



Insurance Literacy in Microinsurance Ownership among Instagram Users in Indonesia

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Abstract

To boost insurance purchases during COVID-19 pandemic, insurance companies in Indonesia started to hyping up their low-cost products, also known as microinsurance, to the market. The purpose of this study is to analyze insurance literacy in microinsurance ownership within a group of 106 Instagram users in Indonesia with specific criteria. Several established metrics are used to measure insurance literacy. The data collected are analyzed using descriptive statistics analysis. The findings indicate that participants with greater levels of insurance literacy are more likely to own microinsurance products than those with lower levels of insurance literacy. The tendency to own microinsurance products is also determined by the demographic conditions of respondents, such as gender, education, marital status, employment, and income. This study urges the need for evolving a marketing strategy to improve insurance literacy education as the initial step to spread awareness of microinsurance in Indonesia.

Keywords: Insurance Literacy; Microinsurance; Microinsurance Ownership

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Introduction

The level of insurance penetration in Indonesia has declined due to the COVID-19 pandemic. As per July 2020, the penetration rate of life insurance in Indonesia was recorded at 1.1%, after previously reaching nearly 2% (Pratama, 2020). General insurance is also not excluded from the impact of the pandemic. According to the General Insurance Association of Indonesia (AAUI), general insurance penetration has decreased from 0.4%-0.5% to 0.24% (CNBC Indonesia, 2020). This microinsurance product is later utilized to encourage insurance sales during the pandemic (CNBC Indonesia, 2020).

Instagram as a promotional medium can help companies effectively market microinsurance products. In agreement with Forrester in Katai (2020), Instagram is the leader of social media with an engagement rate of 4.21% compared to that of Facebook and Twitter which is less than 1% combined. Instagram's engagement rate is 120 times higher than that of Twitter and 58 times higher than that of Facebook. (Forrester, in Katai, 2020). As per November 2020, Instagram has a total of 81,770,000 users in Indonesia, constituting approximately 29.8% of the entire population (NapoleonCat, 2020).

The Financial Services Authority (OJK) reveals the concerning level of literacy inclusion in the insurance sector in Indonesia in general (Natalia, 2020). The lack of knowledge regarding an insurance product causes policyholders to not understand the contents of the product.

Insufficient insurance knowledge also becomes the main reason for an individual to not purchase insurance (Gine et al., 2008). On the other hand, people with relatively high financial literacy have a higher market demand for insurance (Cole et al., 2013). Having greater levels of insurance literacy allows an individual to better understand the advantages and disadvantages of an insurance policy in order to make better decisions regarding insurance (Cole and Fernando, 2008).

Referring to Uddin (2017), a person who is highly insurance literate is more likely to own microinsurance products. Meanwhile, Platteau et al. (2017) state that low understanding of microinsurance products may lead to low trust in microinsurance, resulting in low demand for microinsurance products. In line with these statements, Weedige et al. (2019) explain that insurance literacy (knowledge and skills) is an important factor with a significant and positive direct influence on purchase intention and indirect effects through belief, attitudes, and perceived benefits. Therefore, the purpose of this study is to analyze insurance literacy in microinsurance ownership among Instagram users in Indonesia.

Research Method

Primary data and secondary data were both utilised in this investigation. Primary data were collected through a survey with a questionnaire. The sampling method used was a non-probability sampling, by which 107 Instagram users in Indonesia were obtained with the following criteria: having seen or liked uploads by or followed microinsurance accounts on Instagram. The research tool used is Google Forms which was distributed online. Meanwhile, secondary data were obtained through literature study using expert opinion and previous studies obtained from books, research articles, internet articles, and information related to insurance literacy and microinsurance. Primary data were collected for three weeks, starting from December 30, 2020. This study also employed descriptive statistics analysis in data processing, subsequent to validity and reliability tests using Pearson Product Moment and Cronbach's Alpha.

Results and Discussion

Insurance Literacy

Insurance literacy as defined by Lin et al. (2019) consists of three principal parts, namely comprehending the idea of insurance, being knowledgeable about the insurance products under consideration, being aware of the risks covered by the insurance policy, and being able to use that knowledge to assess the possibilities and make insurance decisions in line with the risks owned.

