Gordon Institute of Business Science
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Behavioural economic perspectives in insurance purchase decisions

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

1 November 2023

Abstract

Choosing insurance coverage is a multifaceted and intricate process crucial for protecting individuals and businesses from unexpected risks. This research delved into how people in South Africa make these insurance coverage purchase decisions, particularly considering the uneven nature of coverage available. Using qualitative methods, the research thoroughly investigated the factors influencing insurance choices in the South African context.

Examining behavioral economics and where and how consumers get their insurance information, the study uncovered how these elements interact in shaping insurance decisions in South Africa. The insights gained are valuable for insurance companies and policymakers, offering guidance on tailoring insurance products to better suit the diverse needs and preferences of the South African market. Furthermore, the research contributes to the broader understanding of decision-making in insurance, within an emerging market perspective in creating insurance products and regulations.

Understanding how individuals in South Africa choose their insurance coverage is not just academically important but also holds practical implications for improving the accessibility and effectiveness of insurance products. This, in turn, promotes greater financial security and risk management within the country.

Keywords

Behavioural economics; Financial insurance complexity; insurance decision making.

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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1 November 2023

Contents

List of Figures

List of Tables

Abbreviations

AGSA: Auditor General South Africa

GIBS: Gordon Institute of Business Science

GDP: Gross Domestic Product

IMF: International Monetary Fund

REC: Research Ethics Committee

Stats SA: Statistics South Africa

Chapter 1: Introduction to the research problem

1.1. Introduction

According to Signé & Johnson (2021), insurance is frequently disregarded among the factors that drive economic growth and development in emerging nations. Significant contributions of insurance to the economy identified by Das et al. (2003) include promoting financial stability among households and firms, mobilising savings from households to other sectors, reducing the burden on government social security programs, facilitating personal retirement planning, supporting trade and entrepreneurial activities, lowering overall economic risk, and promoting risk mitigation.

Despite the potential benefits of optimal coverage, adopting insurance policies suggests that individuals purchasing insurance opt for coverage that is inadequate to cover their potential needs and the maximisation of benefits from insurance. The research explores the discrepancy between the extent of insurance coverage that would benefit South Africans and their actual choice of insurance coverage. This section will commence by introducing the research by initially exploring the background and context, followed by delving into the research problem, purpose, and questions, as well as their significance and, lastly, the limitations.

1.2. Research Problem Background

Signé & Johnson (2021), Bah and Abila (2022) report that the global insurance penetration rate was in the region of 7.23%. In stark contrast, Africa exhibits a considerably lower insurance penetration rate of 2.8%, while advanced economies demonstrate a significantly higher rate of 9.6% (Bah & Abila, 2022). This substantial gap in insurance market penetration between advanced economies and Africa's significantly lower rate underscores the notion that Africa may not fully capitalise on the array of benefits that insurance can offer, as identified by Das et al. (2003). However, being underinsured is not the only reason why countries can miss out on the benefits of insurance.

When examining South Africa in particular, an interesting situation emerges. The estimated insurance penetration rate in South Africa stands at 13.61%, exceeding not only the worldwide average (Signé & Johnson, 2021; Bah & Abila, 2022) but also surpassing the 9% rate seen in advanced economies (Bah & Abila, 2022). However, despite this impressive penetration, the South African insurance landscape is primarily dominated by

life insurance policies (Signé & Johnson, 2021; IMF, 2022). This situation results in people being inadequately insured against impactful occurrences like natural calamities, political turmoil, and economic disturbances (Pitthan & De Witte, 2021). Several examples include the escalating annual figures of home break-ins and vehicle theft, the July 2021 riots in KwaZulu-Natal and Gauteng, flooding in KwaZulu-Natal, and the power surge problems stemming from the South African energy crisis. These are among the risks faced by individuals in South Africa (KPMG, 2023).

This emphasis on life insurance leaves individuals in South Africa under-insured when it comes to unforeseen disruptive events, such as natural disasters, political upheavals, and economic disruptions. In contrast, countries like Kenya, Nigeria, and Tunisia demonstrate a greater volume of non-life insurance premiums than life insurance premiums (Signé & Johnson, 2021). While these countries fall short of South Africa's penetration rate, they still maintain relatively higher insurance penetration rates than other African nations (Bah & Abila, 2022).

1.3. Problem Statement

Pitthan and De Witte (2021) suggested that even in well-established nations with advanced insurance markets, the decision-making process regarding insurance adoption remains a perplexing issue. They indicated that insights derived from applying behavioural economics frameworks could offer solutions to this puzzling aspect of insurance adoption. Their assertion emphasised the significance of employing behavioural economics frameworks to unravel the complexities surrounding insurance adoption, particularly in developed countries with mature insurance markets. Their work highlighted the potential of behavioural economics in providing valuable solutions to the enigmatic challenges in the realm of insurance adoption.

Recognising the significance of insurance within individual households and on a macroeconomic scale, it is imperative to comprehend the behavioural influences that shape individuals' decisions about insurance coverage (Pitthan & De Witte, 2021). Various studies have explored the impact of behavioural economics on consumer decision-making, yet these studies have typically centred on comparatively advanced economies, where the context may significantly differ from that of emerging economics (Hwang & Gao, 2003; Elango & Jones, 2022; Giri, 2018).

This theoretical framework poses a challenge for emerging economies that encounter low rates of insurance penetration or encounter disparities in insurance coverage, as is evident in the case of South Africa. Consequently, the existing body of research falls short in addressing the South African context, as it does not align with the unique characteristics of markets or emerging markets. This inadequacy in existing research leaves South Africa in a situation where they are unprepared to rectify the imbalanced insurance landscape, leaving individuals exposed to numerous risks, as delineated in earlier sections of this chapter. Consequently, South Africa faces a significant challenge in addressing the disparities in insurance coverage, leading to heightened vulnerability to various risks.

This research delves into the interplay of behavioural economic biases in predicting decisions related to insurance purchases.

1.4. Purpose of Research

Due to the limited existing research on the factors influencing South African behaviours in making insurance purchase decisions, this study aimed to delve into the underlying causes of South Africans' inclination to prioritise a specific aspect of insurance coverage over others, even though a more diversified insurance coverage offers various benefits. Essentially, the goal was to understand why South Africans tend to overlook the acquisition of non-life insurance products.

In essence, this research sought to uncover the motivations behind South Africans' preferences for certain types of insurance coverage at the expense of neglecting non-life insurance products despite the potential advantages offered by a more comprehensive insurance portfolio.

Some of the underlying supporting questions included the following:

What are the factors influencing decision-making rationality in the selection of insurance coverage among individuals in South Africa?

What behavioural biases affect the rationality of insurance coverage choices in the South African context?

What is the impact of information accessibility and transparency in insurance policy structures on the rationality of insurance coverage choices in South Africa?

1.5. Significance of Research for Business and Theory

This research aims to augment the existing knowledge by examining the behavioural influences that impact individuals' decision-making processes when purchasing insurance coverage, particularly within the South African context as an emerging economy. By addressing this gap in research, it is positioned to offer substantial insights into the nuances of insurance decision-making among individuals in emerging markets.

The research intends to fill the current void in this area, offering substantial real-world value to insurance companies and the South African government. The insights derived from this research are poised to serve as a valuable resource for the development of effective strategies that promote increased insurance utilisation, enhance financial stability, and ultimately contribute to the overall well-being of society. In doing so, this research aligns itself with the broader goal of advancing knowledge in the realms of behavioural economics and insurance, making a meaningful impact on both academic research and real-world policy implementation.

This contribution is pivotal in refining insurance products' appeal, especially in the realm of non-life insurance, to better resonate with individuals. Such insights could potentially alleviate the burden on the government, reducing the necessity for it to consistently serve as a safety net during challenging times.

1.6. Research Scope

As outlined in the earlier sections of this chapter, the purpose of this research is to delve into the reasons behind the preference for one specific insurance aspect over others among South Africans. This exploration approached this purpose by employing the principles of behavioural economics, using a qualitative and exploratory approach within the context of Gauteng, South Africa, during September and October of 2023. The study specifically targeted middle-income earners in Gauteng due to their capacity to access and select from a diverse array of insurance options, utilising semi-structured interviews as a means of inquiry. The rationale for focusing on this demographic was their ability to afford and make choices from a broad spectrum of insurance offerings.

Chapter 2: Literature Review

2.1. Introduction

Rees (1989) defines insurance as "a form of economic activity which can only exist in a world of uncertainty" (p.47). He added that when an individual engages in an insurance contract, "an individual gives up some amount of wealth - the premium – for certain in exchange for a payment if and only if some specified set of uncertain events occurs". This definition highlights several factors in decision-making in choosing insurance coverage. Firstly, this definition suggests that those who seek insurance coverage do so to protect themselves in case of an uncertain occurrence. Secondly, should such an uncertain phenomenon occur, they should not be harmed but benefit from it. Thirdly, such decisions are made based on the perceived likelihood of the occurrence of the phenomena covered by the insurance. Given that deciding on insurance coverage involves giving up some amount of wealth, those seeking coverage are likely to give some rationality in making such decisions. Conversely, as it is known that people are bounded in their rationality (Simon, 1955), Lee (2011), this chapter reviews literature to establish what is not known (Boote & Beile, 2005) to explain why South Africans prioritise life insurance policies (Signé & Johnson, 2021) while being under-insured against other uncertain events which may occur and leave them worse off by being uninsured against them.

2.2. South African Background

As this study examines insurance decision-making using behavioral economics, it is crucial to understand the unique South African context within which these decisions take place. This idea was reinforced by Schultz et al. (2007), who suggested that the social context influences individuals' decision-making and contributes, to some extent, to inconsistent decision-making. South Africa, the third-largest economy in Africa by GDP, trails behind only Nigeria and Egypt (Trading Economics, n.d.). Nevertheless, this seemingly promising economic status coexists with substantial socio-economic challenges.

These challenges encompass a wide spectrum, ranging from pervasive unemployment an educational system struggling to meet adequacy standards, to considerable income disparities (DBSA, n.d.). Furthermore, when observing South Africa's ability to translate its wealth into overall societal well-being, it is distressing to note its rank – 61 out of 64 countries, a position that has regressed from 56 since 2019, as per the World Competitiveness Yearbook (2023).

Unsettling statistics shed light on the soaring unemployment rate, currently at 32.6%, with youth unemployment presenting an even more alarming figure of 60.7% (Stats SA, 2023a). Simultaneously, the country's Gross Domestic Product (GDP) growth has stagnated, remaining at a standstill since 2019. Moreover, recent reports from Stats SA (2023b) highlight a consistent year-on-year increase in crime statistics related to house burglaries and car theft, showing a 7.1% surge. These figures indicate a heightened risk perception within South Africa, influenced by such elevated numbers.

The composite effect of these socio-economic indicators showcases the intricate landscape within which insurance decisions are being made in South Africa. It is evident that the context is marked by a complex interplay of economic promise and the pressing urgency to address and mitigate the socio-economic challenges that continue to persist and shape the decision-making framework.

2.3. Overview of Insurance in South Africa

South Africa boasts a highly sophisticated financial system that bolsters the insurance sector's growth (KPMG, 2012). The financial system is renowned as the most developed in Africa and adheres to global standards, underpinned by credible and independent policy-making practices and stands out as the leading and well-established hub for insurance within the African continent, commanding a substantial share of insurance premiums on the continent (IMF, 2022).

With an insurance penetration rate of 13.61%, South Africa not only surpasses the global average but also outperforms the penetration levels observed in advanced markets (Bah & Abila, 2022). This success can be primarily attributed to the popularity of insurance products focused on life and investments, with life insurance in South Africa significantly outweighing non-life, with life insurers amassing assets totalling ZAR three trillion by the end of 2018, in contrast to approximately ZAR 136 billion for non-life insurers (IMF, 2022).

However, it is essential to note that despite the impressive insurance penetration levels, the benefits derived from this coverage are somewhat limited, as insurance in South Africa is predominantly dominated by life insurance policies (Signé & Johnson, 2021). This leaves individuals underinsured in safeguarding against disruptive events such as natural disasters, political upheavals, and economic disruptions.

In contrast, nations such as Kenya, Nigeria, and Tunisia demonstrate a higher amount of non-life insurance premiums than life insurance premiums. (Signé & Johnson, 2021). Although these nations fall short of South Africa in terms of insurance market size, they maintain relatively higher insurance penetration rates when compared to other African countries (Bah & Abila, 2022).

2.4. Macroeconomic Importance of Insurance

This section illustrates the profound influence of insurance on a nation's macroeconomy, highlighting its impact on economic growth, financial resilience, risk management, and societal well-being. The preceding segment discussing South Africa's socio-economic challenges emphasised the potential of insurance as a tool to address these complex issues.

In today's dynamic and swiftly changing world, individuals constantly face various uncertainties threatening their financial stability. As exemplified in the South African context, insurance policies serve as crucial tools, providing individuals with a sense of security and acting as a shield against potential financial setbacks. For instance, in a hypothetical scenario related to South Africa's high unemployment rates, an individual adequately covered by retrenchment insurance could navigate a job loss while sustaining their livelihood during the challenging unemployment environment in the country.

Alhassan (2016) stressed the pivotal role of insurance within an economy, serving as a safeguard for households and businesses against personal and asset-related risks. Haiss and Sümegi (2008) supported the view in their discovery of empirical evidence after the examination of European countries, which showed a positive influence between insurance and Gross Domestic Product (GDP) growth. Das et al. (2003) also emphasised the importance of a robust, well-regulated insurance sector in promoting economic growth and resource allocation optimisation through risk transfer and savings mobilisation.

When individuals and businesses pay insurance premiums, they effectively channel their savings into financial markets. Savings, as indicated by Saville and Macleod (2019), play a crucial role in stimulating a nation's growth, encouraging economic investments, and fostering overall expansion. Notably, Outreville (2023) highlights the substantial attention the insurance industry receives from major international entities such as the World Bank and the International Monetary Fund (IMF) due to its macroeconomic significance.

While literature establishes the macroeconomic importance of insurance at both individual and societal levels, Ward, D., & Zurbruegg (2000) caution that this positive relationship between insurance and economic development is contingent on varying country contexts. They argue that risk attitudes, cultural influences, and regulatory frameworks significantly impact this relationship.

Hwang and Greenford (2005) and Dragos (2014) noted a positive association between national income levels and GDP growth, stating that insurance might be accessible to individuals in both high and middle-income brackets. Dragos (2014) further indicates that despite high-income inequality measured by the Gini coefficient in some countries, it did not significantly show evidence of individuals' deference from seeking life insurance coverage. This complex relationship between income, income distribution, and insurance demand reflects the diverse economic landscapes across different regions and countries. It aligns with the picture of South Africa, which boasts one of the highest GDPs in Africa, exhibits significant income inequality, and experiences relatively high insurance penetration rates.

2.5. Insurance Complexity

"Insurance is among the most complex financial products that many consumers will purchase in their lifetimes" (Tennyson,2011, p.166). Understanding and choosing appropriate insurance coverage can be a complex task due to the intricacies involved (Schwarcz, 2010). Deciphering the risks and potential outcomes associated with insurance policies often requires a high degree of financial understanding and insight. Unfortunately, many consumers make errors in their decision-making process regarding insurance, leading to substantial financial challenges and setbacks (Agarwal et al., 2009).

