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DETERMINANT FACTORS ON HEALTH INSURANCE PURCHASE BEHAVIOUR OF MILLENNIALS IN MALAYSIA: A CONCEPTUAL PAPER

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Abstract

In the current living environment, health insurance has become an essential necessity, especially with the relentless pace of medical inflation. Unfortunately, a significant portion of the population remains without adequate coverage. This study focuses on Millennials in Malaysia, a population of around 11 million with the financial capability to afford health insurance. Apparently, millennials are born between 1981 and 1996 (ages 23 to 38 in 2019). Despite this, the actual insured population in Malaysia is only at 41%, signifying a lack of insurance protection. The key factors influencing health insurance purchase behavior among Millennials are examined in this research, including financial literacy, insurance premium affordability, and insurer brand equity. The research objectives in this study serve as the guiding pillars that shape the purpose of the investigation. The core focus of this research revolves around understanding the health insurance purchase behavior of Malaysia's Millennials. The objectives are designed to delve into the relationship between various key factors and this behavior. This research offers novel insights into the health insurance purchase behavior of Millennials in Malaysia. It highlights the financial literacy of individuals as a key driver in insurance decisions, emphasizing the need for financial education and literacy programs. Furthermore, the study underlines the importance of making insurance premiums more affordable to encourage participation. Finally, it reinforces the value of insurer brand equity in attracting Millennials to health insurance, prompting insurance providers to focus on building and maintaining their brand reputation.

Keywords

Insurer Brand Equity, Financial Literacy, Insurance Premium Affordability, Health Insurance Purchase Behaviour

1. Introduction

In the contemporary socio-economic landscape, insurance plays a pivotal role in both the modern economy and the broader financial system. Insurance serves as a financial instrument designed to mitigate risks and provide indemnification to policyholders in the event of losses resulting from specific occurrences. It operates through insurance contracts, which constitute financial agreements between the insured individuals and the insurers. These contracts require policyholders to pay premiums, which are monetary contributions, to the insurer. In return, the insurer commits to providing financial coverage as specified in the

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insurance contract in cases where the insured parties experience losses due to certain events (Doshi, Kumar, and Yerramilli, 2017).

The level of insurance penetration, which refers to the extent of development in the insurance sector of a country, is a crucial indicator of a nation's financial resilience. This metric can be assessed by calculating the ratio of the premiums underwritten by the insurance industry to the total Gross Domestic Product (GDP) generated by the country in a given year. An interview with the Governor of the Central Bank of Malaysia, Yunus (2018), revealed that insurance penetration in Malaysia remains significantly low. As of 2020, Malaysia's insurance penetration rate stood at a mere 5% (OECD, 2022). This low penetration rate suggests that a substantial portion of Malaysians lack adequate insurance protection.

Outreville (2013) emphasized the importance of a well-developed insurance sector for the economic growth of a country, based on an analysis of 85 empirical papers investigating the relationship between the insurance sector and economic development. The insurance sector is not only a mechanism for providing long-term investment opportunities but also reinforces a country's capacity to manage and mitigate risks, contributing to overall economic development and fortifying its risk-taking capabilities (Yunus, 2018).

Malaysia faces a critical issue in the realm of health insurance. Alarmingly, less than 40% of its citizens are in possession of life insurance or family takaful policies, leaving around 8 million working adults, including a substantial portion from the bottom 40 income group, and over 700,000 micro-enterprises without adequate insurance coverage (Yunus, 2018). An extensive survey conducted by the Health Ministry of Malaysia revealed that nearly 46% of Malaysian adults lack health insurance coverage or any supplementary financial protection. As a consequence, these individuals are heavily reliant on an overburdened government-funded healthcare system, leading to prolonged waiting times and increased financial strain on the government (TheStar, 2020). Moreover, despite the fact that 41% of the insured population does have insurance, 90% of these individuals do not have sufficient coverage for themselves and their families (NewStraitTimes, 2020).

