferences from the data. Content analysis was defined as a research method that enables the researcher to make '*replicable and valid inferences'* from the data, with the intention of providing new insights and knowledge to the insurance sector in this regard (Elo & Kyngäs, 2008). The analysis was performed using audio recordings from the interviews and transcriptions of those recordings.

Another form of analysis was used specifically to understand if there were any unique differences between the two LSM segments, namely LSM 1-4 and LSM 5-6. Glaser and

Strauss (2008) refer to comparative analysis as a strategic method for generating theory for organizations or in this regard, for these two LSM segments. The theory that the analysis contributed to was on risk mitigating behaviour for low income consumers, which included the theory on micro insurance. The theory was generated from conceptual categories and the evidence of these categories emerged from the data (Glaser & Strauss, 2012). Charmaz (2012) agreed that the theory and analysis derived from the data, was a form of grounded theory analysis, because some of the theory was generated or induced from the data.

All interviews were transcribed and uploaded onto Microsoft word. This was used to facilitate the content and comparative analysis to identify the themes and categories that emerged from the data.

4.8.3 Analysis approach

A combination of deductive and inductive content analysis was used for the analysis of the data collected from the in depth interviews. A mixed approach was selected because some of the theory existed in the literature review, however new theories also emerged from the data which were not reflective in the literature. According to (Elo & Kyngäs, 2008) a deductive approach was used when the purpose of the research was to test a previous theory in a different situation or time period, however it can also be used to investigate certain concepts and theories in a particular population (Marshall & Rossman, 2010). Inductive content analysis is used when there is not enough former knowledge about the subject matter or if the information is fragmented according to (Elo & Kyngäs, 2008).

A process of open coding and data coding using the literature, was followed which meant that headings and notes were made whilst reading through the text (Elo & Kyngäs, 2008). The codes (which were based on the research questions) were used to develop categories by grouping them under the set headings; this eventually reduced the number of categories. The purpose of creating categories was to provide ways to describe the phenomenon and increase the understanding to generate insight (Cavanagh, 1997).This was presented in chapter 5, and the detailed analysis was presented in Chapter 6.

4.9 Research Limitations

The following limitations of the research design and approach should be taken into consideration:

- The nature of exploratory research was in depth research to explore new themes and ideas, which resulted in findings that were indicative of the new themes or ideas according to Saunders & Lewis (2012). Therefore this research would have to be followed up with a quantitative approach for validation (Saunders & Lewis, 2012).
- The sample was not statistically representative of low income consumers. The use of non-probability sampling confirmed this, as the total sample size for the interviews was twenty.
- The total sample was selected from two townships in the Gauteng province of South Africa, however all the respondents met the defining criteria before they were interviewed
- The interviews were done in a language that the participants were comfortable in expressing themselves, which may have led to translation errors and did not allow the researcher to probe as much as they would have wanted to, however this did not affect the validity of the research at all

4.10 Conclusion

The research followed a qualitative research design, which was due to the research being exploratory in nature. Although the sample was randomly selected, all respondents used a pre-screening test before they could participate in the research. This ensured the right people were interviewed. Coding and content analysis was the qualitative analysis approach that was used to determine the themes and categories presented in the following chapter.

Chapter 5 – Results

5.1 Introduction

This chapter presents the results of the qualitative study, beginning by outlining the sample demographics, the characteristics of the sample and then proceeding to the detail using content analysis techniques. The detailed results of the semi-structured, in depth interviews are presented. The results are discussed and interpreted in Chapter 6.

5.2 Sample Demographics and characteristics

The sample of 20 respondents was selected from two townships in the Johannesburg area within the South African Gauteng province. The sample consistent of the following:

Figure 4: Gender breakdown by percentage

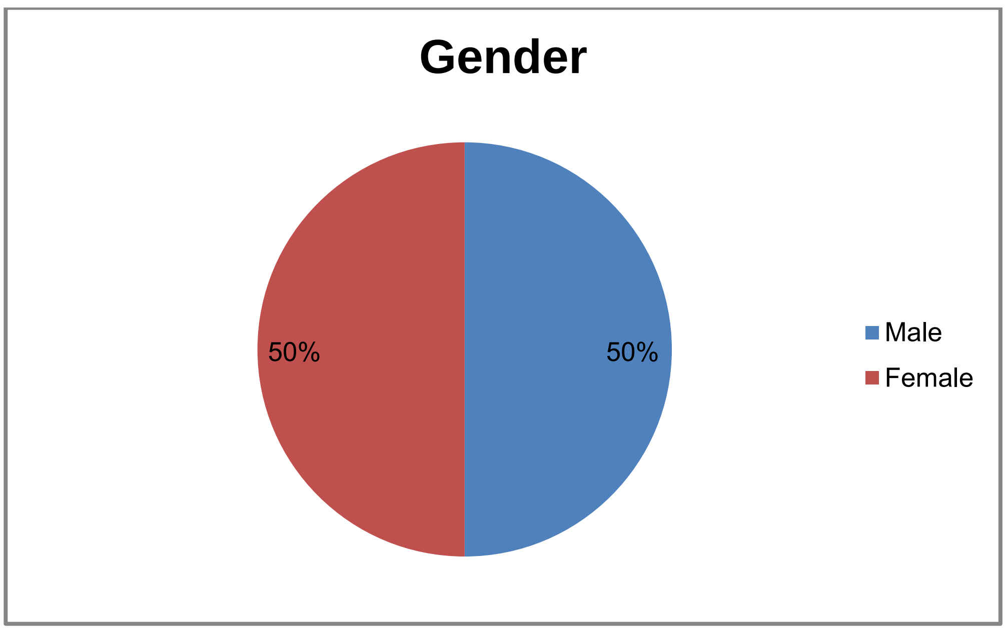


Figure 4: Gender breakdown by percentage graph showed that the gender was breakdown 50/50 however in the Thembisa township only 20% of the sample was female and in the Alexandra Township, 20% of the sample was male.

Figure 5: Breakdown by age

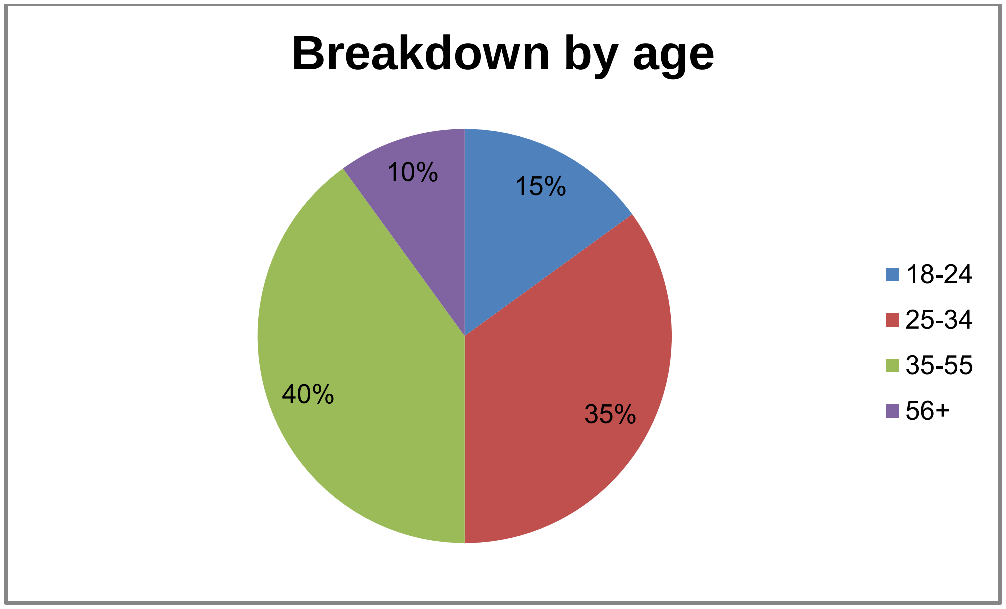
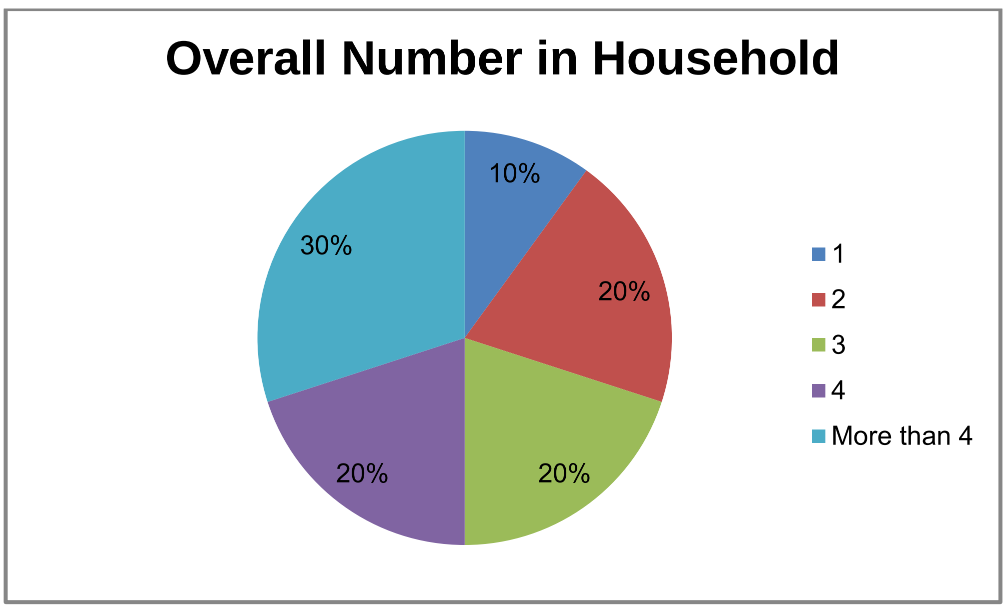


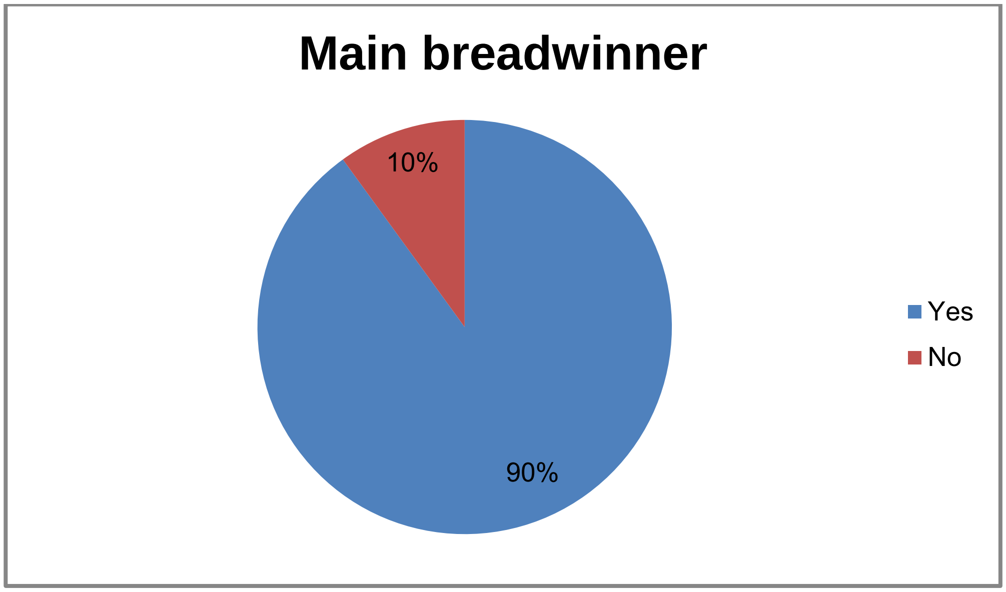
Figure 5: Breakdown by age shows that a majority of respondents whose age ranged between 25 and 55 years is what was found in the total sample.

Figure 6: Overall number in household



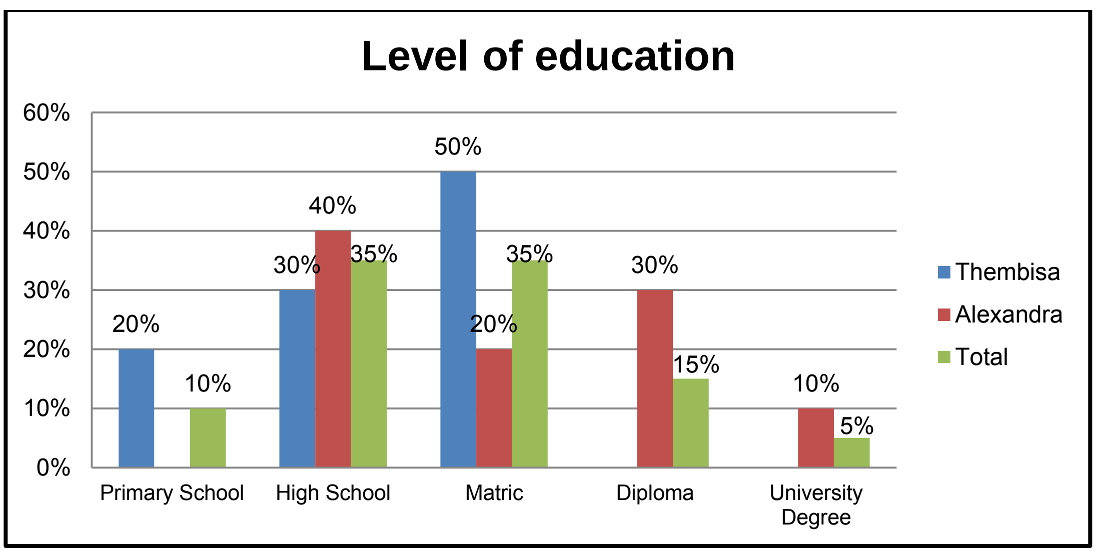
This was fairly evenly spread as most families had between 2 and 4 people in their homes according to Figure 6: Overall number in household. Only 30% of the sample had over 4 people in their homes, which they provide for.

Figure 7: Main breadwinner



Error! Reference source not found. indicates that only 10% of the respondents lived alone with no dependents in their home. Some of the respondents mentioned that they were not the only breadwinners in the home because they had partners who were also contributing to the wellbeing of the home.