The complexity of insurance products often makes decision-making a daunting task for individuals. Evaluating the risks inherent in these products can be particularly challenging,

especially as insurance policies are often enveloped in uncertainty and speculation about their potential outcomes (Ericson & Doyle, 2006).

2.6. Behavioural Economics in Insurance

Traditional economics, anchored in the principle of rationality, assumes that individuals consistently act in their self-interest, making choices after thoroughly evaluating costs and benefits to achieve personal objectives (Thaler, 2017; Robbins & Judge, 2018). This perspective suggests that people, when presented with choices, consistently opt for the most advantageous option. However, real-world scenarios often showcase behaviour that diverges from this ideal of complete rationality due to cognitive biases, emotions, and social influences, leading individuals to make satisfactory decisions rather than the most optimal ones. “Most significant decisions are made by judgement, rather than by a defined prescriptive model” (Robbins & Judge, 2018, p. 182).

The discrepancy between the assumed rationality in traditional economics and the intricacies of human decision-making has led to the rise of behavioural economics, which investigates the genuine decision-making processes of individuals, recognising the limitations and biases affecting their choices (Thaler 2016, 2017; Barberis, 2018). Harrison (2019) alluded that behavioural economics poses a significant challenge when assessing insurance products and policies due to its revelation of how human behaviour differs from traditional economic models, necessitating the inclusion of psychological and behavioural factors in insurance considerations. In a closely similar fashion Baicker et al. (2012) also pointed out that significance of behavioural economics as a framework for comprehending the factors influencing individuals' choices regarding insurance adoption and coverage extent.

Moreover, Kunreuther and Pauly (2015) highlight persistent challenges consumers face in insurance markets, particularly when deciding whether to secure coverage for low-probability, high-consequence events. Tennyson (2011) further emphasises that individuals acquire insurance to protect against various risks in asset damage, health, and other liabilities, necessitating decisions on optimal coverage levels and the understanding of policy features and terms, which differ among insurers. This decision-making process becomes more complex due to individuals' unfamiliarity with these risks, as they often lack

prior experience in dealing with them. Consequently, individuals often rely on their instincts and emotions when making these decisions, favouring an intuitive approach over a more detailed and data-driven analysis (Thaler, 2016, 2017).

In addition, individuals are prone to making errors in their insurance-related decisions, deviating from the rationality presumed by standard economic theory. Behavioural Economics has emerged as a response to this realisation, aiming to elucidate the variances from rational decision-making and prevent the recurrence of such errors in the future (Thaler, 2016). Behavioural economics, as advanced by Thaler (2016), aims to explain and understand deviations from rational decision-making, striving to develop strategies to prevent these errors from recurring. It's important to note that Behavioral Economics aims to complement and refine traditional economic theory rather than replace it. This burgeoning field of study seeks to enrich our economic assumptions about decision-making processes, offering valuable insights into the cognitive and behavioural aspects of choice and ultimately providing a more comprehensive understanding of human decision-making in insurance and beyond (Laibson and List, 2015).

The subsequent sections explore the fundamental principles and cognitive shortcuts that significantly impact decision-making in the insurance domain. The identified behavioural biases are crucial in the realm of insurance as they shed light on both over and underinsurance across various risks (Pitthan & De Witte, 2021). These biases profoundly affect how individuals assess probabilities or assign weight to these probabilities when making insurance-related decisions. However, other behavioural economic biases do not fully align with or significantly contribute to explaining the intricacies of the decision-making process associated with purchasing insurance coverage, as noted by Pitthan and De Witte.

Bounded rationality and the choice of insurance coverage

Bounded rationality, as proposed and defined by Simon (1955), Lee (2011), Robbins & Judge (2018), suggests that individuals operate with limited cognitive resources and, therefore, make decisions that are satisfactory or 'good enough' rather than optimal. Many factors, including cognitive limitations and biases inherent in human decision-making, influence the decision-making process regarding purchasing insurance products.

Bounded rationality, a concept from behavioural economics, explores how individuals, constrained by cognitive limitations and imperfect information, make choices that may not align with traditional economic theories of rationality.

This concept challenges the traditional economic assumption of perfect rationality and complete information. In the context of insurance purchases, individuals face complex information, often leading to suboptimal decisions due to their bounded cognitive capacity. The insurance market is complex, with various coverage options, policy terms, and conditions. Lee (2011) suggests that due to bounded rationality, individuals face challenges in processing and fully understanding the vast amount of information available. As a result, they may employ simplifying strategies, such as focusing on specific aspects of insurance coverage or relying on recommendations from trusted sources rather than conducting comprehensive evaluations. Overall, individuals often feel overwhelmed by the complexity of financial products and services (Garcia, 2013).

Bounded rationality, a fundamental concept in behavioural economics, provides a lens through which to understand the failure to purchase optimal insurance coverage. The cognitive limitations and biases inherent in bounded rationality, including information asymmetry, choice overload, temporal discounting, and loss aversion, significantly influence insurance decision-making. Addressing these biases and cognitive limitations is essential for designing effective interventions to encourage insurance uptake in this demographic.

Loss Aversion

Loss aversion is a cognitive bias observed in individuals who tend to assign greater importance to avoiding losses than acquiring equivalent gains (Tversky & Kahneman, 1979; Barberis, 2013).

They maintained that the negative emotions and pain associated with a loss outweigh the positive feelings and pleasure associated with an equivalent gain. Considering this description, individuals exhibiting loss aversion are more likely to be risk-averse regarding potential losses. They might view the downsides of losses as more important than the advantages of a similar gain, which drives them to opt for insurance as a protective measure against potential losses. Conversely, Thaler and Benartzi (2004) emphasise that households with a specific amount of disposable income tend to perceive payments for

expenses as losses. As a result, they may exhibit reluctance in making insurance premium payments since it decreases their overall take-home income.

In addition, loss aversion can influence individuals to place greater importance on insuring against high-impact events with significant potential losses. They may be more willing to pay for coverage that protects them from catastrophic events or significant financial losses, even if the likelihood of such events is relatively low. Loss aversion amplifies the perceived negative consequences of these events, driving individuals to seek insurance to mitigate those potential losses. Based on this notion, it would be anticipated that there would be a rise in insurance adoption. However, according to Do Hwang (2021), the actual rate at which households choose to obtain insurance is significantly lower than what the behavioural economic construct of loss aversion would predict.

Lastly, it may be assumed that loss aversion can make individuals hesitant to reduce or eliminate their insurance coverage once it has been obtained. They may fear the potential loss of protection and the associated negative emotions from not having coverage. This resistance may lead to individuals maintaining insurance policies even when they may be paying more than necessary or when the risk profile has changed, such as when the value of insured assets has decreased. Mossin (1968) presented a counterargument to this assumption by suggesting that individuals with diminishing risk aversion tend to assume more risks as their wealth increases. As loss aversion and risk aversion are positively correlated, wealth may act as a moderator or mediator in the relationship with loss aversion. Therefore, the original assumption may not hold based on this premise.

In conclusion, by emphasising the protection against potential losses and addressing the emotional impact of losses, insurance may appeal to the risk-averse nature of individuals and enhance the perceived value of insurance coverage.

Present Bias

Present bias, as explained by O'Donoghue and Rabin (2015) and Direr (2019), characterises the inclination of individuals to prioritise immediate gains over future benefits. This bias leads people to favour instant gratification, often undervaluing or overlooking the significance of future outcomes. This tendency might result in underestimating the necessity of safeguarding against potential risks, especially regarding insurance.

Individuals tend to focus more on the immediate costs of insurance premiums rather than considering the potential losses they might encounter in the future. Consequently, they might postpone or entirely forgo purchasing insurance, leaving themselves exposed to unexpected events. Ai et al. (2016) support this by highlighting how individuals often yield to immediate impulses, disregarding their long-term interests.

Moreover, present bias can be evident when individuals only recognise the need for insurance coverage after experiencing a detrimental event. This reactive approach might lead to hasty decisions, prompting individuals to buy coverage without thoroughly assessing options or considering the broader spectrum of risks they might face.

Peer Effect/Herding

When faced with pivotal choices, people often seek input and guidance from their immediate social circles. This behaviour is part of a broader set of behavioural factors and tendencies. Baddeley (2010) defined this phenomenon where individuals opt to mimic group behaviours and follow others rather than making independent decisions based solely on their private information as herding. Prasad et al. (2021) state that the influence of peer effects or the tendency to follow the actions of others plays a role in decision-making. Thaler and Benartzi (2007) the tendency for individuals to rely on advice from close friends and family, as they perceive these sources to be more knowledgeable, often turning to them for guidance during critical decision-making processes.

Furthermore, Zyl and Van Zyl (2016) alluded that within this social phenomenon where individuals tend to conform their choices to the majority, there are cases where they are unfamiliar with those influencing the decisions. This conformity often results in choices that may not resonate with an individual's beliefs or values. Angriest (2014) noted that this peer effect is not restricted solely to financial matters. However, it extends into other domains as well, such as health, education and employment, to mention a few. The outcomes of such peer influence can be beneficial or harmful, depending on whether the majority's actions are well-informed or based on misconceptions (Van Zyl & Van Zyl, 2016). This impact is recognised for its tendency to create instability within the market and prompt widespread yet possibly misguided investment choices. (Baddeley, 2010; Bursztyn et al., 2014).

In situations where a clear negative pattern, such as insufficient insurance coverage, is apparent, individuals tend to conform to that trend, thereby perpetuating it. It is important to highlight that individuals who rely on informal sources of information, such as advice from family and friends, exhibit notably lower levels of insurance knowledge compared to those who seek information from alternative sources (Tennyson, 2011). This phenomenon underscores the considerable impact of social influence and emphasizes the crucial need for a thorough comprehension of its dynamics, especially in contexts involving critical decisions, like selecting appropriate insurance coverage.

Overconfidence Bias

The overconfidence bias pertains to a human tendency where individuals excessively trust their judgments or skills, which often results in an inflated estimation of their knowledge or capabilities (Robbins & Judge, 2018). This cognitive bias involves an exaggerated belief in their capacity to foresee or control events, leading to a minimised perception of risks or an overstated confidence in their ability to prevent potential outcomes (Pitthan & Witte, 2021). Within the domain of insurance decision-making, this bias may lead to inadequate coverage or the selection of inappropriate insurance plans due to an overly optimistic assessment of one's ability to handle or avoid risks effectively.

This bias in insurance choices might prompt individuals to underestimate the actual extent of potential risks they face, leading them to opt for coverage that doesn't fully protect against these risks. Moreover, the overconfidence bias might make individuals believe they can easily navigate adverse situations, influencing them to choose insurance plans that do not adequately cover the complexities of potential outcomes. As a result, individuals

Experience decisions

When making decisions, people often give more weight to the likelihood of rare events when these are depicted in external sources like books or mainstream media. In contrast, they tend to undervalue the probabilities of uncommon events based on their personal experiences (Hertwig et al., 2004).

This implies that when people rely on vivid descriptions from external sources, they tend to give more weight to the likelihood of rare events, possibly due to the detailed and

impactful portrayal of these occurrences. In contrast, experiences from their own lives or those of individuals in their proximity might not carry as much weight in their decision-making due to the limited number of instances of encountering such rare events. This study from Hertwig et al. suggests that how information is presented and experienced significantly influences how individuals perceive and assess the probabilities of rare events during decision-making processes.

The insurance field often intersects with the impact of personal experience bias in decision-making. This bias can significantly influence how people perceive and evaluate risks. For instance, an individual might have personally experienced or heard vivid stories about a specific type of rare event, such as a burning car, which could lead them to overestimate its likelihood. This overestimation might prompt them to prioritise coverage for that specific event in their insurance policy, even if, statistically, it is an infrequent occurrence. Conversely, some might underestimate the possibility of certain events occurring if they have not encountered them personally. For instance, they might downplay the importance of flood insurance because they have never experienced a flood or known someone directly affected by it, regardless of the statistical likelihood in their area, as seen more recently in Kwazulu-Natal and Western Cape.

In conclusion, the realms of traditional economics and behavioural economics have left a substantial imprint on the landscape of insurance decision-making and policy purchases. Traditional economics, with its foundational premise of rational choice and optimisation, provided a framework for understanding how individuals would ideally approach insurance choices. However, the reality of human behaviour often deviates from these ideals, as acknowledged by behavioural economics.

The emergence of behavioural economics as a complementary field has unveiled the intricacies of human decision-making, exposing the influence of cognitive biases, heuristics, and psychological factors on insurance-related choices. Behavioural economics has shed light on why individuals sometimes make suboptimal decisions in insurance selection, illustrating that emotions, bounded rationality, and the complexity of the insurance landscape can influence these decisions. Below in Table 1 are the behavioural economic principles expounded upon within this literature review, their potential effects on decisions regarding the purchase of insurance, and references used to support these discussions.

Principle	Positive Influence	Negative Influence	Literature
Bounded Rationality	X	X	Simon (1955), Lee (2011) Robbins & Judge (2018) Garcia, 2013
Loss Aversion	X	X	Tversky & Kahneman, 1979 Thaler and Benartzi (2004)
Present Bias		X	Ai et al. (2016) Direr (2019), O'Donoghue & Rabin (2015)
Peer Effect	X	X	Angriest (2014)

			Baddeley (2010) Bursztyn et al., 2014 Zyl & Van Zyl (2016)
Experience in decision-making		X	Hertwig et al., 2004
Overconfidence Bias		X	Pitthan & Witte, 2021 Robbins & Judge, 2018

Table 1: Behavioural Economics and Insurance Behaviour

2.7. Financial Literacy

Financial literacy, as outlined by Remund (2010) encapsulates an individual's proficiency in effectively managing their finances. It involves a solid command of financial knowledge and the skilled application of financial principles and tools. This level of financial adeptness has been found to significantly impact decision-making.

When financial literacy is absent, often referred to as financial illiteracy, it's linked to making detrimental financial choices that can harm individual well-being. These decisions range from limited engagement with retirement funds to suboptimal investment selections. This lack of financial understanding not only affects personal finances but also contributes to broader societal issues like excessive indebtedness. The implications of insufficient financial literacy extend to decision-making about insurance. Studies suggest that bolstering financial literacy could help address underinsurance. Research, like that of

Lusardi (2008), highlights a global prevalence of financial illiteracy, where many lack fundamental knowledge about savings, investments, and concepts such as interest compounding.

In understanding the significance of financial literacy, various scholars, such as Ambuehl et al. (2014) and Van Rooij et al. (2011), emphasised its crucial role in rational decision-making and financial success. Moreover, higher education levels, as noted by Outreville (2015), correlate with increased risk aversion and a better understanding of insurance's importance.

Elevated financial literacy equips individuals with a deeper comprehension of the long-term benefits of insurance. Conversely, inadequate financial knowledge leads to biases and mental shortcuts influencing insurance decisions. Hence, low financial literacy directly contributes to insufficient grasp or misuse of financial concepts and products. By improving financial literacy through education and advisory services, as Cole et al. (2013) suggested, communities with historically low insurance adoption rates can be empowered to understand, question, and select suitable insurance products.