Compounding this problem is the steady and substantial rise in health insurance premiums in recent years, a trend primarily driven by medical inflation. Medical costs have surged, with the compound annual growth rate for non-surgical treatments at 9.3% and surgical treatments at 7.8% from 2013 to 2018. This escalation in premiums has rendered health insurance increasingly unaffordable for many Malaysians. Notably, existing research into health insurance purchase behavior has primarily focused on countries other than Malaysia, leaving a critical knowledge gap regarding the specific behaviors and needs of Malaysian Millennials. In general, millennials are born between 1981 and 1996 (ages 23 to 38 in 2019). Despite being a vital demographic for the insurance industry, Millennials in Malaysia are underinsured, often prioritizing lifestyle and luxury spending over financial planning, partly due to overestimating the cost and underestimating the necessity of insurance (Yu & Portera, 2015; Chin, 2016). This research aims to address these issues and contribute to a better understanding of health insurance purchase behavior among Malaysian Millennials, thereby aiding insurers in developing strategies to improve health insurance penetration rates and promote economic development.

2. Literature Review

2.1 Underlying Theories

Self-Efficacy Theory: Self-efficacy theory centers on an individual's self-confidence in carrying out actions to achieve success in specific situations. In the context of finance, it highlights financial self-efficacy, reflecting an individual's belief in their ability to manage finances and attain financial goals (Rizkiawati & Asandimitra, 2018). High financial self-efficacy leads to greater financial responsibility and management (Qamar, Khemta & Jamil, 2016). It also fosters positive financial management behavior, contributing to a deeper understanding of financial knowledge and improved overall financial literacy. With increased financial literacy, individuals are more likely to incorporate risk transfer, such as life insurance, into their financial planning, ultimately impacting insurance penetration rates.

Maslow's Hierarchy of Needs Theory: This widely accepted theory, developed by Maslow in 1965, categorizes human needs into five levels, ranging from basic physiological needs to higher-level self-actualization needs. Within this framework, insurance, as a risk transfer tool, falls under the safety needs category, providing financial security and peace of mind (Maslow, 1965). Recognizing insurance's role in meeting safety needs significantly influences individual decisions to purchase insurance, thereby affecting insurance penetration rates. This theory underscores how insurance aligns with fundamental human needs for safety, emphasizing its role in addressing this need.

Theory of Planned Behaviour: An extension of the Theory of Reasoned Action, the Theory of Planned Behaviour (TPB) delves into individual intentions to explain behaviors. TPB posits that attitudes and subjective norms influence intention and, in turn, action or behavior. Attitudes represent an individual's psychological predisposition towards an object, impacting their likelihood of taking action (Ajzen, 1991). Subjective norms stem from social pressure and beliefs, exerted by individuals or groups, which influence reactions to specific behaviors (Lada, Tanakinjal, & Amin, 2009). TPB was introduced to address limitations in explaining nonvolitional human behaviors that the Theory of Reasoned Action could not adequately cover. While similar to TRA in focusing on individual behavioral desires, TPB adds perceived behavior control as an antecedent for behavioral intention. However, TPB's applicability may vary across contexts, requiring further investigation for a more contextually realistic theory.

2.2 Financial Literacy

The complexity of insurance products, often characterized by industry-specific jargon and opaque language, can pose a barrier to insurance purchase. The ability to comprehend insurance terms and products is closely linked to an individual's financial literacy. Those with better education and financial knowledge are more likely to understand the value and importance of health insurance, leading to a higher likelihood of purchasing insurance (Pugnetti & Bekaert, 2018; Husin & Rahman, 2013). Consequently, there is a strong, significant relationship between financial literacy and health insurance purchase behavior.

2.3 Insurance Premium Affordability

The affordability of insurance premiums is a pivotal factor in health insurance purchase behavior, particularly among those with limited purchasing power. Workers with lower incomes exhibit higher sensitivity to premium levels compared to their higher-income counterparts (Blumberg, Nichols, & Banthin, 2001). However, research suggests that demand for insurance is not solely determined by premium levels. Instead, it is influenced by an individual's perceived health risk and variations in health status (Marquis & Holmer, 1996). While price is a significant factor in health insurance purchase behavior, other factors such as quality, provider choice, coverage breadth, and plan convenience also play a role (Scanlon, Chernew, & Lave, 1997).

2.4 Insurer Brand Equity

Trust in insurers is a critical element in health insurance purchase behavior, with brand equity playing a crucial role in building consumer trust. Trust in insurers is often associated with an insurer's reputation within the market (Mechanic, 1998). A strong brand equity allows insurers to differentiate themselves in a competitive market and gain consumers' confidence. Consumers are often willing to pay higher prices for products or services offered by companies with stronger brand equity (Sawaftah, Calicioglu, & Awadallah, 2020). Consumers frequently turn to brand equity as an indicator of product quality and reliability when making purchasing decisions (Agmeka, Wathoni, & Santoso, 2019).

