

Insurance Purchasing Behavior during Covid-19 Pandemic in Lao PDR

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Abstract

From the previous years (1990 – 2019), insurance market in Lao PDR had been growing steadily with a traditional way of receiving and purchasing insurance; further, health insurance and life insurance were not familiar to local customers. Obviously, health insurance and life insurance were mostly consumed by foreigner resided in Laos. However, the present of Fintech, internet accessibility, and mobile technology have changed people's life style; today, people can buy or renew their insurance through online web page and mobile application. Besides, the COVID-19 pandemic and severe taken longer than two years of spreading, insurance market launched COVID-19 insurance and gained consumers interest. The circumstance and factors related make change in insurance purchasing behaviors. Thus, this research focused on insurance purchasing behaviors during COVID-19 pandemic in Lao PDR to explore consumers' insurance behaviors and potential of product acceptance when include COVID-19 protection.

The online questionnaire was used to collect data and there was 423 respondents. The research applied descriptive statistics analyzed data, percentage, mean, standard deviation to analyses. The study found that most of respondents are male, married, living in city at the central part of Laos, having less than five family members, 51% having income less than 30,000,000 kip per annum. Moreover, the study shows the number of current insurers is 57% of the whole respondents, and only ten percent decided to obtain a new insurance policy during COVID-19. The result also found that COVID-19 insurance interest and become the second popular choice during COVID-19. The insurers would like to buy a new insurance from their current insurance company through the insurance agency, which is the traditional channel. Moreover, they do receive the insurance information from insurance agency, banker, and online platform. However, only ten percent of existing insurers buy additional new insurance during COVID-19; yet, COVID-19 had convince consumer to concern more on their beloved people's health care, include themselves.

On the other hands, respondents who decide not to buy any insurance policy emphasis the reasons they do not buy insurance are insufficient income, increasing in expenditures and reducing in income, criticism on the protection of the insurance is not motivated enough, information and advertising are not attractive, and usefulness of insurance is low compare to premium they have to pay.

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I. Introduction

Lord (2010) pointed out that there is low demand for life and non-life insurance in Lao PDR. Consumption derives mainly from foreign enterprises and foreign residents. Laotians resist purchasing insurance either because of their low incomes, high premiums relative to their incomes or skepticism about its usefulness, including compulsory third party automobile insurance. Further, composition of Lao PDR Insurance Premiums From 2003 to 2009 illustrated that most insurance premiums derive from non-life insurance which on average account for 95.44% of the total insurance premium; life insurance and personal accident and health covered 1.89% and 2.69% prospectively; and the trends of insurance market expected to remain constant for the near future. (<https://www.laotradeportal.gov.la>) Besides, it was expected constant number of insurance company, due to a regulation from 2016 that suspends the issuance of new business licenses in the insurance sector in Lao PDR. Consequently, there were only 22 insurance companies had registered with the Ministry of Industry and Commerce (the business registration authority in Laos) in October 2022, which eleven companies operate both life and none-life insurance, eight companies provided none-life insurance, and only three companies specialize in life insurance. Additionally, the insurance market is not restricted to Lao ownership; six companies are exclusively owned by foreigners, nine companies are part of joint ventures combining Lao and foreign investment. (<https://uk.practicallaw.thomsonreuters.com>).

However, the insurance market has changed in the past few years when mobile technology and internet simply access anywhere anytime by Laotian consumers. Several Fintech services has been introduced via mobile application, include the banking and insurance sectors which has been active in this regard and several major insurance players have signed agreements to collaborate with commercial banks. For example, the Lao-Viet Insurance Company has signed with the Banque pour le Commerce Exterieur Lao Public (BCEL) so that customers can buy and pay for insurance (vehicle, health and so on) on their mobile (<https://www.bcel.com.la>). Likewise, the Prudential Life Assurance (Lao) Company Ltd. has entered a similar agreement with Maruhan Japan Bank Lao Company Ltd. While three years ago these types of services were rather scarce, this is now increasingly becoming the norm in the Lao market. Hence, the coming of new technology has changed people's daily behavior such as shopping, eating, traveling behaviors, including insurance buying behaviors, which is more convenient to get information, renew contact, and buying a new insurance policy via internet or mobile application.