Unlike other writers, Lin and William (2019) introduced an additional dimension to the existing literature by examining financial literacy within the insurance realm. They discovered that a good understanding of general financial matters did not necessarily equate to knowledge of insurance-related financial matters. Their research indicated that grasping concepts specific to insurance and applying knowledge related to risks in insurance decisions was not automatically guaranteed by possessing general financial literacy. They suggested that specialised insurance education, like actuarial studies courses, could significantly enhance these aspects.

In their concluding statements, Lin and William (2019) highlighted the challenge of attaining insurance literacy, even for those with a high level of financial literacy. This challenge, they argued, presented difficulty for individuals to make well-informed and logical decisions regarding insurance independently. It underscored the significance of trust within the financial and insurance sectors, as individuals often face limited choices and depend on advice and guidance from insurance companies and financial advisers (Lin and William).

In conclusion, the intersection of financial literacy and insurance comprehension revealed by Lin and William's (2019) study sheds light on the complex relationship between general financial knowledge and insurance-specific expertise.

Chapter 3: Research Questions

3.1. Introduction

This research aims to understand how the behavioural economic perspectives predict insurance purchase decisions.

Primary: *Why do South Africans prioritise one aspect of insurance coverage over others despite the benefits of a spread insurance coverage?*

This question was aimed at investigating the factors and motivations behind individuals in South Africa choosing to focus on specific types or aspects of insurance coverage while neglecting others. This is even in cases where a balanced or diversified insurance portfolio could potentially offer greater overall protection. The question delves into the decision-making process and underlying reasons for such prioritisation from a behavioural economic point of view.

3.2. Supporting questions:

Research Question 1: *What are the factors influencing decision-making rationality in the selection of insurance coverage among individuals in South Africa?*

This question sought to find out what influences people's choices when selecting insurance policies. The research question aims to explore and identify the various elements that impact how individuals in South Africa make rational decisions when choosing insurance coverage. It seeks to understand the diverse factors that influence and shape the decision-making process concerning insurance selection among the population in South Africa.

Research Question 2: *What behavioural biases affect the rationality of insurance coverage choices in the South African context?*

This research question seeks to pinpoint specific behavioural biases that affect the rational decision-making process when individuals in South Africa select insurance coverage. It focuses on identifying and understanding the psychological tendencies or cognitive errors that influence how people make choices regarding insurance in the South African context.

Research Question 3: *What is the impact of information accessibility and transparency in insurance policy structures on the rationality of insurance coverage choices in South Africa?*

This question explored the sources of knowledge and information about insurance. Such sources included channels and educational sources that contribute to people's understanding of insurance in South Africa.

Chapter 4: Research methodology

4.1. Introduction

This chapter details the research methodology and approach utilised to address the research questions presented in Chapter 3. A qualitative, exploratory approach research design was employed to discover how South African individuals decide about purchasing insurance coverage, aiming to gain in-depth insights into their behaviour. The data was gathered via semi-structured interviews based on the themes outlined in the literature review discussed in Chapter 2.

The research methodology, data collection, and data analysis were designed carefully, considering potential issues related to data reliability and validity. The researcher developed and implemented strategies to address and mitigate these concerns, all while considering time constraints and available resources. Ethical considerations and quality controls were also considered and discussed, along with the identified limitations of the study at the conclusion of this chapter.

4.2. Research Methodology and Design

The primary research questions aimed to uncover why South Africans tend to prioritise certain aspects of insurance coverage while overlooking others, even though a comprehensive insurance portfolio offers a range of benefits. This question was investigated individually, necessitating a deep understanding of behavioural economics to gain insight into the decision-making processes and psychological factors at play. Exploring behavioural economic factors allows for a comprehension of individual psychology, enabling a more profound understanding of how the participants make decisions and the psychological processes they undergo. Attaining this level of understanding requires a qualitative methodology that thoroughly examines each participant (Gordon, 2011).

The research adopted an interpretivist philosophy, which was selected for its capacity to investigate social phenomena and grasp the distinctions among individuals in their roles as social participants (Saunders & Lewis, 2018). Embracing this philosophical standpoint enabled the researcher to explore the intentions and meanings of the participants, resulting in a more profound comprehension of their viewpoints (Myers, 2013). Individuals

were interviewed in their context within South Africa, and their insurance coverage behaviours were explored to reveal deeper meanings and participant intentions.

The research strategy integrated deductive and inductive methods to lay a solid theoretical groundwork, concurrently delivering valuable qualitative insights. Initially, peer-reviewed literature was employed to pinpoint pertinent existing theoretical ideas within the domain of behavioural economics, subsequently examining these concepts within the context of insurance coverage. The deductive approach ensured that the research or data collected was firmly grounded in theoretical concepts under the bounded rationality umbrella (Yin, 2016). Subsequently, the research adopted an inductive approach to detect themes that surfaced during the qualitative data analysis. This analytical approach offered enhanced flexibility and facilitated a deeper understanding of the research context (Yin, 2016). The holistic research process, which combined both deductive and inductive elements, was suggested by Saunders and Lewis (2018).

Owing to constraints on the research schedule, interviews took place exclusively during September and October 2023. Consequently, the findings exclusively pertain to this specific timeframe in 2023, and no generalisations were made about periods preceding or following it. In accordance with the definition by Saunders and Lewis (2018), the data collection approach, which involves gathering data from distinct individuals at a singular time point, falls under the classification of a cross-sectional study while the researcher maintained a mono-method approach.

4.3. Population

The study focused on individuals in South Africa with moderate incomes, specifically those who were self-employed or working for an organisation. This demographic was selected due to their comparatively higher income and ability to choose from a diverse insurance product coverage, as opposed to individuals with lower incomes who typically select insurance based primarily on the lowest available cost. According to Burger et al. (2015), this demographic has over the last two decades grown, indicating its potential for generating long-term financial impact for South Africa. Consequently, it was crucial to prioritise them, ensuring that individuals in this demographic had adequate insurance coverage to realise the benefits of insurance for both them and the national economy. Lastly, obtaining credible data from individuals with no income would have posed

challenges due to financial limitations preventing them from affording insurance coverage. Their inability to afford insurance does not necessarily reflect their behaviour but stems from economic necessity. Lastly, individuals with high incomes were not considered for this research due to their financial capacity to manage unexpected situations without significant necessity to seek additional measures actively.

4.4. Unit of Analysis

The unit of analysis for this research was middle-income individuals who were interviewed, and the analysis focused on transcripts collected during the interview process.

4.5. Sampling Method and Size

This research employed a purposive sampling method, with participants primarily drawn from the researcher's professional network within Gauteng, South Africa. Saunders and Lewis (2018) define purposive sampling as a non-probability sampling technique used in research to select a specific group of individuals from a larger population based on the researcher's judgment or criteria. The setting for the sampling was for participants from Gauteng due to the significance of Gauteng as South Africa's business hub and the likelihood of providing the requisite answers to the research questions.

According to Statistics South Africa (2023), the total population of South Africa was 62 million, with 15.1 million residing in Gauteng. Within this population, an estimated 8.8 million fell into the working-age category, calculated from a labour force participation rate of 58.3%. Additionally, around 10% of this group were classified as high-income individuals (SALDRU, 2023) and were excluded from the study, resulting in an estimated research population of 7.9 million.

Finally, following Patton's (2002) recommendation that qualitative sample sizes should not be rigidly determined, the researcher analysed the interview results to pinpoint the saturation point, as defined by Creswell and Creswell (2018), where no new insights were gleaned from additional data. Considering the study's aim to gain a thorough understanding of the behaviour within a particular population segment, the emphasis remained on collecting ample data to achieve comprehensive coverage.

4.6. Measurement instrument

Considering the qualitative nature of the study, the researcher acted as the instrument for measurement and exercised sound judgment in collecting information and interpreting the interview context (Maxwell, 2013). Ultimately, the interview guide and predefined questions were employed as practical tools to ensure a consistent approach to collecting data from different interviewees.

4.6.1. Research Tool Instrument

The methodology employed a semi-structured approach, utilising face-to-face interviews as the primary research tool. This design allowed the researcher to conduct guided discussions using a predetermined set of questions yet offering flexibility by altering the sequence. This flexible approach aimed to foster a more conversational atmosphere, as advocated by Saunders and Lewis (2018).

Considering the extensive literature on behavioural economic theories, the interview guide was designed around themes derived from behavioural economic principles. Each question was crafted with a focus on the context of insurance, ensuring simplicity in language to enhance participant comprehension. The aim was to maximise the clarity and ease of understanding for the participants.

Table 2 provides an overview illustrating the diverse array of references that informed the selection of questions for each behavioural economic principles. This comprehensive process ensured that the questions posed during the interviews were grounded in well-established theoretical frameworks, tailored to the insurance context, and expressed in a manner that facilitated participant understanding.

Principle	**Source**
Bounded Rationality	Barberis, N. C. (2013). Thirty years of prospect theory in economics: A review and assessment. *Journal of Economic Perspectives*, 27(1), 173-196.

	Jones, B. D. (1999). Bounded rationality. *Annual review of political science*, 2(1), 297-321. Kahneman, D., and A. Tversky. 1979. Prospect Theory: An Analysis of Decision under Risk. Econometrica: *Journal of the Econometric Society* 47 (2):263–91. Lee, C. (2011). Bounded rationality and the emergence of simplicity amidst complexity. *Journal of Economic Surveys*, 25(3), 507-526. Harstad, R. M., & Selten, R. (2013). Bounded-rationality models: tasks to become intellectually competitive. Journal of Economic Literature, 51(2), 496-511. Mossin, J. (1968). Aspects of rational insurance purchasing. *Journal of political economy,* 76(4, Part 1), 553-568. https://www.jstor.org/stable/1830049 Simon, H. 1955. A Behavioral Model of Rational Choice. *The Quarterly Journal of Economics* 69 (1):99–118. doi:10. 2307/1884852
Loss Aversion	Barberis, N. C. (2013). Thirty years of prospect theory in economics: A review and assessment. *Journal of Economic Perspectives*, 27(1), 173-196. Do Hwang, I. (2021). Prospect theory and insurance demand: Empirical evidence on the role of loss aversion. *Journal of Behavioral and Experimental Economics*, 95, 101764 Laibson, D., & List, J. A. (2015). Principles of (behavioral) economics. American Economic Review, 105(5), 385-390 Thaler, R. H., & Benartzi, S. (2004). Save more tomorrow™: Using behavioural economics to increase employee saving. *Journal of political Economy*, 112(S1), S164-S187.

Present Bias	Ai, J., Zhao, L., & Zhu, W. (2016). Contracting with Present-Biased Consumers in Insurance Markets. *The Geneva Risk and Insurance Review*, 41, 107-148. Direr, A. (2019). Present bias: Definition and measurement. O'Donoghue, T., & Rabin, M. (2015). Present bias: Lessons learned and to be learned. American Economic Review, 105(5), 273-279.
Peer Effect/Herding	Angrist, J. D. (2014). The perils of peer effects. *Labour Economics*, *30*, 98-108. Bursztyn, L., Ederer, F., Ferman, B., & Yuchtman, N. (2014). Understanding mechanisms underlying peer effects: Evidence from a field experiment on financial decisions. *Econometrica*, *82*(4), 1273-1301. Thaler, R. H., & Benartzi, S. (2007). *The behaviour economics of retirement savings behaviour.* The AARP Public Policy Institute
Overconfidence Bias	Galle, B. (2018). How to Save Unemployment Insurance. *Ariz. St. LJ*, *50*, 1009. Hertwig, R., Barron, G., Weber, E. U., & Erev, I. (2004). Decisions from experience and the effect of rare events in risky choice. *Psychological science*, *15*(8), 534-539. Kunreuther, H. C., Pauly, M. V., & McMorrow, S. (2013). Insurance and behavioral economics: Improving decisions in the most misunderstood industry. Cambridge University Press. Pitthan, F., & De Witte, K. (2021). Puzzles of insurance demand and its biases: A survey on the role of behavioural biases and financial literacy on insurance demand. *Journal of Behavioral and Experimental Finance*, 30, 100471.

Financial Literacy	Huston, S. J. (2010). Measuring financial literacy. Journal of consumer affairs, 44(2), 296-316. Lusardi, A. (2008). Financial literacy: an essential tool for informed consumer choice? (No. w14084). National Bureau of Economic Research. Outreville, J. F. (2013). The relationship between insurance and economic development: 85 empirical papers for a review of the literature. *Risk Management and Insurance Review*, *16*(1), 71-122. Outreville, J. F. (2014). Risk aversion, risk behavior, and demand for insurance: A survey. *Journal of Insurance Issues*, 158-186. Outreville, J. F. (2015). The relationship between relative risk aversion and the level of education: A survey and implications for the demand for life insurance. *Journal of economic surveys*, *29*(1), 97-111. Pitthan, F., & De Witte, K. (2021). Puzzles of insurance demand and its biases: A survey on the role of behavioural biases and financial literacy on insurance demand. *Journal of Behavioral and Experimental Finance*, 30, 100471.

Table 2: Literature review informing Behavioural Economics

4.6.2. Data gathering Process

The data collection involved face-to-face assessments in person and via Micro-soft Teams in which the researcher personally conducted the interviews to ensure control and minimise variations. To test the structure and questions for their effectiveness and clarity, three trial interviews were carried out with individuals from the intended participant group, following the guidance of Saunders and Lewis (2018). This procedure led to slight refinements in the phrasing of certain questions, enhancing their comprehensibility.

By devising this structured framework and standardised methodology, which was founded on theoretical research, the study enhanced its uniformity, dependability, and adaptability for replication across various settings and timeframes, as recommended by Golafshani

(2003). The interviewer obtained consent from the participants to record the interviews, aiming to guarantee the creation of precise transcriptions. Additionally, comprehensive notes were meticulously documented throughout the interview procedure, and the researcher personally conducted the transcription process through Microsoft Word to attain a thorough understanding of the content before commencing the coding stage.

A total of number of 15 interviews took place between September and October 2023. At the beginning of each interview, participants were provided with a comprehensive overview of the study's context and objectives. Assurance was given that all responses would be treated confidentially and used solely for academic purposes. Thirteen of the fifteen interviews were conducted via Microsoft Teams while the participants were at their workplaces, offering a familiar and comfortable environment. The interview guide's structure was carefully managed to promote candid and open discussions as guided by Zikmund et al. (2013). Attempts were undertaken to promote impartial answers, aligning with the research's exploratory nature. The interview guide was created by the researcher, utilising information gathered from the literature review in Chapter 2, available in Appendix 3 at the end of the document. The guide was designed to commence the interviews with initial questions focused on understanding the participants' demographics. This approach enabled the researcher to follow predetermined questions while maintaining the adaptability to reorganise their order and foster a conversational atmosphere, following the guidance provided by Saunders and Lewis (2018).

4.6.3. Data Analysis Approach

After data collection, the researcher undertook rigorous coding and thematic analysis across the interviews, following a qualitative approach. The audio recordings were transcribed into text using Microsoft Word services. Thematic analysis, known for identifying, analysing, and interpreting significant patterns within qualitative data, was chosen for its adaptability in evaluating and formulating conclusions from collected data, especially within behavioural sciences, as suggested by Braun and Clarke (2006). The process involved following a set of steps:

Step 1: Familiarise with the data to comprehend its underlying meanings, aligning with an interpretivist perspective (Saunders et al., 2009).

