

**Information asymmetry and institutional
intermediation and its impact on the uptake of life
insurance in low-income communities in South Africa**

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Abstract

The study explores the impact of information asymmetry and intermediation on the uptake of life insurance in low-income communities in South Africa. The study was motivated by the significantly high penetration of funeral cover in low-income communities with a relatively low adoption of life insurance in these same communities. The literature highlights, in particular, the importance of intermediary incentives, intentions and motives, and how these contribute to the advancement of institutional work in dualistically structured markets. The main research question was, “How do intermediaries engage in institutional work to address information asymmetries in the uptake of life insurance in the South African low-income market?”

The theoretical lens applied in this study is that of institutional work. To answer the research question, the researcher adopted a single instrumental case study methodology, specifically focusing on a medium-sized insurance company with a long history in South Africa. Semi-structured interviews based on an interview guide was used to engage with relevant insurance personnel, intermediaries and consumers. The findings showed that information asymmetry persists because of intermediation and other consumer-specific dynamics which remain, owing to the absence of financial knowledge in low-income communities. The contribution of this thesis is the introduction of a model that has the potential to drive disintermediation and enable innovative access to life insurance in low-income communities in South Africa. The theoretical contribution of this study is to create awareness about the voids in dualistically structured markets, which result in information asymmetry partly as a result of the actions of intermediating actors who are dominant players in the insurance industry.

Key words: Intermediation, information asymmetry, institutional voids, institutional work, intermediary incentives, institutional maintenance.

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Table of Contents

Abstract	i
Acknowledgements	ii
Chapter 1: Introduction and Background	1
1.1 Background to the Study.....	2
1.2 Research Question.....	3
1.3 Significance of the Study	3
1.4 Thesis Structure.....	4
Chapter 2: Literature Review	5
2.1 Institutional Voids under Conditions of Dualism	5
2.2 Types of Institutional Work	7
2.3 The Nature of Agency in Institutional Work.....	10
2.4 Implications of Emotional and Cognitive Investment in Institutional Work.....	13
2.5 The Impact of Institutional Maintenance	17
2.6 Conclusion	21
Chapter 3: Research Methodology	23
3.1 Research Approach and Strategy.....	23
3.2 Research Design.....	24
3.3 Population and Sample	25
3.4 Data Analysis.....	28
3.5 Limitations.....	31
3.6 Trustworthiness, Validity and Reliability	31
3.7 Ethical considerations	33
Chapter 4: Findings	34
4.1 Factors that Affect Consumers' Uptake of Life Insurance.....	34
4.1.1 Dignity as an Incentive for Consumers.....	34
4.1.2 Black Tax	37
4.1.3 Lack of Financial Education.....	40

4.2 Implications of Intermediary Incentives	44
4.3 Information Asymmetry	49
4.3.1 Information Asymmetry Faced by Consumers	50
4.3.2 Information Asymmetry Faced by Insurers	54
4.3.3 The Implications of Information Asymmetry	61
4.4 Challenges Faced in the Distribution of Life Insurance.....	64
4.4.1 Policy Underwriting Challenges.....	64
4.4.2 Transparency Challenges.....	66
4.4.4 Product and Consumer Dynamics	69
Chapter 5: Discussion of Findings.....	73
5.1 The Incentive Structure of Intermediaries.....	74
5.2 The Persistence of Information Asymmetry.....	75
5.3 The Role of Dignity.....	76
5.4 Theoretical Implications of the Findings	77
5.4.1 The Effects of Actor Incentive Structure on Theoretical Work.....	78
5.4.2 The Effects of Information Asymmetry on Institutional Work	79
5.4.3 The Concept of Dignity in Relation to Institutional Work.....	80
5.4.4 Conclusion of Theoretical Implications.....	82
5.5 Practical Implications of the Findings.....	82
5.5.1 Implications of Intermediary Incentives	82
5.5.2 Implications of Information Asymmetry	83
5.5.3 Implications of the Concept of Dignity.....	84
5.6 Inclusive Innovation	85
5.6.1 Innovation Barriers.....	85
5.6.2 An Embedded Insurance Innovation Solution	86
5.6.3 Implications for Innovation Barriers.....	89
5.6.4 Existing Solutions and Current Innovations.....	90
5.7 Limitations.....	91
5.7.1 Industry Inaccessibility Owing to Covid-19	91
5.7.2 Mobile Network Infrastructure	91
5.8 Future Research Opportunities.....	92
Chapter 6: Conclusion	93
6.1. Objective 1.....	93
6.2 Objective 2.....	94

6.3 Objective 3.....	94
Reference List.....	97
Appendices.....	111

List of Figures

Figure 1: First-order and second-order themes	30
Figure 2: Insurance distribution model of life insurance in low-income communities	44
Figure 3: Innovation objectives versus manifested outcomes	70
Figure 4: Proposed model. Consumer user journey for an inclusive innovation of embedded insurance.....	85

List of Tables

Table 3.1: Demographic composition of the sample	27
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Chapter 1: Introduction and Background

Critical to the effective execution of any market transaction is information. The absence of full information in markets creates market imperfections and increases the costs of transactions owing to the presence of information asymmetries (Stiglitz, 2000). This asymmetry is pervasive in developing countries where markets are less likely to work as efficiently as they do in developed countries. The persistence of market imperfections carries the risk of creating market failure if not appropriately dealt with (Stiglitz, 2000).

It is important to understand and recognise that market imperfections are prevalent in developing countries because an acknowledgment of this fact provides perspective on the nature of what one is dealing with and can facilitate ways to address the imperfections. One of the primary and main causes of market imperfection and information asymmetry in developing countries is the dualistic economic structures of these countries. Dualism manifests in various ways, with pronounced and significant economic differences evident in urban and rural environments, and formal and informal business practices all operating in one environment but functioning fundamentally differently (Singer, 2016). In the context of financial services in developing countries, this dualism manifests and reveals itself in the form of financially included and financially excluded individuals; thus, this dualism is largely driven by income inequality *inter alia*. This study focuses on low-income communities in South Africa, defined as communities which fall into LSM 1-5, as used in the insurance industry (Smith et al., 2010).

Literature has emerged around intermediation, where intermediaries play the role of assisting the reduction in transaction costs associated with accessing the market through building the networks and channels that enable product adoption (Abraham, 2012). This process occurs through leveraging specialised networks, channels, consumer knowledge, insights and social assets built up by intermediaries within those markets. Their in-depth knowledge of the context in which they work leads to the production of information which reduces information asymmetry. Intermediaries also reduce the risk of adverse selection, which further increases market confidence, participation and product adoption (Domingo et al., 2012). This study contributes to the theory on how actors in dualistic institutional contexts can improve the process of intermediation through institutional work where information asymmetry prevails. Thus it makes a contribution to the theory of institutional work in the contexts of dualism and asymmetrical markets.

1.1 Background to the Study

South Africa is among the most unequal societies in the world owing to the legacy of apartheid and the continued structural economic challenges that affect the developmental agenda of the country (World Bank, 2018). With regard to wealth distribution, a study conducted by the World Bank in 2015 reveals that 71% of South Africa's wealth is held by 10% of the population (International Bank for Construction & the World Bank, 2018). This wealth inequality clearly illustrates how exposed and uninsulated the poor and the marginalised are from economic and health-related exogenous shocks. Furthermore, in South Africa, wealth inequality is often a function of education inequality and functional illiteracy. This reality has significant implications and consequences for the type of financial decisions taken by the marginalised when engaging with a fairly advanced financial services sector. The nature of the asymmetries that manifest in a market of this nature are experienced by both the insurer and the policyholder, as both have imperfect information when participating in market transactions. This has led to the increased growth of financial intermediation in the South African life insurance sector.

In the insurance industry, intermediaries, referred to as brokers, are tasked with linking insurers with potential policyholders who meet the underlying underwriting requirements for a particular insurance policy and ensuring the sale of the said policy. In many ways, underwriting is insufficient to effectively ascertain the risks associated with a client. This requires the broker to act as a verifying or screening tool for the insurer to assist in reducing adverse selection. However, this is also true for the potential policyholders who are equally concerned about making a sub-optimal choice in terms of who they decide to take as their ultimate insurer for the said policy. The broker plays a marketing and screening role for both insurer and insured (Scholtens & Van Wensveen, 2003). This gives rise to both participation and transaction costs that accrue to the intermediary as income upon the successful sale of the policy. However, absorbing these costs does not prevent the continued existence and creation of information asymmetries in the market. A study conducted by True South Actuaries and Consultants (2019) on behalf of the Association for Savings and Investment South Africa (ASISA) indicates that the death and disability cover gap in South Africa, if households are to maintain their standard of living upon the death or disability of a breadwinner, totalled R34.7 trillion (The True South Actuaries & Consultants, 2019). This cover gap is emblematic, in part, of the effect that financial intermediation has had on the type of insurance cover that consumers take up, in particular to mitigate the risk associated with death-related outcomes.

1.2 Research Question

How do intermediaries engage in institutional work to address information asymmetries in the uptake of life insurance in the South African low-income market? To further expand on this, the following questions will be investigated to answer the main research question.

1.2.1 Sub-research Questions

1. What factors should be considered by the life insurance industry in the provision of life insurance to low-income communities in South Africa?
2. How can institutional work by intermediaries successfully address information asymmetries so as to enhance the uptake of insurance in low-income communities?
3. What institutional challenges do intermediaries face when selling life insurance to low-income communities?

Guided by these questions, the researcher will, it is hoped, arrive at a conclusion that can provide insights and understanding on how information asymmetry affects institutional intermediation and its effect on the uptake of life insurance in the South African low-income market.