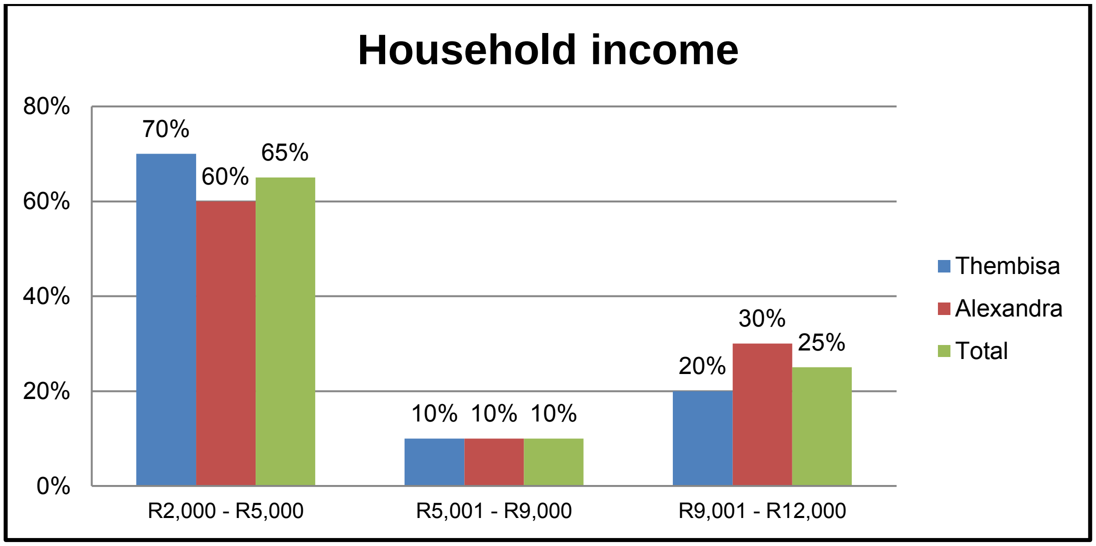
Figure 8: Level of education



According to Figure 8: Level of education, most (70%) of the respondents had some form of high school education with a total of seven respondents also completing just matric.

Four (20%) respondents also managed to complete a tertiary qualification, either a diploma or a university degree.

Figure 9: Household income



According to Figure 9: Household income most (65%) of the respondents' household income was below R5, 000, however it seems that Alexandra residents had a higher collective household income than the Thembisa residents.

Figure 10: Personal monthly income

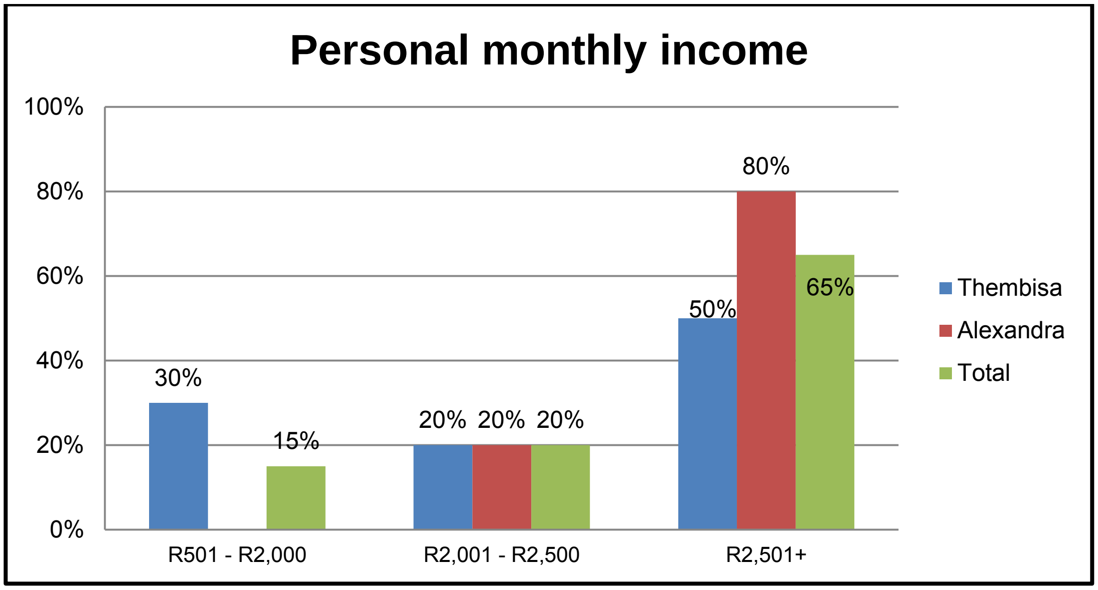


Figure 10: Personal monthly income shows that a majority (65%) of the respondents earned more than R2, 500 per month, with more wealthy respondents found in the Alexandra Township.

Figure 11: Consumers that have insurance

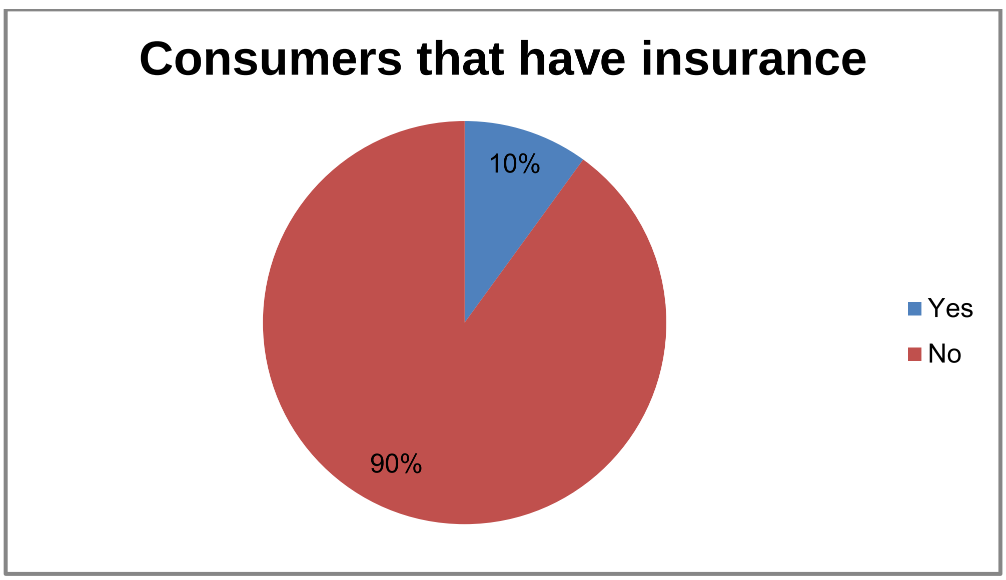


Figure 11: Consumers that have insurance depicts that only 10% of the respondents had insurance and this was either for their car or cell phone because they felt that if those items were either damaged or stolen, they would not be able to replace them immediately

or even afford to repair them. For example the person who had insured their cell phone, did so because it was still on contract and they felt that the value was worth having insurance cover for.

100% of the sample consisted of the African race, this is not uncommon, because according to AMPS research 78% of the South African population is part of the African race (South African Audience Research Foundation, 2014).

5.3 Research Analyses

The following analysis was according to each research question as per the semi-structured interview guide.

5.3.1 Research Objective 1: To ascertain what items are in the home and owned by the respondent

Insurable assets owned

The interviews were conducted among individuals who were breadwinners; this meant that these respondents were mainly the sole providers in their homes. These respondents owned assets such as fridges, television sets, DVD Home theatre systems, furniture and electrical appliances such as kettles and stoves. A few had expensive items like cars (25% owned), washing machines (15% owned), laptops (15% owned) and deep freezers (15%). The respondents who owned cars fell within the higher household income group, ranging between R9, 000 – R11, 000; except for one respondent. All respondents owned mobile phones.

Figure 12: Overall assets owned

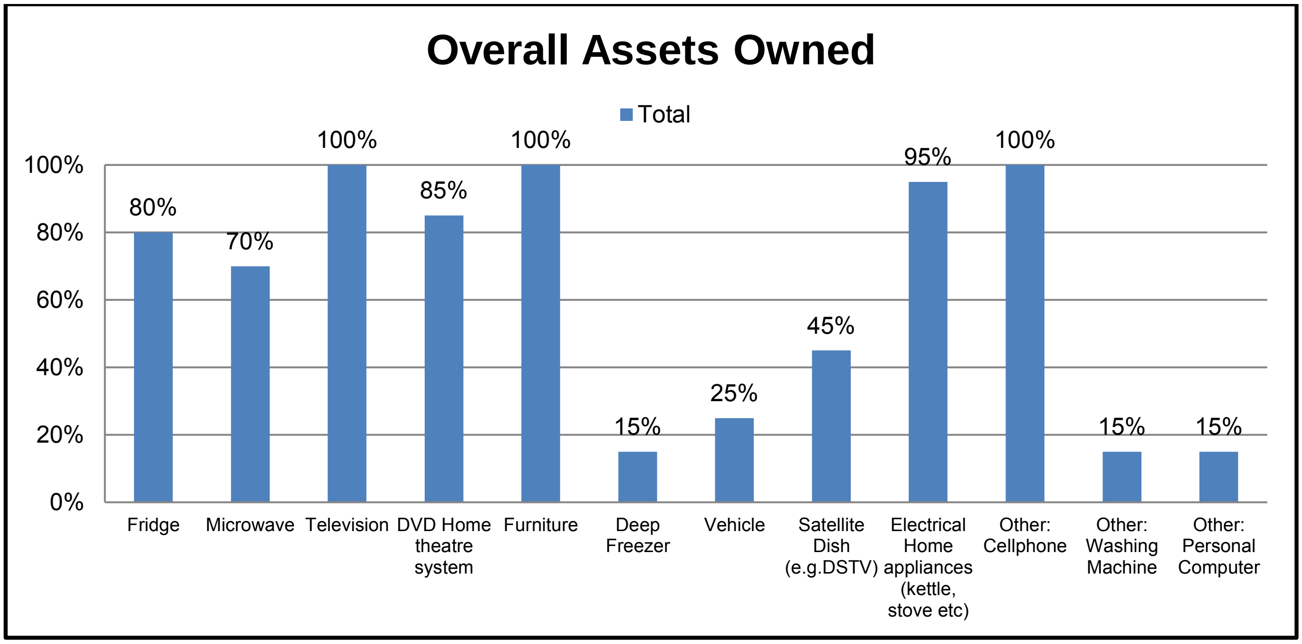
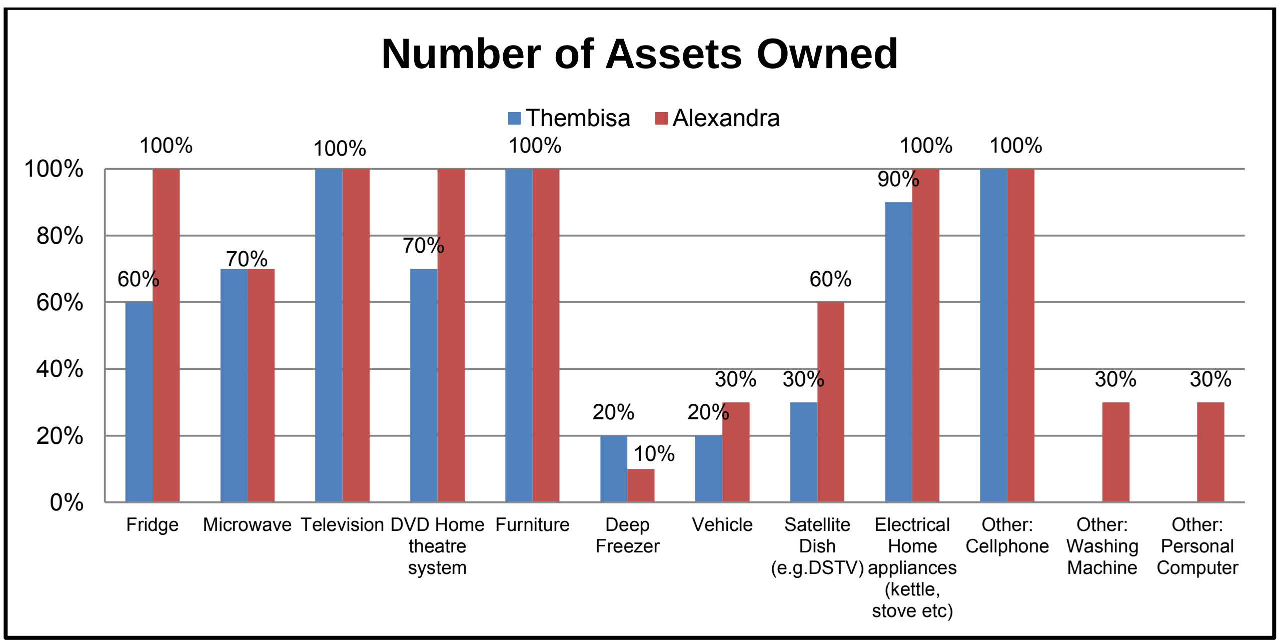


Figure 13: Number of assets owned



According to Figure 12: Overall assets owned and Figure 13: Number of assets owned all respondents had the following assets

- Television sets (100%)
- Furniture (100%)

- A cell phone or mobile phone (100%) and
- Electrical appliances (95%)

Most of the furniture owned was in the form of a bed. This is evident in the following quotes:

> "*Bed* [furniture], *yes I do have*" (Thembisa 7);
>
> "*A bed yes but don't have sofas*" (Thembisa 5);
>
> "*Yes we do have a bed but no sofas*" (Alexandra 5).

Figure 13: Number of assets owned graph indicates that Alexandra township respondents had more expensive assets in their homes such as laptops and washing machines including more vehicles, unlike the Thembisa township residents.