Step 2: Create preliminary codes and use them to code the interview data.

Step 3: Identify themes that surface because of the initial codes assigned to the data.

Step 4: Examine the themes and generate an analysis thematic map, utilising Atlas.TI.

Step 5: Further enhance the details of each theme through continuous analysis.

Step 6: Report findings

The themes arising from this were subsequently compared across the interview data, leading to the interpretation of findings and the formulation of conclusions, in accordance with Yin's (2016) approach. This process aimed to put forward a behavioural design framework for endorsing the adoption of a well-rounded insurance coverage.

4.7. Quality controls

To enhance research credibility and elevate data quality, the researcher conducted three preliminary interviews to evaluate the potential impact of the researcher's presence on respondents' answers. This served to make participants more aware of potential question inclinations and reduce biases. Additionally, during the interviews, the researcher consistently requested clarification regarding how participants interpreted their responses. Throughout both data collection and analysis, the researcher consistently considered the potential influence of researcher bias on the study (Roulston, 2010; Saunders & Lewis, 2018).

To further enhance the quality of the data:

- A standardised interview guide was utilised to maintain consistency in the data collected from various interviews.
- Regular assessments were made during the interview to gauge the participants' comprehension of the interview questions.
- Exact transcriptions were created from the audio recordings.
- The researcher ensured the reliability of findings by conducting interviews until no further new themes were identified (Fusch & Ness, 2015).

4.8. Limitations

4.8.1. Non-probability sampling

The research primarily employed purposive non-probability sampling within the researcher's network in the Gauteng setting meaning certain segments of the population were left out. This limitation is worth noting as it could impede the applicability of the study's findings to a wider population. Additionally, it's important to acknowledge that qualitative research typically involves a restricted number of participants, limiting the scope of the study's conclusions, as highlighted by Saunders and Lewis (2018).

4.8.2. Measurement issues

The researcher acknowledged that assessing behavioural economics constructs like present bias and loss aversion could be difficult. Consequently, this might not precisely represent the true essence of these biases. The qualitative research conducted had inherent subjectivity, as noted by Zikmund et al. (2013), and was potentially vulnerable to various biases. The researcher was aware of this and took proactive steps to recognise and mitigate any personal biases based on their background during the study. The lack of interviewer experience might have affected the quality of the collected data (Roulston, 2010). To mitigate the potential impact of the interviewer's inexperience, three pilot interviews were carried out, providing the researcher with a chance to hone their skills.

4.8.3. Researcher Bias

In qualitative research, a significant concern revolves around the potential biases and presumptions introduced by the researcher, which could influence the outcomes. The researcher acknowledged this potential and took measures to minimise its impact by rephrasing participant responses in certain cases and seeking participant confirmation to ensure accuracy and understanding.

4.8.4. Time Horizon

A cross-sectional research approach was adopted, where interviews were solely conducted once within September and October 2023. The primary focus was to explore the influences behind the unevenness in insurance purchase decisions in South Africa. Given that individual behaviours were the focus of this research and are subject to change,

no implication could be made regarding the extension of identified behaviours into future periods (Williams, 2007).

4.9. Ethical considerations

Prior to initiating data collection, the researcher sought ethical approval from the Research Ethics Committee (REC) at the Gordon Institute of Business Science (GIBS) in Appendix 2 of this research. Upon receiving approval, the researcher placed significant emphasis on upholding the rights, dignity, and well-being of the participants throughout the research process. This involved securing informed consent from all interviewees before commencing interviews. The consent form, outlined in Appendix 3, was presented verbally to each participant, underscoring their voluntary participation and their right to withdraw at any point.

Participants were reassured about the confidentiality of the information and were asked to provide their signature on the consent form. Ultimately, the interview data gathered was securely stored electronically on an external hard drive and will be retained for a minimum of ten years by the researcher.

Chapter 5: Research Findings

5.1. Introduction

This chapter outlines the primary discoveries from examining interview data from 15 qualitative interviews conducted as part of the research. It commences by elucidating the composition of the sample, offering a backdrop for the resultant findings. Additionally, it assesses the appropriateness of the sample in relation to predefined criteria. It then delineates the prominent themes identified through qualitative analysis, specifically tied to the research questions outlined in Chapter 3.

This chapter outlines the key findings that have emerged through a meticulous analysis of data gathered from 15 in-depth qualitative interviews, an integral facet of our research endeavour. Moreover, it engages in a critical evaluation of the sample's suitability, aligning it with the predefined criteria that underpin our research objectives.

Subsequently, this chapter delves into the heart of the matter, providing the dominant themes that have been unearthed through a rigorous qualitative analysis. These thematic revelations are intrinsically linked to the central research questions articulated in Chapter 3, unravelling the complex and multifaceted dimensions of insurance decision-making in the South African context. This chapter thus stands as a pivotal bridge, connecting the nuances of our sample composition and the emergent themes that offer profound insights into the rationality and biases impacting insurance choices among middle-income individuals in South Africa.

5.2. Description of Participants

The research was conducted exclusively among individuals employed in the bustling urban landscape of Gauteng, encompassing a spectrum of middle-income vocations within this vibrant metropolis. The selection process was purposefully designed to establish a diverse and representative sample, considering a multitude of variables, including age, gender, employment status, and educational levels, as depicted in Table 1 below.

Participant Code	Industry	Educational Level	Age Group	Marital Status	Gender	Ethnicity
P1	Telecommunications	Post Graduate	40 - 50	Married	Male	Black
P2	Energy	Post Graduate	30 - 40	Single	Female	Black
P3	Public Works	Post Graduate	30 - 40	Married	Female	Black
P4	Telecommunications	Post Graduate	40 - 50	Single	Female	Black
P5	Telecommunications	Post Graduate	30 - 40	Married	Male	White
P6	Construction	Post Graduate	30 - 40	Married	Male	White
P7	Public Works	Post Graduate	30 - 40	Married	Male	Indian
P8	Financial Services	Under Graduate	40 - 50	Single	Female	Black
P9	Provincial Treasury	Post Graduate	50 -60	Married	Female	Black
P10	Property Development	Post Graduate	40 - 50	Single	Female	Black
P11	Automotive	Post Graduate	30 - 40	Single	Female	Black
P12	Gambling	Post Graduate	40 - 50	Married	Male	Black
P13	Financial Services	Post Graduate	30 - 40	Married	Male	Black
P14	Mining	Post Graduate	30 - 40	Single	Female	Black
P15	Health Care Manufacturing	Post Graduate	30 - 40	Married	Male	Black

Table 3: Research Study Participants

The study's participants showed a well-distributed demographic representation, with 53% identifying as female and 47% as male, as illustrated in Figure 1 below. This distribution closely resembled the gender balance within the South African demographic.

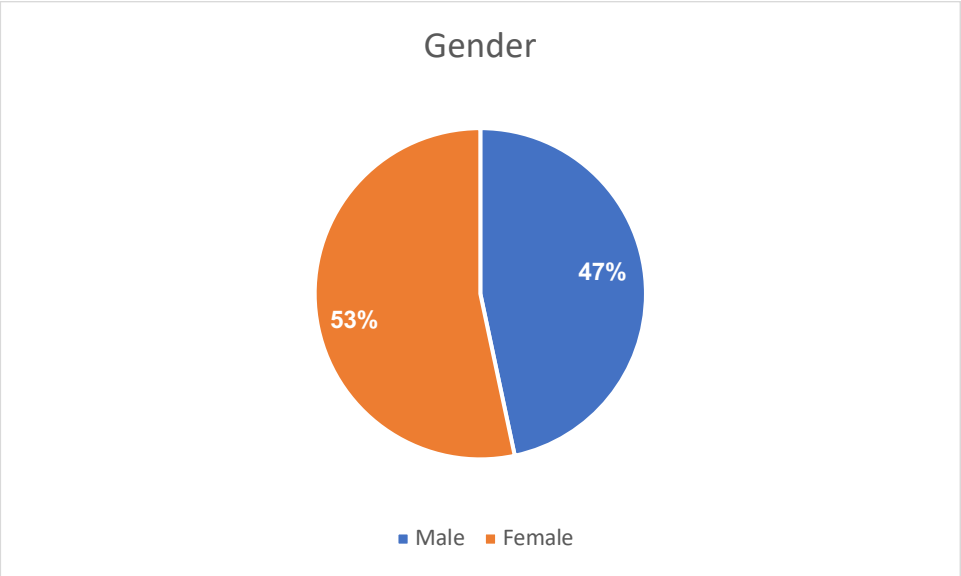

Figure 1: Participant Gender

Within this cohort, diverse ethnic backgrounds were observed, further enriching the diversity of the sample. Specifically, out of the fifteen participants, 13% were classified as belonging to the white ethnic group, 7% identified as Indian, and the remaining 80% identified themselves as being of black ethnic origin. This composition authentically reflects the cultural tapestry of Gauteng and, by extension, South Africa as a whole as depicted in Figure 2.

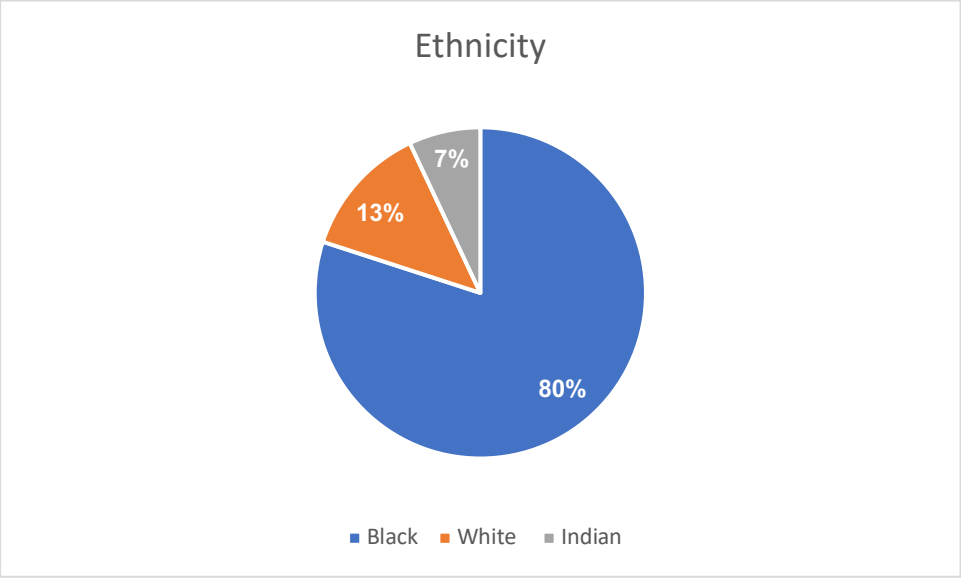

Figure 2: Participant Ethnicity

Moreover, the educational attainment of the participants was notably high, with an overwhelming 93% of the cohort having achieved at least one postgraduate qualification. The remaining 7% held an undergraduate degree as their highest level of educational attainment, as depicted in Figure 3 below. This demographic composition reflects a cohort of individuals who have invested in their education, underscoring their intellectual capacity and capacity for critical decision-making. The intentional diversity in the sample serves to capture the intricate and nuanced perspectives of middle-income individuals in South Africa's urban hub, offering a comprehensive lens through which to examine the impact of behavioural economic perspectives on insurance decision-making with regard to insurance purchase decision-making.

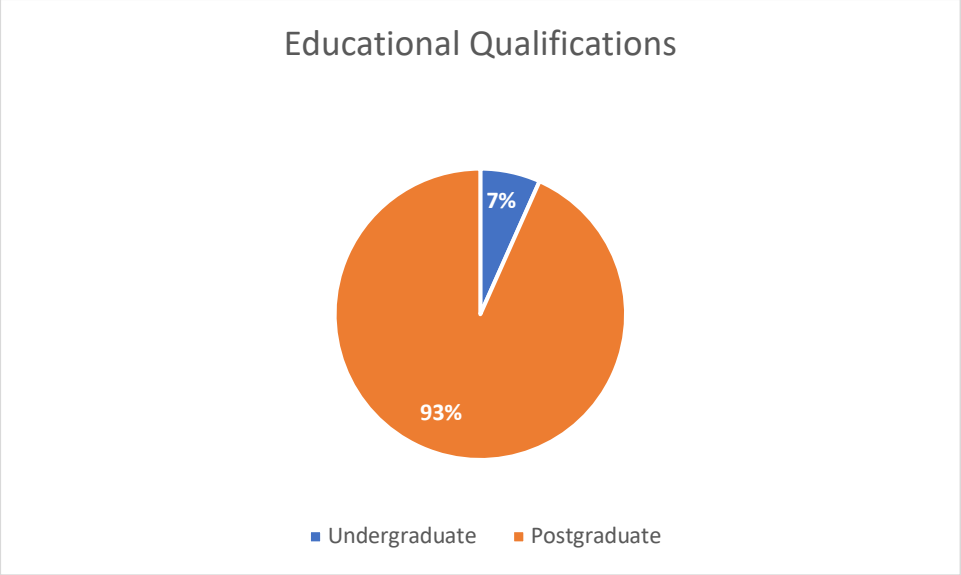

Figure 3: Participant Qualifications

Furthermore, the participants in this study offered a diverse make-up of employment sectors, contributing to a comprehensive examination of insurance decision-making among individuals from varied professional backgrounds. Notably, the largest contingent, comprising 20% of the sample, was employed in the telecommunications sector, reflecting the prevalence of this industry in South Africa's economic landscape. Concurrently, 13% of the participants hailed from the financial services sector, underscoring the significance of financial institutions and services in the region. Similarly, the public works sector was another prominent contributor, constituting an additional 13% of the sample.

Diversity was a defining feature of the remaining sectors, each representing 7% of the participants, as illustrated in Figure 2. This strategic diversity in the selection process ensures that the insights gleaned from this study are applicable and relevant to a broad spectrum of professional fields, offering a holistic view of insurance decision-making in the South African context.

Moreover, a notable aspect of the participants' demographic composition was their marital status, with 60% of the cohort reporting as married and the remaining 40% as single, as depicted in Figure 4 below. This distinction is noteworthy, as it allows for an exploration of

potential variations in insurance decision-making influenced by familial responsibilities and considerations.