1.3 Significance of the Study

Although there have been some studies on the impact of information asymmetry on market transactions and on institutional work and its power to affect institutional voids, none of these studies have discussed the practical and theoretical implications of information asymmetries for the marketing of life insurance in low-income communities (Sánchez & Ricart, 2010). The gap in theory being uniquely filled by this research is the role of institutional work in deeply intermediated environments laden with information asymmetry, and how these factors interplay to affect the outcomes of actions specifically in life insurance markets focused on low-income communities. The study aims to show why this interplay is fundamental to improving market transactions in low-income communities as they relate to the uptake of life insurance (Ramchander, 2016). Practically, this study will contribute to an understanding of how the life insurance industry can reach this market by re-examining existing institutional relationships among the insurer, broker and consumer, and how these relationships can be improved through the necessary institutional work. The study also aims to shed light on the motivations inherent in intermediaries, and to advocate for either maintaining current

institutional arrangements or changing them (Chummun & Bisschoff, 2014). In addition, it aims to show what institutional work needs to be done to bring about positive changes specifically in the South African low-income market in the context of the uptake of life insurance.

The study would be of value to managers who need to reflect upon their reliance on intermediation to facilitate market transactions and understand consumer needs and wants. It will provide insights on the risks that exist and specific matters to consider when appraising feedback from intermediaries. The study provides critical insights to academics looking into how institutional work theory manifests in dualistically structured environments where the end consumers are incapable of agency that could significantly affect the market structure.

1.4 Thesis Structure

The study is structured in a manner that provides clarity on the content and the research process undertaken. Chapter 1 has provided an overview of the problem and the rationale for the study. Chapter 2, the literature review, provides insights into the dualistically structured nature of emerging market economies and the pervasive presence of institutional voids, unpacking how they occur, why they occur and when they manifest. Furthermore, Chapter 2 highlights the ways in which institutional voids may be addressed through institutional work, identifies various types of institutional work, and reflects on the incentives, motivations and embeddedness of agents in the context of institutional work and the impacts of these on intermediation.

Chapter 3, methodology, discusses the research strategy, design and theory that informed the research process. Chapter 4 presents the findings that emanate from the research questions and the application of the research methodology. Chapter 5 is the discussion chapter where the findings are discussed, interpreted and analysed in light of the research objective and questions, and the literature. Here the researcher reflects on whether new ways of understanding the topic may have emerged and whether the research questions have been sufficiently been answered. Chapter 6, the concluding chapter, presents the conclusions of the study in the context of the research question and findings discussed.

Chapter 2: Literature Review

Developing economies have been the site of significant economic growth over the years, largely driven by increasing consumption, a growing population, increased demand for raw materials by China, and the growth of digital mobile technology (Vickers, 2013). While this growth has occurred, it has done so in an environment fraught with inefficiencies and information asymmetries. As alluded to earlier, these factors have a crucial and significant impact on developing countries as they accentuate the dualistic nature of the prevailing market structure in these markets (Mair et al., 2012). This dualism has manifested in a low ratings for “ease of doing business” owing to the rigidities that manifest as a consequence (Nahi, 2016). A review of the literature will provide insights into the dualistic structure of developing markets and the presence of institutional voids. The literature review will focus largely on institutional work and how it manifests in practice in attempting to close the voids created by this dualistic market structure. It is important to highlight that institutional work is the underlying theoretical framework of this study.

2.1 Institutional Voids under Conditions of Dualism

An institutional void refers to a dearth of institutions that enable or facilitate a market transaction (Gao et al., 2017). Institutional voids are representative and indicative of a market state that impedes the ease of doing business as it relates to market interactions between demand and supply (Doh et al., 2017). Institutional voids may also be understood as the absence of institutions that provide an environment where contracts and regulations are easily enforceable (Scott, 2017). The consequence of institutional voids is increased costs associated with the acquisition of information, capital, skills, material and innovation. This ultimately results in the creation of inefficient markets (Doh et al., 2017). Institutional voids create a breeding ground for corruption, anti-competitive behaviour and market capture, which affects the growth and development of the market (Gao et al., 2017). The impact on the institutional environment can manifest in three ways. First, it discourages market participants from participating in the market, thus incentivising them to retain their knowledge, entrepreneurial skill, investment and innovation. This outcome is sub-optimal for the market as a whole but may benefit incumbents with a vested interest in current market conditions.

Second, institutional voids increase the likelihood and tendency towards the exploitation of labour and people, specifically in emerging markets where the rule of law and

judicial independence is not heavily enforced (Zhao et al., 2014). Thirdly, voids result in new partnerships being brokered and formed between formal and informal institutions or intermediaries to enable entry into the market (Mair et al., 2014). This understanding of institutional voids is important as it underscores the dualistic nature of developing markets with respect to the presence of both formalised institutions and informal and weak institutions (Welter et al., , 2015).

These institutional voids manifest pervasively in what is known as the bottom of the pyramid (BOP) or low-income communities. This group of actors globally accounts for a consumer segment in excess of 4 billion consumers (Prahalad & Hart, 2010). These consumers do not have large sums of disposable income but collectively account for 5 trillion dollars in consumption spend (Prahalad & Hart, 2010). This draws attention to the economic and financial importance of this market for large corporations, both multinationals and local entities. It also highlights the presence of dual economies operating in a single market environment that have developed side by side without building the necessary institutions to ensure that value is easily moved from low-income communities to the formal business environment and vice versa (Dey et al., 2016).

Localised rigidities that create voids manifest chiefly as information asymmetry and as a lack of tailored and specific market insights, poor physical and regulatory infrastructure and poor intermediary networks (Domingo et al., 2012). These information asymmetries are often based on tacit information on consumption behaviours, norms, values and underlying product adoption behaviour in low-income communities. Insights on these aspects would ordinarily be held by intermediaries who would assist product owners to understand these factors in order to distribute their products. This illustrates the consequences of these institutional voids and the resultant impact in terms of increased participation costs, which ultimately result in market failure (Domingo et al., 2012).

Institutional voids persist for two key reasons. First, the current status quo serves the market interests of the actors involved or advantaged by the inefficiencies caused by the institutional void, who benefit from the associated economic rent (Doh et al., 2017). Secondly, institutional voids persist because of the costs associated with filling them, mostly borne by actors who would be responsible for arranging the necessary institutional work by others who have the means, influence and position to drive such change (Doh et al., 2017).

Therefore, market structures which maintain or preserve institutional voids require a change of the institutional order, as the continuity of such market structures, can only hamper the effective

operation of the institutional environment. Actors who are marginalised or adversely affected by the continued presence of institutional voids are likely to engage in transforming the market or institutional environment through engaging in institutional work that addresses the voids. This process may involve a variety of strategies, approaches and tactics to drive the institutional change sought.

2.2 Types of Institutional Work

Part of understanding how institutional environments can be transformed or acted upon is the theory of institutional work. Institutional work refers to the maintenance, disruption and creation of institutions (Lawrence et al., 2009). The term goes some way to explaining how actions taken by actors ultimately affect institutions. Institutional work manifests in a number of ways, but generally in the form of symbolic institutional work, material institutional work and relational institutional work.

Symbolic institutional work refers to the construction of narratives or ideas that are used to interpret situations and inform particular actions. This is done through the use of language, identities and signs (Jones & Massa, 2013). Actors often use these narratives to justify and validate their actions or defend certain positions that they adopt (Hirsch & Bernmiss, 2009). This is significant in that it means that certain dominant narratives in a market environment, whether correct or incorrect, could persist and gain dominance, including narratives about low-income customers or consumer behaviour. In such cases, the institutional work has not been done to address the narrative, and as a consequence, institutional actors entrench their beliefs, views and perspectives within an institutional arrangement which enables these narratives to persist (Lawrence et al., 2009). This manifests when actors use meta-narratives that have been widely adopted across different fields as tools to influence diverse audiences (Jones et al., 2013).

Among the ways in which symbolic institutional work manifests is the use of rhetoric. Rhetoric is the use of persuasive language to influence the attitude of actors and gain legitimacy through systems of logic that frame the actors' actions in a positive light and the incongruent actions of others in a negative light (Brown et al., 2012). This occurs through the dissemination of well thought-out storytelling to establish a narrative that informs attitudes, actions and the responses of a target audience (Brown et al., 2012). Narratives are used to legitimise certain actions, relationships, perspectives and positions held by protagonists. The ultimate purpose of the narrative is to galvanise support among other actors and the target audience to achieve the end sought, which is some form of institutional change.

In the context of the provision of insurance, in particular life insurance in low-income communities, a specific narrative has been driven that has seen the adoption of funeral cover rather than life cover in low-income communities in South Africa (Smith et al., 2010). This narrative centres around designing policies in such a way that multiple family members may be listed under a single policy, with policy affordability and price equally used as a key adoption tactic (Roth, 2001). An example of the use of language to frame a narrative is the use of the word “dignity” in the context of funerals. The word has particular resonance in the low-income market in South Africa, being rooted in culture (Roth, 2001). The cultural context is the idea that the dead are now ancestors to whom respect and honour is due, and the way in which the funeral is held pays respect and honour to them (Thomson & Posel, 2002). This is desirable because the dead have the capacity to influence the lives of the living. Insurers have been attentive enough to use a vague conception of dignity as a core part to their market strategies and to leverage this symbolism in the rhetoric used to market funeral insurance products.

Identity is another form of symbolic institutional work where actors are able to use their identities to influence institutions or other institutional actors. This manifests in certain instances as changing their identity to assimilate with that of the institution to achieve their intended outcome of institutional change (Greenwood et al., 2018). This is crucial, as it highlights that a change or maintenance of their original identity may shape and affect perceptions and positions held about the actor by the target audience and thus assist the process of institutional work that occurs in the institutional environment (Gawer & Phillips, 2013). An example of the use of identity in symbolic institutional work is the attempt by an electronics company to position itself as a platform business and not just a chip manufacturer. This requires significant institutional work involving new identity claims about the brand and business, and actively working to shift existing entrenched perceptions about the company (Greenwood et al., 2018). This process requires an understanding of the dominant attitudes, roles, perceptions and ideas held about incumbents in an environment to enable an effective change in identity – whether assimilation is the intention or an creation of a new identity (Gawer & Phillips, 2013).