Moreover, since late 2019, the COVID-19 pandemic and severe taken longer than two years of spreading; the number of cases, number of death, and the number of affected countries have been increasing day-by-day. Additionally, the impact of COVID-19 to villagers is not only in the health care issue, but also their daily living, culture, tradition,

working environment, and consequently lead to financial issue. The community is adapting to 'New Normal' life style in order to survive healthily both personal health and finance. Therefore, a new product range of insurance, such as COVID-19 insurance, health insurance covered COVID-19, and so forth, has been introduced to people who aware of risk and impact of COVID-19, especially, who work in the risky functions or put their concern to their children and elderlies at home. This would be another choice of transferring their financial risk to insurance companies. Surprisingly, COVID-19 insurance was boom and very popular in a short-time.

Therefore, this research's objective is identifying the insurers' insurance purchasing behavior during Covid-19 for better understand the consumers behavior towards insurance purchasing decision making, especially, during COVID-19 period and survey the demand for new products include COVID-19. Furthers, this study also benefit to insurance companies in produce new product range or insurance policy to match the potential consumers.

II. Literature reviews

To understand what can drive consumers' decision and preference, Deloitte had designed a study by considering four key questions: 1. Life events: what role do life events play in purchase of life insurance? Which are most impactful? 2. Channel preferences: what roles do channel and consultative advice play? 3. Retention drivers: What causes a buyer to allow a policy to lapse? And 4. Demographic considerations: How do preferences and behaviors vary by demographics? These questions applied to identify customer awareness, purchasing decision, and customer retention. The study confirmed that certain life events are reliable predictors of the likelihood to purchase life insurance. Specifically, individuals who got married, had a child, became a homeowner, or retired were more likely to have purchased life insurance relative to the average person. By contrast, renting a home and/or becoming single decreased the likelihood of having purchased life insurance. Moreover, the life events also impact the decision of buy or not buy a life insurance policy. The post-purchase interaction preferences or customer retention depends on changing in financial position, found a better plan with better benefits, never get info on bills from carrier, and so forth. The survey was distributed to more than 1,700 respondents, which consist 54% male and 46% female. Their ages are between 25 – 54 years old and household income median are approximately \$52,000. Survey respondents included representative samples of both buyers and non-buyers of life insurance which covered 73% and 27% respectively. Then, the policy buyers decided to Retain policy is accounted for 69% of total buyers, and the other 31% lapse the policy.

Poojampa (2014) found that Bangkok Insurance Public Company Limited saving life insurance purchaser who living in Bangkae District, Bangkok, Thailan, sample of 400 respondents. The research found that most Saving life insurance purchasers are female,

age range between 21-35 years, single, bachelor degree education, company employee, less than or equal to 4 persons in family members, average income is 30,000 baht per month , monthly expenses is around 20,000 baht, saving by deposit in the bank, and love watching / listening / reading as hobbies. The behavior of purchasing of Bangkok Insurance Public Company Limited saving life insurance is buying coverage less than 100,000 Baht for life insurance policy, which cover for 1-5 years. The purpose of purchase life insurance because they would like to have the long-term savings for retirement expense. They decided to purchase the life insurance company with Krungthai- AXA life insurance company because of reputation for agent (company). They decided to buy is in January - April and mostly do not choose future savings insurance.