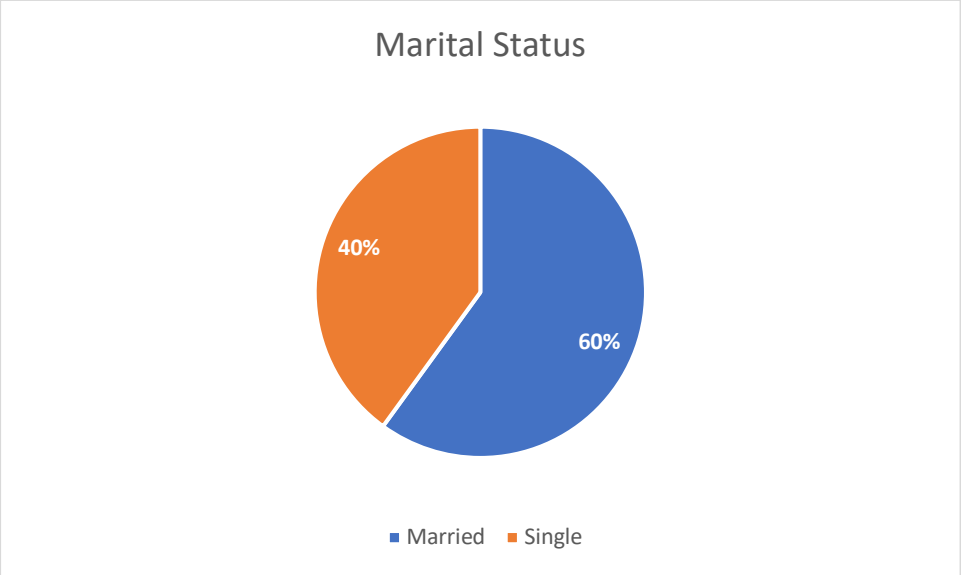

Figure 4: Participants' Industry Type

Lastly, the participants exhibited diverse age distributions, with 60% falling within the thirty to forty age range, 33% between the ages of forty to fifty, and 7% belonging to the fifty to sixty age categories. This age diversity is integral in discerning potential links between life stages, insurance priorities, and cognitive biases, enriching the depth of our insights into the interplay between age and insurance decision-making in South Africa.

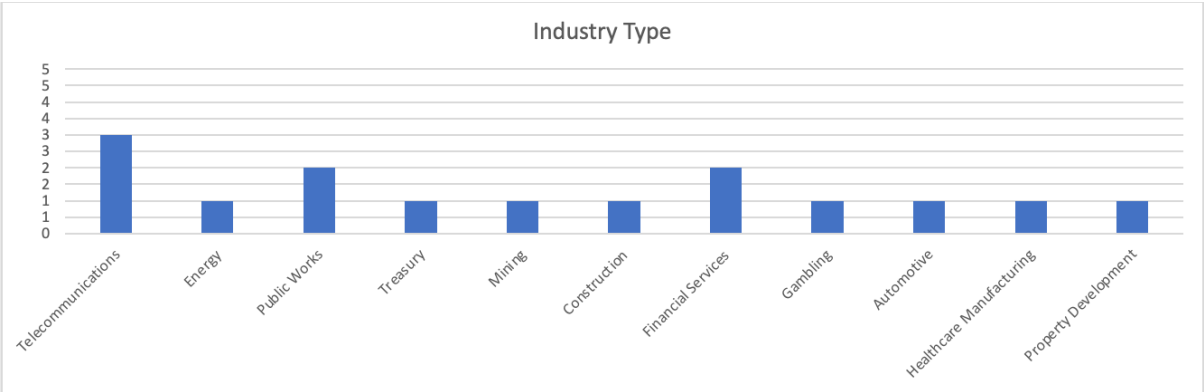

Figure 5: Participants' Industry Type

In order to safeguard the utmost confidentiality and anonymity of our participants, a rigorous approach was adopted. All personal information, including names, was meticulously substituted with a numerical coding system, organised in accordance with the sequence of the interviews. In instances where specific individuals or company names were referenced during the interviews, pseudonyms were thoughtfully employed, ensuring the utmost discretion and protection of identities.

Within this diverse cohort of participants, the dynamics of family support varied. A select group of individuals, namely three participants identified as P1, P2, and P15, had the distinctive responsibility of providing for extended family dependents and their immediate families. This distinction is noteworthy as it highlights the nuanced family structures and financial obligations that influence insurance decisions among the study's participants.

Importantly, a common thread among all participants was their engagement with both life and non-life insurance products, albeit with varying degrees of coverage and specific policy types. This distinction underscores the comprehensive exploration of insurance decision-making within the study, offering insights into how individuals with diverse family structures and insurance portfolios approach the complex landscape of insurance choices in the South African context.

The research aimed to explore the perspectives and behaviours of middle-income individuals regarding insurance acquisition, seeking a thorough comprehension of this phenomenon to bolster the credibility of the findings. The participant selection followed a purposive sampling approach based on specific criteria, targeting middle-income earners likely to express interest in or have experience with purchasing insurance policies. The total sample consisted of fifteen middle-income earners, and thirteen interviews were conducted via videoconferencing, while the remaining two (P4) and (P7) were held face-to-face. While diversity was sought within the sample to gather varied data, priority was given to relevance, ensuring that interviewees could offer insights closely tied to the research focus.

The investigation into the participants' monthly insurance expenses revealed a discernible range. Specifically, for 14 participants, the approximate monthly insurance costs fluctuated within the bracket of R4,500 to R11,000. However, it is worth noting that there was a notable exception in the form of P9, whose monthly insurance expenses were estimated

at R30,000. This distinctive outlier, identified by the researcher, represents a unique case with substantially higher insurance costs.

Furthermore, the exploration of familial dynamics uncovered an interesting facet within the sample. Specifically, the two married female participants denoted as P3 and P9, shared insights into their family's financial dynamics. While these women made substantial contributions to their family's combined income, it was primarily their spouses who assumed the central role in managing household insurance matters. This distinct dynamic in household insurance management highlights the multifaceted nature of decision-making within family units and its implications for insurance choices among middle-income individuals in South Africa.

5.3. Data Collection Process

In line with the guidance provided by Fusch and Nees (2015), the data collection process adhered to the principle of data saturation. This approach suggests that data should be gathered until a point is reached where no novel themes or insights emerge from the collected information, signifying that the data set is sufficiently rich and comprehensive for the research objectives. Furthermore, it emphasises that continuing data collection beyond this saturation point offers minimal additional value.

Consistent with this methodological approach, the data collection phase was brought to a close after the fifteenth interview. This decision was informed by the unmistakable signs of data saturation that had surfaced during the course of the interviews. In the final three interviews, only a single new code emerged, and even this code could be aligned with an existing thematic category. This conclusive step in data collection ensured that the study had acquired a robust and thorough dataset reflective of the diverse perspectives and experiences of the participants, thereby aligning with the principles of qualitative research methodology.

5.4 Findings in Respect of Research Question 1

Research Question 1: *What are the factors influencing decision-making rationality in the selection of insurance coverage among individuals in South Africa?*

As has previously stated, insurance plays a crucial role in safeguarding individuals and businesses from financial risks associated with unforeseen events. Insurance coverage selection is a critical decision that individuals make to safeguard their financial well-being against the uncertainties of life. In the context of South Africa, a nation characterised by its unique socio-economic dynamics and diverse population, understanding the key factors that influence decision-making rationality in insurance selection is of paramount importance. This research question explores the multifaceted determinants that drive individuals to choose specific insurance coverage options in the South African landscape. By examining the interplay of cognitive, socio-economic, and cultural factors, this study seeks to illuminate the intricate decision-making processes behind insurance coverage selection and how these choices align with rational economic principles.

The participants articulated a distinct motivation guiding their insurance purchase decisions. The key theme in why people take insurance was risk aversion. Insurance was primarily chosen by individuals to mitigate or manage various types of risks. Some key sub-themes have supported this overarching theme of risk aversion. These include safeguarding of valuable assets, peace of mind and taking care of families and dependents. From the theme and sub-theme, it can be deduced that the participants acted rationally.

Key Theme: Risk Aversion:

Sub-theme 1: Asset Protection

The participants were unequivocal in their assertion that insurance is a pivotal tool in safeguarding their valuable assets, including but not limited to their residences and vehicles, from the potential damage or loss. Their perspective underscores the intrinsic

link between insurance and asset protection, revealing the profound impact of insurance choices on their financial well-being and peace of mind.

By elaborating on this perspective, it becomes evident that the participants view insurance as a crucial shield that fortifies their valuable possessions against a myriad of risks and uncertainties. This protective function is particularly essential in the context of homes and vehicles, which often represent substantial investments and personal milestones. Lastly, safeguarding extends beyond the physical structures and objects; it encompasses the emotional attachment and significance they hold in the participants' lives.

"...insurance for my household contents has come in handy so many times that it is just one of those things I would never live without, so yeah, I'm the kind of person who would rather just not spend my own money and make sure that all the things around me are covered by insurance" P11.

"I think the benefits of having insurance is also from an unfortunate event if anything should happen especially from a physical structure perspective, 1) if the house were to burn down, I'm still owing the bank right so then the insurance will cover for that or 2) if the car is in any accident whatsoever, I should be able to recover my money back in terms of what I have spent" P4.

""…I drive every day, so living in Joburg, it's just risky by itself; you can bump into someone, or you can be bump into someone, it doesn't matter whether you're right or wrong so that inconvenience of not having extra cash when that happens pushes you to cover the risk that may happen in your life" P1.

"…when you find that a terrible event occurs and you need to have that magnitude amount that is required for you to fix the car or fix the house as an example, you realise you need insurance…" P13

Sub-theme 2: Peace of Mind

The participants in the study not only acknowledged but also emphasised that a significant motivation behind their decision to invest in insurance was the profound need for a sense of security and peace of mind. This overarching need arises from the desire to attain a state of financial protection against unpredictable and potentially devastating events,

encompassing a broad spectrum of contingencies, including accidents, illnesses, and property damage.

The participants illuminated the critical role that insurance plays in providing them with a robust and reassuring safety net, allowing them to navigate the uncertainties of life with greater confidence and resilience. This sense of security encompasses both the tangible financial safeguards offered by insurance policies and the intangible but invaluable peace of mind that comes with knowing they are shielded against unforeseen adversities. Pursuing such security and peace of mind emerges as a compelling and fundamental driver in shaping individuals' choices to embrace insurance coverage.

“I'm a person that is a firm believer of insurance is a piece of mind as much as I don't see calamities or anything bad happening around me, but I want to plan in the event that something happens to me happens to me how do I manage that...” P8

"I think first of all insurance is a peace of mind, to know that I've got small kids and have got my wife so now and again when they're sick I need to take them to hospital, so I don't have to worry about the payment, so I worry about just taking care of them and supporting them to make sure that they recover knowing very well that the insurance will take care of the expenses" P15.

Sub-theme 3: Family and Dependents

Within the context of this specific sub-theme, participants articulated a compelling perspective on the fundamental role of insurance in furnishing financial security to one's family or dependents, particularly in scenarios marked by health challenges or the tragic event of one's demise. Their perspective reflects a deep-seated sense of responsibility and care for their loved ones, underscoring the profound emotional and financial stakes involved in their insurance decisions. The provision of financial security, as they expounded, extends well beyond the individual policyholder to encompass the broader network of family and dependents who rely on this support during moments of vulnerability.

Lastly, it embodies a commitment to ensuring that their loved ones are shielded from the potentially crippling financial burdens that can accompany medical crises or the aftermath of a family member's passing. The profound emotional and ethical dimensions of this perspective underscore that insurance, in their view, is not solely an economic instrument

but a tangible expression of love, care, and responsibility for their family's well-being and future stability.

"…so, the insurance that I feel like gives me benefit that I can feel all the time medical insurance especially for my mother, I just feel rest assured and at ease knowing that she's covered medically at any time" P11.

“The value of insurance is it is to protect against unforeseen circumstances car insurance is something that I do have in case I do get into an accident, life insurance is there to protect my wife and my sons in case I die, or my wife dies, so at least my children are protected.” P7

“I need life insurance because there's a small me on the way and that money would be there to take care of my wife and my family if I die, it's certainly the as the is a safety net for my family” P5.

Summary of the Findings of Research Question 1

The research outcomes arising from the research question posed indicate that individuals within the middle-income bracket in Gauteng tend to make rational choices when it comes to purchasing insurance as summarised in Table 2. This rationality is attributable to their risk-averse nature. The decision to opt for insurance as a means of mitigating potential future losses can be interpreted as a rational course of action in accordance with the principle of risk aversion. In traditional economic theory, rational individuals are generally presumed to exhibit risk-averse behaviour, which implies their willingness to invest in insurance premiums as a strategy for mitigating financial vulnerabilities associated with unexpected adversities. Within the context of the middle-income group in Gauteng, insurance is perceived as a practical instrument employed by risk-averse individuals to safeguard themselves against substantial financial setbacks, and this is deemed a rational choice.

Drivers	Categories	Participant Count
Loss Aversion	Asset Protection	15
	Peace of Mind	5
	Family & Dependents	7

Table 4: Overview of Rational Influences of Insurance Coverage Decisions

5.5. Findings in Respect of Research Question 2

Research Question 2: *What behavioural biases affect the rationality of insurance coverage choices in the South African context?*

The world of insurance is inherently intertwined with complex decision-making processes, often influenced by cognitive biases that may deviate from traditional economic models of rationality. South Africa, a country marked by its diverse demographic landscape and unique economic challenges, provides an intriguing backdrop for exploring the interplay between cognitive biases and insurance coverage choices. This research question sought to delve into the specific cognitive biases that impact the rationality of insurance choices within the South African context. By dissecting the underlying psychological and behavioural factors that shape these choices, this research question aims to shed light on how individuals make decisions about insurance coverage and how cognitive biases may influence these decisions.

During the interviews, some key themes that came out strongly in response to research question two were related to loss aversion and peer effect and are discussed in the below section.

Theme 1: Loss Aversion

In this theme, participants were unequivocal in expressing that the pain and consequences associated with experiencing losses were significantly more distressing and burdensome than the actual financial commitment of having insurance coverage. This sentiment underscores a fundamental aspect of their perspective on insurance decision-making. It highlights that the emotional and financial toll exacted by unforeseen adversities or losses, such as accidents, health crises, or property damage, far outweighs the comparatively modest costs associated with insurance premiums.

Participants revealed a noteworthy tendency to prioritise the emotional distress, financial hardship, and disruption caused by unanticipated events. These tangible, real-world consequences were perceived as substantially more distressing and detrimental to their overall well-being compared to the relatively predictable and manageable expense of insurance coverage. This insight reflects a complex interplay between the perceived value of insurance and the human experience of financial and emotional hardship, shedding light on the multifaceted nature of individuals' decisions regarding risk management and financial security.

The participants' stance suggests that avoiding painful losses, both in terms of emotional distress and financial setbacks, plays a pivotal role in shaping their willingness to invest in insurance. This emotional dimension of decision-making underscores the intricate and often non-monetary considerations that influence insurance choices, transcending traditional economic rationality to incorporate a deeper understanding of human psychology and subjective well-being.

"In December, my husband had a phone all of two days, we went out and he got pickpocketed, so we hadn't insured that phone, we literally paying for a phone that was stolen and he needed to replace that phone so that that has happened and regret not having paying insurance." P3

“…you won't believe just when I finished, I came back from a run and my [Apple] watch smashed, yes I went with that watch for a full 24 months with cracks that is how painful it was, if the person add explains to me and said it won't there's going to be an additional cost of insurance, I would have paid it” P8

“…for me to have insured my household content, what happened was that I was moving from the Northern Cape to Joburg and I lost my WHOLE TV, so it was that thing of, damn, I had to like buy a new TV and also I lost the cell phone that was was very expensive that made me like feel I should have insured it and got another one” P14

*“...fundamentally insurance annoys the **** out of me, but it's a necessary, especially, in society in South Africa it's just a necessary evil. Without insurance, you're fully exposed for incredibly high expenses for the things that you are not insuring.” P5*

Theme 2: Peer effect

Several participants, specifically P3, P7, and P8, revealed that they often seek recommendations or advice from their work colleagues, family members, or friends when making decisions about their insurance coverage. This behaviour is indicative of a psychological phenomenon referred to as the "peer effect."