According to Weedige et al. (2019), the idea of insurance literacy can be regarded as the development of information and skills necessary to choose and use insurance services with the purpose of enhancing personal financial well-being. Low insurance literacy is one of the biggest causes for making mistakes in purchasing insurance or paying lower than the original risk (underinsurance) (Driver et al., 2018). To have insurance literacy, a process that involves educating potential customers is necessary (Wells et al., 2015). Wells et al. (2015) also specify the main goal of insurance literacy, namely to achieve behavior change of consumers in the form of increased insurance purchases and better use of insurance products to achieve the financial security.

Insurance literacy is measured using 10 indicators compiled by Bristow and Tennyson (2001) as follows:

Table 1
Indicators Taken from Bristow and Tennyson (2001)

Indicators	
1	Knowing that reducing financial risk is the primary goal of insurance
2	Knowing the consequences as a customer supposing the company goes bankrupt
3	Knowing the nature of deductibles or own risk
4	Knowing what kind of family conditions that are suitable for having life insurance
5	Knowing the difference between investment-based life insurance and annuities obtained through bonds or preferred stock.
6	Knowing the regulation regarding general insurance
7	Knowing the benefits offered by health insurance

- 8 Knowing the benefits offered by home/property insurance
- 9 Knowing the basic differences between TLO (Total Loss Only) and comprehensive vehicle insurance
- Knowing the difference of insurance needs between old vehicles and new vehicles

OJK describes microinsurance as an insurance product designed to provide protection against financial risk faced by low-income people (OJK, 2017). According to Churchill and McCord in Churchill and Matul (2012), microinsurance using a target group approach can be understood as insurance intended for low-income people.

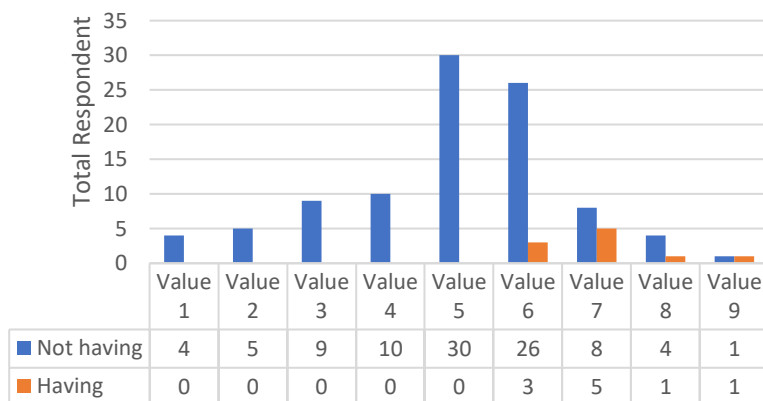


Figure 1. Distribution of Respondent Values and Microinsurance Ownership Status

Referring to the graph in Figure 1, a total of 30 respondents obtain a value of 5, which is the most frequently obtained value compared to other values. However, all respondents obtaining a value of 5 do not have microinsurance. Thus, it is concluded that respondents who obtain a value of 6 or higher have a greater tendency to have microinsurance than respondents who obtain a value of 5 or lower.

Table 2
The Mean Value of Insurance Literacy

Indicators		Mean Correct Answers
X1	Knowing that reducing financial risk is the primary goal of insurance	0.93
X2	Knowing the consequences as a customer supposing the company goes bankrupt	0.67
X3	Knowing the nature of deductibles or own risk	0.45
X4	Knowing what kind of family conditions that are suitable for having life insurance	0.64
X5	Knowing the difference between investment-based life insurance and annuities obtained through bonds or preferred stock	0.17
X6	Knowing the regulation regarding general insurance	0.11
X7	Knowing the benefits offered by health insurance	0.88
X8	Knowing the benefits offered by home/property insurance	0.31
X9	Knowing the basic differences between TLO (Total Loss Only) and comprehensive vehicle insurance	0.52
X10	Knowing the difference of insurance needs between old vehicles and new vehicles	0.49
Mean Correct Answers of All Indicators of Insurance Literacy		5.18