Sophasit (2014) explored demography of saving life insurance purchaser and behavior of receive news, as well as factors influence on life saving insurance purchaser behaviors in Bangkae District, Bangkok Insurance Public Company Limited with the samples size of 400 respondents. The research found saving life insurance purchasers are female, age 21-35 years, single, bachelor degree, working as company employee, having less than or equal to 4 persons family members, 30,000 baht average income per month , while 20,000 baht of monthly expense, deposit bank as a savings and hobbies which are watching / listening / reading. Moreover, saving life insurance behavior found that the purpose of purchasing is less than 100,000 Baht for life insurance policy for 1-5 years covered. They decided to purchase life insurance because they prefer the long-term savings for retirement expense. They decided to purchase the life insurance company with Krungthai-AXA life insurance company because of reputation for agent (company). They decided to buy is in January - April and mostly do not choose future savings insurance.

Nachiengmai (2014) explored behavior of consumers in Mueang Chiang Mai district towards purchasing fire insurance for dwelling house. The study conducted in two group of insurers, one were classified in the voluntary insurers and another were in the conditioned insurers who were credit consumers of the banks. The findings showed that most respondents were female, age range between 30-39 years, and married. Their education background is mostly Bachelor' s degree and worked as company employees/general workers, whose monthly income was between 15,001-35,000 Baht, and there are more than 4 family members. Most of them resided in the detached/twin house and were house owner. Moreover, the respondents mostly purchase fire insurance offered by the Dhipaya Insurance Public Company Limited through Krung Thai Bank Public Company Limited. The insurance covered physical damage to dwelling property caused by fire. A reason of purchasing this insurance was the bank requirement its credit consumers to apply for the fire insurance, and mostly purchased the insurance when applied the loaning service with financial institutes and identified property as the asset. A person involving in the purchasing decision was their spouse. Information searching of fire insurance for dwelling house was from the bank officers. They compared the additional

insurance information as offered by different insurance agents and compared it with the purchased product to ensure themselves that the insurance that they carried offered wider coverage than other insurance companies. Further, the fire insurance premium for dwelling house was ranged 1,501-2,000 Baht per annum. Besides the majority of insurers did not hold any other dwelling insurance, except the burglary insurance. Payment for premium of the fire dwelling insurance was done in cash at the bank / the insurance company. They usually compared the fire dwelling insurance with another one different agent who provided the similar service. Term of payment was mostly found in an annual term. Most of them highly satisfied with the fire insurance for dwelling house that they purchased and decided to renew it with the same company and would certainly recommend the fire insurance for dwelling house that they carried to friends.

Ulbinaitė, Kucinskiene, & Moullec (2014) Reaping the benefits of the rapid growth of the insurance markets, in particular in Asia, calls for improving the understanding of their respective consumers' expectations and behaviors. This paper presents an approach for modelling and analyzing how consumers form their purchase decision for insurance services. Building upon fragmented insurance consumer behavior works, the researchers propose a model that consolidates and expands the current state-of-the-art. This model includes various consumers' characteristics such as life quality, exposure to risks, insurance culture and family nest filters, consumers' "intelligence", perception of need for security, need for insurance and affordability. The results pointed out that the relation between the income level and the purchase intention is not linear; that when an insurance service is perceived as affordable, consumers are inclined to buy it and pay less attention to its quality; that consumers tend to behave similarly, proportionally to their income levels; and that the decoy effect influences the price-quality tradeoff.

Petra (2012) the purpose of research is to map out consumer behavior in the choice of insurance against death. This insured risk was chosen because for most insurers in the product offering as one of the key and it occurs within the highly competitive bid. At consumer behavior specification is also taken into account their classifying that can influence potential irrational behavior elements and help to clarify studied dilemma more (e.g. income brackets, age or other demographic information). Results will contribute to decision-making theory enrichment in given specific segment. From view of practice, they will be used in co-operative institution with the aim of a better client comprehension, product optimization and thereby contracts decline prevention and permanent clientele expansion. The results of the research project showed that most consumers under the influence of certain factors act irrationally. These factors include media coverage of the causes of claims discount, offer extension of insurance coverage.