In the context of life insurance products, insurance brands have used identity change as a form of institutional work by assimilating and even allowing their brands to be subsumed by retail distribution channels (Smith et al., 2011). Customers have exercised trust and loyalty towards certain low-income brands in South Africa such as Shoprite and Pep; as a result, insurers such as Hollard and Metropolitan have partnered with these brands, customising their own branding to dovetail with that of the retailers and leverage the retailers’ brand loyalty

(Smith et al., 2011). This is an example of strategic symbolic institutional work that insurers have done to acquire support or increase the uptake of their products. They have effectively leveraged the brand narratives and rhetoric of retail distribution actors in the market to deepen their penetration in South African low-income communities.

Material institutional work or the concept of materiality in institutional work refers to the use of physical or tangible aspects of the institutional environment to the advantage of actors in the process of conducting institutional work (Pinch, 2008). This occurs when certain objects are used to convey unique perspectives and inform the process of decision making. Materiality is also relevant where it assists to extend the inherent agency of an actor. Materiality may equally have the outcome of complicating institutional work where its use manifests in unexpected shifts in the way institutional work is done by actors (Monteiro & Nicolini, 2015). However, institutional work materiality is a concept that has not been significantly applied or used theoretically. In the context of this literature review, the concept is significant to the extent that it provides understanding of the dynamics of institutional work, where physical objects from an institutional environment are used by actors in their work (Greenwood et al., 2018).

Relational institutional work refers to how actors are able to influence others by virtue of their interactions with them (Topal, 2015). This influence is demonstrated through the construction of networks in which the various components either reinforce each other or suppress opposing views (Greenwood et al., 2018). This usually occurs through the establishment of groups or bodies that lobby for certain actions and inspire others to join. This process of influence may happen through the use of antagonism and coercive behaviour or through more elusive and subtle practices. Relational institutional work also manifests in the realm of collaborative actions, where actors in the same field act together to achieve a common outcome. Here goal alignment, status, social positioning and role clarity come into play (Battilana & D'Aunno, 2009). This type of institutional work has historically experienced challenges in the areas of coordination and control and is best executed when actors are prepared to act in concert in order to influence an institution (Greif, 2008). The collaborative nature of relational institutional work and other network-based relational institutional work is crucial, because it establishes a foundation for understanding how the different kinds of relational institutional work manifest. It provides a way of understanding how this might work in low-income communities, in particular in environments where institutional actors or intermediaries are still building consumer trust, and where information asymmetry is already deeply embedded in the market (Khanna & Palepu, 2010).

One of the key elements of relational institutional work is that very little research has been conducted on its effectiveness among heterogeneous groups. Traditionally, relational institutional work has been effective in environments where individuals are like minded and work in the same field (Greenwood et al., 2018). There is insufficient evidence to substantiate the effectiveness of relational institutional work in heterogeneous environments where actors that are not like minded. The relationship of actors to institutions is generally not analysed from a dyadic perspective; instead, it is acknowledged that actors deal with the pressures of multiple institutions at any one time and these pressures manifest differently, shaping the actor's creativity, incrementality and reflexivity (Lawrence et al., 2011). This is crucial because it highlights an institutional work lens that focuses more on questions of "why" and "how" than on "when" and "what", and emphasises practice over process (Lawrence et al., 2011). Having an understanding of why and how actors do what they do is important for understanding and interpreting their actions (Lockett et al., 2013). This literature review focuses on how institutional work is currently conducted through institutional intermediation, specifically in low-income markets to address information asymmetries.

Central to understanding the questions of why and how is the notion of agency and its application in institutional work. Actors who engage in institutional work ultimately have to make use of their agency and lobby other actors to transform or change an institutional environment. To appreciate the notion of agency in the context of institutional work, certain elements that centre on intentionality and effort must be understood.

2.3 The Nature of Agency in Institutional Work

Two issues are central to the idea of agency in institutional work: intention and effort (Lawrence et al., 2009). The commonly held view of intentionality in institutional work is the concept of projective agency, which refers to intention being focused on a future outcome with an agenda to strategically and consciously influence an institutional arrangement (Willmott, 2011). Intentionality can equally be focused on immediate matters or demands that require attention (Emirbayer & Mische, 1998). Therefore intention and its role in institutional work may take on different forms. Intentionality provides a lens through which to understand actions in current institutional arrangements, which can be analysed with regard to the level of intentionality and agency exhibited (Lawrence et al., 2011).

It is important to appreciate that when considering the process of institutional work in terms of institutional transformation, maintenance or disruption, there are two types of agency as

defined by the literature. The first is future-oriented agency, grounded in the idea of purposeful intention (Hawa et al., 2020). With future-oriented agency, intentions are a function of a mental disposition that has been adopted prior to any action being taken (Hawa et al., 2020). Actors often engage in premeditated and highly calculated strategic mental organisation before executing an action and thus the action taken is viewed as purposeful (Bratman, 2000). In the context of insurance in South Africa, burial societies emerged as a response to the lack of penetration of financial services in low-income communities (Thomson & Posel, 2002). These community-based entities formed as a response to the institutional void that caused financial exclusion. Burial societies are organisations made up of members from the same community or area, voluntary by nature and usually having certain core defining structural features (Mpedi & Millard, 2010). They are informal organisations started by low-income earners to assist them to save towards the unplanned exogenous shock of the death of either the member of the burial society or their loved ones (Thomson & Posel, 2002). Low-income earners contribute a monthly fee towards this organisation. Members may elect a management team to informally manage collections and perform treasury functions in terms of claims and disbursements from the saved funds. Burial societies are a direct expression of future-oriented agency exercised by low-income earners in South Africa. Their actions are strategic, reflective of a mental disposition, pre-meditated, and ultimately purposeful in nature, having a clear future objective in mind (Shorey et al., 2007).

The other kind of agency is present- or means-oriented agency which is also grounded in purposive intentionality (Cleaver, 2007). Present-oriented agency is always aimed at achieving a particular outcome and involves an action that an actor takes in a specific context with a particular goal in mind. Hence it is purposive in nature (Urban & Kujinga, 2017). Present-orientated agency is at work where low-income consumers acquire credit for the purpose of purchasing an item or spending on immediate unplanned needs or wants that arise unexpectedly. This credit might emanate from either traditional financial institutions or informal lenders or “loan sharks” (Mashigo, 2006).

Present- or means-oriented agency is a type of agency understood by informal credit providers such as loan sharks. They know how to harness the income inequality in South Africa, the exposure of the poor to financial exogenous shocks and their aspirational patterns of consumption, and access to credit has been a key driver in enabling this agency (Leibbrandt et al., 2012). The creation of loan sharks, or *uMashonisas* as they are colloquially known, was an institutional response by rent-seeking actors who sought to serve a need that financial exclusion created (James, 2021). This kind of institutional work enables present- or means-

oriented agency in the provision of credit that is easily accessible but significantly expensive (James, 2021). In certain instances, credit may be charged at upwards of 50% to 100% interest per annum (James, 2018). Therefore, the network effects of this has been the creation of highly indebted low-income communities, which often insulate themselves from exogenous shocks such as the death of a loved through adopting multiple funeral schemes – examples of the exercise of future-oriented agency. The network effect has been a contributing factor to the uptake of funeral cover in these communities.

These realities establish a foundation for understanding the nature of agency and intention exhibited by institutional intermediaries engaged in institutional work in low-income communities. In the context of the research question, this discussion provides an understanding of how burial societies and loan sharks have affected the uptake of life insurance in low-income communities in South Africa, with institutional consequences.

An actor's intention is informed by the emotional and cognitive investment they may have made in the current institutional order (Voronov & Vince, 2012). It is important to appreciate that actors do not engage in institutional work only because it serves their own interests (Lammers, 2011). A perspective on institutional work that views it solely as a means to further a particular actor's interests overstates human rationality and does not allow for the role that emotions play in institutional work (Barbalet, 2002). The idea that human emotions play a role in institutional work has been alluded to in the literature but mostly in an indirect or tangential manner. Zietsma and Lawrence (2010) allude to the fact that some actors participate in institutional work because of their dissatisfaction with ongoing institutional arrangements and regimes (Zietsma & Lawrence, 2010). This highlights the complex nature of human motivations and the subtle role of ideals and emotions in influencing institutional work. Some studies have shown how fear plays a role in facilitating institutional work, often preventing innovation (Hargadon & Douglas, 2001). Emotions are fundamental to our social interactions and the way in which people engage with institutions. Thus in the context of institutional work, emotions should not be understood merely as dependent outcomes or epiphenomena but as a critical causal component (Jasper, 1998). In instances where there is high cognitive and low emotional investment in the current institutional order, institutional change or disturbance is likely, because actors may no longer fully associate or identify emotionally with the underlying principles of the institutional order. Emotional dissonance will ultimately result in cognitive dissonance, too, causing actors to adjust their beliefs to justify their actions (Voronov & Vince, 2012). Thus it is essential to understand the emotional

component of motivation or intentions of actors in driving institutional work and their effects on agency.

2.4 Implications of Emotional and Cognitive Investment in Institutional Work

In South African low-income communities, insurers' extensive cognitive investment coupled with lack of emotional investment (ie, lack of customer centricity) is driving the uptake of products. Performance in this market has largely been informed by a focus on sales and the collection of premiums. This is largely due to the stringent regulatory environment in South Africa (Millard, 2012), which indirectly increases costs for insurers. The Financial Authority on Intermediary Services Act (37 of 2002) was legislated to ensure the proper conduct of insurers and intermediary services in the financial services sector (Ramchander, 2016). The Financial Sector Authority is the oversight body which ensures that these regulations and prescripts are enforced in the operational conduct of businesses in this sector. Strict regulations apply to the issuing of financial advice by sales personal who are unqualified, which has resulted in an increase in the distribution costs of insurance for insurers (Smith & Walker, 2006).