Table 2 presents the mean values of all indicators of insurance literacy. Supposing the respondent answers one question correctly, then the indicator contained in the question is met. A value of 0 is given supposing the indicator is not met and 1 supposing the indicator is met. A total of 10 indicators are used to measure insurance literacy. The mean value obtained from 107 respondents is 5.18 out of 10. The highest mean values of correct answers are obtained by X1 and X7 indicators, which are 0.93 and 0.88, respectively. On the other hand, the lowest mean values are 0.17 and 0.11, obtained by X5 and X6 indicators, respectively. It indicates that respondents generally understand the main purpose of insurance and the benefits offered by health insurance, regardless of whether they currently have microinsurance or not. In addition, this finding also shows that respondents generally do not understand about unit-linked insurance and regulation regarding general insurance.

Table 3
Cross Tabulation of Microinsurance with Demographic Conditions

		Having Microinsurance		
		No	Yes	Total
Male	% in gender	76.9	23.1	100
	% in microinsurance ownership	20.6	60.0	24.3
	Total	20	6	26
Female	% in gender	95.1	4.9	100
	% in microinsurance ownership	79.4	40.0	75.7
	Total	77	4	81
		Having Microinsurance		
		No	Yes	Total
18 - 30 years old	% in age group	93.2	6.8	100
	% in microinsurance ownership	71.1	50	69.2
	Total	69	5	74
31 - 45 years old	% in age group	83.3	16.7	100
	% in microinsurance ownership	10.3	20	11.2
	Total	10	2	12
46 - 60 years old	% in age group	85	15	100
	% in microinsurance ownership	17.5	30	18.7
	Total	17	3	20
Above 60 years old	% in age group	100	0	100
	% in microinsurance ownership	1	0	0.9
	Total	1	0	1
		Having Microinsurance		
		No	Yes	Total
Middle School	% in education level	100	0	100
	% in microinsurance ownership	1	0	0.9
	Total	1	0	1
High School	% in education level	95.6	4.4	100
	% in microinsurance ownership	44.3	20	42.1
	Total	43	2	45
Diploma	% in education level	94.1	5.9	100
	% in microinsurance ownership	16.5	10	15.9
	Total	16	1	17
Bachelor	% in education level	83.7	16.3	100
	% in microinsurance ownership	37.1	70	40.2
	Total	36	7	43
Postgraduate	% in education level	100	0	100
	% in microinsurance ownership	1.0	0	0.9
	Total	1	0	1
		Having Microinsurance		
		No	Yes	Total
Not married and having no dependent children	% in marital status	93.9	6,1	100
	% in microinsurance ownership	63.9	40	61.7
	Total	62	4	66
Married and having no dependent children	% in marital status	100	0	100
	% in microinsurance ownership	8.2	0	7.5
	Total	8	0	8
Not married and having dependent children	% in marital status	75	25	100
	% in microinsurance ownership	3.1	10	3.7
	Total	3	1	4
Married and having dependent children	% in marital status	82.8	17.2	100
	% in microinsurance ownership	24.7	50	27.1
	Total	24	5	29
		Having Microinsurance		
		No	Yes	Total
Unemployed	% in employment status	93.2	6.8	100
	% in microinsurance ownership	56.7	40	55.1
	Total	55	4	59

Part Time	% in employment status	100	0	100	
	% in microinsurance ownership	17.5	0	15.9	
		Total	17	17	
Full Time	% in employment status	80.6	19.4	100	
	% in microinsurance ownership	25.8	60	29	
		Total	25	6	31
Having Microinsurance					
		No	Yes	Total	
Below the national average per capita income	% in income	97.4	2.6	100	
	% in microinsurance ownership	78.4	20	72.9	
		Total	76	2	78
Above the national average per capita income	% in income	72.4	27.6	100	
	% in microinsurance ownership	21.6	80	27.1	
		Total	21	8	29

As presented in Table 3, male respondents constitute the smallest number in this study (24.3%), yet they are more likely to have microinsurance than female respondents. Observed from age group, the respondents are dominated by those aged 18 - 30 years old (69.2%). Respondents in this age group also provide the greatest contribution to microinsurance ownership.

When it comes to education level, most respondents have either graduate from high school (42.1%) or have a bachelor degree (40%). However, respondents with the last education level of bachelor degree show the greatest tendency to have microinsurance. Meanwhile, according to marital status, highest microinsurance ownership is observed in respondents who are married and have children. Most respondents are not married and having no children (61.7%).