III. Methodology

Population and Sample

In order to reach existing and potential insurance consumers throughout country, the survey is planned to create an online questionnaire and distribute randomly to both buyer and non-buyer insurance consumers. Therefore, the sample size is calculated by using unknown population sample size formula with 95% confident level, or standard deviation of 0.5, and margin of error (confident interval) of +/- 5%:

$$n = \frac{z^2 p(1-p)}{e^2}$$
$$n = \frac{(1.96)^2 0.5(1-0.5)}{(0.05)^2} = 385 \text{ respondents are needed}$$

where:

Z = Z-score

p = standard of deviation

e = margin of error

Data collection

The questionnaire had created online, using google form, then distributed via communication application like WhatsApp and Facebook. The questionnaire includes multiple choices, short answers, and comment from the respondents.

Data Analysis

The analysis of survey would be applied descriptive statistic to descript frequency, percentage, maximum value, minimum value, and mean of the data collected. Further, the data analysis is using Microsoft Excel.

IV. Results

Demography information

In the table 4. 1 shows the demography of respondents which 53% are male, 49% are aging between 26 – 35 years old; while, 27% are between 36 – 45 years old. Further, they are in their working ages and some are in the earlier marriage as the number of marital status covered 58%; and single respondents cover only 41%. Moreover, 18% are under 25 years old which are students, new graduate, and young employees. While only six percent are over 45 years old and some are in their retirement age.

Most respondents are living in urban and suburban areas which covered 75% and 20% respectively, and only minority four percent, or 19 respondents, living in rural areas. When we distinguish the respondents into geography resident, we derived the number of respondents who living in Northern, Central, and Southern are 17% , 76% , and 7% , respectively; it shows that most respondents are in central part of Laos, especially, in Vientiane capital.

Figure 4.1 illustrates the proportion of respondents' occupation which majority are government officials 62 percent. 16% are corporate official covered; which 60% of respondents are bachelor degree, and 30% are master degree, illustrates in figure 4.2.

Table 4.1: Demography information in gender, age, marital status, city, and geography resident

Gender	Frequency	Percentage
Male	224	53%
Female	199	47%
Age		
younger than 25 years	76	18%
26 - 35	207	49%
35 - 45	114	27%
over 45 years	26	6%
Marital status		
Married	246	58%
Single	172	41%
Separate	5	1%
City		
Rural	19	4%
Sub-urban	85	20%
Urban	319	75%
Geography resident		
Northern	72	17%
Central	321	76%
Southern	30	7%
Total	423	100%

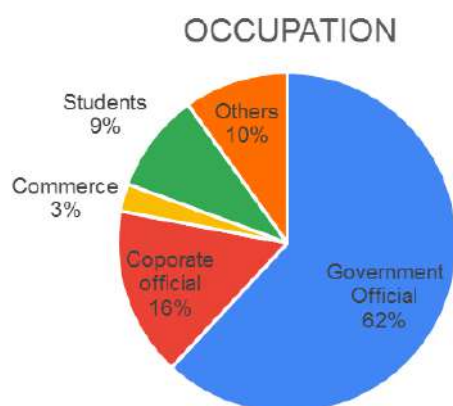
Source: Survey data, Nov 2021

The number of family members of the respondents has been illustrated in table 4.2; it shows 66% of respondents have less than five people in the family; 32% have 5 – 10 family members.

Behavior of buying a new insurance policy during COVID-19

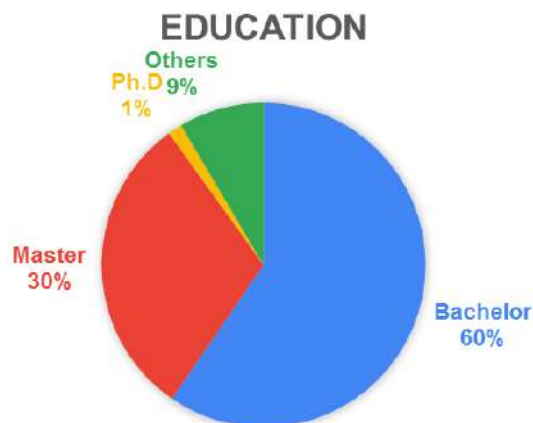
In table 4.3 shows the number of respondents who already had insurance is 243 people, or 57 percent; while do not had insurance is 180 people, covered 43 percent. When continue asking about their insurance policy coverage pointed out that 77 percent already have Vehicle insurance, and life insurance 13 percent.