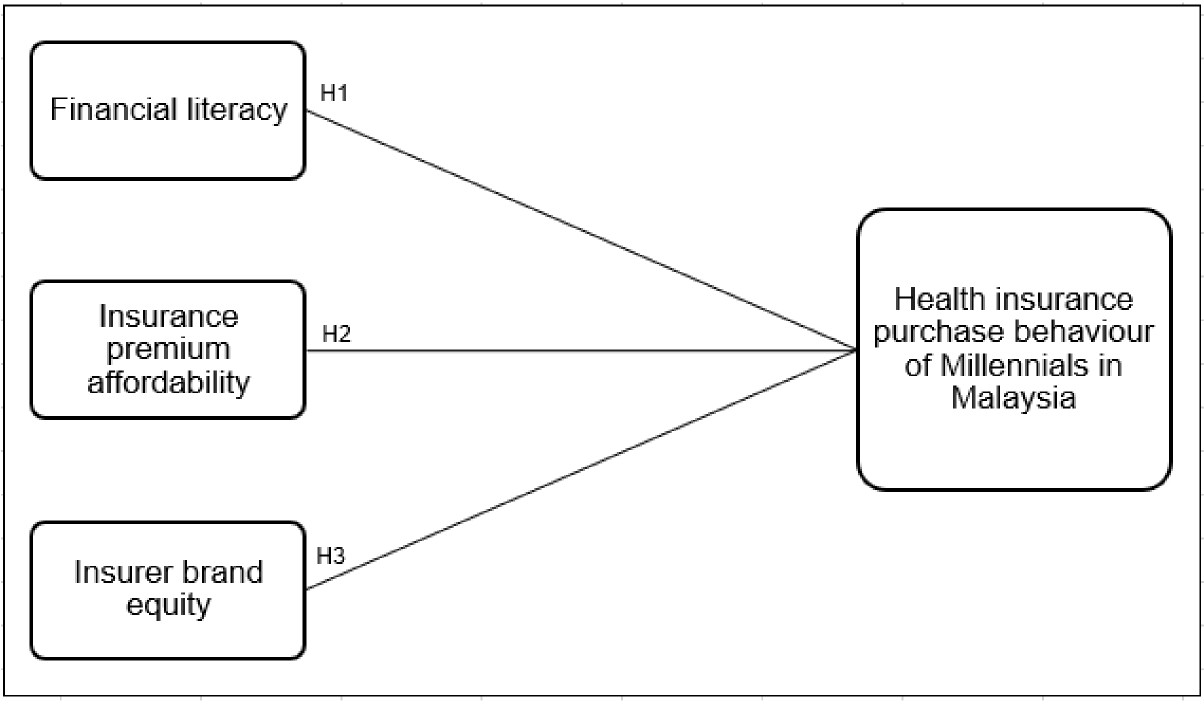

Figure 1: Conceptual Framework

Methodology

The research methodology for this study is outlined in three key sections included research design, questionnaire design, and measurement procedures. The research design is visually presented through Diagrams 1 and 2, providing a comprehensive overview of the study's structure with its ten core components, serving as a guiding framework. The questionnaire design is crucial for data collection, encompassing various sections related to respondents' demographics, health insurance purchase behavior (dependent variables), and independent variables like financial literacy, insurance premium affordability, and insurer brand equity, each sourced from prior research. This comprehensive questionnaire ensures the collection of relevant data. To validate the collected data, a meticulous measurement process is detailed, including a pilot test, preliminary test, factor analysis, reliability testing, and demographic profiling. Furthermore, various statistical tests, such as multiple regression tests, regression ANOVA, beta coefficient analysis, and multicollinearity tests, are laid out to evaluate hypotheses, assess model fit, and understand the relationships between variables. This structured research methodology ensures rigorous data collection, analysis, and validation, aligning with the study's objectives.

Conclusion and Discussion

In conclusion, this research delves into the pressing issue of health insurance purchase behavior among Millennials in Malaysia. It addresses a significant problem statement, exploring the factors influencing this behavior and their interplay. Through a rigorous methodology and analysis, the study sheds light on the importance of financial literacy, premium affordability, and insurer brand equity in shaping insurance decisions. These findings can inform strategies and policies to enhance health insurance penetration rates and foster economic development in Malaysia. It is imperative to adapt to the evolving needs of the Millennial population and ensure their financial well-being in an era of rising medical costs.

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