Based on employment status, there are more unemployed respondents (55.1%) than employed ones. Respondents with full-time employment status show the greatest contribution in microinsurance ownership. Lastly, in terms of income, most respondents have income below the national average per capita income (72.9%). Respondents who have microinsurance are dominated by those with income equal to or above the national average per capita income.

Subsequently, the cross tabulation was reapplied to identify the apparent tendency between each indicator of insurance literacy and microinsurance ownership.

Table 4
Cross Tabulation between Microinsurance and Indicators of Insurance Literacy

		Having Microinsurance			
		No	Yes	Total	
Not knowing	% in X1	100	0	100	
	% in microinsurance ownership	7.2	0	6.5	
		Total	7	0	7
Knowing	% in X1	90	10	100	
	% in microinsurance ownership	92.8	100	93.5	
		Total	90	10	100
		Having Microinsurance			
		No	Yes	Total	
Not knowing	% in X2	88.6	11.4	100	
	% in microinsurance ownership	32	40	32.7	
		Total	31	4	35
Knowing	% in X2	91.7	8.3	100	
	% in microinsurance ownership	68	60	67.3	
		Total	66	6	72
		Having Microinsurance			
		No	Yes	Total	
Not knowing	% in X3	100	0	100	
	% in microinsurance ownership	60.8	0	55.1	
		Total	59	0	59
Knowing	% in X3	79.2	20.8	100	
	% in microinsurance ownership	39.2	100	44.9	
		Total	38	10	48
		Having Microinsurance			
		No	Yes	Total	
Not knowing	% in X4	100	0	100	

	% in microinsurance ownership	Total	39.2	0	35.5
		Total	38	0	38
Knowing	% in X4		85.5	14.5	100
	% in microinsurance ownership	Total	60.8	100	64.5
		Total	59	10	69
			Having Microinsurance		
			No	Yes	Total
Not knowing	% in X5		93.3	6.7	100
	% in microinsurance ownership	Total	85.6	60	83.2
		Total	83	6	89
Knowing	% in X5		77.8	22.2	100
	% in microinsurance ownership	Total	14.4	40	16.8
		Total	14	4	19
			Having Microinsurance		
			No	Yes	Total
Not knowing	% in X6		91.6	8.4	100
	% in microinsurance ownership	Total	89.7	80	88.8
		Total	87	8	95
Knowing	% in X6		83.3	16.7	100
	% in microinsurance ownership	Total	10.3	20	11.2
		Total	10	2	12
			Having Microinsurance		
			No	Yes	Total
Not knowing	% in X7		100	0	100
	% in microinsurance ownership	Total	13.4	0	12.1
		Total	13	0	13
Knowing	% in X7		89.4	10.6	100
	% in microinsurance ownership	Total	86.6	100	87.9
		Total	84	10	94
			Having Microinsurance		
			No	Yes	Total
Not knowing	% in X8		91.9	8.1	100
	% in microinsurance ownership	Total	70.1	60	69.2
		Total	68	6	74
Knowing	% in X8		87.9	12.1	100
	% in microinsurance ownership	Total	29.9	40	30.8
		Total	29	4	33
			Having Microinsurance		
			No	Yes	Total
Not knowing	% in X9		100	0	100
	% in microinsurance ownership	Total	52.6	0	47.7
		Total	51	0	51
Knowing	% in X9		82.1	17.9	100
	% in microinsurance ownership	Total	47.4	100	52.3
		Total	46	10	56
			Having Microinsurance		
			No	Yes	Total
Not knowing	% in X10		89.1	10.9	100
	% in microinsurance ownership	Total	50.5	60	51.4
		Total	49	6	55
Knowing	% in X10		92.3	7.7	100
	% in microinsurance ownership	Total	49.5	40	48.6
		Total	48	4	52

As presented in Table 4, 93.5% of respondents know the main purpose of having insurance (X1) and only 10% of them have microinsurance. These percentages indicate that respondents generally know the main purpose of having insurance, regardless of whether the respondents currently have microinsurance or not. Approximately 67.3% of respondents have the knowledge of the consequences of being a customer when an insurance company goes bankrupt (X2). The finding shows that respondents who have microinsurance are dominated by those without the knowledge if observed from the percentage, yet by those with the knowledge if observed from the number of respondents.