Valuable Assets

All respondents from the two townships felt that most of their assets were important to them especially their cell phones. The quotes below confirm this:

> "*They are all important, they are mine. I love them all, music and my fridge*" (Thembisa 1)
>
> *"All of them"* (Alexandra 2) and (Alexandra 6)
>
> *"I love all of them"* (Alexandra 4)
>
> "*I love all of them because they are mine. All of them*" (Thembisa 1)

However some of the respondents were very quick to emphasize that their entertainment was more important to them than their other assets. The following quotes capture this:

> "*I can say the TV and the DVD*." (Alexandra 9)
>
> "*The TV, it's important because I love watching soccer and the news.*" (Thembisa 4)
>
> "*I think nowadays TV for me is most important especially for information.*" (Thembisa 7).
>
> "…*and my DSTV*." (Thembisa 8)

There were a few respondents who determined the importance of their assets on how they assisted in providing for their family. The following quotes capture this:

"*Fridge…because if I have left over stock I can put it in the fridge for the next day*." (Thembisa 5)

"…If I don't have a fridge where am I going to keep my groceries and food?... *Without my deep freezers how am I going to keep my stock*?" (Thembisa 6)

"…*I sell meat and therefore it needs to be refrigerated. I am a business woman.*" (Thembisa 9)

For most of the respondents their mobile phones were very important to them, and this was also due to them using the phones for business purposes or to keep their business, family and friends contact information. The quotes below confirm this:

"*Cell phone…..yes cell phone is like office….yes it must be open 24 hours*." (Thembisa 3)

"*Well, if it gets lost I would lose all of my contacts*." (Alexandra 7)

"*My cell phone, you can't survive without a cell phone*." (Alexandra 10)

A few of the respondents based importance on the value of the asset such as the value of their car, home or personal computer. The following quotes confirm this:

"[What is most valuable to you] *It's the car and the house*." (Alexandra 8)

""[What is most valuable to you] *Computer*" (Alexandra 5)

""[What is most valuable to you] *My car*" (Alexandra 2)

5.3.2 Research Question 2: Are there plans in place to replace the items you own, should something happen to your home or belongings?

Asset Protection Plans

With regards to the protection of their assets, some of the respondents had developed a plan of putting money away every month or for having a dog in their home to prevent intruders from entering their home to steal their assets. The following quotes confirm this:

"Yes [I am saving] at the bank" (Alexandra 7)

"*Yes there's money I am saving in case something gets broken, I then buy another one*."(Thembisa 10)

> "Where I stay, no one gets into my house, even my friends. I have a dog and it bites and kills." "I am well known so they won't steal from me."(Alexandra 10)

Other respondents simply mentioned that no one would be able to steal from their homes because they were somewhat secure, but they were reluctant to mention how they were made secure. The following quotes confirm this:

> "They would never steal my TV, I could even give you my address and you will never leave the yard with my TV." (Thembisa 1)

> "*No there is no protection except that they are in my yard, they are inside my house and that's protection enough.*" (Thembisa 6)

Some of the respondents did not have any form of protection in place for their assets if they were to be damaged or stolen. The following quotes capture this point:

> "*Nothing, if it is stolen there is nothing I can do*." (Alexandra 3)

> "*If they get lost there is nothing I can do but to buy new ones*." (Thembisa 2)

Other respondents did not even consider how they would replace their assets if they were stolen or damaged. The following quotes confirm this:

> *"I don't have that in mind at all….There are things that we don't think about or consider*." (Alexandra 4)

<u>How they would respond if an asset was stolen or damaged</u>

Most of the respondents planned to purchase new assets if their current set of assets were stolen or damaged. The following quotes capture this:

> "*I would actually buy myself those cheap phones for R130 here at the mall. It's very simple. I don't have an expensive phone because it draws attention and the thieves want it. If they steal this one I bought for R150, I wouldn't even be worried*." (Thembisa 1)

> *"I would have to buy new ones, though it's going to take time*." (Alexandra 2)

> "*I will just buy new ones…..I will wait till I get some money*." (Alexandra 4)

One respondent felt that they would replace their assets by purchasing second hand replacements because it would be cheaper and easier to handle, especially if those assets were damaged. The following quote captures this:

"*Yes, but I won't buy new ones I am going to go to that shop down there and buy second hand. What can I do, because it's cheaper?...Well I went to the people that were selling second hand and I gave them the broken ones they assessed it and I put in some money and they gave me new ones."* (Thembisa 4)

Some respondents actually felt that the police were part of their plan in protecting their assets. This was because they included the police in how they would protect their assets, even if the assets were stolen and never recovered by the police. They felt that reporting it to the police would help in some way, but if they are not recovered they would have to purchase new assets to replace the stolen ones. The following quotes confirm this:

"We would go to the police station….we would report the case." "I would have to buy new ones." (Alexandra 5)

"*I just report them to the police*." (Alexandra 6)

"*I have no idea and what is gone is gone, I will just have to report whatever is missing to the police."* (Alexandra 8)

A few of the respondents were convinced that if their assets were stolen, they would be recovered because they felt that their homes were very secure, and as a result anyone who stole from them would definitely be caught and captured. The following quotes capture this:

"*We will find them [thieves], my house is very secure*." (Alexandra 6)

"*I am well known so they won't steal from me*."(Alexandra 10)

One respondent felt that there was no need to have insurance because they would never get their assets damaged because they were cautious and their home was very secure. The following quote confirms this:

"*No they* [their assets] *would not* [get damaged], *I am very careful*." (Alexandra 6)

Very few respondents who were interviewed had no plans on how they would replace their assets if they were stolen or damaged. The following quotes capture this:

"*Since I don't have insurance I don't have a plan B. If they are lost they are lost. I mean there is no way I could claim. I wouldn't do anything*." (Alexandra 1)

Previous Risk Events

Some of the respondents have never lost an asset especially an asset that was very important to them. The following quotes confirm this:

> "*No and I have never been robbed*" (Alexandra 2)
>
> *"….nothing, not even a phone, I have had it for years*." (Alexandra 1)

A number of respondents have experienced their assets being stolen, whether it was an expensive watch, cellphone or DVD home theatre system. Some were able to replace them with cheaper alternatives; however others were not able to replace them at all. The following quotes capture this:

> "*A long time ago my watch was stolen….I have never thought of [insuring] that and it was expensive and I just stopped wearing expensive stuff*." (Alexandra 7)
>
> "*Let me tell you something right now I regret the fact that I did not insure anything. I lost my phone and when I called the store they told me that there is nothing they can do since I did not insure it and therefore I had to take money from my pocket to buy another phone.*" (Alexandra 8)
>
> "*I just put my hand into the business money and bought another phone*."(Thembisa 3)
>
> "*Yes I bought one but a cheaper one because I couldn't afford the very one that I had before*." (Thembisa 4)
>
> "*They stole my TV…I just bought another one…It was painful [to save money] but I tried to do it*." (Thembisa 8)
>
> "*Yes they stole my Sony Ericson cellphone and it was worth R4,500….I bought another one, a cheaper one."* (Thembisa 9)

One respondent who was also a business owner experienced a loss when his shed for his car wash was damaged by a hailstorm. The respondent was not able to replace the shed with the same type of material; he rather replaced it with a cheaper alternative. The following quote captures this:

> "*Yes it [the hailstorm] broke down my shed for the car wash*." (Thembisa 6)

<u>Protection plan in place but not for assets</u>

Some of the respondents felt that insuring assets such as a Television set or a DVD Home theatre system would be similar to throwing their money away. This explains why purchased insurance that was very similar to a savings plan, where they were able to claim when someone they had listed on their policy had passed on. This policy was known as a top up cash benefit, yet it operated like a funeral cover product and savings plan. The following quote captures this:

> *"I have got insurance .It is a cash benefit. It works like a funeral cover like if it happens that someone passes away, they don't bury for me, actually they just give me money, myself I will see what I do with that money*." (Alexandra 9)

However other respondent were putting money away towards their children's education, funeral cover or even towards building their home and the quote below captures this:

> *"No I only have policies for me and for my child's education?...Yes it is for my child to go to University and I also have funeral policies which I am paying for since I am divorced*." (Alexandra 2)

> "Yes I do have this one [cash plan] and an educational plan for the younger one…….Not for assets, but only for the education and for myself." (Alexandra 9)

> "*No I do save but not for that reason* [of replacing my assets]… *We have societies at home.*" (Alexandra 4)

> "*No, actually am not saving towards that. Whatever money I am saving is for other things like children's education or building at home. If ever those things would get lost well I don't know, I can always get another one even if it's going to take long*." (Thembisa 4)

> *"I am saving and after I will then do something at home."* (Thembisa 10)

Some respondents form societies with friends or trustworthy individuals to help when a funeral occurs in their families. This seems to be much more reliant for these respondents, but it unfortunately does not answer how they protect their assets should they get damaged or stolen. The following quote captures this:

> *"They are different, there's a woman's club they all help when someone passes away. One would bring dishes and the other one would bring spoons they each bring different things to help at the funeral and there's money we are saving for in case someone passes away….. R5000 and there is also one society called Sekgomo. It means when you have a funeral at home, they buy a cow for you and my sisters also have those at home."* (Alexandra 4)

5.3.3 Research Question 3: What are the reasons for not purchasing short term insurance?

<u>What is insurance?</u>

A few respondents were able to explain what insurance meant to them. They explained that it was about securing things that were important to you or taking care of their responsibilities if anything happened to them. The following quotes capture this:

> "*It's something that is insuring me, taking care of me, if something might happen. It is something that would be there actually to assist*."(Alexandra 9)

> *"It means to secure…to secure yourself, your premises*" (Alexandra 10)

Very few respondents had a basic understanding of what insurance was. They were not able to explain or define it. When they were asked to explain what the term insurance meant, they provided examples explaining when an asset was stolen or damaged, how it was replaced by the insurer. The following quotes capture this:

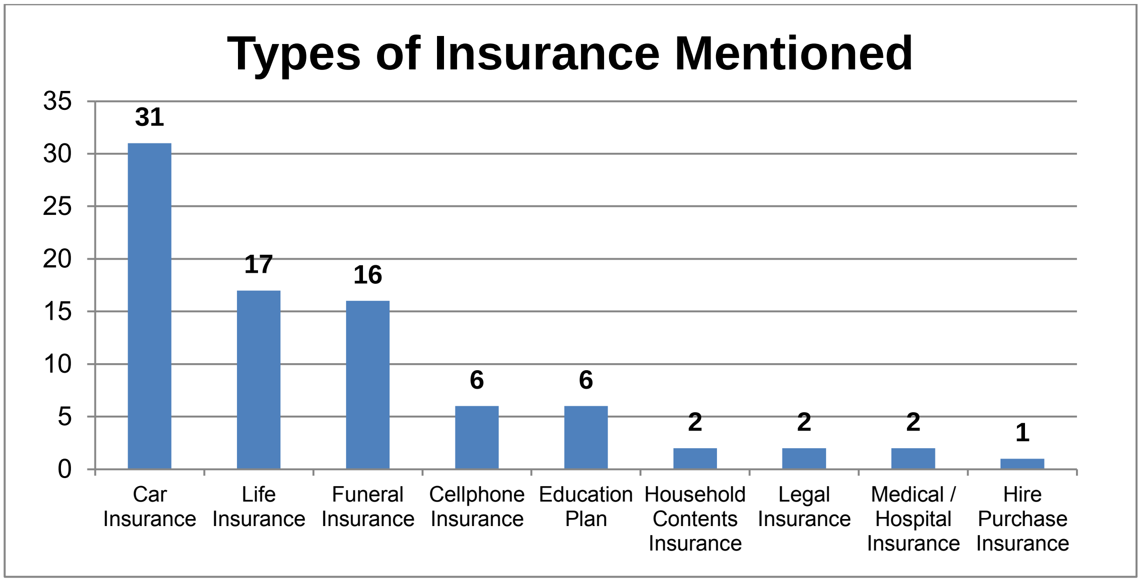
> "*Yes for example cellphone insurance for incase it gets lost or damaged, you can just claim and get a new one."* (Alexandra 2)

> "*There is car insurance and cell phone insurance. It is used when you misplace your phone, they give you another one but you have to pay a certain fee every month. I don't know how much you pay*." (Thembisa 1)

<u>Types of Insurance</u>

When it came to the types of insurance, these low income consumers were aware of a number of different types of insurance. Figure 14: Types of insurance number of mentions below confirms the number of times respondents mentioned the different types of insurance.

Figure 14: Types of insurance number of mentions



Most respondents, who knew something about insurance, knew about different types of insurance. Some respondents mentioned car insurance, life insurance, funeral insurance and cellphone insurance. The following quotes confirm this:

> "*If you have insured your car, in case something happens like an accident or theft, or the car would get burnt, your insurance is able to cover you*." (Alexandra 3)

> "*…. So you paying this money [insurance premium] for this certain thing [insurance cover] you have on a monthly basis. Eventually if anything happens to that thing [asset], if anything happens to me and my family will get a certain amount of money…"* (Thembisa 4)

> *"New products being sold on TV. "It's a big problem, like yesterday. Yesterday was Monday every time when I switch on my TV I see this advert about insuring your car even if it's an old car. They say you must sms growth to 43….I keep missing the numbers."* (Thembisa 6)

A few respondents mentioned Homeowners insurance, which they termed 'House Insurance'. They explained this type of insurance to be specifically for the house if it was burnt or damaged by a peril. They also seemed to understand that 'House insurance' included appliances which would be replaced if they were damaged or stolen. They knew the theft would have to be reported to the police to obtain a case number before it would be processed by the insurance company. The following quote captures this:

"*When you have insured your house in an instance where your house gets struck by lightning and it burns down or gets damaged you can claim from your insurance. As well as appliances if they get damaged or stolen during a house breaking you can claim from your insurance but you have to go to the police station and get a case number.*" (Alexandra 3)

"…..Or if my property gets stolen or whatever then they can replace it because it is for every month that I am paying [insurance premiums]." (Thembisa 4)

Other respondents mentioned funeral, hospital and life insurance. The following quotes captured this:

"*Ok with me it's a way to preserve life that in case I do lose my life I do know that in case of in funerals that would be covered unlike I'*9-+d have to leave a stress for my family, people that are remain at the back*." (Thembisa 7)

"*There is also funeral insurance, when someone dies."* (Thembisa 2)

"I have heard of different types of insurance life cover, property cover and so on and so forth. HIV and what not." (Thembisa 3)

"*If you are sick they can pay for your hospital bill and even pay for your children or parents are sick*." (Thembisa 8)

Some respondents mentioned legal insurance which they explained to be used when you have a case to defend in court. The following quote captured this:

"*….there is also legal insurance….. If you have a case, you may not have money to peruse the case. They will help with the case. That's what I understand by that."* (Thembisa 3)

Some respondents knew that when they bought an asset using installments to pay it off, the asset had insurance because it was included in the installments. However once the asset was paid off in total, they knew the asset no longer had insurance cover. The following quote captures this:

"*Yes, I heard about insurance on the TV, no, I just know that when you buy these things on hire purchase you get insurance and after you are done with your instalment they give you an option to continue with your insurance, but that I can insure my microwave from nowhere. I didn't know that, I didn't know that.*" (Thembisa 6)

Reasons for purchasing short term insurance

A few respondents had decided to purchase insurance because they felt that they would not be able to replace or even fix their assets immediately, if anything happened to them. The following quotes capture this:

> "… by the time I get an accident I won't have cash to fix my car, insurance will take over." (Alexandra 3)

Reasons for not purchasing short term insurance

Almost 80% of all the respondents did not have insurance, because it was either too expensive or perceived to be a waste of money. The following quotes capture this:

> *"…I will just waste a lot of money paying for insurance for months."* (Thembisa 1)

> "….*I am not interested and I don't need insurance*." (Thembisa 1)

> *"Because I do not see a need why must I pay for like insurance for my TV, because I that would be wasting money. Soon I am going to buy another one; I am going to leave that one at home."* (Alexandra 9)

> "*No and I am not even willing to do that because I am not working and I won't be able to pay insurance every month. My focus is paying for my child's fees and his fees are very expensive it's R41, 000*." (Thembisa 9)

> "*The problem is money."* (Thembisa 10)

Some of the respondents did not understand what insurance was and how it worked in particular when they purchased an asset once off like their cellphones. The following quotes capture this:

> "*I didn't want it when I bought my cellphone, and nobody explained how it works to me."* (Alexandra 7)

> "I have never heard anything nor have more information on insurance." (Alexandra 8)

Some respondents felt that insurance was not good or simply didn't work for them. They felt that it was a waste of money, because if the item insured was never damaged or stolen which meant no claim would arise, the insurer will not return all money paid to them. The following quote captures this:

> “*Insurance doesn’t work. It simply doesn’t work. It works for some people*.” (Thembisa 3)

> “*With insurance even if they would say I must pay R12 a month and I do, and in 12 years’ time my TV is ok, never damaged or stolen that will mean I have been wasting money. So it’s simpler to buy another one if something were to happen to the one I have*” (Thembisa 1)

> *“For instance you need to insure your house in case an accident happens like your house burning down, but I live in a shack house and it’s not even registered so that is why it is not insured and we still fighting to get an RDP house, and maybe the time I have it I can insure it.”* (Thembisa 9)

One business owner felt that insurance was only for people who were working and earning a monthly salary. The following quote captures this:

> “*I believe insurance is for people that earn salaries, not for people that have business.*” (Thembisa 3)

Some respondents felt they needed insurance but they were not sure how to obtain it or even contact the companies to purchase the short term insurance cover. This is captured in the following quote:

> “*It’s a big problem, like yesterday. Yesterday was Monday every time when I switch on my TV I see this advert about insuring your car even if it’s an old car. They say you must sms growth to 43….I keep missing the numbers.”* (Thembisa 6)

<u>Had insurance but it lapsed</u>

Due to the cost of insurance and the structure of having to pay monthly premiums some respondents who previously had insurance, could not afford the payments, and this resulted in their policies being cancelled. Some of them understood the need for insurance and were looking for methods of re-instating the insurance cover, but at a more affordable rate. The following quotes capture this:

> “*I used to work in a company where I was earning good but then I lost the job and I couldn’t afford to pay the insurance*.” (Thembisa 7)

> “*… look when I bought my car, my car had insurance and somehow I didn’t pop out the money and I had to cancel it, so right now my car hasn’t got insurance.”* (Thembisa 6)

5.3.4 Research Question 4: Is micro insurance in its current form of products, effective for the low income/poor consumer?

Current product flaws

Some of the respondents identified the flaws that they believe are in the current short term insurance products whether or not they were micro insurance products. They felt that the current insurance offerings do not cater for business owners, because there are months that their cash flow is low and others when they are financially sound. The following quote captures this:

> "*Business is unpredictable, in one week you can make something that you have not made in the past month, and in the next month you could be spending what you have made.*" (Thembisa 3)

The claims process

Most respondents felt very uneasy about insurance especially when they explained or described the claiming process. There was a sense of mistrust towards the insurer, yet the respondents knew that insurance was important; however they felt conflicted because they knew if they tried to claim, the insurer would look for ways not to claim, or make the process so tedious to deter them from claiming. This is evident in the following quotes:

> *"It was going to take a long time before I got a new one. It would be two or three months down the line and I would still be spending more money on transport to go process my claim and still won't get it."* (Thembisa 1)

> *"I had one [insurance cover] also for my cellphone. And when my cellphone was stolen and the [claiming] process was too long. I eventually just gave up." (Thembisa 7)*

> *"….some people will tell you that when you have to claim there is a lot of red tape and clauses in the contract….. And sometimes the grammar would be different on the book and you would end up saying let me just go*." (Thembisa 4)

Perceptions of short term insurance

Some overall concerns with the insurance industry were around accessibility, advertising and consumer education. Some respondents felt that even though they advertised on various media platforms, they felt that they were not easy to contact. Some respondents understood and expressed interest in insuring their assets but they were not sure what the process entailed to finally get the cover. The following quote confirms this:

> "We must insure them [assets], but I don't know how to." (Alexandra 5)

> "It's a big problem, like yesterday. Yesterday was Monday every time when I switch on my TV I see this advert about insuring your car even if it's an old car. They say you must sms growth to 43….I keep missing the numbers." (Thembisa 6)

Some of the respondents saw what was happening in the advert but they could not understand how the vehicle or asset was replaced. This is evident in the following quote:

> "*I see it on TV but don't understand. What I have seen is a man's car burning and they bring him another one*." (Thembisa 5)

Some respondents felt that insurance companies were not trustworthy and that was evident whenever they would try to claim. This re-emphasised how devious the insurance industry is perceived to be by consumers. This is captured in the following quotes:

> "*When I was working I used to have insurance for my accounts for in case I lose my job then the insurance would have to pay off my accounts. I had two and the other one was trustworthy and the other one didn't pay off and as a results I am blacklisted that is why I ended up ignoring everything to do with insurance. I bought a bed on account and when I lost my job my insurance paid it off and the other didn't even after I submitted a letter to show that I was unemployed*." (Thembisa 9)

> "*And then there is insurance that you pay every month for your assets at home like furniture, your car, everything. But you lose a lot of money. You lose more money than you would if you were buying something new. You just lose a lot of money from paying insurance every month. And even if you lose something, the procedure to get a new one from insurance company is long and difficult, where as you were paying every month. There aren't a lot of questions when you pay but when you go claim, you will be questioned so much… They will ask if you had locked the door and if you say no, insurance won't pay out. So you are actually giving them money for nothing*." (Thembisa 1)

> "[The problem is the grammar and procedure.] *Yes, the red tape you know*." (Thembisa 4)

5.4 Analysis between individuals found in LSM1-4 and LSM 5-6

Analysis between groups of respondents found within LSM 1-4 had a household income of less than R5, 000 according to the literature and those found in LSM 5-6 had a household income of more than R5, 000 was conducted to establish if there were any unique differences between the two groups. The following analysis was developed:

Figure 15: Gender breakdown for LSM groups

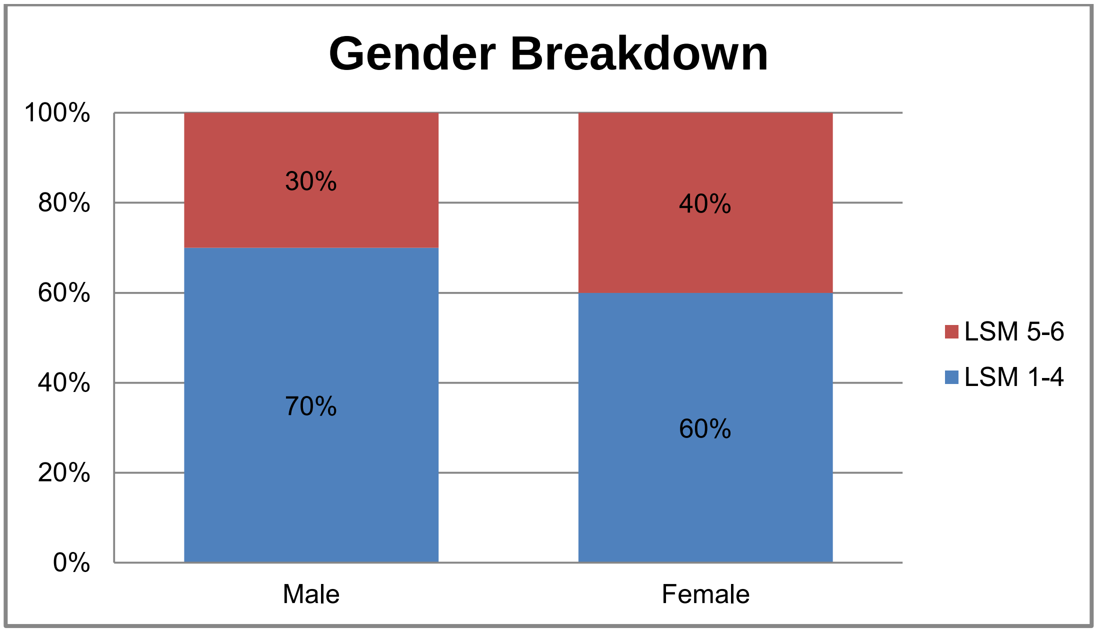


Figure 15: Gender breakdown for LSM groups shows that most of the females that were interviewed were from LSM 5-6, with a higher household income. Most of them also come from Alexandra township.

Figure 16: Age breakdown for LSM groups

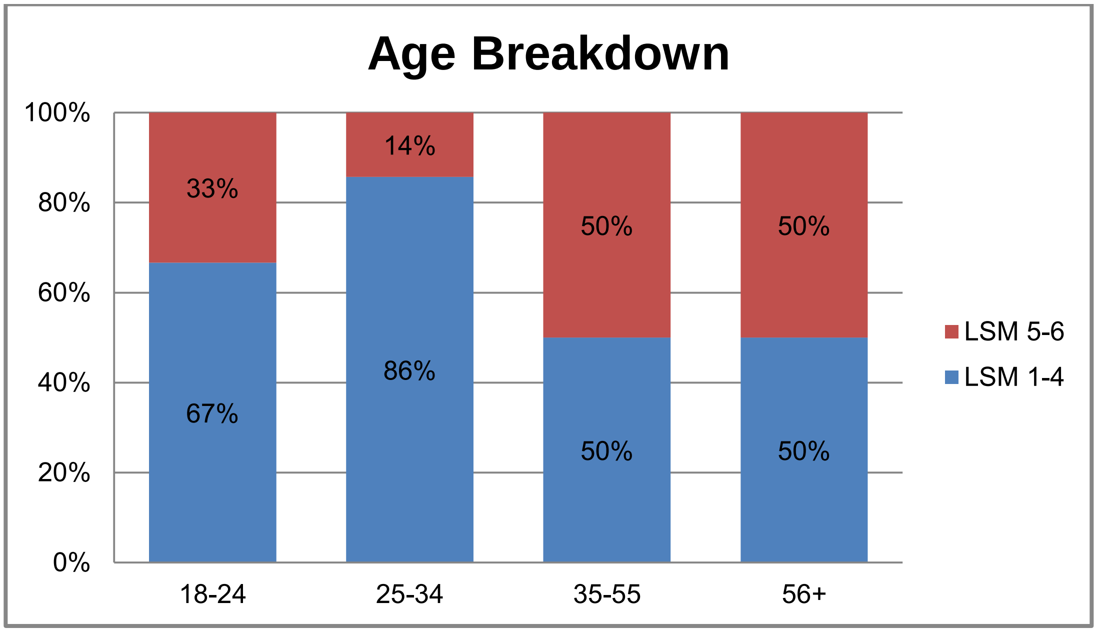


Figure 16: Age breakdown for LSM groups shows that most of the respondents within LSM 5-6 are much older than the LSM 1-4 counterparts. It could indicate that the older group has managed to collect their wealth over time unlike the younger LSM 1-4 group.

Figure 17: Number in household breakdown for LSM groups

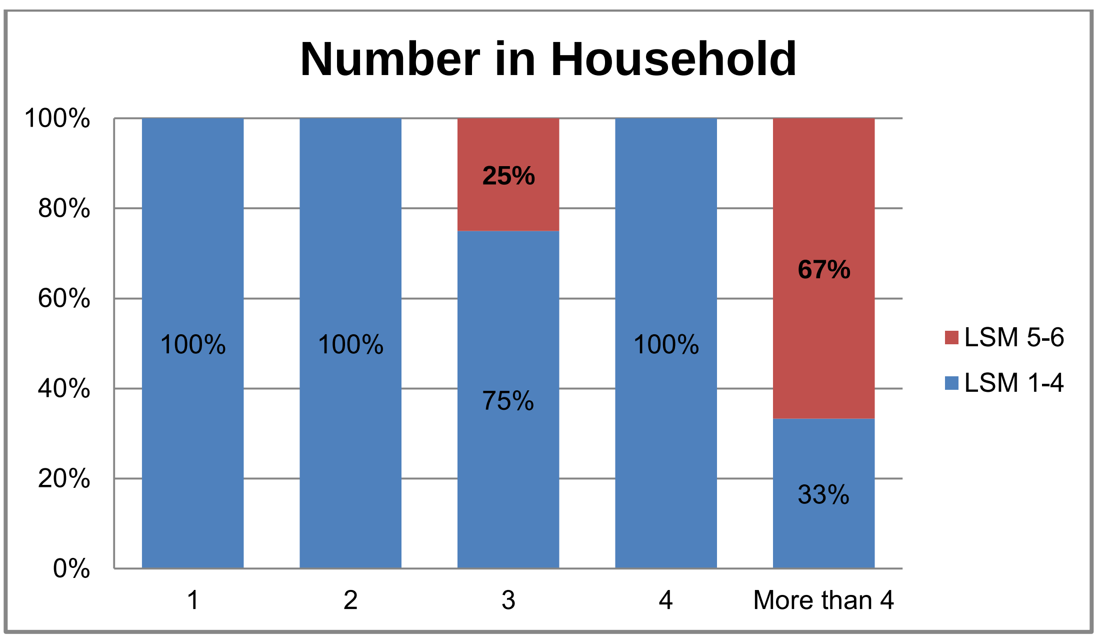


Figure 17: Number in household breakdown for LSM groups illustrated that the wealthier group LSM 5-6 had more than 4 people living with them.