Insurers have therefore invested significantly in innovations associated with distribution and premium collection and less in the claims process and ongoing services, which is where the real value lies for low-income clients (Smith & Walker, 2007). This has led to the spawning of passive distribution strategies and new partnerships with retailers, as mentioned earlier, including wireless access service providers and point-of-sale device companies in informal trader stores (Smith et al., 2011). Most partners are engaged for their distribution capability and premium collections capacity, not for their inherent capacity to sell or actively communicate product value to the consumer. Stores like Pep, a large clothing retailer in South Africa, which partnered with Hollard, were approached on the basis of their reach and the brand loyalty that they had already established in the market (Smith & Smit, 2010). Thus the strategic market response of insurers to regulations has not helped deepen product understanding or customer service, but has focused on ensuring access to product (Ramchander, 2016). The lack of user centricity – which theoretically can be understood as a lack of emotional investment by the industry – is evidenced in the difficulties associated with claims processes by consumers (Dandavate et al., 1996). The insurance claims process is often very cumbersome, involving significant amounts of paperwork, security and fraud checks, all with the intention of ensuring that the insurer is not defrauded. It is a harrowing and tiresome process for low-income earners who have expenses linked to a funeral, particularly in cases where the deceased was the

breadwinner (Roth, 2001). This strategic response to market sector regulation has affected the conduct of intermediaries through whom insurance products are sold and has created a breeding ground for the informational asymmetry that exists between insurer and consumer. The imbalance between emotional investment and cognitive investment in the process of institutional intermediation has shaped the industry and the outcomes that we currently see (Devecchi & Guerrini, 2017).

Intermediaries, as agents, may also be impacted by a lack of emotional investment, since it adversely affects their disposition and ultimately the overall quality of institutional work (Moisander et al., 2016). An absence of the appropriate emotional investment occurs when the economic rents or transactional values associated with intermediation are the only motivation for participating in market transactions or institutional work (Della Giusta, 2007). In the resulting emotional information asymmetry, the underlying motivation for participation is not revealed to either product owners or consumers (Frost, 2011). This may have significant consequences, specifically in financial product markets where insurance, investments and other financial services products are sold to low-income consumers. It will almost certainly lead to increased product adoption, which might be the best outcome for the intermediary and product owner, but not necessarily for the consumer, especially when the product being sold is not the best possible product for that person's unique situation (Bessy & Chauvin, 2013). It may also cause difficulties in sales, because the intermediary does not have a vested emotional interest in the underlying implications of access to a particular insurance product like healthcare insurance.

The absence of emotional investment can lead to poor market research, insufficient due diligence, misinformation and the deepening of distrust between consumers and the industry (Bessy & Chauvin, 2013). Therefore, the notion of emotional investment transcends the idea of simply acknowledging its presence among intermediaries; it demands a critical appreciation of the nature and type of emotional investment required in operations (Choi et al., 2011). Intermediaries need the kind of emotional investment where the overall well-being of the market is as important to them as the immediate return they receive on a sale – which, in the long term, really equates to ensuring their own long-term survival, since a more educated and informed market can only be of benefit to all parties concerned (Frost, 2011). Where intermediaries lack this kind of concern, an institutional void is created that persists despite their presence in communities (Stephan et al., 2015). It is therefore crucial to appreciate the role that emotions have in intermediation, and in the context of informal low-income

communities where trust and relationship may be more valued than the specifics of the transaction.

In the context of agency and intention, it is essential to understand what informs the emotional and cognitive investment of actors or institutional intermediaries. The underlying motivations and incentive structures of intermediaries must be interrogated as this aspect will affect the disruption or transformation being pursued. First one needs to establish the current relationship of the actor with the institution (Greenwood & Suddaby, 2006). Actors who are deeply embedded in existing institutional arrangements are not expected to envisage, desire or advocate for a substitute or alternative institutional arrangements (Garud et al., 2007). Institutionalisation can affect the thinking processes of actors and even frame their identities (Seo & Creed, 2002) – a concept known as “embedded agency”. It often underlies the attitudes of dominant actors (Garud et al., 2007). Dominant actors are likely to have significant agency and power to change existing institutional arrangements but are unlikely to be sufficiently motivated or incentivised to do so, as they have a vested interest in the current institutional order (Garud et al., 2007). In contrast, peripheral actors profit less from current institutional arrangements and are likely to be more innovative and driven to change the current institutional order (Greenwood et al., 2018). However, peripheral actors lack resources and the necessary influence to significantly lobby other actors, including dominant actors, for institutional transformation (Greenwood et al., 2018).

An appreciation of the type of institutional intermediary used is equally important for understanding how the incentive structure affects the intermediary’s agency. Intermediation is often positioned at the crux of information asymmetry, where economic rents are captured on the basis of interpreting signals and enabling market transactions (Lizzeri, 1999). In terms of the delivery of financial services in dualistically structured markets, intermediaries take different forms; they may be mobile network operators, agent networks, retailers, brokers or NGOs (Blavy et al, 2004). In addition, depending on the nature and underlying motivations of actors, the incentive structure will inform the effort they make in handling the information asymmetry and exercising their agency (Cummins & Doherty, 2006). NGOs are more likely to be driven by purposeful intention and compassion, having the desire to make a positive difference, than by the financial incentives associated with doing institutional work (Frost, 2011). For-profit actors such as mobile network operators, retailers, brokers and sales agent networks are far more focused on the financial incentives of conducting market transactions. This is because the reason for their existence is profit making, which directly translates to number of products or policies sold (Cummins & Doherty, 2006). For these actors, the reward

outcome must be greater than the cost of handling the information asymmetry to ensure product delivery, which must be less than the opportunity cost of the next best alternative.

The problem inherent in the proliferation of so many profit-based institutional intermediaries is that products or services that do not satisfy the reward equation of intermediaries do not access the market, even when they are superior in quality and cheaper to the end consumer. Institutional intermediaries can actively choose to maintain the status quo where their own incentives are not fully aligned with those of consumers or producers, because of the associated impact on their profit equation (Rainelli Weiss & Huault, 2016). The result is the preservation of institutional arrangements that yield significantly unequal profits owing to the exploitation of information asymmetry and the leveraging of existing institutional resources to ensure its persistence (Xiao & Klarin, 2021). This is known as the process of institutional maintenance; it ensures that the propagation and reproduction of a particular institutional arrangement is maintained and even deepened (Zilber, 2009). This applies in the South African insurance sector and is the result of both the regulatory environment and the innovation priorities of intermediaries and insurers, who participate in the delivery of insurance to the low-income sector.

Funeral insurance has long been the primary insurance product offered in the low-income market in South Africa, despite the presence of underwritten life products which are potentially cheaper and offer higher cover (Matul, 2006). Underwritten life insurance products are cheaper in overall cost to the consumer and of significantly more value in terms of size of claim provided for, but are more expensive to deliver owing to the costs associated with intermediation – although they are still profitable (Bester et al., 2005). Thus funeral cover continues to be the dominant insurance product delivered to low-income consumers despite its relatively low value (Smith et al., 2012). Institutional intermediaries delivering underwritten life insurance products in the market have largely maintained current institutional arrangements because of the incentive structures with which they work (Smith et al., 2012). The current institutional arrangement yields profitability outcomes for intermediaries but creates the cover gap alluded to Chapter 1 – a gap worth R34.7 trillion (The True South Actuaries & Consultants, 2019). This shows the impact of institutional maintenance on the market and the difficulty of shifting its current trajectory.

2.5 The Impact of Institutional Maintenance

Institutional intermediaries are engaged in institutional maintenance through deepening existing institutional practises, arrangements and activities that protect their long-term interests. Institutional maintenance essentially means repairing and supporting institutions in their current form, ensuring stability and order (Finney et al., 2008). Scholars have argued that institutional maintenance depends on the continuity of influential actors who control certain symbol systems and impose their ideas on society (Dacin et al., 2010). Institutional reproduction or continuity that advances existing institutional arrangements requires significant power disparities among actors and is contingent upon influential actors exerting their authority (Dacin et al., 2010). Institutional intermediaries who deliver insurance to low-income communities are significantly more powerful than consumers, having informational advantage and capacity to influence purchasing behaviour (Tjandra et al., 2019). This applies irrespective of whether they are involved in passive or active sales through their distributional channels. Their informational advantage informs which products in their product suite they will represent to consumers (Tjandra et al., 2019). This process of pre-selection, driven by profit incentives, perpetuates the institutional maintenance of funeral cover products as the dominant insurance product in this market (Palazzo & Rethel, 2008).

Insurers as the product providers in this space have very little relational capital with customers and as a result are heavily dependent on intermediaries for consumer insight and ongoing product development advice, given their proximity to customers (Yu & Shiu, 2014). Intermediaries are significantly powerful actors and have the capability to influence product design and positioning for good (Bessy et al., 2013). This is evidenced in how the retailer Pep provided strategic consumer feedback to Hollard early in their partnership to increase the variety of funeral products and to discontinue the sale of cell phone and personal accident insurance (Smith et al., 2012). While this was driven by their profit incentive, it also demonstrated their keen understanding of customer needs, and thus assisted Hollard in redesigning their product offering to ensure that Hollard experienced significant uptake of their funeral cover. Thus it is crucial to understand the influence of intermediaries on customer purchasing decisions, even in a passive sales environment, and their institutional influence on product providers. It is partly due to their influence that current institutional arrangements are maintained (Smith et al., 2010).