Regarding knowledge about deductible (X3), respondents who have the knowledge consist only 44.9% of the total respondents. All respondents who have microinsurance belong in this group (20.8%). It implies that respondents who are knowledgeable of deductibles are more likely to own

microinsurance than those who are not. Furthermore, the majority of respondents (64.5%) know about what kind of family conditions that are suitable for having life insurance (X4). Similarly, all respondents who have microinsurance belong in this group (14.5%). Concerning knowledge about unit-linked insurance (X5), most respondents do not have the knowledge (83.2%). Respondents who have microinsurance in this group amounts to 6.7% while 22.2% belongs to respondents who have the knowledge (16.8%). It is concluded that respondents who have microinsurance are dominated by those with the knowledge if observed from the percentage, yet by those without the knowledge if observed from the number of respondents.

The next indicator involves regulation regarding general insurance, stipulating that the premium that has been paid by customers have no maturity value (X6). A total of 88.8% respondents do not know about this regulation. Respondents who have microinsurance are more likely those who know about the regulation if observed from the percentage, yet by those who do not know if observed from the number. A total of 87.9% of respondents know about the benefits offered by health insurance (X7). All respondents who have microinsurance belong to this group, reaching 10.6%.

Furthermore, the majority of respondents (69.2%) know about the types of protection offered by home/property insurance (X8), of which 8.1% have microinsurance. Based on the percentage, respondents who have microinsurance are dominated by those who have the knowledge, while based on the number, respondents who have microinsurance are more likely those who do not have the knowledge. Approximately 52.3% of respondents know about the types of protection offered by Total Loss Only vehicle insurance (X9) and 17.9% of them have microinsurance. All respondents who have microinsurance have the knowledge. It indicates that respondents who know about Total Loss Only vehicle insurance are more likely to own microinsurance than those who do not.

The last indicator is the knowledge of the condition of vehicles that is suitable for insurance (X10). It is shown that 51.4% of respondents do not have the knowledge. Based on both the percentage and the number, respondents who have microinsurance are dominated by those without the knowledge.

Following data analysis and processing, it is evident that individuals with insurance literacy values greater than 5 are more likely to own microinsurance than those with values of 5 or less. In addition, an individual who have the knowledge about deductible; family conditions that are suitable for having life insurance; the benefits offered by health insurance; the types of protection offered by Total Loss Only vehicle insurance; and the condition of vehicles that is suitable for insurance has a higher tendency to have microinsurance compared to others without the knowledge.

It is concluded that an individual who is highly insurance literate is more likely to own microinsurance products (Uddin, 2017). Inadequate understanding of microinsurance products may lead to low trust in microinsurance, thus resulting in low demand for microinsurance products (Platteau et al, 2017). Insurance literacy is essential as it provides not only a significant and positive direct influence on purchase intention, but also indirect effects through belief, attitudes, and perceived benefits (Weedige et al, 2019).

Conclusions

The purpose of this study is to analyze insurance literacy in microinsurance ownership among the people of Indonesia who have seen or liked uploads by or followed microinsurance accounts on Instagram. Referring to data analysis and processing, it is concluded that an individual with a higher tendency to have microinsurance has a value of insurance literacy of higher than 5 and specific knowledge about deductible; family conditions that are suitable for having life insurance; the benefits offered by health insurance; the types of protection offered by Total Loss Only vehicle insurance; and the condition of vehicles that is suitable for insurance.

This study also analyzes the demographic conditions of respondents in terms of microinsurance ownership. It is revealed that respondents who are more likely to have microinsurance have the following criteria: male, having the last education level of bachelor degree, married and having children, working full time, and having income above the national average per capita income.

Insurance literacy is frequently required when selecting insurance products. By having this literacy, an individual is able to understand uncommon terms in insurance policies and choose the right coverage in accordance with their needs. This study also discovers that high insurance literacy can increase the tendency of an individual to have microinsurance products. Thus, it is necessary to develop a plan to improve insurance literacy education as the initial step to spread awareness of microinsurance in Indonesia.

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