Figure 18: Main breadwinner breakdown for LSM groups

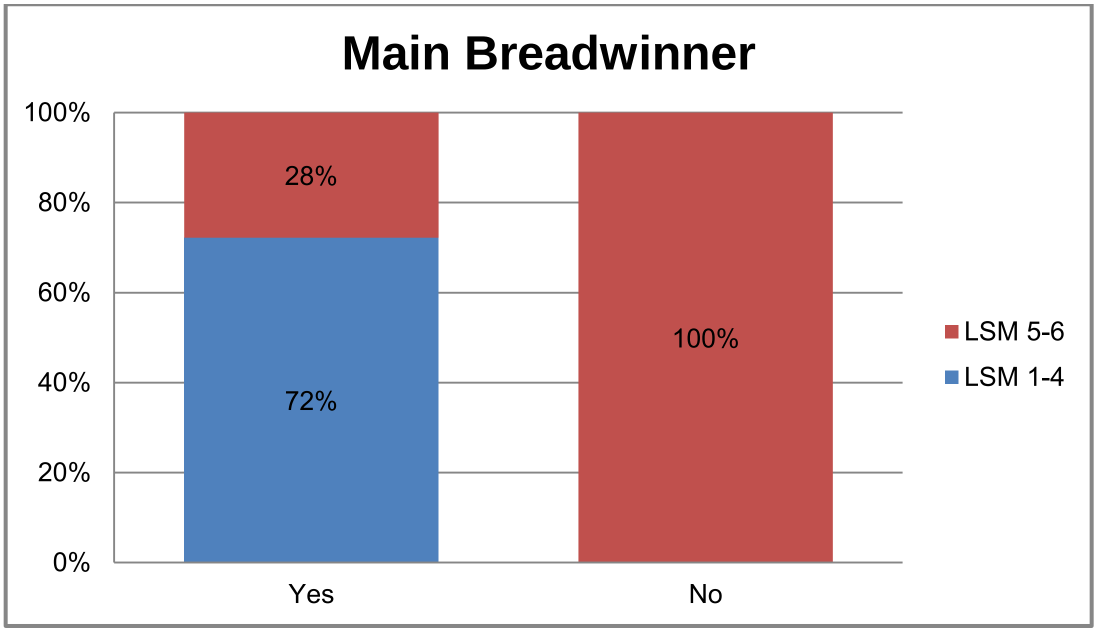


Figure 18: Main breadwinner breakdown for LSM groups depicted that a few respondents in LSM 5-6 considered themselves to not be breadwinners unlike the LSM 1-4 consumers where they all considered themselves breadwinners.

Figure 19: Level of education breakdown for LSM groups

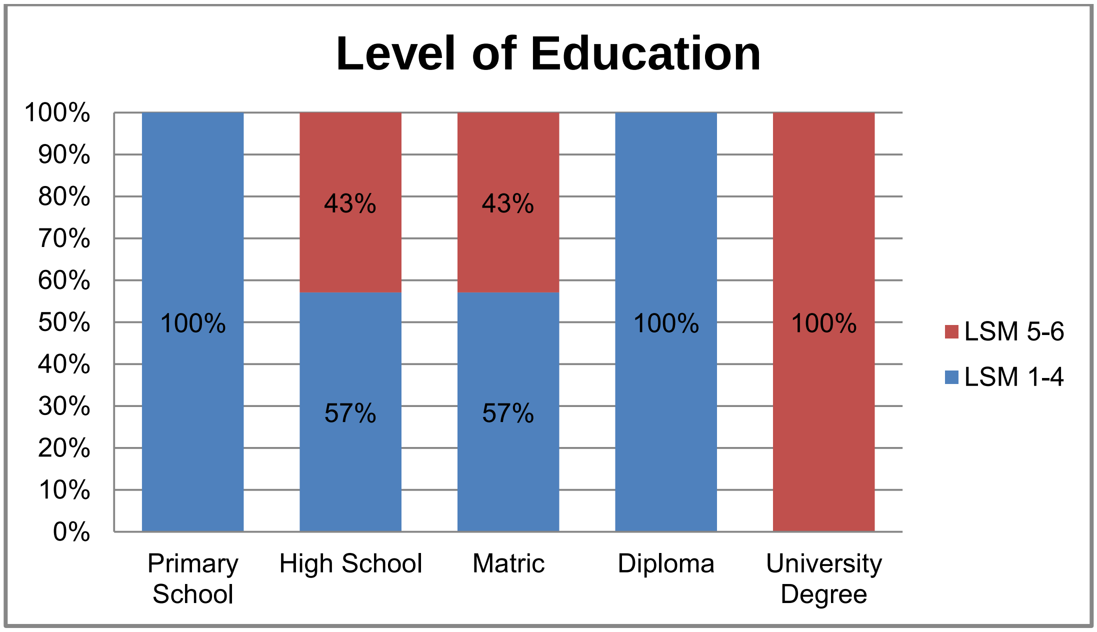


Figure 19: Level of education breakdown for LSM groups confirms that LSM 1-4 consists of a greater educated population in numbers however the higher LSM 5-6 has a much more educated group in terms of the maturity of the education.

Figure 20: Personal monthly income breakdown for LSM groups

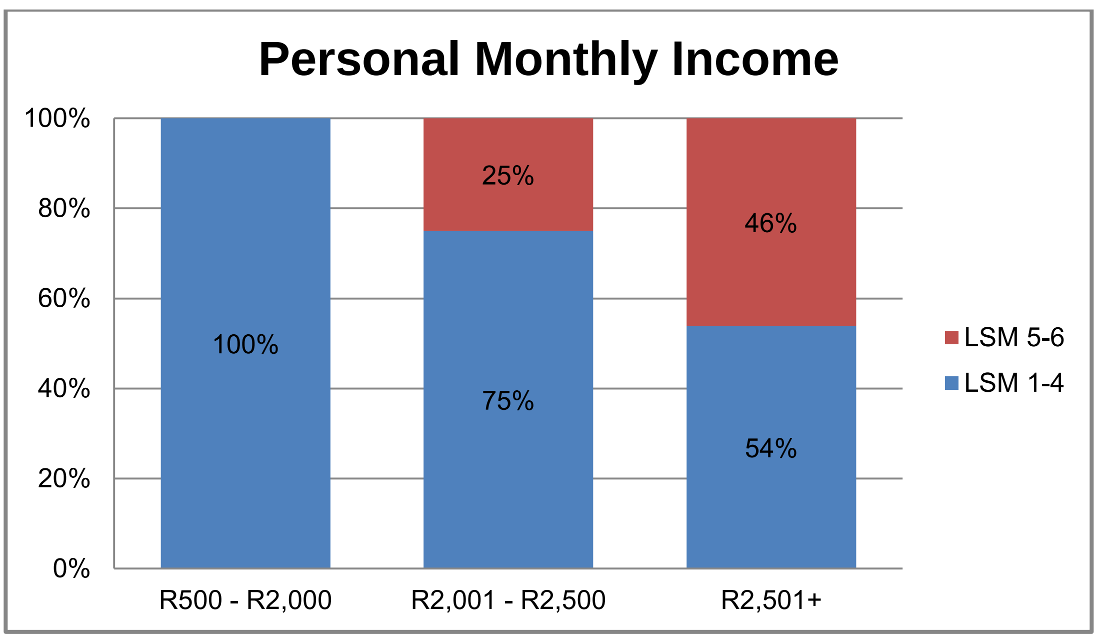


Figure 20: Personal monthly income breakdown for LSM groups indicates that LSM 5-6 has a higher Personal monthly income than LSM 1-4, but this is expected because the indicators used in the research was based on household income.

Figure 21: Assets owned broken down by LSM groups

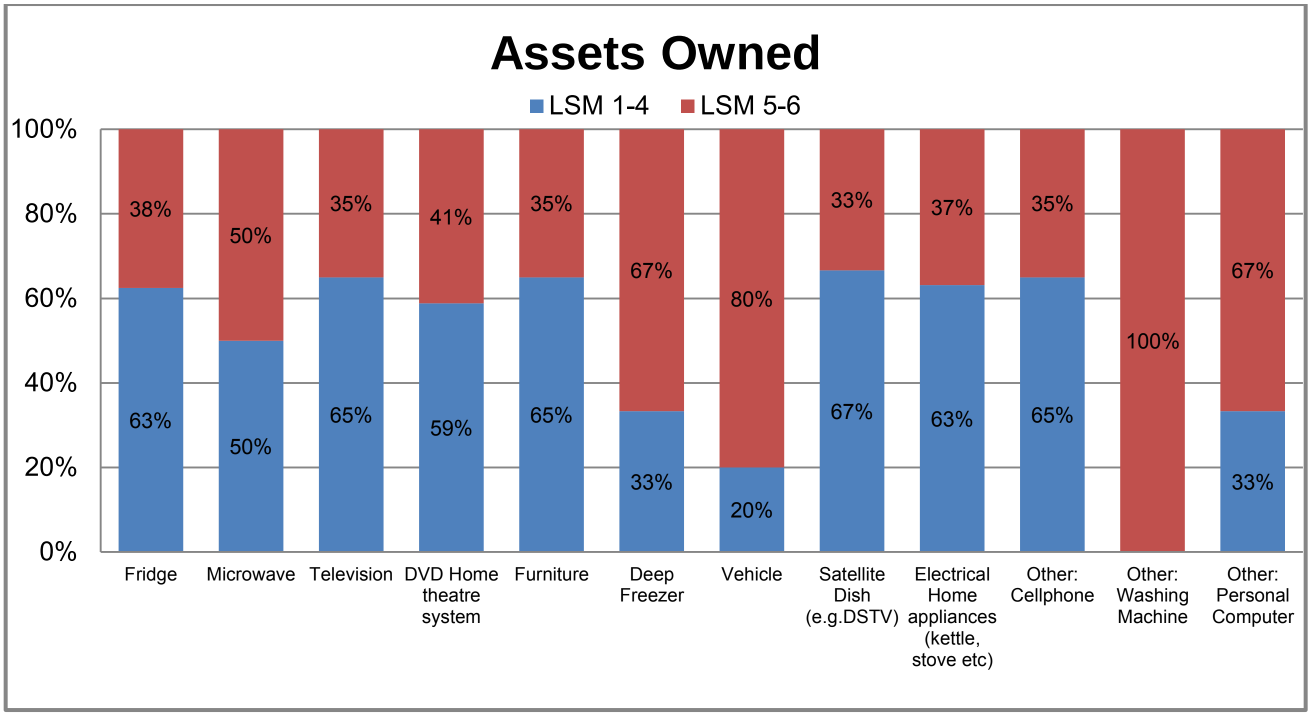
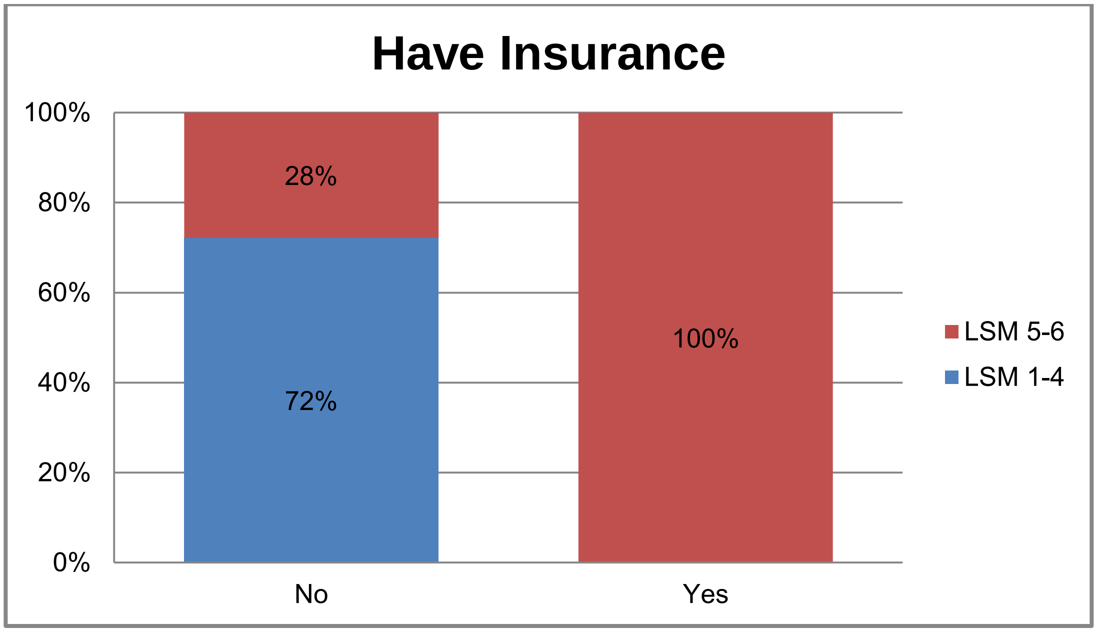


Figure 21: Assets owned broken down by LSM groups shows that LSM 5-6 have more expensive items such as deep freezers, cars and personal laptops. LSM 1-4 have fewer items, although they are more in population.

Figure 22: Number of individuals that have insurance by LSM groups



Although there are subtle differences between the two groups, Figure 22: Number of individuals that have insurance by LSM groups shows that insurance is about affordability, because only respondents within LSM 5-6 had asset or short term insurance.

5.5 Conclusion

This chapter has presented the findings of the qualitative research that was conducted amongst low income consumers. A number of themes have emerged from and these may guide the analysis in Chapter 6, however it will still be discussed using the research questions. A thorough analysis of the differences and similarities between the two segments LSM 1-4 and LSM 5-6 will also be revealed in Chapter 6.

Chapter 6 – Discussion of Results

6.1 Introduction

The following chapter interprets the results shown in Chapter 5 in detail, critically reviewing them against the existing literature discussed in Chapter 2. This will highlight the key insights obtained through the research that supports or contributes to the literature discussed in Chapter 2. This chapter is structured in the same order of the questions laid out in Chapter 3.

6.2 Research Question 1: To ascertain what items are in the home and owned by the respondent.

6.2.1 Introduction

The purpose of this question was to establish what type of assets low income consumers owned. This would determine whether there was appetite for short term micro insurance products amongst low income consumers.