Institutional maintenance includes the use of symbolism, rhetoric and insights on consumers (Kipnis, 1972). Institutional maintenance is usually the de facto option taken by dominant incumbents who actively seek to maintain the status quo (Mena & Suddaby, 2016).

Institutional maintenance is manifested through positioning the idiosyncrasies of the current institutional order as standard and defending them to the field of actors (Kipnis, 1972). This can be effected through leveraging certain social, financial and even existing institutional assets such as their current position, to drive a narrative that defends and entrenches their interests in the current institutional order (Zilber, 2009).

Actors engage in institutional maintenance through leveraging the inherent inertia that exists in current institutional arrangements. This suggest that even if institutional transformation were to occur, inertia would result in a tendency to revert to the old institutional order (Micelotta & Washington, 2013). Actors involved in institutional maintenance will often dispute the suggested practises proposed by actors involved in institutional work through the use of rhetoric that mobilises other actors in the field against it (Harmon et al., 2015). Among other strategies used by actors involved in institutional maintenance is the creation of incommensurables (Rianelli Weiss & Huault, 2016). Incommensurables are things, practises and systems in the context of institutional theory which do not have a comparable value (Rianelli Weiss & Huault, 2016). For instance, in insurance intermediation, trust and integrity are incommensurables that ordinarily cannot be measured on a price-based system to provide mechanical objectivity (Rianelli Weiss & Huault, 2016). Intermediaries exploit this fact by asserting the incommensurability of their service of intermediation, maintaining that a price cannot be placed on integrity and trust. Thus they safeguard the institutional arrangement they seek to maintain (Samiolo, 2012). Reliance on incommensurables is significant in the context of intermediation in dualistically structured markets, assisting intermediaries to maintain institutional arrangements that serve them (Taupin, 2012). Incommensurables divert the attention of the decision maker – in this case the product owner or product consumer – from objective considerations. They are an important tool in the arsenal of institutional intermediaries when canvassing for the maintenance of a particular institutional arrangement (Ifad, 2003).

The outcome of these practices is the creation of a market where current consumer preference is not a true reflection of the many products or services available, since many products and services remain relatively unknown to the consumer. Inertia, information asymmetry and the use of incommensurables result in institutional maintenance that protects the status quo (Hilary, 2006). Institutional intermediaries have significant market positionality, power and influence and can be significant impediments or enablers for product adoption in dualistically structured markets (Armanios et al., , 2017). This analysis underscores how

institutional intermediation as a facet of institutional work is contingent upon the ultimate market interests and pay-offs of actors making use of their agency (Armanios et al., 2017).

The concept of effort has not received significant scholarly attention in organisational and institutional studies, and is typically not a central theme or area of focus (Smets & Jarzabkowski, 2013). However, it is significant in the area of institutional work because of its connection to what work means. Broadly, the concept of effort in the realm of institutional work refers to mental or physical effort made by an actor with the hope of affecting an institution (Lawrence et al., 2009). Such work is thus goal oriented, carried out with a particular objective in mind. Effort varies in terms of the degree and kind of effort that may be deployed, and applies to a broad range of actions that constitute institutional work (Lawrence et al., 2009). Since effort means the exertion of either mental or physical capacity, a reflexive disposition is required by less powerful actors in an institutional arrangement (Bowen & De Clercq, 2008). Less powerful actors are required to proactively adopt a disposition of non-compliance and to deploy tactics that are more nuanced than just the brute force or strength that would ordinarily constitute effort on the side of more dominant actors (Bowen & De Clercq, 2008).

In the South African life insurance market, the use of effort on the part of the less powerful party is evidenced in the network of informal burial societies, community organisations and church groups that have established mini localised burial saving schemes for their members (Verhoef, 2001). This grassroots informal response to the need for financial services products that mitigate the exogenous shock of death is a display of effort that is goal oriented (Roth, 2001). The strategies of actors from these environments are largely experimental and result in the creation of provisional institutions and systems that do not always last long (Morduch, 1999). However, they display an effort, nonetheless, and are an appropriate response to needs. The kind of effort requires a conceptualisation of the management of premium collection, marketing, sales, administration, claims management and disbursements, all carried out in an informal manner. All of this is done by individuals who would be seen as low-income and relatively unsophisticated in the academic sense. Yet their results in terms of scale and membership growth are significant, as is the persistence of members (Ngcobo & Chisasa, 2018).

One of the largest burial societies in South Africa the Great Burial Society of the North, which represents mostly Sesotho-speaking individuals and maintains a strong membership base numbering in the thousands. Burial societies, unlike traditional financial institutions, are not involved in funeral protection for the purpose of profit, but of service to contributing members and hence there is absolute alignment of interests and the intentions of all actors are

easy to discern (Mashigo & Kabir, 2016). This is what makes them attractive. They convene not only financial capital but social capital, where members support one another in instances of bereavement (James, 2015). The distinctiveness of these actions relative to those of more powerful actors is important to note. Powerful actors such as intermediaries have informational advantages emanating from insurers and consumers, and also the financial resources to impose or easily canvass for their perspectives, products and services (Mashigo & Kabir, 2016). Nevertheless, the informal burial societies persist and proliferate.

Appreciating the various kinds of effort deployed by actors at different levels of power facilitates a deeper understanding of the nature of institutional work (Semenya, 2013). It is important to understand what constitutes effort among intermediaries in the low-income market, and how, through institutional work, they either reduce or fail to reduce information asymmetries.

The broader issue in the realm of institutional work is that the work is sometimes oversimplified, fostering an undue emphasis on the work of actors without a commensurate appreciation that actors are themselves embedded in a broader group or environment (Kaghan & Lounsbury, 2011). This is known as the concept of “methodological groupism”, where the unit of analysis moves away from being the individual actors and encompasses instead the social group or the conventions that enable interactions between members (Kaghan & Lounsbury, 2011). The concept sheds light on how social values are made and unmade. It also helps to understand the embeddedness of intermediaries and the consequence that their embeddedness may have on their intention and effort as they carry out institutional work (Hwang & Colyvas, 2011). This concept is relevant in a market like South Africa with its dualistic structure that gives rise to the need for institutional intermediaries.

The underlying reality is that continued use of any intermediary channel depends on their ability to generate product adoption and reduce transaction costs (Howells, 2006). Intermediaries operating in a competitive environment naturally want to maintain sales or supremacy in the field. However, the incentive structure created for the intermediary by the insurer may drive particular sales behaviour that adversely affects adoption of products, because the emphasis of the insurer is not product understanding or education but rather product sales (Peyrache & Quesada, 2011). Therefore methodological groupism is a useful lens through which to view institutional work, effort and intention and helps to explain the uptake of life insurance in low-income communities in South Africa. By implication, when considering low-income markets and the presence of dualistic structures, one needs to look beyond the individual actors who extend products or services into low-income market. One’s

analysis should rather have a macro outlook, regarding the formalised institutions of business that act as intermediaries as a collective structure, and examining how as a group they interact with other institutions in low-income communities (Hwang & Colyvas, 2011).

Among the key elements of institutional work carried out through intermediaries that needs to be examined is the process of information exchange. Done correctly, it has the potential to reduce information asymmetry, especially with regard to accessing tacit information on communities (Domingo et al., 2012). Information exchange is a type of institutional work that may be seen as institutional intermediation, which in effect is the use of intermediaries to facilitate information exchange, build trust and leverage social capital in markets (Lashitew et al., 2020). It is significant because in carrying out these functions, intermediaries introduce transparency into a market, enabling trust and reducing participation and transaction costs. The need for this type of institutional work can result in the use of intermediaries for hire (Roy, 2020). The consequence has been that intermediaries capture most of the economic rent associated with the delivery of a product or service in these markets and keep a significant hold on information, specifically where the information sharing infrastructure is weak between producer and consumer (Kistruck et al., 2013).

This fact highlights the need for producers or product-owners to build capacity that strengthens the information exchange between themselves and consumers, or at least to enable appropriate feedback loops for tacit information gathered by intermediaries (Lee & Cho, 2005). Part of looking into this process of institutional work entails understanding the institutional environment in which the intermediary operates, and figuring out how best to maintain, disrupt or re-create it.

2.6 Conclusion

The literature is clear that institutional voids are a result of market failures and rigidities that persist in the context of dualistically structured markets. The only way in which these institutional voids can be reasonably filled is through institutional work in a number of forms – symbolic, material, relational and in terms of maintenance. These various forms of institutional work have been modelled by intermediaries in terms of how they access markets and bridge existing knowledge and distribution gaps. Intention and agency have played a central part in this process, manifesting in the intentions and motivations of intermediaries in the execution of their institutional work. These aspects are important in light of the dualistic structures and institutional voids that exist in the realm of life insurance in South African low-income communities.

The literature has also shed light on how institutional work plays a role in ameliorating the impact of information asymmetries. Various kinds of actors exercise their intention and effort as aspects of their agency in either disrupting, maintaining or recreating the environment in which life insurance is sold to low-income communities.

The following chapter describes the research design and methodology adopted in this study.

Chapter 3: Research Methodology

The research methodology is a critical part of any study, comprising the steps that ensure the scientific soundness and ethical correctness of the study. The methodology chosen will be the one that best suits the nature of the study and the specific objectives and research questions which the researcher seeks to answer. A clearly articulated research design enables readers to understand why the researcher did what they did, and how the results were achieved.

This chapter describes the research philosophy, approach and design that guided the researcher in carrying out the study from inception to the end. The first two sections discuss the research approach and design used. The following sections discuss the target population, sampling, data collection, data analysis and ethical issues that were considered.