Figure 4.1 Occupation of the respondents



Source: Survey data, Nov 2021

Figure 4.2: Education of the respondents



Source: Survey data, Nov 2021

Table 4.2: Number of family members

Family members	Frequency	Percentage
< 5 people	278	66%
5 - 10 people	137	32%
> 10 people	8	2%
Total	423	100%

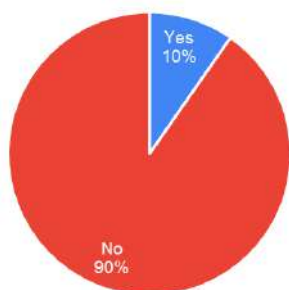
Source: Survey data, Nov 2021

Table 4.3: Insured respondents and their recent type of insurance

Insured responders	Frequency	Percentage
yes	243	57%
no	180	43%
Total	423	100%
Type of insurance		
Fire insurance	6	2%
Life insurance	32	13%
Voluntary social insurance	22	9%
Compulsory social insurance	23	9%
Vehicle insurance	187	77%
others	53	22%
	N = 243	100%

Source: Survey data, Nov 2021

Figure 4.3: Proportion of insurers who buy a new insurance during COVID-19



Source: Survey data, Nov 2021

Figure 4.3 shows proportion of insurers who buy a new insurance policy during COVID-19; only ten percent of respondents buy a new policy, while 90% refuse to buy a new insurance policy. Moreover, table 4.4 shows new insurance policy buyers' income per annum which 30% of respondents had income 15 – 50 million kip, 29% had income between 50 – 100 million kip, and 21% earn less than 15 million kip per annum. Which the minimum income was six million kip and the maximum of 42,000,000,000 kip per annum, while on average of 338,801,097 kip.

Table 4.4: New insurance policy buyers' income per annum

Income per annum	Frequency	Percentage
More than 200 million kip	10	2%
100 - 200 million kip	76	18%
50 - 100 million kip	123	29%
15 - 50 million kip	126	30%
Less than 15 million kip	88	21%
Total	423	100%
Maximum income per annum (kip)	42,000,000,000	
Minimum income per annum (kip)	6,000,000	

Source: Survey data, Nov 2021

Table 4.5 shows the new insurance buyers 44 percent focus on accident insurance; 37% buy COVID-19 insurance, while term life insurance and health insurance cover the same proportions of 20%; lastly, whole life insurance and travel insurance are at only two percent. Moreover, new insurance buyers love to purchase a new policy from their current insurance company, 59%, rather than with a new insurance company which accounted for 41%. Furthermore, they prefer buying insurance via a traditional channel, e.g. insurance agencies, accounted for 49%, rather than other ways; following by buying at the bank counter service which cover 44%, while purchase through online and mobile application are still low at six percent (table 4.6). Besides, most insurers received and update insurance information from insurance agencies and bankers, and mobile technology which is a new way of communicate new products to the customers.

Table 4.5: Type of new insurance policy during COVID-19

A new insurance policy during COVID-19	Frequency	Percentage
Term life insurance	8	20%
Whole life insurance	1	2%
Health insurance	8	20%
Travel insurance	1	2%
Accident insurance	18	44%
Covid-19 insurance	15	37%
	N = 41	

Source: Survey data, Nov 2021

Table 4.6: Insurance company and purchasing channels during COVID-19

Insurance company	Frequency	Percentage
The current insurance company	24	59%
The new insurance company	17	41%
Total	41	100%
Channel	Frequency	Percentage
Agency	20	49%
Bank	18	44%
Online	6	15%
Mobile application	6	15%
	N = 41	