6.2.2 Insurable assets owned

The research showed that low income consumers owned a variety of assets which they felt were valuable and important to them. The literature confirmed that some consumers preferred to invest a little extra to purchase an item of good quality (London & Hart, 2010), even though they were not able to replace those items if they were damaged or stolen. Some of these assets were too expensive to replace immediately, hence they would replace them with cheaper alternatives.

> "*A long time ago my watch was stolen….I have never thought of [insuring] that and it was expensive and I just stopped wearing expensive stuff*." (Alexandra 7)

> "*Yes they stole my Sony Ericson cellphone and it was worth R4,500….I bought another one, a cheaper one."* (Thembisa 9)

Although these consumers value these assets, it seems that replacing them with the same type of asset is not something they are able to do. Even though they know this, they do not necessarily plan to mitigate this risk, which means that perhaps there are other underlying concerns that are preventing them from planning.

According to the research results almost all the respondents were breadwinners; this meant that they were responsible for purchasing these assets and providing for their households. The assets that they owned ranged from stoves, television sets, DVD home theatre sets, fridges, furniture in the form of beds mostly and electrical appliances like a kettles. This confirmed that low income consumers had assets that were insurable, thus an insurable risk could be determined (Anaïs & Hier, 2012; J. Singh, 2014).

6.2.3 Level of importance

The research results confirmed that some respondents specified that all their assets were important to them. This response confirmed how low income consumers had limited resources and income (Bali Swain & Floro, 2014), hence the reason why all their assets were important to them. This also indicated that acquiring these assets might not have been easy financially; meaning that if anything happened to their assets, it would result in a financial setback.

> "*They are all important, they are mine. I love them all, music and my fridge*" (Thembisa 1)

> "*I love all of them because they are mine. All of them*" (Alexandra 10)

This response was especially true for households that fell within LSM 1-4, whose total household income did not exceed R5, 000. However there were some respondents who singled out particular assets that were quite important to them. The level of importance determined the value that the consumer placed on their asset and this was due to how the asset helped or contributed towards the household. For example if the asset was used to generate revenue for a household with unemployed people, the level of importance for that asset was very high. Boholm and Corvellec (2011) used the relational theory of risk to determine the level of a risk by understanding the value of the asset and its environment. This meant that if a valued asset was found in a challenging or deteriorating environment, the level of that risk became extremely high.

> "…*If I don't have a fridge where am I going to keep my groceries and food*?... *Without my deep freezers how am I going to keep my stock*?" (Thembisa 6)

> "…*I sell meat and therefore it needs to be refrigerated. I am a business woman.* " (Thembisa 9)

This doesn't mean that because a respondent declared all their assets were important to them, that a mitigation plan needs to be developed for all their assets. However the products can be developed but because these consumers have limited funds, they would not be able to purchase those products. Nonetheless, this indicates that because these consumers have limited funds, they would have to prioritise their risk to determine which assets to focus their funds on.

> "*My cell phone, you can't survive without a cell phone*." (Alexandra 10)
>
> "[What is most valuable to you] *It's the car and the house*." (Alexandra 8)
>
> "[What is most valuable to you] *My car*" (Alexandra 2)

It is important to note that consumers who fell within the LSM 5-6 segment had the ability to identify specific assets that were important to them, and this distinction was not only based on the value they derived from the asset, but also on the cost of the asset. This was not the case for the LSM1-4 segment, because to most of them, all their assets were deemed important.

6.2.4 Conclusion

Even though the research confirms that low income consumers value their assets, it is not translating into their behaviour. This reveals that there could be some things that these consumers have rated more important than these assets and that seems to be where their limited funds seem to be directed. In summary there are two things to note, first it is how these consumers rate what is important to them, and secondly what the pool of important factors has, so that we understand what is important and why.

6.3 Research Question 2: Are there plans in place to replace the items you own, should something happen to your home or belongings?

6.3.1 Introduction

This question was included to understand whether these consumers had risk management strategies in place to mitigate against the effect of risks. The pre-interview guide (see appendix B) included a section enquiring whether respondents had insurance for their valuable items. This assisted the researcher in determining how consumers protected their assets against the risk of them being stolen or damaged.

6.3.2 A protection plan for the assets

The research revealed a number of risk mitigating techniques that low income consumers used in order to protect and plan how to replace their assets. The following strategies were confirmed:

I. <u>Self-insurance</u>

The research confirmed that some consumers adopted a self-insurance approach as a protection mechanism for their assets. As defined, self-insurance techniques were developed to reduce the size of a loss that was due to a shock or risk event (Lohse et al., 2012). Tadesse and Brans (2012) confirmed that self-insurance was about absorbing the effect of the loss and replacing that asset where possible,

The respondents mentioned the types of self-insurance techniques that were found in the research and they were savings:

> "*Yes at the bank*." [replacing lost or stolen items] (Alexandra 7)
>
> *"Yes there's money I am saving in case something gets broken, I then buy another one"* (Thembisa 10)
>
> "*Yes I do save money for December. I am planning to remove* [current set of assets] *all of them and buy new ones in December*" (Alexandra 10)

Another form of self-insurance that emerged from the data was about receiving or obtaining income in response to a loss or risk event. The literature confirmed that this could be through finding a second job, getting another micro loan or by taking their children out of school to earn an additional income towards the household income (Gubert & Robilliard, 2008). An example found in the research, was when a respondent lost his phone and he replaced it by using the money from his business.

> "*I just put my hand into the business money and bought another phone.*"(Thembisa 3)

II. <u>Self-protection</u>

The research confirmed that respondents had self-protection as a substitute for insurance, and according to Lohse et al (2012), self-protection was developed to reduce the probability of a loss occurring. Some consumers believed that their homes were secure because they had a violent dog as a gatekeeper, or because they had built in burglar bars around the structure of the houses. Other consumers simply believed that their homes were secure enough to ensure a thief would be caught if they attempted to steal from them. All these were forms of self-protection that were confirmed within the literature.

> "We will find them [thieves], my house is very secure." (Alexandra 6)
>
> "Where I stay, no one gets into my house, even my friends. I have a dog and it bites and kills." "I am well known so they won't steal from me."(Alexandra 10)
>
> *"Right now where I live the place is safe, there are burglar windows and burglar doors, that's the only thing and the gate is kept locked."* (Thembisa 7)

Whether or not this strategy works, can only be determined when an actual event occurs.

III. <u>Formal risk sharing</u>

The research indicated a form of risk sharing that was not discussed in the literature review. The respondents mentioned a type of formal risk sharing mechanism known as guarantees, which were only applicable to assets and the risk was borne by the retailer. The Oxford dictionary describes guarantees as a formal assurance that certain stipulated conditions will be fulfilled, if the assets were found below a certain level of quality (Oxford University Press, 2014).

> "*They've got a guarantee, so they might be able to give me another one. They can give actually… They've got guarantees most of them*." (Alexandra 9)

The research also confirmed that these consumers use the guarantees as a risk mitigating mechanism until the guarantee period expires. Once the period is over they revert back to either a self-protection or self-insurance mitigating technique.

6.3.3 Response if a loss occurs

The research showed that most consumers did not have a formal plan on how to replace their assets once they are stolen or damaged. Some of the respondents seemed rather hopeless about their situation if they were to lose their assets due to a risk event. They felt the need to simply report the theft to the police and plan to purchase new assets, as if they knew nothing would yield from the police investigation. The fact that they have not formally planned how they would replace their assets indicates that, perhaps this is not a very important issue to low income consumers, in comparison to their other concerns. Some have not even thought about what they would do if they lost their assets, it seems that their minds are pre-occupied with other thoughts. Perhaps they have much more important issues to deal with such as providing for their household, paying school fees or planning how they will bury their loved one if something where to happen.

> *"Since I don't have insurance I don't have a plan B. If they are lost they are lost. I mean there is no way I could claim. I wouldn't do anything*." (Alexandra 1)

> *"I don't have that in mind at all….There are things that we don't think about or consider*." (Alexandra 4)

> *We would go to the police station….we would report the case." "I would have to buy new ones*." (Alexandra 5)

Nevertheless a few respondents indicated what they would do if they had experienced a risk event. They discussed that they would replace their assets with cheaper options by purchasing second hand goods, or by purchasing bran new items at a very low cost. This was confirmed in the literature that low-income consumers often have to select lower quality goods such as second hand or cheaper goods because of the cost of these goods and the limited funds they have (Hamilton, 2009).

> *I would actually buy myself those cheap phones for R130 here at the mall. It's very simple. I don't have an expensive phone because it draws attention and the thieves want it. If they steal this one I bought for R150, I wouldn't even be worried*." (Thembisa 1)

> "*Yes, but I won't buy new ones I am going to go to that shop down there and buy second hand. What can I do, because it's cheaper?...Well I went to the people that were selling second hand and I gave them the broken ones they assessed it and I put in some money and they gave me new ones."* (Thembisa 4)

6.3.4 Response when a loss occurred in the past

The research confirmed that the behaviour of consumers who had lost assets in the past was consistent with the plans put in place as a response if they lost any assets in the future.

> *Yes I bought one but a cheaper one* [phone] *because I couldn't afford the very one that I had before*." (Thembisa 4)

> "*Yes they stole my Sony Ericson cellphone and it was worth R4,500….I bought another one, a cheaper one."* (Thembisa 9)

The behaviour of small business owners was consistent with that off the low income consumers, especially because they were the same individuals.

> *"Yes, it broke down my shed for the car wash. The people keep coming to give me quotations, so it's not completely fixed and it's expensive to get it done"* [so he is getting it done with cheaper material] (Thembisa 6)

6.3.5 Protection plans against other risks

The research revealed that low income consumers did have risk mitigating plans in place, but not only for their assets, but for other important risks. These risks were more important for most of these consumers, because that is where they had chosen to invest the limited funds they had.

I. Education plan

Even though this was not the intention of the study, it revealed that not having school fees for their children's education was a very important risk that most of the parents who were interviewed mentioned, and needed to plan against. When respondents were asked about the types of insurance they knew, they immediately discussed the products they had first, consumers began to discuss the products they had invested in. This provided some insight that these consumers have certain issues that were constantly 'top of mind' for them, and they would address those thoughts any chance they got.

> "*Yes I do have this one* [cash plan] *and an educational plan for the younger one…….Not for assets, but only for the education and for myself*." (Alexandra 9)
>
> "*No, actually am not saving towards that. Whatever money I am saving is for other things like children's education or building at home. If ever those things would get lost well I don't know, I can always get another one even if it's going to take long*." (Thembisa 4)

II. Informal risk sharing

The literature confirmed that risk sharing arrangements were used as risk mitigating strategies which could be developed as a group, household or community (Ortigueira & Siassi, 2013) and in South Africa these were called stokvels (Lemanski, 2011). The research confirmed that these societies were prevalent among these consumers because they understood that with a few people in a group, they could help each other when a need arose.

“They are different, there’s a woman’s club they all help when someone passes away. One would bring dishes and the other one would bring spoons they each bring different things to help at the funeral and there’s money we are saving for in case someone passes away….. R5000 and there is also one society called Sekgomo. It means when you have a funeral at home, they buy a cow for you and my sisters also have those at home.” (Alexandra 4)

This society is very similar to providing funeral cover which is a type of formal insurance, and works in the same manner because premiums are required in order to receive a pay out when a claim is made. With a society, the members are friends, neighbours, basically members of the community and they also pay a premium, which is a monthly fee to make sure the society has funds to assist any member when they are in need. Consumers prefer these risk sharing methods because they know the people involved and it seems they more trustworthy. If a problem develops, they know who to speak to in order to discuss the issue, than a company with whom every time you contact them, a different person takes the call.

6.3.6 Conclusion

When a loss occurs low income consumers respond to the loss in the following ways:

- replace them with a cheaper alternative
- replace them with a second hand alternative
- save and purchase another one
- report it to the police and do nothing

However there are other ways in which the consumer could respond, but the above options seem to be the only manner in which they chose to respond, which means that there are definitely other issues at play here which have resulted in the replacement of these assets not being important at all. In the past, any assets that were stolen were either never replaced or replaced with a cheaper item, which stems the question of the levels of importance again. How important are these assets to these consumers?

6.4 Research Question 3: What are the reasons for not purchasing short term insurance?

6.4.1 Introduction

The first question in this section was developed to determine what low income consumers understood about insurance. The rest of the section discusses the types of insurance that they knew and the reasons why they would purchase insurance or not.

6.4.2 What is Insurance?

The research showed that most of the respondents had a basic understanding of what insurance was, however they were not able to articulate what it was, hence the use of examples. However two respondents phrased what insurance was quite nicely when they were asked that question:

> "*It's something that is insuring me, taking care of me, if something might happen. It is something that would be there actually to assist*."(Alexandra 9)

> *"It means to secure…to secure yourself, your premises*" (Alexandra 10)

This cannot be considered indicative of the population of low income consumers because although these respondents fall within that target market, they knew how to describe insurance because they sold it, in the form of cash policies as well.

Respondents were not able to explain what insurance was, but they were able to provide examples that explained how insurance worked.

> "*There is car insurance and cell phone insurance. It is used when you misplace your phone, they give you another one but you have to pay a certain fee every month. I don't know how much you pay*." (Thembisa 1)

> *"For instance you need to insure your house in case an accident happens like you house burning down…"* (Thembisa 9)

> "*If you have insured your car, in case something happens like an accident or theft, or the car would get burnt, your insurance is able to cover you*." (Alexandra 3)

The research revealed that most consumers (see Figure 14: Types of insurance number of mentions) were aware of vehicle insurance, and that was probably due to the consistent infomercials that play on the national broadcasting channels. Even though these infomercials play almost every day, awareness levels of household insurance were very low, indicating that consumers did not understand insurance in its entirety. Insurance awareness levels were there, but they were not leading to a place of the consumers having knowledge and skills to make financial decisions according to Matul et al (2013). The other most popular insurance was life, funeral, cellphone and educational plans. Consumers seemed aware of these products yet only the few that had purchased some of these products, knew how they worked.

6.4.3 Reasons for purchasing insurance

A few respondents had purchased insurance, and they knew and understood that the insurance would compensate for any accidental losses (Tadesse & Brans, 2012). When asked, they explained how their insurance cover worked and why they had insurance cover.