3.1 Research Approach and Strategy

An inductive approach to the research was taken in light of the research questions being asked. An inductive approach was suitable because the phenomena under examination and the questions being asked did not have answers in the available theory. Therefore a “bottom up” approach, as espoused by Jaana and Urs (2018), was needed. The inductive approach lends itself to the development of theory on the basis of case studies (Eisenhardt, 1989). A deductive approach would have been limiting and would have restricted an effective, contextual understanding of the phenomena, since it would have limited the investigation to the realm of theory (Thomas, 2006). Thus, the study was carried out in alignment with work done by Hamilton et al. (2012), who state “To attain qualitative rigour in inductive research requires an approach that captures concepts relevant to the human organisational experience in terms that are adequate at the level of meaning of the people living that experience and adequate at the level of scientific theorising about that experience” (p. 16). The researcher believed that an inductive approach would yield the necessary data from which themes and trends could be discerned and upon which a theory could be developed (Gioia et al., 2013).

The objective of this study was to understand how information asymmetry and institutional intermediation affect the uptake of life insurance in low-income communities in South Africa. The main unit of analysis was ZVV Insurance, an insurance company that serves consumers in low-income communities. The company has been pseudonymised in the interests of anonymity and as required by the company. In addition, intermediaries who provide insurance in this market and consumers who purchase these products were

interviewed. This was necessary in order to understand where the information asymmetry occurs among these actors and how it affects the uptake of life insurance in low-income communities.

The research took a qualitative approach primarily because the researcher sought to understand the phenomenon in some depth; in this case, the effect of information asymmetry on the uptake of life insurance products in low-income communities. This required an investigation of the underlying human motivations for actions taken by consumers given their informational disadvantage. Insights on the topic were best yielded through a qualitative study that focussed on “why” and “how” issues, which quantitative research would not be able to address (Maxwell & Reybald, 2015). In addition, a qualitative research approach allowed the researcher to immerse himself in the experiences and views of the participants, ask probing questions and obtained insights from participants in a natural setting.

The researcher chose an interpretivist approach for this research. This approach facilitated an intimate understanding of the phenomena in all their depth and complexity, focusing on specific sample in their natural setting, rather than a generalised understanding of an entire population (Gioia et al., 2013). At the same time an interpretivist approach yielded a panoramic view of certain phenomena and limited the natural bias that can creep in when a researcher is closely involved with the study topic (Dean, 2018). The researcher was able to investigate and observe things that ordinarily cannot be observed through the use of in-depth, one-on-one interviews where probing questions were asked about interviewees’ thoughts, feelings and values. The data yielded in this way is valuable and provided an understanding of the many aspects that affect insurance uptake in low-income communities.

3.2 Research Design

The research adopted a case study design. A case study is an empirical inquiry in which an investigation is conducted of a specific real-life situation, enabling the researcher to appreciate phenomena in action in their natural setting (Andrade, 2009). The case study design helps to answer the “how” and “why” questions by embedding the enquiry in real life, so that the researcher gains insight into a unique and yet representative case in the general area of enquiry (Baxter & Jack, 2008). The case study design is essentially a blueprint or framework for conducting a study, enabling the contextualisation of data in a real-life setting (Yin, 2014).

The population for this study was all insurers providing life insurance products in South Africa, of which there are 75, according to the Reserve Bank, which is the prudential authority

(South African Reserve Bank, 2020). The researcher focused on a particular insurer which distributes funeral cover and life insurance in low-income communities. ZVV Life Insurance was selected primarily because it underwrites a number of insurance products distributed in the low-income market. ZVV Insurance has a long-standing history in low-income communities and recently invested in insurance technology to assist start-up businesses in low-income communities. ZVV Insurance was not the biggest insurer but was of interest because it had shown evidence of being on a journey of embracing innovation.

Interviews were conducted with insurers, intermediaries, consumers and potential consumers of products offered by ZVV Insurers in order to provide a diversity of perspectives (Gerring, 2006). There are definite benefits to interviewing a variety of role players in an area of study as multiple levels of analysis can be conducted (Yin, 2014).

Interviews were deemed preferable to the use of a questionnaires alone, which tends to focus on closed-ended questions and elicit shallower responses that interviews do. (See Appendix A for the interview schedule used.) Interviews allowed for the underlying intentions and efforts of the actors to be understood more clearly in relation to the theoretical framework of institutional work (Choy, 2014). In addition, interviews provided an environment of engagement that ultimately unearthed motives, intentions and behaviours that other research methods would not have been well suited to explaining (DeMarrais, 2003). The research instrument was thus the semi-structured interview. Because of the coronavirus pandemic that prevailed at the time of data collection, interviews had to be conducted via an online platform and were recorded with the permission of the interviewees. The platform used was Otter.ai, an artificial intelligence-driven platform that facilitates both recording and real-time transcription of interviews (Saunders et al., 2019). Furthermore, transcripts were cross checked to ensure accuracy of the information.

3.3 Population and Sample

The population of the study comprised all actors in the low-income insurance market, which includes consumers, insurers and their intermediaries. Since this was too vast a group to study, the researcher focussed on a small sample of current and potential consumers of life insurance products sold by ZVV Insurance, senior managers of ZVV insurance in the insurance industry, and intermediaries representing the ZVV life insurance and the industry. In total, 26 respondents were interviewed. The names of the consumers were extracted from a database of low-income consumers above the age of 18 years of age who had indicated that they had either life or funeral cover. ZVV Insurance has seen unprecedented growth over the decade since its

establishment in 2012. The company came into the market with a disruptive insurance model specifically introducing innovation based on the model used by car insurers. The company grew quite aggressively and quickly diversified its offering in the short-term insurance space, providing additional products such as home, commercial, personal and agri-insurance. Over the past two years, the company has adopted a strategy that involves growing by acquisition, and recently acquired an established life insurance outfit founded in 1948. This cemented its move into life insurance which is significantly larger than the short-term insurance market in South Africa (PWC, 2011).

The life insurance sector in South Africa is heavily regulated and highly competitive. It is made up of two core product offerings: funeral cover and life insurance (Woodall, 2013). Funeral cover is a non-underwritten insurance product, meaning that no medical tests are required and the product can be sold easily to any consumer over 18 years of age, with a six-month waiting period before it becomes active (Hougaard & Chamberlain, 2012). Funeral cover is typically acquired by consumers in the low-income sector, mostly black consumers (Smith et al., 2012). A large part of the distribution of this product is facilitated by market intermediaries such as brokers, funeral parlours, direct sales agents and call centres (Lee, 2012). Claims are often paid within 24 to 48 hours because money has to be made available immediately for funeral preparations, with funerals usually held a week from the date of death. This sort of financial shock is typically a cost that low-income South African families cannot easily insulate themselves from, and hence they opt for funeral insurance to ameliorate the financial impact of death.

Table 3.1 below provides a breakdown of the sample of respondents interviewed in this study. They are coded to provide anonymity and to enable ease of reference throughout the paper. The table shows the respondents' gender, race, age bracket and role in the industry.

Table 3.1: Demographic composition of the sample

Respondent	Gender	Race	Age bracket
15 consumers or potential consumers			
C1	Male	Black	30-40
C2	Female	Black	20-30
C3	Female	Black	30-40
C4	Female	Black	40-50
C5	Male	Black	40-50
C6	Female	Black	20-30
C7	Female	Black	30-40
C8	Male	Black	20-30
C9	Female	Black	30-40
C10	Female	Black	30-40
C11	Male	Black	30-40
C12	Male	Black	30-40
C13	Male	Black	30-40
C14	Female	Black	20-30
C15	Female	Black	30-40
Five senior managers in sales & distribution	5		
SD1	Male	Black	30-40
SD2	Male	White	50-60
SD3	Female	White	30-40
SD4	Female	Black	40-50
SD5	Male	White	40-50
Two Intermediaries	2		
IN 1	Male	White	50-60
IN 2	Female	Black	40-50
Four product design managers/specialists	4		
PD1	Male	Indian	30-40
PD2	Female	White	30-40
PD3	Male	White	30-40
PD4	Male	White	50-60

The researcher adopted the non-probability sampling method, which means that all members of the population did not have an equal probability of being included in the sample. Respondents were chosen for the ability to help answer the research questions and meet the objective of the study; hence the non-probability methods implemented were purposive and

convenience-based, with an element of snowballing (Etikan et al. 2016). The method was purposive in that the researcher sought to interview individuals with the relevant knowledge of the life insurance industry. Thus the choice of whom to select for the sample was not random. It was convenience based because the researcher had limited access to both consumers and insurers; in addition, participants' willingness and availability determined their selection. The consumers were selected from a qualified database of low-income consumers above the ages of 18 years who had indicated that they had either a life or funeral cover policy. Other participants who met the necessary criteria or knowledge threshold regarding sales, product development or distribution based on their role in the organisation were interviewed, dependent on their availability. Finally, it involved snowballing, as some respondents suggested other members in the insurance firm or fellow policyholders to interview (Etikan et al., 2016). The researcher ensured that the voices of the participants received as much prominence as is necessary in research (Gioia et al., 2013).

3.4 Data Analysis

Data was collected from the online interviews which were recorded with the permission of the interviewees. The collected data was subsequently transcribed into text format verbatim and thus made ready for analysis, as advised by Kvale and Brinkmann (2009). Data was analysed thematically. Thematic analysis is a logical way to extract meaning from a mass of data, and can provide depth and rigour in a way that quantitative analysis does not (Castleberry & Nolen, 2018). It involves seeking out recurring ideas, themes or trends across all transcripts and, once these themes have been arranged logically and sub-themes have been detected, it reveals relationships between ideas and yields a structured understanding of a field of enquiry (Castleberry & Nolen, 2018). Thematic analysis must be done carefully so as not to include bias. Care has to be taken to ensure that all themes noted and named are closely linked to the raw data, and are not extrapolated from the researcher's preconceived notions (Gioia et al., 2013). Thematic analysis involves four stages: initialisation, construction, rectification and finalisation.