Source: Survey data, Nov 2021

The top three reasons the insurers buy a new insurance are ‘For reduce one’s family’s financial risk’ ‘For family security purpose’ and ‘To share risk when being COVID-19 affected, which is 59%, 46% and 29% respectively. Table 4.7 illustrates the insurers’ new insurance premium per annum mostly less than 500,000 kip which is 39% , and 37% pay their premium 1,000,001 to 5,000,000 kip. Here, the maximum premium is 15,000,000 kip and the minimum is 10,000 kip, due to a promotion of COVID-19 insurance when it was initially introduced. Additionally, the most policy’s protection coverage (Table 4.8) are between 10 to 50 million kip, while 24% of buyers are protected More than 100 million kip. The maximum protection is 3,600,000,000 kip and the minimum is 1,000,000 kip.

Table 4.7: New insurance policy purchasers' premium per annum

Premium	Frequency	Percentage
less than 500,000 kip	16	39%
500,001 - 1,000,000 kip	5	12%
1,000,001 - 5,000,000 kip	15	37%
higher than 5,000,000	5	12%
Total	41	100%
Premium	Value (kip)	
Max	15,000,000	
Min	10,000	

Source: Survey data, Nov 2021

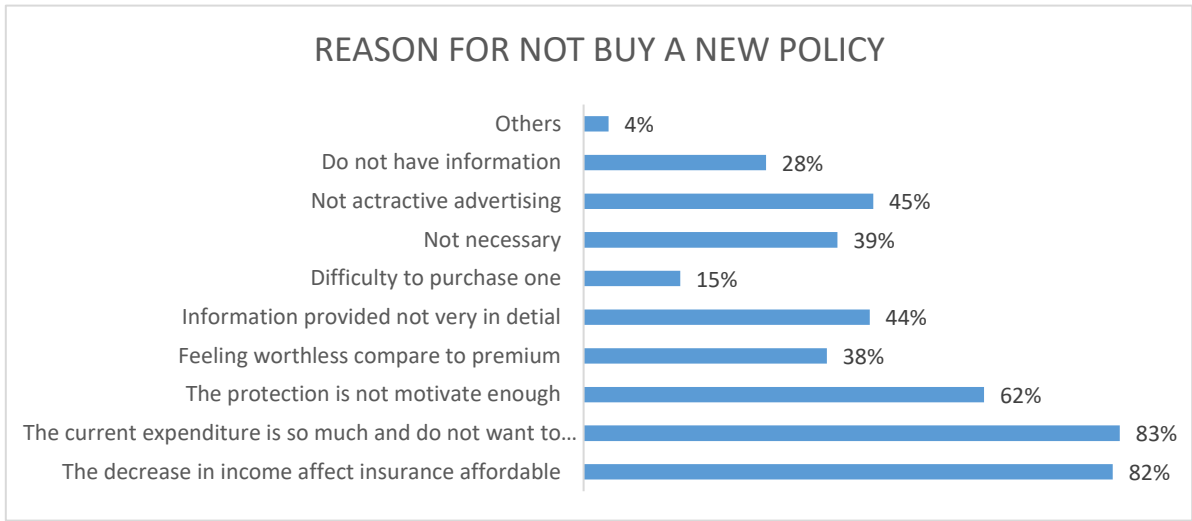
Table 4.8: New insurance policy protection coverage

Maximum protection value	Frequency	Percentage
Less than 5,000,000 kip	5	12%
5,000,001 - 10,000,000 kip	2	5%
10,000,001 - 50,000,000 kip	18	44%
50,000,001 - 100,000,000 kip	1	2%
More than 100,000,000 kip	10	24%
Not mention	5	12%
Total	41	100%
Protection value	Value (kip)	
Maximum protection coverage value (kip)	3,600,000,000	
Minimum protection coverage value (kip)	1,000,000	

Source: Survey data, Nov 2021

On the other hands, when asking the non-buy a new insurance respondents about their reasons of not buying one; it shows in Table 4.4 that 83% realize that 'the current expenses is so high, and do not want to add up insurance expenditure to their expenses', while 82% express the decrease in their income affect insurance affordability. Since the impact of COVID- 19 pandemic, business is closed and some cannot continue, thus, unemployed also increase; people spend money carefully and some are using their previous saving. While 62% criticism in the insurance protection that is not motivating. Further, not attractive advertising and not enough information provided are almost the same percentage as 45 and 44 percent. While some people say it is not necessary and feeling worthless compare to premium expense are 39 percent and 38 percent respectively. Only 15 percent find that it is difficult to buy an additional new insurance policy.