These individuals place significant value on the opinions and choices of their social circles when it comes to insurance-related matters. They consider the experiences and insights of their peers as influential factors in shaping their own decisions. This peer effect demonstrates the interpersonal impact on decision-making processes, suggesting that the choices made by friends, family, or co-workers can have a noteworthy influence on one's insurance decisions.

This phenomenon highlights the interconnected nature of our social networks and the extent to which they impact our financial choices, especially in contexts where trust and shared experiences play a crucial role in guiding individuals toward particular insurance options.

“…mostly I get information about insurance via friends and TV, so when we are seating if they tell me about it, I try it…” P8

“I have a lot of engineering friends who have insurance with Insurer X, so it was word of mouth, they're happy with Insurer Y and so I thought I would try them out” P7

“…so that's not really my forte, so my husband is in finance, so he is the one who does all of that, he analyses our finances and what insurance is necessary for our household, so he is the biggest influence in what we have covered” P3

Another noteworthy discovery is that P6 mentioned a specific reason for having types of insurance: their family history, as their father had a background in insurance, and it had been a longstanding tradition within their family to have insurance coverage.

Experience and Overconfidence Bias

No indications or suggestions were made by any of the participants that they possessed these biases, not even indirectly.

Summary of the Findings of Research Question 2

The findings revealed that behavioural economics influences decisions regarding insurance purchases, specifically through biases and social influences. Table 3 presents an overview of participants who expressed favourable responses related to these themes and their respective associated subcategories.

Drivers	Categories	Participant Count
Biases	Present Bias	0
	Loss Aversion	15
	Experience	0
	Overconfidence Bias	0
Social Influences	Peer Effect	4
	Culture	1

Table 5: Overview of Behavioural Economic Influences of Insurance Coverage Decisions

5.6. Findings in Respect of Research Question 3

Research Question 3: *What is the impact of information accessibility and transparency in insurance policy structures on the rationality of insurance coverage choices in South Africa?*

The decision-making process surrounding insurance coverage choices is a multifaceted and consequential one, deeply influenced by the accessibility and transparency of information within insurance policy structures. In the context of South Africa, a nation marked by its diverse demographic landscape and unique socio-economic challenges, the influence of information accessibility and transparency on the rationality of insurance coverage choices is of profound significance. This results from this research question delves into the empirical findings of the research, which aimed to dissect the intricate relationship between the accessibility and transparency of information within insurance policies and the rationality of insurance coverage choices made by individuals in South Africa. By scrutinising the data garnered from our research, the endeavour is to shed light on the extent to which clear and accessible information impacts the decision-making processes within this dynamic environment.

Some of the key themes that arose with regards to this research question was fragmentation of insurance information sources, complexity and information asymmetry and will be delved in, in the below section.

Theme 1: Information fragmentation

The participants in the research disclosed a numerous of sources they rely on to gather information regarding insurance. These diverse channels encompass a wide spectrum, ranging from online resources, friends, family and the most prominent being financial advisors. The proliferation of distinct information channels introduces a complex web of knowledge acquisition, making it evident that participants draw insights from diverse avenues. This diversity in sources engenders distinct perspectives and interpretations, creating a scenario where individuals may possess varying levels of comprehension and insight into the dominion of insurance. As such, this diversity in information channels presents an intriguing facet to explore, delving into how these varied sources influence the participants' decision-making processes and rationality in insurance coverage choices.

“I have a lot of engineering friends who have insurance with Insurer X, so it was word of mouth, they're happy with Insurer Y and so I thought I would try them out” P7.

“…I have these sessions with these financial advisors, and they'll send you documents, and I'll just flip through it but I don't read them in detail” P11.

"…I use desktop research and depending on the offering so for example Insurer X was the best one for me for retrenchment and for life insurance, for life insurance, I used another broker…" P14.

"…so that's not really my forte, so my husband is in finance, so he is the one who does all of that, he analyses our finances and what insurance is necessary for our household, so he is the biggest influence in what we have covered" P3

"…having a financial advisor is important because he takes me through it in small pieces, you know, in small chunks which I do understand from a layman's point of view..." P1

"…mostly I get information about insurance via friends and TV, so when we are seating if they tell me about it, I try it…" P8.

Theme 2: Complexity

Within this particular sub-theme, participants voiced a shared sentiment regarding the intricacies of insurance, emphasising that it presents a formidable challenge in terms of comprehension. The extensive policy documents, often comprising numerous pages of fine print, were particularly highlighted as a source of bewilderment and difficulty. It is within these dense volumes of legalese that many individuals find themselves navigating a complex maze of terms, conditions, and clauses.

This complexity exerts a tangible influence on the participants, extending its reach into the realm of insurance purchase decision-making. The daunting nature of insurance, characterised by intricate jargon and multifaceted provisions, often leaves individuals grappling with a sense of uncertainty and ambiguity. As they grapple with the formidable task of understanding the policy documents, their decision-making processes are invariably affected.

"…the information is too much and it's overwhelming, I want something that is simple to know and is straightforward from a layman's point of view, I don't want to sit and study like i'm writing an exam…" P8.

"…when we talk about the small print within the policy document, I always ask myself what I might I be missing, the content can be quite heavy, qoing through pages to pages to pages" P13.

"you know I've had insurance for over maybe 20 years, the policy documents are so complicated, they are so big, whether it is for insurance worth R5000 insurance or R 600 the documents are really huge so that they almost confuse you." P10.

5.7. Conclusion

The findings emerging from the interview discussions provide compelling evidence that individuals within the middle-income bracket residing in Gauteng exhibit a high degree of rationality in their decision-making processes when it comes to insurance matters. These participants engage in a thoughtful and deliberate approach when considering insurance options and evaluating their potential benefits.

Furthermore, a prominent theme that surfaces is the concept of loss aversion. This psychological phenomenon reveals that the participants display a marked inclination towards prioritising the avoidance of potential losses over concerns about the financial expenditure associated with insurance. Despite the fact that insurance premiums represent a substantial portion of their household budget, these individuals demonstrate a strong aversion to the financial risks posed by unforeseen adverse events. This underscores their rational approach, where they are willing to invest in insurance coverage as a protective measure against substantial financial setbacks.

In addition to the theme of loss aversion, the research illuminates another crucial facet of the participants' perspective. It highlights the perceived intricacy and fragmentation associated with the acquisition of information about insurance products. The participants navigate a diverse array of information channels, including television advertisements, advice from friends and acquaintances, and guidance from financial advisors, among others. This diverse set of resources presents both opportunities and challenges in the decision-making process, as it necessitates a critical assessment of the information's reliability and relevance.

Chapter 6: Discussion

6.1. Introduction

In this chapter, a deeper understanding of the findings presented by the research participants is discussed. The aim is to compare and contrast these findings with the existing body of literature. By delving into the points of agreement, alignment, and discrepancies between the research results and the previous literature review, a broader comprehension of the theoretical aspects concerning insurance coverage decision-making, particularly about ensuring balanced insurance coverage, can be expanded upon.

At the outset of this research, it was observed that South Africa exhibited a notable insurance penetration rate of 13.61% of its GDP, in contrast to the global average of 7.23%. In comparison, the African continent lagged significantly behind at a mere 2.8% (Signé & Johnson, 2021). However, this impressive penetration rate did not translate into commensurate benefits due to the dominance of life insurance policies in the South African insurance market (Signé & Johnson). Consequently, this scenario has resulted in individuals being inadequately covered in the event of disruptive occurrences like natural disasters, political turmoil, and economic downturns. The ensuing discussion in this research seeks to provide insights into the decision-making processes of South African individuals when it comes to purchasing insurance policies.

6.2. Discussion: Research Question 1

Research Question 1: *What are the factors influencing decision-making rationality in the selection of insurance coverage among individuals in South Africa?*

Risk Aversion

The research findings related to research question one have revealed that the South African middle class demonstrates an inclination towards risk aversion. Within the broader framework of risk aversion, it has been identified several sub-themes that came to the forefront. These sub-themes include the protection of assets, the desire for security, and the safeguarding of one's family and dependents. Nevertheless, it is worth noting that our

study did not assess the relative importance of these sub-themes, and it is possible that the influence may be evenly distributed or biased toward one of them. Risk aversion pertains to an individual's natural inclination to steer clear of or minimise their exposure to uncertainties and potential adverse outcomes when faced with decision-making scenarios, often favouring choices that are perceived as safer or more conservative (Outreville, 2014). The interpretative findings resulting from the research questions, while not measured quantitatively, suggest that the inclination towards risk aversion influences the increased adoption of insurance in South Africa. This observation implies that middle-income individuals in Gauteng appear to behave as rational agents, aligning with the principles of traditional economic theory when making decisions about insurance purchases. This behaviour might be attributed to the socio-economic context in South Africa, specifically the prevalent issues of inequality, unemployment, and crime, as reported in Chapter 2. Stats SA (2023a) reported that there was a 7.1% rise in household burglaries and motor vehicle thefts, which could contribute to the risk-averse behaviour observed among participants.

Moreover, the report highlighted that Gauteng ranked second in these statistics, trailing only Kwazulu-Natal. Lastly, the unprecedented heavy rains which swept through South Africa and badly affected Kwa-Zulu Natal due to extreme weather conditions in 2021 (AGSA, 2022) and the recent earthquakes in Johannesburg (News24, n.d.) may also play a part in the factors that accentuate the Gauteng middle-income individuals risk aversion. This contextual information sheds light on the safety nets these individuals seek to establish through their insurance decisions amidst such security concerns.

Thaler (2017) noted that the premise of traditional economic theory rested on the presumption that economic agents, in this context, the Gauteng middle class, consistently engage in the pursuit of optimisation. This implies that individuals habitually opt for the course of action deemed most advantageous, which, in this particular context, pertains to varying degrees of asset protection, the attainment of peace of mind, or the protection of family and dependents. In essence, while it is known that actors are bounded in rationality, the middle-income individuals in Gauteng make choices that align with their overarching objective of minimising risk and securing their financial and emotional well-being. Therefore, it can be inferred that the inclination towards insurance adoption in South Africa is influenced by the human tendency to avoid potential losses and uncertainty and the desire to optimise outcomes within the framework of asset protection, peace of mind, and

family and dependents' security. These factors collectively contribute to the perceived rationality of the South African middle class within the traditional economic paradigm.

It is essential to acknowledge that the research outcomes provide insights into the rational factors behind some of the high levels of insurance penetration in South Africa, surpassing the global average of 7.23% to the high of 13.61%, as highlighted by Signé and Johnson (2021).

It is equally crucial to recognise that these findings do not fully address why South African insurance purchases are disproportionately skewed toward life insurance products and lack diversification. This raises an intriguing aspect that merits further probing in the two other research questions. While the study has shed light on the rationality behind increased insurance uptake in South Africa, there remains an unexplored dimension related to the specific preferences and motivations driving the disproportionate preference for life insurance over other insurance categories. Understanding this aspect would not only enhance our comprehension of the South African insurance market but also provide valuable insights for policy development and industry practices, ensuring a more balanced and diversified insurance landscape in the region.

Income

Dragos (2014) stated that insurance was frequently more accessible to individuals with higher incomes and that it is essential to recognise that even in lower-income countries, life insurance could remain affordable for those in the middle-income bracket. For the purposes of this research, the participants consisted of middle-income individuals from Gauteng, South Africa. Their collective range of insurance expenses fell within the range of R4,500 to R11,000, with one outlier at R30,000. Notably, none of the participants identified financial constraints as a significant influence on their insurance decisions. Chapter 2 of this study emphasised that South Africa confronts significant challenges, including high unemployment rates, an inadequate educational system, and substantial income disparities (Stats SA, 2023; WEF, 2017). Surprisingly, these socio-economic challenges appear to have had no discernible impact on the insurance preferences of the middle-income individuals in the research. None of the participants highlighted these factors as influential in their insurance decisions.

Lastly, Dragos (2014) revealed that higher income inequality, as measured by the Gini coefficient, did not exert a substantial influence on the demand for life insurance. This suggests that while income levels play a pivotal role in insurance uptake, income inequality did not necessarily dissuade individuals from seeking life insurance coverage. These research findings underscore the complex interplay of factors influencing insurance choices, where the significance of income and income inequality may differ from one context to another, as observed in the outcomes of this study.

6.3. Discussion: Research Question 2

Research Question 2: *What behavioural biases affect the rationality of insurance coverage choices in the South African context?*

Loss Aversion

Baicker et al. (2012) have pointed out the significance of behavioural economics as a framework for comprehending the factors influencing individuals' choices regarding insurance adoption and coverage extent. In line with their perspective, the research findings pertaining to the second research question provide insights into how certain behavioural economic principles affect the decision-making process when individuals decide to purchase insurance, particularly in the context of loss aversion.

As established in Chapter 2, it was noted that "Insurance is a form of economic activity which can only exist in a world of uncertainty" (Rees, 1989, p47). Moreover, Kahneman and Tversky (1979) contended that inconsistent decision-making was a typical response when individuals are confronted with uncertain situations. Consequently, it is evident that middle-income individuals in South Africa adhere to this behavioural economic pattern, as supported by the evidence presented regarding loss aversion in our research findings.

The concept of loss aversion within the realm of behavioural economics posits that individuals tend to experience the pain of losses roughly twice as intensely as the satisfaction derived from equivalent gains (Thaler, 2015). In South Africa, there is a prevalence of loss aversion among middle-income individuals, particularly concerning insurance decisions. The findings from the research showed that participants who had

faced losses due to uninsured assets or a lack of insurance cover in the event of family deaths demonstrated a strong determination to ensure that such situations never occur again. In light of this perspective, loss aversion plays a role in the insurance adoption within the South African middle-income group. Interestingly, this finding contradicts the argument put forth in Chapter 2 by Thaler and Benartzi (2004), where they emphasised that some households often perceive payments for expenses as losses, leading to reluctance in making insurance premium payments, as it reduces their overall disposable income. This notion is also supported by Do Hwang (2021), who provided evidence that the actual rate at which households choose to obtain insurance is significantly lower than what the behavioural economic construct of loss aversion would predict.

Nonetheless, the findings do not delve deeper into the role loss aversion plays in insurance coverage uptake. Schultz et al. (2007) also pointed out that social contexts play a significant role in shaping economic decisions. In this context, loss aversion represents the strong aversion or reluctance that individuals exhibit when it comes to taking risks that could result in financial losses in the context of South Africa mired by crime, economic stagnation, unemployment and unpredictable weather patterns, just to mention a few. As a result, many South Africans prioritise the payment of insurance premiums as a means of safeguarding against potential future losses.

This inclination toward loss aversion and a preference for insurance can be attributed to several factors. Firstly, as alluded to in Chapter 2, South Africa faces economic disparities and challenges (Graven, 2014), often leading individuals to place a higher value on financial security. Insurance is viewed as a reliable tool for mitigating financial risks, and people are generally more willing to commit to regular premium payments to ensure that they are protected in the event of unforeseen events such as accidents, illness, or property damage. Furthermore, South Africa experiences its unique set of risks and challenges, including a higher incidence of crime, road accidents, and health issues in certain regions (Stats SA, 2022c). These circumstances contribute to a heightened sense of vulnerability among the population, reinforcing the belief that insurance is a vital safety net.