> "… by the time I get an accident I won't have cash to fix my car, insurance will take over." (Alexandra 3)

> *"It's a contract phone" …" It's in case I lose my cell phone, I'm not going to pay for that phone it will be covered by my claim before?* (Alexandra 6)

However there was no clear definition of whether those insurance products were micr insurance products or not, however because of the manner in which the product was sold to the consumer indicates that those were conventional products. According to the literature, micro insurance products are found at retailers frequented by low income consumers, and a car dealership somehow does not fit that criteria. This is also because micro insurance is specifically designed for low income consumers (Churchill & McCord, 2012) and when it was enquired how the respondent bought the insurance; they mentioned that it was available where they bought the car. So even though it seems very similar to micro insurance, it wasn't (Giesbert et al., 2011).

> *"I heard about it from my dealer, where I bought my car…. he gave me a couple of choices and I called them and made my decision. Because you know insurers are not the same so I chose one that I could afford"* (Alexandra 3)

Another type of formal insurance that respondents mentioned was a savings plan which was only triggered by a death in the family. Initially it seemed like a funeral cover policy which was triggered by a death in the family, however it is a savings plan, where the money claimed does not have to be used for the funeral specifically, it could be used for anything.

> "*I have got insurance .It is a cash benefit. It works like a funeral cover like if it happens that someone passes away, they don't bury for me, actually they just give me money, myself I will see what I do with that money."* (Alexandra 9)

The final type of insurance that respondents mentioned was a typical funeral cover policy, which only paid out when a death occurred in their family. This insurance was called 'family cover plus' and the reason why the respondent had it, was because they felt it was affordable for low income consumers. The product seemed to have taken into account the income of the poor as well as their African lifestyle into consideration, because of the funeral costs that normally spiral out of control (Nyambura-Mwaura & Blair, 2013).

> *"I have family cover plus… It's actually funeral cover, it covers you and six members of the family, like your kids and spouse….and if you want to add your mother you can just add another R99.* [What attracted you to this product?] *It's the price; no one can beat this… It's only R74 per month to cover people and extra benefits.* [The pay-out] *It's only R10, 000 that is why we say it is family cover plus, because it's a top up of what you have, because as black people we have a ceremony to perform of 13 days, …"* (Alexandra 10)

It seems that this particular insurance product was a micro insurance product, because a person with a monthly household income of between R4,001 and R5,000 described a payment of R74 per month as affordable. However this particular respondent was single and living with one other person in their home, so it can be assumed that other responsibilities such as education were not a priority to them in particular.

6.4.4 Reasons for not purchasing insurance

About 80% of the respondents did not have insurance for their assets and there were various reasons for this, which are discussed in detail below:

1. Insurance is a waste of money

Some respondents said that paying for insurance was a waste of money because they would be purchasing new assets for their home, so in that regard they would be replacing the old assets instead of getting insurance for that. This was similar to what another respondent expressed regarding the cost of insurance, but they felt insurance was a waste of money because they did not understand the value of those products.

> *"With insurance even if they would say I must pay R12 a month and I do, and in 12 years' time my TV is ok, never damaged or stolen that will mean I have been wasting money. So it's simpler to buy another one if something were to happen to the one I have"* (Thembisa 1)

> *Because I do not see a need why must I pay for like insurance for my TV, because I that would be wasting money. Soon I am going to buy another one; I am going to leave that one at home."* (Alexandra 9)

This questions the relevance of these micro insurance products especially if these consumers feel that they are simply about replacing their assets, which they believe they can do themselves. However if these products are designed specifically to only replace their assets when they get damaged or stolen, then the insurers need to position these products much more effectively to get their buy in

2. Unable to meet the requirements of the insurance contract

Some respondents expressed that because they were not working, they could not afford the insurance because it required they pay monthly premiums.

> "*No and I am not even willing to do that because I am not working and I won't be able to pay insurance every month."* (Thembisa 9)

> "*Because this is a temporary job, I don't have a permanent job*" (Alexandra 1)

It seems that these consumers are not aware that premium arrangements can be made to pay the premiums in different ways to still remain covered for their risk. This is due to a lack of consumer education specifically on the micro insurance products.

This also confirms how rigid they feel the micro insurance products are, and that much more flexibility needs to be developed into these products, taking into account the lifestyle of these low income consumers. The current products are simply a downsizing of conventional insurance products (Biener et al., 2014), which is not practical and realistic for this target market.

One business owner felt that insurance was not made for business owners because they did not earn a regular salary, in order to pay for the monthly insurance premiums.

"*I believe insurance is for people that earn salaries, not for people that have businesses… Business is unpredictable, in one week you can make something that you have not made in the past month, and in the next month you could be* spending what you have made." (Thembisa 3)

This is evident that there is a lack of consumer understanding of how these micro insurance products work and how consumers can manage them from a premium perspective. There is also a lack of awareness regarding insurance for small and medium enterprises; however this raises a question as to whether the current business insurance packages are relevant for small business owners.

3. Short term micro insurance not a priority

Some respondents did not have insurance because they had other priorities.

"My focus is paying for my child's fees and his fees are very expensive it's R41, 000." (Thembisa 9)

"Yes it is for my child to go to University and I also have funeral policies which I am paying for since I am divorced" (Alexandra 2)

These consumers believed that their children's' education was much more important than purchasing short term micro insurance to protect their assets.

A number of respondents expressed that they did not have assets insurance but that they had invested in other types of insurance such as funeral insurance and education plans. The list below indicates what type of insurance was a priority over short term micro insurance:

- Funeral Insurance
- Life Insurance
- Education Plans
- Top up insurance- cash plan and family cover plus
- Building a home

Some respondents admitted that thoughts about how they will replace their assets did not even cross their mind, signifying how unimportant that was to them.

"*There are things that we don't think about or consider*" (Alexandra 4)

4. Short term micro insurance was not affordable

The researched revealed that the respondents felt the insurance was too expensive. However this was a perception that was created by consumers not understanding what micro insurance was and how it could benefit them. This was aligned to what was covered and confirmed in the literature review.

"*The problem is money.*" (Thembisa 10)

5. Lack of consumer education, understanding and trust

Most respondents did not understand what insurance was and how it actually worked. There were situations where some respondents were faced with the option of insuring their cell phones and they did not even enquire how it worked and why it was being offered to them.

"*I didn't want it when I bought my cellphone, and nobody explained how it works to me.*" (Alexandra 7)

"I have never heard anything nor have more information on insurance." (Alexandra 8)

This was in line with the literature regarding the challenges facing micro insurance in general.

The research demonstrated that consumers confirmed that they did not trust insurers and this was also evident in the literature review.

"*Insurance doesn't work. It simply doesn't work. It works for some people.*" (Thembisa 3)

"And then there is insurance that you pay every month for your assets at home like furniture, your car, everything. But you lose a lot of money. You lose more money than you would if you were buying something new. You just lose a lot of money from paying insurance every month. And even if you lose something, the procedure to get a new one from insurance company is long and difficult, where as you were paying every month. There aren't a lot of questions when you pay but when you go claim, you will be questioned so much." (Thembisa 1)

This was a shared sentiment amongst most of the respondents, even though they did not express themselves as explicitly. As the respondents provided the various reasons as to why they did not have asset insurance, a sense of distrust was echoed in the background every time they provided their reasons. Tadesse and Brans (2012) agree that attitudes towards insurance will improve if low income consumers start trusting the products. However this will only develop when these consumers use these products and experience the value that these products provide.

6. Lack of awareness

The research indicated that consumers were quite interested in purchasing insurance because they understood how it could help them in their lives, yet they seemed to struggle to find insurers that they felt had affordable offerings. They felt that the affordable insurers were not easily accessible.

> "*It's a big problem, like yesterday. Yesterday was Monday every time when I switch on my TV I see this advert about insuring your car even if it's an old car. They say you must sms growth to 43….I keep missing the numbers."* (Thembisa 6)

The research showed that some consumers did not know what short term insurance was, and some even seemed confused about how it could benefit them. This was evident that low income consumers did not fully understand what insurance was and how it would benefit them as individuals.

> *"I know of insurance but I don't know about short term insurance…. Ok if you want to insure your things…. Ok if they get lost you can go claim and you get something from insurance"* (Alexandra 1)
>
> [What have you heard about insurance?] "*When you need help that is what I have heard about it*?" (Alexandra 5)
>
> "[When asked why they haven't insured any assets] *I don't feel the need to do it*" (Alexandra 8)

It also seems that communication and awareness of household contents or short term insurance cover for personal items was not known by the respondents because they were not aware that they could insure specific items other than mobile phones and cars.

6.4.5 Reasons for cancelling insurance

The research confirmed that affordability was a major determinant for micro insurance especially because it showed that consumers who had purchased insurance before eventually defaulted because they couldn't afford to keep paying for the insurance.

"…. look when I bought my car, my car had insurance and somehow I didn't pop out the money and I had to cancel it, so right now my car hasn't got insurance" (Thembisa 6)

The literature confirmed that affordability was one of the major challenges facing the micro insurance industry (Matul et al., 2013). By design micro insurance products should be affordable for low income consumers [enter reference], however this remains a challenge. Conclusion

There were a number of revelations and confirmations in this section, especially because this question contained a lot of the reasons why the uptake of micro insurance products are so low.

Real awareness creation is require, and not a tick box exercise, but a real campaign is required, if the industry wants to turnaround the perceptions of insurance in the mind of the consumer. As the literature covered, affordability, trust, product flexibility are all concerns that insurers need to address in order to shift the mind-set of the consumer. These consumers are captured by real stories, so good campaigns about how an insurer saved a family from financial ruin or helped them to put food on the table. These types of stories will help change the image of insurance. These campaigns should include consumer education and financial literacy training, which will empower these consumers to make financially sound decisions, ultimately promoting economic growth. It is believed that an improvement in financial literacy could significantly improve the lives of many low income people, because understanding the use of micro insurance will change their behaviour and result in an increase in the use of financial products (Biener et al., 2014; Giesbert et al., 2011).

Lastly regarding the products, these need to be developed with the consumer in mind. These products should be tested and kept simple for consumers to understand them.

6.5 Research Question 4: Is micro insurance in its current form of products, effective for the low income consumer?

6.5.1 Introduction

Although these consumers do not know how to distinguish micro insurance products, they know and understand what type of insurance packages are affordable for them.

Essentially what consumers deem to be affordable could be micro insurance products, but they also seem to be expensive.

6.5.2 Current products flaw

According to the literature micro insurance products have certain characteristics to prove that they are micro insurance products. These characteristics include that the products should be simple, easy to administer, have low administrative fees, have increased benefits and targeted at low income consumers specifically (Churchill & McCord, 2012). However the research did not confirm this, because the products that the respondents referred did not exhibit these characteristics, except for the 'family cover plus' package explained by Alexandra 10.

> *"It's only R74 per month to cover people and extra benefits…. It's only R10, 000 that is why we say it is family cover plus, because it's a top up of what you have, because as black people we have a ceremony to perform of 13 days, where they wash the spades"* (Alexandra 10)

6.5.3 The claims process

The research indicated that former users of insurance products felt very uncomfortable with the claims process. The respondents felt that the process was intimidating because of the red tape they would have to go through, to process the claim. There was also a sense of distrust and doubt that the insurer would pay out their claim.

> *"….some people will tell you that when you have to claim there is a lot of red tape and clauses in the contract….. And sometimes the grammar would be different on the book and you would end up saying let me just go*." (Thembisa 4)

There was not much literature explicitly on the claims process however one has to understand that when a consumer purchases insurance, it is because they believe that when a risk event occurs, they will be able to claim from the insurer. It would not be plausible to believe that a consumer will purchase insurance with the intention never to claim, especially if they are a low income consumer, they simply don't have enough funds to '*waste'.*

> "*When I was working I used to have insurance for my accounts for in case I lose my job then the insurance would have to pay off my accounts. I had two and the other one was trustworthy and the other one didn't pay off and as a result I am*

blacklisted, that is why I ended up ignoring everything to do with insurance. I bought a bed on account and when I lost my job my insurance paid it off and the other one didn't, even after I submitted a letter to show that I was unemployed." (Thembisa 9)

They also felt cheated especially because when they would submit a claim, it seems the insurer would delay and eventually avoid paying out their claim. This makes them feel as though the industry is not transparent, making the entire process tedious and painful for them. This is captured in the following quotes:

"*When I was working I used to have insurance for my accounts for in case I lose my job then the insurance would have to pay off my accounts. I had two and the other one was trustworthy and the other one didn't pay off and as a results I am blacklisted that is why I ended up ignoring everything to do with insurance. I bought a bed on account and when I lost my job my insurance paid it off and the other didn't even after I submitted a letter to show that I was unemployed*." (Thembisa 9)

"*And then there is insurance that you pay every month for your assets at home like furniture, your car, everything. But you lose a lot of money. You lose more money than you would if you were buying something new. You just lose a lot of money from paying insurance every month. And even if you lose something, the procedure to get a new one from insurance company is long and difficult, where as you were paying every month. There aren't a lot of questions when you pay but when you go claim, you will be questioned so much… They will ask if you had locked the door and if you say no, insurance won't pay out. So you are actually giving them money for nothing*." (Thembisa 1)

6.5.4 Conclusion

The claims process is what defines whether an insurer is dependable and if they are, consumers learn to trust that particular insurer, because the reason why anyone purchases insurance, it is because they know if they claim, it will be paid out. Therefore that process needs to be simplified and become more transparent so that when consumers claim they don't feel like they are being interrogated.

The products will be addressed through the development process; however the claims process is the heart of the insurance promise. Many campaigns can be done with great success, but if a consumer has a negative claims experience, it takes a long time for that insurer's brand and reputation to be restored, especially in the micro insurance industry.