Initialisation requires the researcher to read the interview transcripts, establish overall meaning and identify key ideas or abstractions that emerge, then assign codes to units of data that have areas of commonality (Vaismoradi et al., 2016). This primary stage of thematic analysis is critical as it enables the researcher to identify the key ideas in broad terms. At this stage the researcher might also highlight contradictory statements, repetitions, and ideas or phrases that are either unusual or worthy of recognition. In line with the above, the researcher

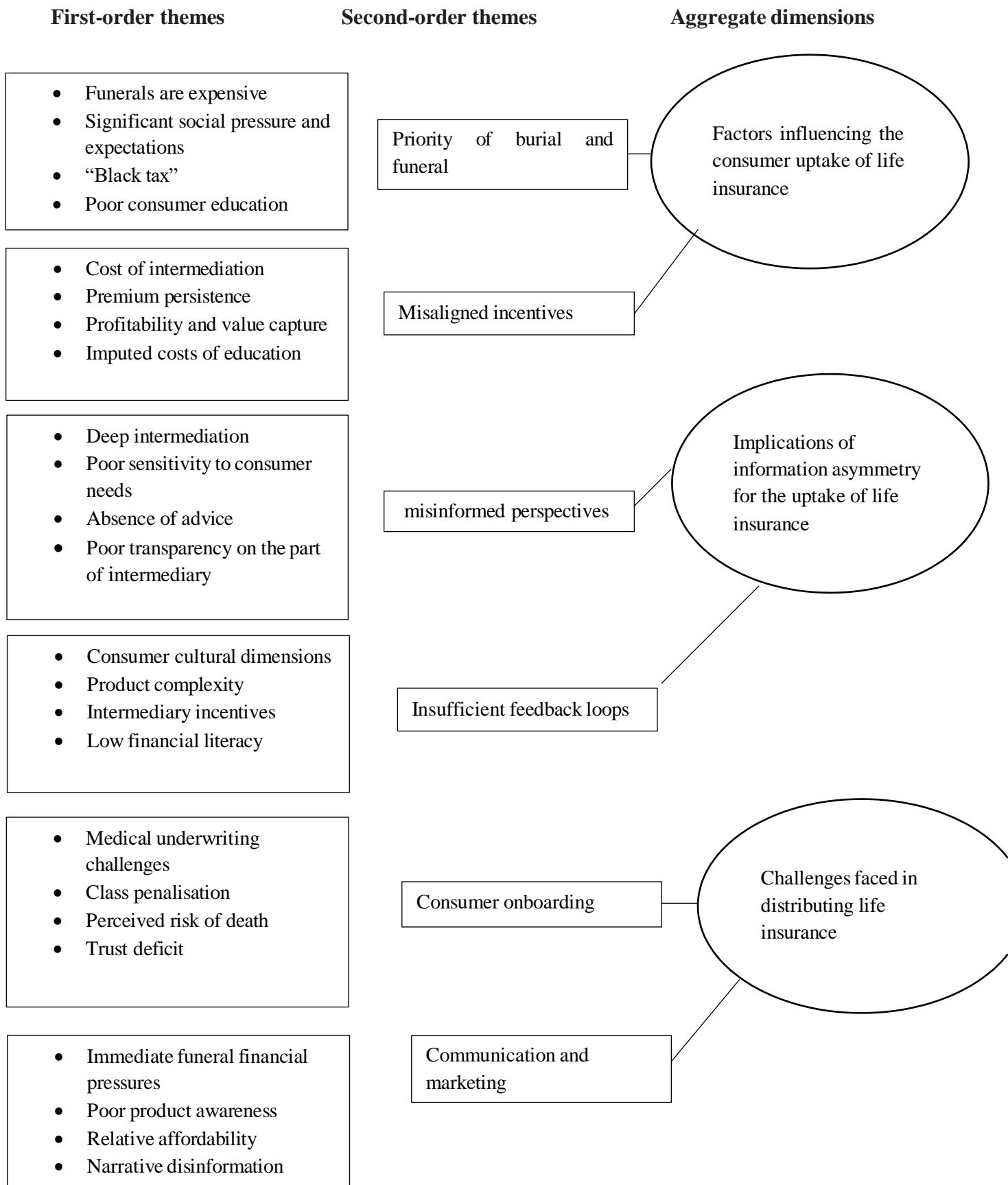
carefully read through the interview transcripts that had been transcribed by Otter.ai transcription software, noting key ideas.

The construction phase required the researcher to focus more closely on the codes given to the data. It involves arranging and clustering sections of data correctly, assigning each to one of several codes used to identify common ideas. The researcher identifies parallels and differences in ideas in order to code them correctly, while simultaneously appreciating the comprehensiveness and mutual exclusiveness of certain codes in terms of cluster, diversity and meaning (Vaismoradi et al., 2016). The construction phase involved five steps: classifying, comparing, labelling, translating and defining. Together these steps enable effective thematic analysis and the identification of parallels and differences. In line with the above, the researcher identified various themes using Atlas Ti, a platform for coding which enabled the identification, clustering and arranging of key ideas which emerged from the interview transcripts. This essentially involved attaching labels to portions of the text to capture the underlying essence of what respondents had said. Once this was done, the codes were grouped and then first order themes were fully developed. The first-order themes were combed through to identify second-order themes, and then both were summarised as aggregate themes.

The rectification stage of thematic analysis involves theme development and a time of reflection (Braun & Clarke, 2019). This is necessary in order to maintain perspective and check whether units of data have been logically clustered and to clarify whether some second-order themes might in fact constitute first-order themes, or vice-versa. In other words, it involves some reappraisal and possibly rectification of what has been done. The researcher undertook this step to ensure that critical insights were not lost and that premature conclusions were not drawn. Rectification involves three steps: immersion, distancing and stabilising (Vaismoradi et al., 2016).

The last phase is finalisation, which involves theme development and the creation of a narrative by the researcher based on the themes. The creation of a storyline at this stage yields three benefits: first, it provides a platform for reflection and review of the entire process of data analysis (Braun & Clarke, 2019); second, it provides an opportunity for further ideas to emerge that could aid the final analysis; and third, it allows for more data to be gathered to add to the fullness of the themes, or to saturation (Vaismoradi et al., 2016). Figure 1 presents all the themes that emerged from undertaking the data analysis process.

Figure 1 : First-order and second-order themes



3.5 Limitations

Given the nature of the study, it was imperative to note and acknowledge the limitations. The study was conducted in South Africa with specific reference to the insurance industry, thus, the findings could not be generalisable to the regional insurance sector. However, the institutional environment which informs how the delivery of financial services occurs in South Africa is not homogenous across all developing markets, so some of the phenomena at play may be idiosyncratic to the South Africa insurance landscape. A further limitation worth noting is that respondents were not all first-language English speakers, in particular the consumers. Therefore, there were instances where clarification of questions was required, which was done in Xhosa or Zulu to facilitate understanding. The responses were in English and where parts of their responses incorporated Xhosa and Zulu, translation was done to ensure that meaning was maintained.

3.6 Trustworthiness, Validity and Reliability

The issue of the trustworthiness of a study hinges upon several key constructs, which together could be viewed under the theme of ethical considerations, but in this case are considered as technical components with ethical implications. It is essential that research studies are trustworthy; that readers are assured of the accuracy of the data and the reliability of the results (Golafshani, 2015). The key constructs of trustworthiness or validity in research studies are reliability, transferability, dependability and authenticity.

Reliability in the context of qualitative studies is primarily concerned with the notion of the quality of the research done (Bannigan & Watson, 2009). Thus, a reliable qualitative paper is one that generates understanding and not one that necessarily seeks to explain a phenomenon, as this would be more in the realm of a quantitative study. Therefore, the concept of reliability and trustworthiness are closely linked; they are primarily concerned with the aptness of the research approach for generating the data that it does, and the trustworthiness of both the methodology and the data (Cypress, 2017). The reliability of the research was assured as data was collected through interviews that were recorded using Otter.ai, a cloud-based artificial intelligence platform which performs real-time recording and transcription of audio recordings verbatim. These transcriptions were further checked and the recordings listened to again by the researcher to ensure that the two aspects were identical. This ensured consistency with respect to the coding and data analysis. The content was saved and backed up securely on the cloud to ensure safety and prevent loss. In addition to making use of accurate, ai-generated

transcripts, the researcher was aware of the need to observe and note non-verbal cues, such as facial expressions, hand gestures tone of voice, hesitations, and silences. All of these added to the data received and the weight given to different ideas. Participants were given as much opportunity as necessary to share their responses to the questions asked. The anonymity of respondents and confidentiality was ensured which significantly assisted in reducing the impact of participant or subject bias.

Transferability in qualitative studies refers to the extent to which the research could be transferred to a different context and still yield the same results (Slevin & Sines, 2000). One of the ways this is done is by providing a detailed description of the methodology used, so that other researchers may replicate the conditions if they so wish. This was one way in which the researcher has ensured the transferability of the current study. The theoretical aspects of the study, in terms of the behaviour of institutional actors, also have transferability to similar dualistically structured environments. Thus the study has transferability in terms of the insights it brings to the fore in relation to contexts even outside of financial services. However, qualitative studies are not geared towards the provision of generalisations, so there is no imputed expectation for all aspects to be transferrable (Leung, 2015).

Data triangulation was used to strengthen the dependability of the study. In this case, person triangulation was used. Person triangulation refers to the gathering of information from more than one kind or level of individual. This results in the gathering of a number of unique perspectives and views on the same phenomenon by different actors that are affected by it or affect it (Guest et al., 2014). In this research, person triangulation was effected by listening to the views of individuals employed across the insurance firm, intermediaries and consumers who engage with their products. The research instrument used for data gathering remained consistent for all, thus fulfilling Golfashani's (2003) stipulation that the approach to data collection be consistent for all respondents. In addition, the diversity of respondents did not skew the data as there was an adequate representation of intermediaries, employees of the insurer who handles both life and funeral cover, consumers and potential consumers. Triangulation was also achieved through the use of secondary source data accessed through industry reports, company reports and other archival material.