Figure 4.4: The reasons of non-buy new insurance policy

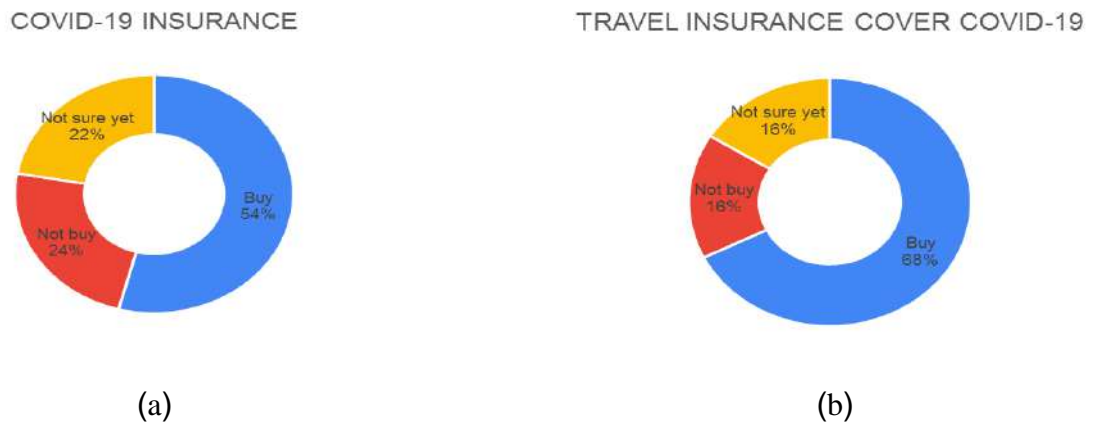


Source: Survey data, Nov 2021

Potential insurers to buy insurance covered COVID-19

Potential insurers to buy insurance covered COVID-19 both COVID-19 insurance and Travel insurance covered COVID-19 in figure 4.5 shows respondents interested in buying both COVID-19 insurance and travel insurance covered COVID-19 at 54% and 68% respectively; while 24% and 16% would not buy these insurance respectively; thus, these potential insurers could be a new market for insurance company later on.

Figure 4.5: Respondents' perspective in obtaining COVID-19 insurance and Travel insurance covered COVID-19



Source: Survey data, Nov 2021

V. Conclusion

As of the study found that most of respondents are male, married, and living in city at the central part of Laos, and having less than five member in the family. Their income

per annum is varies between 6,000,000 kip and 42,000,000,000 kip, which 51 percent having income less than 30,000,000 kip per annum. Moreover, the study shows the number of current insurers is 57% of the whole respondents, and only ten percent decided to obtain a new insurance policy during COVID-19.

Although non-life insurance is majority in Laos, the COVID- 19 insurance gained people interested and become the second popular choice during COVID-19. The insurers would like to buy a new insurance from their current insurance company through the insurance agency, which is the traditional channel. Moreover, they do receive the insurance information from insurance agency, banker, and online platform.

On the other hands, respondents who decide not to buy any insurance policy emphasis the reasons they do not buy insurance are insufficient income, increasing in expenditures and reducing in income, criticism on the protection of the insurance is not motivated enough, information and advertising are not attractive, and usefulness of insurance is low compare to premium they have to pay. Besides, only ten percent of existing insurers buy additional new insurance during COVID-19; yet, COVID-19 had convince consumer to concern more on their beloved people' s health care, include themselves.

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