6.6 Analysis between Individuals found in LSM 1-4 and LSM 5-6

Table 4: Summary of analysis between LSM 1-4 and LSM 5-6 segments

Household Income	**LSM 1-4**	**LSM 5-6**
Demographics	• Younger group • More males, all are breadwinners (some are single) • Less in household • Similar education level • Lower income level	• Older group • More female, less number of breadwinners • More in household • Similar education level • Higher income level
Insurance	• Does not have insurance products for assets	• Has insurance products for a car
Valuable and Insurable assets	• All assets were insurable	• Fridges, deep freezers, cars, cell phone and computer
Protection plan	• Self-insurance, • Self-protection, replace with second hand items, replace with cheaper alternatives • Formal risk sharing • Informal risk sharing	• Self-insurance e.g. savings specifically for assets to be replaced • No plan • Report to the police
Previous risk mitigation	• Purchased cheaper alternative • Had savings to replace the stolen asset	• None, after watch was stolen • Used business funds to replace phone • Yet to replace with

		cheaper alternative
Protection plan not for assets	• Education plan • Building plan • Funeral top up plan 'Family cover plus' • Burial societies	• Saving (to do something at home)
Reason for/against purchasing insurance	• Waste of money • Not affordable • Paying school fees	• To help pay for car accidents • Did not understand insurance • Lack of product flexibility • Poor communication
Insurance history	•	• Cancelled it when job was lost • Had it , but it lapsed
Claims process	• Process took too long • Costly exercise • Too much 'red tape'	• Process took too long
Perceptions	• Negative – lack of consumer education (refer to reasons similar to purchasing insurance)	•

6.7 Conclusion

This chapter provided an analysis of the findings that were presented in Chapter 5. The findings were analysed in detail using the research questions developed in Chapter 3 as a guide. The analysis indicated that risk mitigating behaviour did exist amongst low income consumers, and this was further discussed in the following chapter.

Chapter 7 includes the summary of the study with recommendations to the insurance industry and for further research.

Chapter 7 – Conclusion

7.1 Introduction

The previous chapter discussed and analysed the findings that were presented in Chapter 5. This chapter revisits the objectives for the research from the beginning of this report and compares it to the findings of the in depth interviews. The chapter finally consolidates the discussion and findings in the overall document, into a concise framework.

This chapter also discusses the implications for future research and what these findings mean for the Short term insurance industry, with regards to micro insurance.

7.2 Research Objectives

Micro insurance products were designed to assist the poor to mitigate their risk in an affordable manner (Radermacher & Brinkmann, 2011); however these products were not being purchased by the target market, resulting in a very low micro insurance penetration (Arun et al., 2012; KPMG, 2014). Therefore this study investigated whether risk mitigating behaviour existed as an alternative to micro insurance, which would offer some explanation as to why the uptake of micro insurance was very low.

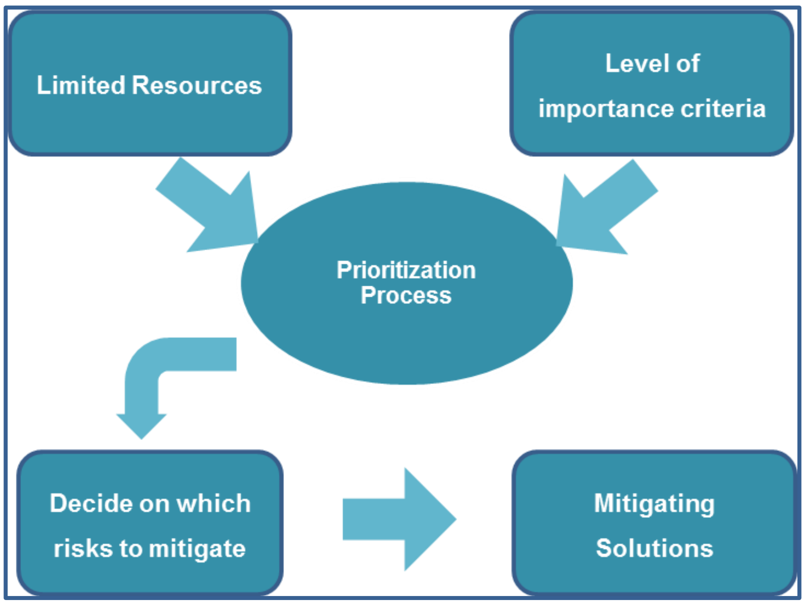
7.3 Summary of the study

7.3.1 Overall findings review

Low income consumers are forced to mitigate their risks because they have very limited funds, and they are extremely vulnerable to risks (Akotey et al., 2011), these limitations restrict what they are able to do regarding their household or business. Therefore they are forced to go through a process of prioritising what is important for them as providers for their family. This process of prioritisation, takes into consideration how they determine what is important in a pool of responsibilities. Hence what could be important to one individual may not necessarily be important to another individual. It could be that both individuals deem something to be important, however how they rate that item could be totally different, which would result in a very different prioritisation set. For example the. Financial status of the household could be deemed less important than their children's education or the burial of a family member, which is sometimes the case in the African culture (Nyambura-Mwaura & Blair, 2013).

Once these risks are prioritised, these consumers then decide which risks to mitigate based on that prioritisation list. The mitigation process can be developed through various solutions, but the consumer behaviour of low income consumers sets in and price becomes a deciding factor (Hamilton, 2009). In evaluating the risk mitigating alternatives, low income consumers select the option that is affordable to them in their current situation, but will reduce the impact of a risk event on them. This process is depicted in Figure 23 Low income consumers mitigation decision process below:

Figure 23 Low income consumers mitigation decision process



7.3.2 Micro insurance challenges

The research also found that there were a number challenges or obstacles preventing these consumers from taking up any property micro insurance: The current challenges facing the micro insurance industry are listed in the table below. Recommendations were discussed in the table, based on the literature and the findings from the research.

Problem	**Recommendations**
Insurance is a waste of money	This is a consumers' perception and can be dealt with through financial literacy as well as consumer education. It may result in a consumer still concluding that insurance is a waste of money; however that will no longer be a statement of fact, but of opinion.

Unable to meet the requirements of the insurance contract	In the research consumers felt that insurance products required a monthly premium and that there was no other arrangement that one could make. This is not true and once again this problem can be dealt with through consumer education and training. Consumers need to be made aware of the different products available with the premium payment options. This could be communicated periodically to educate consumers about their options.
Short term micro insurance not a priority	This unfortunately depends on how best the value proposition is designed to meet the needs of the customer. However it is also dependent on the priorities set by the consumer and whether they have the funds available to purchase these products. . This paper has established the importance of micro insurance for low income consumers, however the packaging, communication, pricing and flexibility of the product depends on the industry and insurers. The success of these factors will determine the uptake of micro insurance products.
Short term micro insurance was not affordable	This depends on how the consumer defines is affordable, but it can also be marketed correctly with an educative element explaining what the price consists of, bearing in mind who the target market is. i.e if the product offers real value, pricing can become a marketing challenge.
Lack of consumer education and understanding	These are all areas that can be dealt with through increasing consumer education and awareness. By educating consumers about micro insurance, but also educating to increase consumer's financial literacy, these consumers will understand the benefits of micro insurance. However that will not be the only benefit, as
Lack of trust	
Lack of awareness	

	they will become financially empowered to make financially sound decision, which will ultimately contribute to economic growth.

7.3.3 Unique differences between the LSM groups

The research found that risk mitigating behaviour existed amongst low income consumers, specifically within the lower LSM segment. LSM 1-4 exhibited more risk mitigating behaviour in the form of self-insurance, self-protection, formal risk sharing and informal risk sharing methods. This signified that although these consumers have a very limited household income of up to R5,000, they had the ability to plan ahead against specific risks that were important to them. The LSM 1-4 consumers engaged in a prioritisation technique which helped them to determine where to focus their funds, this is why some of them had education and savings plans rather than asset protection plans. Education, funeral and building plans were top of the list of importance against plans on how to replace stolen or damaged assets. However this does not mean that the protection of their assets was not important to them, but lined up against these other plans, asset replacement was always going to lose.

LSM 5-6 exhibited less forms of mitigating behaviour, however some of these consumers actually purchased short term insurance. The research was unable to indicate whether this insurance was a type of micro insurance, but it was highly unlikely due to the manner in which that particular insurance was acquired. This segment was a wealthier segment but they seemed to be less responsible than the lower LSM segment, which could be due to a number of reasons, such as not having enough funds available for savings because they are overly indebted, or entering into numerous instalment agreements thinking their purchases were affordable because of the small amount required (Jacobs & Smit, 2010).

7.4 Recommendations for future research

This study focussed on investigating whether low income consumers had risk mitigating behaviour which could be one of the reasons why micro insurance uptake was low. However the research conducted in this paper was qualitative and exploratory in nature, therefore there is an opportunity to validate this research in a quantifiable manner. The model presented as Figure 23 Low income consumers mitigation decision process explains the process that low income consumers follow when deciding on the most affordable risk mitigating solution for any high risks that they may identify. This model needs to be tested and validated to indeed confirm that it is applicable to all low income consumers, especially those found in developing nations.

Further research needs to be conducted regarding micro insurance products, because currently they do not seem to meet the needs, and lifestyle of these low income consumers, even though these products are targeted at them.

The prioritisation process for low income consumers' needs to be understood in further detail and this could also be tested in middle and higher income segments to establish whether they use the same process to determine their risk.

The insurance industry is faced with a challenge regarding micro insurance for the low income segment, because they have limited funds. Research needs to be conducted in understanding how these consumers translate understanding into purchasing behaviour. This should help in determining whether these consumers truly find value in micro insurance products.

7.5 Recommendations for Insurance Industry

This research provided one of many reasons why the penetration of micro insurance products was low, and this was due to risk mitigating behaviour and strategies existing amongst the targeted low income consumers. The recommendation to the industry is for insurers to consider the lifestyles of these consumers into account when developing micro insurance products because the current products seem to be too expensive and are not relevant to the needs and risks of these consumers.

Although the intention of the National Treasury Department is good, in wanting to provide insurance access to the poor, they need to co-ordinate a process or perhaps advise the insurers to first understand the needs of the market and understand that they do not have unlimited funds, so when they make a decision on a risk management strategy, they normally would have considered what their biggest risk is, with the greatest impact.

7.6 Conclusion

There is definitely a need for insurance for these consumers, however a number of factors need to be considered and addressed in order to increase the uptake of insurance products. The value of these products is known, but from an arm's length, because somehow these consumers do not believe the products can actually help them. Some of these are perceptions but also based experience with conventional insurance products. The industry has a long way to go to increase penetration rates, but it's not as far as we think. Research is required and so is education, with an emphasis on financial literacy, to empower these consumers, which will endeavour to promote economic growth.

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Appendix A: Consent Form

Gordon Institute of Business Science
University of Pretoria

I am conducting research on whether risk mitigating behaviour exists amongst low income consumers in South Africa in order to understand how to improve the current micro insurance products. Our interview is expected to last for 30 minutes approximately and it will help to determine whether low income consumers have risk mitigating mechanisms in place to protect their assets. Your participation is voluntary and you can withdraw at any time without a penalty. All data will be kept confidential.

The contents of the interview may be made publicly available, in the form of an MBA thesis, without your name or any other personal details except race and income being referred to.

If you have any concerns, please contact me or my supervisor. Our details are provided below:

Researcher: Grace Sikapokoo

Telephone: 083 623 4572

Email: gopokoo@gmail.com

Research Supervisor: Marcus Carter

Email: marcus_carter@hotmail.com

Signature of participant: ______________________________

Date: ______________________________

Signature of researcher: ______________________________

Date: ______________________________

Appendix B: Pre-Interview Screening Guide

Please circle your option

1. Household Monthly Income

(Overall income of both or more parties that earn an income in the household)

   a. R2,000 – R3,000
   b. R3,001 – R4,000
   c. R4,001 – R5,000
   d. R5,001 – R7,000
   e. R7,001 - R9,000
   f. R9,001 - R11,000
   g. R11,001 - R12,100
   h. R12,101+ Close survey

2. Are you the main breadwinner?

   Yes/No

3. How many are in your household?

   a. 2
   b. 3
   c. 4
   d. More than 4

4. Age

   a. 18-24
   b. 25-34
   c. 35-55

d. 56+

5. What is your ethnic background?

    a. African

    b. White

    c. Coloured

    d. Indian

    e. Other

6. Personal Monthly Income

    a. Less than R500

    b. R501 - R1000

    c. R1001 - R2000

    d. R2000 - R2500

    e. R2501+

7. What is your highest level of education

    a. Primary School

    b. High School

    c. Matric

    d. Diploma

    e. University Degree

The following section applies to the items you have in your home.

8. Please circle the items below if you have them in your home.

9. Please place a ‘V’ next to the items that you deem valuable.

a. Fridge

b. Microwave

c. Television

d. DVD Home Theatre System

e. Furniture

f. Deep Freezer

g. Vehicle

h. Satellite Dish (e.g. DSTV)

i. Electrical Home appliances (Juicer, rice cooker etc)

j. Other

____

____

____

10. Do you have any insurance products?

Yes/No

Yes, *if yes, begin discussion by enquiring why they decided to purchase insurance*

No, *if no begin discussion enquiring how they protect and replace their assets, should they get damaged or stolen.*

Appendix C: Discussion Guide

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1. Introduction

- Introduce yourself and the research will take approximately 30 - 45 minutes
- Explain market research and interview process – not a test, no wrong answers; the individual needs to provide honest responses;
- Respondent to introduce themselves: name,
- Refer to the Pre-screening form and identify all their assets in the home and that are valuable to the respondent

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<tr><td>

Research Objective 1:
To ascertain what items are in the home and owned by the respondent

Research Question 2: Are there plans in place to replace the items you own, should something happen to your home or belongings?

Research Question 3: What are the reasons for not purchasing any form of short term insurance?

</td><td>

2. Asset Protection

- Refer to the list of items either identified or listed in the pre-screening form provided

Does not have insurance

- How do you protect these items from getting stolen or damaged? Do you have any form of protection for these items?
- If these items were stolen or damaged, have you thought about how would you replace them?
- If you didn't have money to replace these assets yourself, do you know of another way in which you could replace them?
- Have you heard of the term insurance? What does insurance mean to you?
- Are you aware that you can insure these items that are important to you?
- Why do you not have insurance?

Has insurance

- Do you have insurance? Why do you have insurance?
- Where did you hear about this insurance? How did you

</td></tr>
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	get the insurance? − What made you decide to choose the product that you have? − What do you understand about the insurance that you have − Have you ever claimed from the insurance company? Were you satisfied with the company's service and did they replace your lost or damaged item?
	3. <u>Asset Replacement</u> − Have you ever lost an item that was very important to you? Why was it important to you? − How did you lose the item-theft/floods etc? − Were you able to replace them? How did you replace them? − Do you wish you could have replaced them?