Present Bias

Present bias characterises the human tendency to prioritise immediate rewards over those in the future (O'Donoghue & Rabin, 2015; Direr, 2019). This inclination implies a

preference for instant gratification while undervaluing the importance of future outcomes. This can lead individuals to underestimate the necessity of protecting themselves against potential future risks. When considering insurance choices, this bias might result in a focus on the immediate costs of insurance premiums, neglecting the potential losses they could encounter down the line. Consequently, individuals might delay or forego obtaining insurance coverage, leaving themselves exposed to unforeseen events.

Ai et al. (2016) reinforced this perspective by highlighting how people often give in to immediate impulses, potentially disregarding their long-term interests. Interestingly, in a study, none of the participants exhibited present bias in their decision-making about insurance. This outcome might be associated with the profile of the participants, with 93% of them having one or more postgraduate qualifications. This aligns with research on savings, indicating that higher levels of financial literacy tend to mitigate the impact of present bias and encourage greater savings (Anantanasuwong, 2019).

The participant's ability to make insurance decisions without succumbing to present bias might be linked to their robust educational backgrounds and financial literacy. This suggests that their capacity to assess the long-term benefits of insurance coverage could have been enhanced due to their educational qualifications, influencing their decision-making in this specific context. Consequently, it's evident that higher levels of education and financial literacy can potentially counteract the tendencies of present bias, aiding individuals in making more informed and forward-thinking decisions, especially concerning insurance.

Peer Effect

In Chapter 5, another noteworthy behavioural phenomenon that emerged was the peer effect. Some of the participants mentioned seeking advice from their colleagues, friends, and family when making decisions related to insurance. It is worth noting that these participants all possessed one or more postgraduate qualifications, implying a certain level of financial literacy. However, this education did not necessarily safeguard them from succumbing to the influence of peer pressure in their insurance choices.

This finding suggests that even educated individuals, in this case, postgraduates, can be susceptible to the phenomenon of groupthink. As highlighted by Thaler and Benartzi (2007), the issue with this approach lies in the fact that these close friends and family are

often perceived to be more knowledgeable than they actually are. In many cases, the individuals consulted by the participants lacked expertise in insurance literacy, rendering them unable to provide optimal advice. This process of turning to peers for guidance can be viewed as a form of social learning. Zyl and Van Zyl (2016) alluded that this stems from the individuals' inherent comfort with conforming to what the majority is doing. Adding to this "group think" is the inclination for individuals to align themselves with groups whose members are most similar to them, a phenomenon akin to what P7 pointed out, where a group of fellow engineers all opted for a particular insurer for a particular insurance coverage. This suggests that people tend to gravitate towards social circles that share their characteristics and choices, reinforcing the influence in decisions regarding insurance.

Understanding the dynamics of the peer effect is vital, as it sheds light on how social networks and conformity can significantly shape individuals' choices in the realm of insurance, irrespective of their educational qualifications. It underscores the need for both individuals and the insurance industry to consider the impact of social influences and peer dynamics when making decisions about insurance coverage.

Overconfidence Bias

According to Pitthan & Witte (2021), overconfidence is a cognitive bias involving an exaggerated belief in their capacity to foresee or control events, leading to a minimised perception of risks or an overstated confidence in their ability to prevent potential outcomes. However, their tendency to focus on immediate benefits or decisions that closely affect their current environment often leads them to underestimate future risks or long-term consequences. This impacts their decisions regarding insuring against potential adverse events, as observed by Kunreuther et al. (2013).

In this research interview, none of the participants exhibited signs of overconfidence bias. This absence of bias might be linked to the educational background of the participants, among which 93% held at least one postgraduate qualification. It could be assumed that their level of education played a role in reducing the overconfidence bias. This suggestion aligns with Pitthan and Witte (2021), who suggested that although financial literacy influences insurance decisions, it has also been recognised as a factor that mitigates many behavioural biases. The connection between financial literacy and the presumption

of bias reduction in cases such as overconfidence bias could be crucial in understanding and improving decisions related to decisions regarding insurance.

Experience decisions

In personal decision-making, individuals tend to prioritise the probability of rare events when these situations are depicted in external sources such as books or mainstream media. Simultaneously, they tend to underestimate the likelihood of uncommon events based on their own personal experiences (Hertwig et al., 2004).

This suggests that when individuals rely on vivid descriptions from external sources, they are inclined to give more significance to the likelihood of rare events. This heightened significance might be due to the detailed and impactful portrayal of these occurrences. On the other hand, experiences from their own lives or those of people close to them may not weigh as heavily in their decision-making. This is likely due to the limited number of instances they've encountered such rare events.

The study by Hertwig et al. implies that the manner in which information is presented and experienced significantly influences how individuals perceive and evaluate the probabilities of rare events during their decision-making processes.

None of the participants in the study mentioned basing their insurance decisions on their experiences, as suggested by Hertwig et al. (2004). Considering the age group and income bracket of the participants, they are exposed to a wide range of media, including educational and mainstream sources. However, this exposure does not seem to have impacted their insurance decisions based on personal experience.

The findings imply that despite exposure to various media sources, the participants did not significantly consider personal experiences in their insurance decisions. This suggests a potential disparity between how information is received or interpreted from external sources versus personal encounters when it comes to assessing risks for insurance choices.

6.4. Intersection: Research Questions 1 and 2

The findings reveal that there is a subtle connection between the outcomes in research question one and research question two. Participants have demonstrated a degree of

rationality by displaying risk aversion, which involves their inclination to avoid taking unnecessary risks. Simultaneously, they have also exhibited traits of loss aversion by actively avoiding situations where they might incur losses due to not having insurance coverage. This intriguing duality in their behaviour suggests that they are making decisions that, on the one hand, are rooted in the principles of traditional economics, which emphasise rationality, and, on the other hand, are influenced by the insights from behavioural economics, which delve into the emotional and cognitive factors that impact how individuals manage risks and safeguard themselves against potential financial setbacks.

In more detail, the connection between the two research questions signifies that participants are not strictly adhering to a single economic model when making decisions regarding insurance. Instead, their behaviour reflects the blending of both rational and emotional factors. Traditional economics has provided a foundational understanding of rational decision-making, highlighting the importance of cost-benefit analyses and risk assessments. In this context, the participants' risk aversion aligns with traditional economic theories, showing a logical inclination to protect themselves from potential uncertainties.

However, behavioural economics brings an additional layer of comprehension by recognising the emotional and cognitive elements at play. Loss aversion, a fundamental concept in behavioural economics, signifies that people are often more concerned about potential losses than equivalent gains. In the context of insurance, this implies that the fear of financial setbacks or the emotional impact of losing assets may significantly influence participants' decisions.

The integration of these two economic perspectives reveals a more comprehensive understanding of why individuals choose to buy insurance. It is not simply about rational cost-benefit calculations but also about the emotional and cognitive factors that motivate their choices. Recognising this blend of rationality and emotional influence can be instrumental in refining insurance product design, marketing strategies, and policy development to better align with the complexities of human decision-making.

6.5. Discussion: Research Question 3

Research Question 3: *What is the impact of information accessibility and transparency in insurance policy structures on the rationality of insurance coverage choices in South Africa?*

The key findings from research question three shed light on the fragmented nature of the South African insurance industry regarding how individuals access information crucial for making decisions about their insurance coverage. A multitude of information sources characterises South Africa's insurance landscape spread across various platforms, including websites, brochures, and social media. This diversity in information sources creates challenges in obtaining comprehensive and reliable information, resulting in confusion and hesitancy when it comes to making insurance decisions.

Moreover, the findings also indicated that participants perceive insurance as a complex domain, feeling overwhelmed by the insurance terminology and complexities, including the vast array of coverage options, policy terms, and exclusions. This perspective resonates with the observations made by Schwarcz (2010), who noted that insurance products tend to be intricate and can pose challenges for individuals when making decisions. Expanding on this, Ericson and Doyle (2006) emphasised that evaluating the risks associated with these products is notably demanding. The intricate nature of insurance policies often leaves potential policyholders grappling with the complexities involved, hindering their ability to fully grasp the nuances of the coverage offered and dampening their willingness to engage with insurance products, aligning with the research findings.

Additionally, the research findings reveal that participants perceived insurance as a complex realm, finding themselves overwhelmed by the intricate language and intricacies inherent in insurance, which includes a wide array of coverage options, policy terms, and exclusions. This perception aligned with Schwarcz’s (2010) observation that insurance products tend to be complex, posing challenges for individuals in their decision-making processes. Ericson and Doyle (2006) further emphasised the demanding nature of evaluating the risks associated with insurance products. The complexity of insurance policies often leaves potential policyholders grappling with the intricacies involved,

hindering their complete understanding of the offered coverage and dampening their willingness to engage with insurance products, consistent with the research findings.

Pitthan and Witte's (2021) research emphasised the significant role of financial literacy in influencing decisions related to insurance. It acted as a vital element in alleviating various behavioural biases. Despite participants' struggles with insurance terminology complexities, their educational levels (postgraduate) might have played a part in mitigating certain biases, as indicated by Pitthan and Witte. The higher level of education potentially enhances financial literacy and serves as a crucial factor not only in shaping decisions related to insurance but also in minimising inherent biases.

The fragmentation and complexity within the insurance industry seemingly hinder the decision-making process regarding insurance coverage. This barrier affects individuals, especially those with limited access to quality education and financial literacy, leading to confusion and potentially influencing their reluctance to engage with insurance products. This highlights the necessity for more accessible, simplified, and educational approaches within the insurance sector to empower consumers to make well-informed decisions about their insurance coverage.

While it was noted that authors Ambuehl et al. (2014), Van Rooij et al. (2011), and Outreville (2015) emphasised the significance of financial literacy in enhancing financial decision-making, Lin and William (2019) further noted that a strong understanding of general financial matters did not necessarily equate to knowledge of insurance-related financial matters. Despite the assumed level of insurance knowledge among participants, the findings contradict this assumption as participants pointed out the complexity and overwhelming nature of insurance. Based on Lusardi's (2008) work, which highlighted a global prevalence of financial illiteracy, it then implies that insurance literacy faces even more challenges.

6.6. Discussion: Conclusion

The primary research question aimed to comprehend the factors contributing to the noticeable disparity in insurance coverage among South Africans. Interestingly, the participants selected for this study exhibited a significantly different insurance coverage profile than the typical insurance trends observed in South Africa. This divergence could potentially be attributed to the characteristics of the participants themselves: middle-

income individuals residing in Gauteng. It appears that their insurance patterns do not align with the broader trends in South African insurance, whether it pertains to life or non-life coverage.

Although the research did not yield definitive answers to explain this intriguing deviation, it shed light on several noteworthy factors that warrant further investigation concerning the influences on individuals' decisions to purchase insurance. These factors might hold the key to understanding the underlying dynamics behind the observed insurance coverage patterns among South Africans.

The outcomes derived from investigations pertaining to both research question one and research question two offer insights into the factors that propel the growth of insurance penetration in South Africa. Conversely, the findings arising from research question three suggest a detrimental impact on the process of making decisions regarding the acquisition of insurance coverage.

Expanding on this, the amalgamation of results from research questions one and two contributes to a more comprehensive understanding of the determinants behind insurance penetration within the South African context. These findings shed light on the drivers motivating individuals to seek insurance coverage, emphasising the significance of risk and loss aversion, which guide rational decisions and emotional responses in insurance-related choices.

On the contrary, outcomes stemming from the investigation's third research question unveil a less favourable situation. The fragmented accessibility of information and the intricate nature of insurance products in South Africa create a daunting environment for those endeavouring to make informed choices about their insurance coverage. This intricacy may lead to uncertainty and reluctance, potentially obstructing the insurance purchasing process, a critical concern for consumers and the insurance industry alike.

In summary, these discoveries collectively enrich our comprehension of the dynamics within South Africa's insurance market. While the first and second research queries shed light on positive influences, the third research question underscores the prevailing obstacles and complexities that individuals face when navigating the insurance landscape.

Chapter 7 Conclusion

7.1. Introduction

This chapter will conclude the research by outlining the essential discoveries concerning the research purpose and questions, as well as their significance and impact. Additionally, it will assess the research's limitations and suggest potential avenues for future research.

7.2. Research Findings

When initiating this research, the premise was that behavioural economic principles could serve as a framework to analyse the decisions made by insurance consumers during their purchases. However, most existing research in this field primarily focused on insights from advanced economies (Pitthan & De Witte, 2021). South Africa stood out, offering a distinctive perspective from other African nations or emerging markets, notably possessing the highest recorded insurance penetration rate at 13.61% (Signé & Johnson, 2021). Furthermore, within the country, there existed a marked imbalance in insurance coverage, mainly favouring life insurance. This disparity raised the need to investigate the factors influencing such skewed decisions.

The distinctive characteristics of South Africa in terms of both its high insurance penetration rate and the skewed distribution of insurance coverage, particularly towards life insurance, prompted an exploration into the determinants driving these imbalanced patterns. This exploration aimed to uncover the factors influencing consumer choices, delving into the behavioural, economic, and cultural aspects that might underpin the consumer decision-making process in the South African insurance market.

The primary objective of this research was to investigate the factors shaping the decisions individuals in South Africa make when purchasing insurance coverage. The findings suggest a multifaceted interplay of influences on these decisions. Notably, behavioural economics' perspectives, like loss aversion and peer effects, hold sway. Additionally, rational perspectives, including risk aversion, were observed in South African consumers. Moreover, the complexity associated with insurance products and their marketing overwhelms consumers, impacting their decision-making process.

The study revealed that South African consumers' choices in insurance coverage are a complex amalgamation of behavioural, rational, and marketing-related aspects. This complexity underscores the need for a deeper understanding of how these factors interrelate and influence individuals' decisions. Furthermore, the study highlighted the need for simplification and more transparent communication in the insurance sector to aid consumers in navigating the intricacies of insurance products.

This research was conducted within Gauteng, a significant economic centre in South Africa. Gauteng is a focal point for upward mobility and has played a pivotal role in the emergence of a burgeoning new middle class among black South Africans (Mattes, 2015). This region has been instrumental in fostering opportunities for social and economic advancement, particularly among previously disadvantaged groups.

7.3. Research Limitations

As this research was exploratory and qualitative, there were limitations in the extent to which the results could be applied. The research faced limitations due to its design and scope, which are outlined as follows:

Researcher Bias

In qualitative research, a significant concern revolves around the potential biases and presumptions the researcher introduces, which could influence the outcomes. The researcher acknowledged this potential and took measures to minimise its impact by rephrasing participant responses in some instances and seeking participant confirmation to ensure accuracy and understanding.

Time Horizon

A cross-sectional research approach was adopted, where interviews were solely conducted once between September and October 2023. The primary focus was to explore the influences behind the unevenness in insurance purchase decisions in South Africa. Given that individual behaviours were the focus of this research and are subject to change, no implication could be made regarding the extension of identified behaviours into future periods (Williams, 2007).

Measuring Issues

The researcher acknowledged that assessing behavioural economics constructs like present bias and loss aversion could be difficult. Consequently, this might not precisely represent the true essence of these biases. The qualitative research conducted had inherent subjectivity, as noted by Zikmund et al. (2013), and was potentially vulnerable to various biases. The researcher was aware of this and took proactive steps to recognise and mitigate any personal biases based on their background during the study. The lack of interviewer experience affected the quality of the collected data (Roulston, 2010). To mitigate the potential impact of the interviewer's inexperience, three pilot interviews were carried out, providing the researcher with a chance to hone their skills.

Sampling Issues

The participants selected for this study were drawn from the middle-income demographic in Gauteng. As the sampling method employed was non-probability, explicitly focusing on individuals residing in Gauteng, which serves as the primary business hub in South Africa, it is essential to acknowledge that their circumstances may differ from those in other provinces that are not major economic centres or coastal provinces. This discrepancy in contexts limits the extent to which the findings of this research can be generalised to the broader population of South Africa.

7.4. Suggestions for Future Research

Based on the findings of this research, several areas that require further research are proposed as follows:

Balanced Coverage Decisions

The fundamental aim of this study was to explore the factors contributing to the disparities in insurance coverage within South Africa. The investigation focused on middle-income individuals in Gauteng and highlighted their relatively balanced levels of insurance coverage. However, it is essential to note that further research is necessary across diverse socioeconomic strata within the South African population to understand the drivers behind these variations in insurance uptake comprehensively.

Behavioural biases

Two behavioural biases were recognised within the behavioural economic context of insurance coverage: loss aversion and peer effect. However, the extent of the influence of these biases on individual decision-making has yet to be fully established, necessitating additional research. Moreover, it is essential to acknowledge that this study centred on middle-income earners in Gauteng, South Africa, and these behavioural economic biases may not affect middle-income earners in other provinces similarly. Therefore, further investigation is warranted to examine potential differences in behavioural economic influences across various South African provinces among individuals with similar income levels.

7.5. Conclusion

This study has offered valuable insights into various dimensions that impact insurance purchase decisions, encompassing behavioural, rational, financial insurance literacy, and insurance information. The findings were meticulously examined to delineate, compare, and unify the diverse perspectives identified. Furthermore, this research substantially adds to the existing literature by analysing behavioural economics in the context of insurance purchase decisions from an emerging economy perspective. It is a notable contribution to the field by thoroughly exploring the multifaceted influences on individuals' choices regarding insurance, covering a broad spectrum of psychological, practical, and economic factors.

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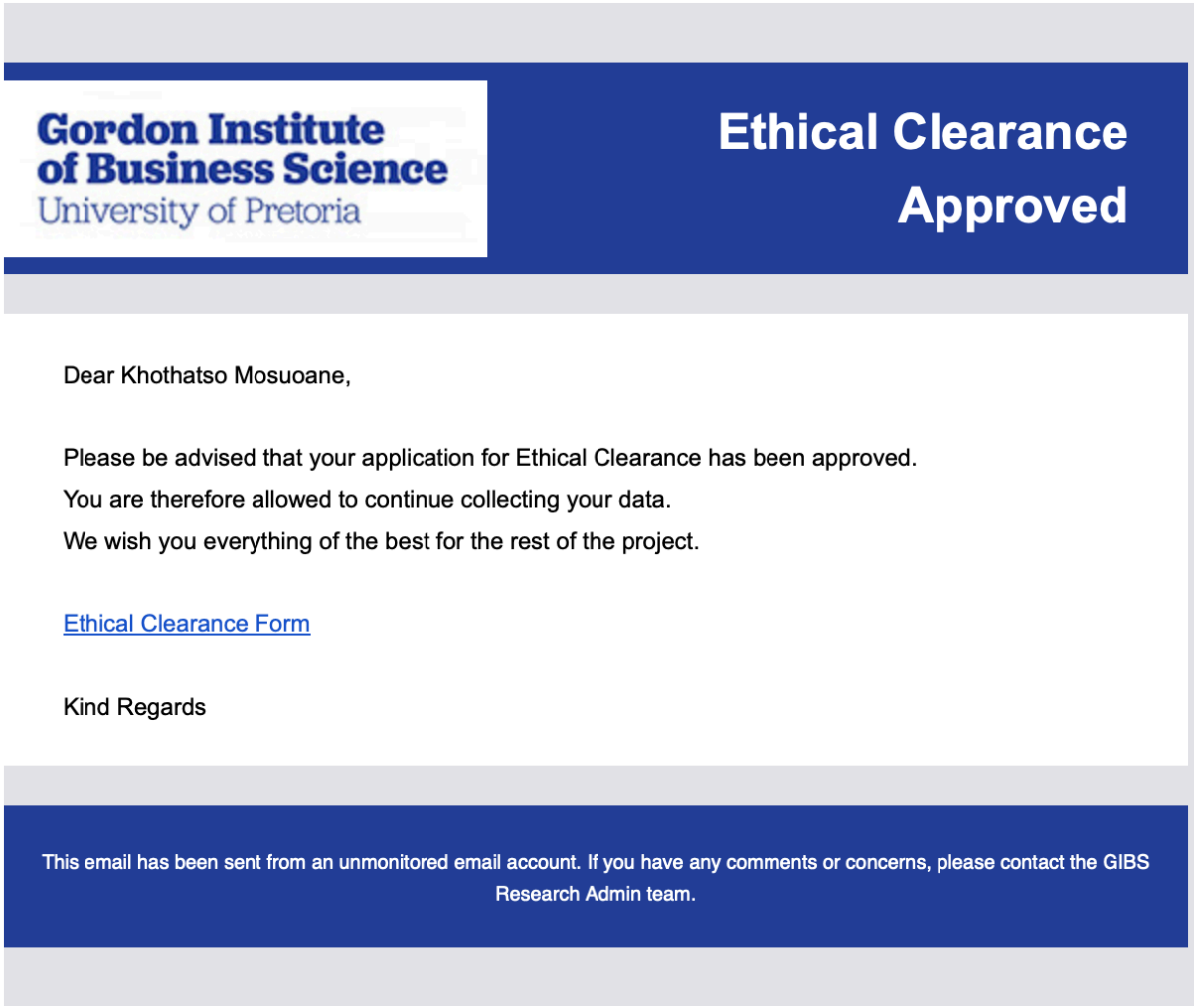
Appendix 1: Consistency Matrix

Research Questions	Sections in Literature Review	Data Collection Tool	Analysis Technique
1. What are the factors influencing decision-making rationality in the selection of insurance coverage among individuals in South Africa?	2.2. South African Background 2.3. Overview of insurance in South Africa	Section 2 Questions 1 – 5 Section 5 Question 3	Thematic Content Analysis
2. What behavioural biases affect the rationality of insurance coverage choices in the South African context?	2.5. Insurance Complexity 2.6. Behavioural Economics in Insurance	Section 3 Question 1 – 2 Section 4 Question 1 -3	Thematic Content Analysis
3. What is the impact of information accessibility and transparency in insurance policy structures on the rationality of insurance coverage choices in South Africa?	2.5. Insurance Complexity 2.7. Financial Literacy	Section 3 Question 1 - 2	Thematic Content Analysis

Appendix 2: Ethical Clearance



Gordon Institute of Business Science
University of Pretoria

Ethical Clearance Approved

Dear Khothatso Mosuoane,

Please be advised that your application for Ethical Clearance has been approved.
You are therefore allowed to continue collecting your data.
We wish you everything of the best for the rest of the project.

Ethical Clearance Form

Kind Regards

This email has been sent from an unmonitored email account. If you have any comments or concerns, please contact the GIBS Research Admin team.

Appendix 3: Consent Form

Gordon Institute of Business Science
University of Pretoria

To Whom It May Concern,

I am currently a student at the University of Pretoria's Institute of Business Science and completing my research in partial fulfilment of an MBA.

I am conducting research on insurance behaviour in South Africa. Our interview is expected to last about an hour and will help us understand how we might be able to improve our insurance behaviour in South Africa.

Your participation is voluntary, and you can withdraw without penalty. All data will be reported without identifiers. If you have any concerns, please contact me or my supervisor. Our details are provided below.

Researcher

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Research Supervisor

Professor Charlene Lew

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Signature of Participant:……

Name of Participant:……..

Date:……

Signature of Researcher:……

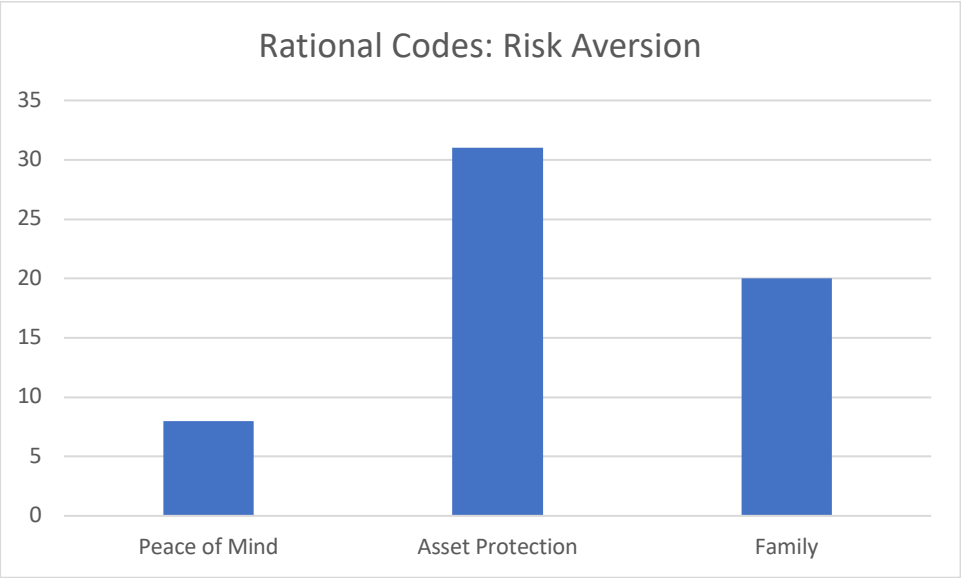
Date:……

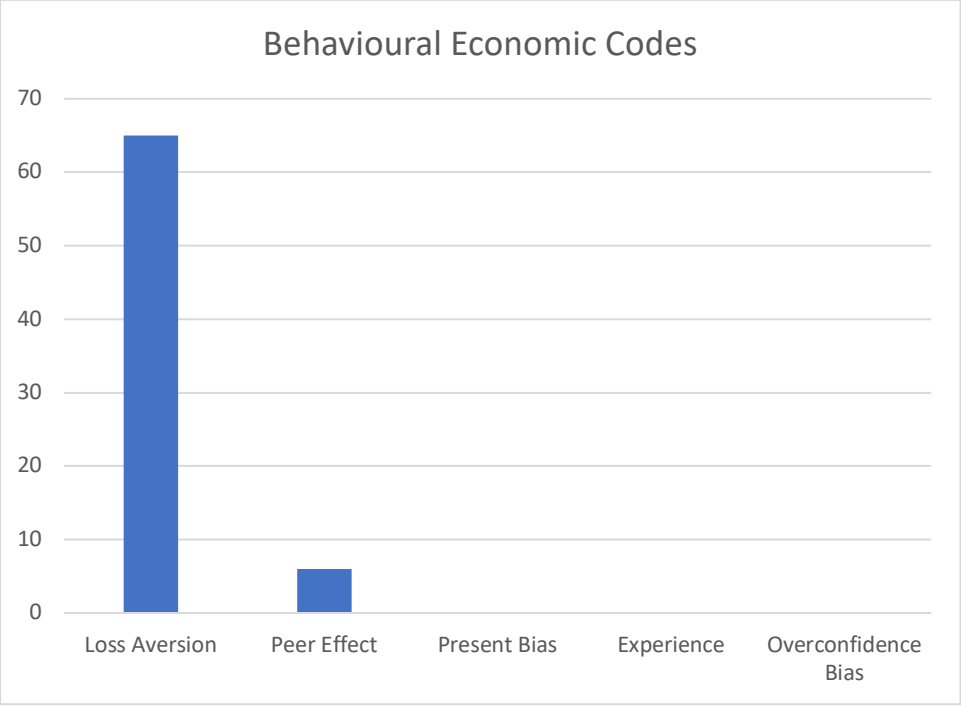
Appendix 4: Interview Guide

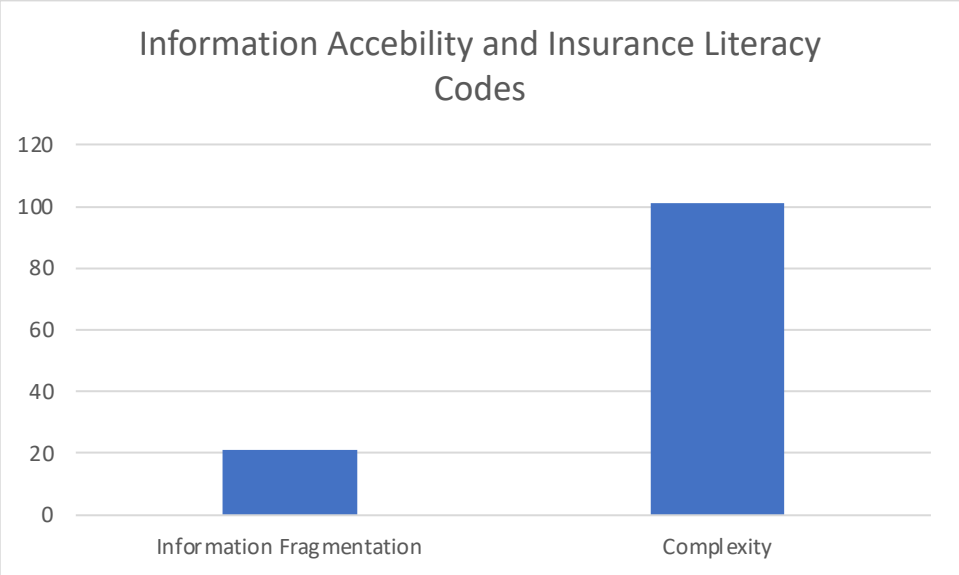
Category	Questions
Section 1	1. Name & Surname 2. Age Range: Between 20 to 30, 31 to 40, 41 to 50, 51 to 60. 3. Education: Undergrad, Hons, Masters, Doctoral 4. What is your monthly household income? a) Below R10,000 or b) R30,000, c) Below R50,000, d) Below R70,000 e) R100,000 5. How many people does your household income have to support? 6. Do you currently have insurance premium as a portion of your monthly expense?
Section 2	1. What do you believe is the greatest benefit of insurance? 2. Which types of insurance policies do you hold? 3. What made you decide on those polices that you chose? 4. Have you ever felt overwhelmed by the complexity of insurance policies or struggled to compare different coverage options? If so, how did you cope with these challenges?

Section 3	1. Have you ever delayed purchasing an insurance policy because you preferred using the money for other immediate needs or desires? 2. Can you explain what the situation was and why you decided to delay the purchase?
Section 4	1. How do you usually acquire information about insurance policies? 2. Do you find it challenging to comprehend the financial aspects of these polices?
Section 5	1. Can you describe a specific experience when you were considering purchasing an insurance policy? What factors influenced your decision-making process? 2. Have you ever regretted not purchasing an insurance policy? If so, can you describe the circumstances and how it affected you?

Appendix 5: Coding Summary






Information Accebility and Insurance Literacy Codes
120
100
80
60
40
20
0
Information Fragmentation
Complexity