These steps to ensure validity and reliability helped to ensure the trustworthiness and dependability of the study (Golfashani, 2003).

3.7 Ethical considerations

Ethical considerations are critical to the credibility of research studies. The following ethical considerations were observed:

- *Consent:* Consent to participate voluntarily was requested and obtained from respondents who participated in the semi-structured interviews. They were made aware that they were free to withdraw from the interviews at any stage and that no harm would accrue to them for doing so.
- *Courtesy:* All respondents were treated with the same courtesy and an appropriate degree of formality was maintained with all respondents. Respondents were thanked for availing themselves to take part in the study.
- *Privacy and participation:* Respondents were made aware that their responses were to be used for academic purposes only. Respondents were assured that their identities would be kept confidential at all stages of the study, including in the final report. All personal information was kept on a password-protected hard drive and kept under lock and key during the research phase of the study, and has not nor will be shared with anybody.
- *Scientific rigour:* The research was conducted in a manner that was academically sound in order to ensure integrity. The research did not violate any ethical considerations and ensured authenticity, validity and reliability of the data as explained under 3.5.
- *Ethical clearance:* This was granted by the Commerce Faculty of the University of Cape Town to enable this study to take place. The Ethical Clearance reference number is REC 2020/11/020.

Chapter 4: Findings

The findings presented in this chapter are based on the data gathered through semi-structured interviews and discussed in the light of the literature. The chapter is divided into three sections in order to adhere to the underlying research questions. These sections are:

- Factors that affect consumers' uptake of life insurance
- The implications of information asymmetry on the uptake of life insurance
- Challenges encountered in the distribution of life insurance

4.1 Factors that Affect Consumers' Uptake of Life Insurance

The findings provide insight and understanding into the motivations and incentives of all main actors in the life insurance value chain, i.e., consumers, intermediaries and insurers. Furthermore, the analysis further sheds light on how these incentives and motivations affect the current outcomes that prevail in the market. The first research question that directly relates to this category was, "What factors should be considered by the life insurance industry in the provision of life insurance to low-income communities in South Africa?"

4.1.1 Dignity as an Incentive for Consumers

One of the biggest motivations and incentives for taking up some form of insurance, whether funeral insurance or life insurance, is dignity. Dignity is a highly significant and a central idea to consumers in this market, a value that needs to be protected and advanced, particularly when it comes to death, funeral preparations and the actual funeral. The concept of dignity directly interfaces and interacts with the underlying motivations and incentives of consumers in their decision of whether or not to take up insurance. The rationale for taking up funeral cover for most consumers interviewed was to ameliorate the financial impact of death, whether their own or that of a loved one.

One of the ways in which dignity is assessed is through the lens of community perception. Community perception directly affects the social credibility and standing of the bereaved family in most instances. Perception can either be negative or positive depending on the image the family projects to the community in times of bereavement. This is largely informed by the level of dignity that is seen to be held by the family and most importantly accorded to the deceased's pre-funeral, during the funeral and in the post-funeral proceedings arranged by the family (Ngubane, 2012).

The typical pre-funeral arrangements often involve the practice of cultural rites and customs that may involve the slaughtering of cows and goats 2014). Cultural rites and rituals are essential activities towards the passage of the deceased and have significant financial implications, with the cost of a cow being four times the minimum monthly wage in South Africa, at roughly R12 000 (\$780) (National Minimum Wage Panel, 2016). Such significant levels of financial commitment for low-income earners are extremely arduous and immediately affects their financial equilibrium. Nonetheless, the rituals must be performed in a bid to ensure appropriate positive community perceptions are maintained and the dignity of the family is not compromised in anyway . This in part informs the motivation for taking up insurance cover, especially funeral cover. Participant C15, speaking on their motivation for taking up a funeral cover, spoke of the dynamics of funerals in low-income communities:

No, funerals are very expensive, especially for our community because, you know, they do a lot of things: They buy cows, they cater for people. So yeah, it's important for them in order to be able to accomplish all those things not to have to borrow money or suffer things like that.

These words show the centrality of dignity and the inherent social expectations associated with funerals, which necessitates some form of financial back up and contingency measure, for the community and cultural rites associated with the funeral (Peters, 2010). Apart from having to buy a cow (at the very least), pre-funeral arrangements that have financial implications for low-income consumers include catering for community members who come to lend their moral support each afternoon and may sleep over for several day before the funeral. It is culturally inappropriate not to offer guests a beverage and a meal. In addition, if the family is Christian, a large group of representatives of the church to which the family belong will facilitate daily prayers in the evening at the family home leading up to funeral (Oosthuizen, 1990). This finally culminates in what is known as *umlindelo*. *Umlindelo* is the night vigil where members of the family, clergymen and community members stay up the whole night before the funeral to sing, pray and share messages of encouragement.

Funerals are significantly large affairs in low-income communities and usually involve catering for large numbers of people which include immediate family, extended family, the local community, friends and associates of the deceased (Bähre, 2007). Owing to the size of these funerals, significant financial resources are committed to ensuring that attendees are well catered for and that the necessary seating arrangements and tents have been procured. This is an inherent expectation that is present in the ideals of the community, and these aspects –

chairs, tents, food and drink, the proper Christian and/or traditional African rituals – are used as a yardstick against which the family will be measured. The financial implications of having to cater for upwards of 200 people (a number which is not known until the guests actually arrive) over several days, including a smaller number who remain for a few days after the funeral, are enormous. This is well captured in a comment made by Participant C2:

Yeah, I've seen how people struggle, it even happened in my family also. When it comes to their burial money and all that. So I think it's wise if you are covered, and then you know that when you are no longer in this world, you get a proper send-off. We are not always having money, you know, spare money to spend. So if you take such [life/ funeral cover] we are safe.

Participant C2's words are typical of the sentiments of most, showing that even where people lack money, it is expected that they should endeavour to have put something aside for a "proper send-off". Without funeral insurance, the expectations of community members and extended family members would have a crippling financial impact on families (Nabile, 2019). In the context of funerals, dignity is uppermost in people's minds, and involves sufficient and indeed copious amounts of everything that may be required. Having the financial muscle to ensure dignity mitigates against negative perceptions, slander and reputational damage.

The notion of reputation management by respondents emerged as one of the biggest drivers of the uptake of insurance policies, because both on a cultural and a social level funerals are the last opportunity to show respect to the person who has died. Respect to the deceased is central and imperative part to African culture in South Africa. Being financially unprepared may result in internal shame and external embarrassment and creates a sense of tremendous vulnerability (Roth, 2001). Participant C2 equated the idea of having sufficient cover to being "safe". This idea of safety is not one of physical safety but safety from slander, gossip and reputational damage from the community. This highlights the dimension of social vulnerability that the absence of insurance cover automatically creates. Low-income consumers become socially vulnerable when they know that they are unprepared for a funeral. This desire to avoid social vulnerability informs their decision to take up funeral cover. This in part further provides insight into the low uptake of life insurance in low-income communities as their social vulnerability is not immediately ensured.

In addition, it is worth noting that financial reliance on the goodwill and benevolence of others for funerals among low-income consumers was seen by respondents as limiting their agency and a sign of personal shame. The idea of self-reliance can only be effectively achieved

in the presence of sufficient funeral cover to attend to the financial costs of the funeral. Self-reliance was therefore seen as an aspect of dignity that earned one social respect. To take care of all the family's funeral needs without having to solicit or seek financial assistance from outside is seen as worthy of respect and a sign of dignity. This was illustrated by a comment made by Participant C5:

I actually had quite a close friend of mine, his dad passed on. At which time they didn't have any funeral plan and money was quite tight at that moment. I remember, he actually had a tough time raising funds, just so his father could get buried. So you know sometimes ... we experience things first-hand and other times experience things for another person. So I once asked myself if this would happen to me one day, how would I cope, who would I call ? And you know, times, especially now, times are tough. People whom you might be depending on at that time, you give them the call and they might be busy with other things or, you know, we never know what might happen. So I took a look at myself to take responsibility off others if anything should happen to me or my family, that they shouldn't bother anyone but even if they should bother anyone, but it should be, like, you don't have to start from scratch.

Participant C5 reflects the duality of dignity that is present in funerals in low-income communities. Dignity is interpreted as the quality of pre-funeral, burial and post-funeral arrangements and also as a reflection of the financial buoyancy of the family. The societal pressure to appear dignified and the protection of personal and family reputation significantly influences the decisions and choices of consumers when it comes to the uptake of insurance cover against death.

4.1.2 Black Tax

The notion of black tax was an emergent theme that came up in the analysis, in particular among younger respondents. Black tax refers to the facts that young semi-skilled or professional people of colour are expected to take care of their immediate or extended families financially. This expectation extends to taking out insurance for family members (Mangoma & Wilson-Prangley, 2019). Internationally, the "tax" may take the form of remittances sent back to their countries of origin by members of the diaspora from Africa who go to Europe, Asia, the Middle-East or North America in search of better economic opportunities. These migrants are often keenly aware of their financial obligations to their loved ones back in their countries of origin and participate in the remittance of money to their home countries, and sometimes other items such as food, clothes and health products. This forms part of their social and perceived moral responsibility to their loved ones.

The notion of black tax uniquely has a particular contextual background in South Africa, given the political, social, cultural and economic history of this country (Carpenter & Phaswana, 2021). Part of the cultural dynamics of this “tax” is the notion of ubuntu; the idea of “I am because you are” (Magubane, 2016). The notion of black tax emanates from a culture of responsibility, and a social contract among all people of colour to ensure the socio-economic well-being of one’s immediate and extended family. This in particular salient among black African’s in South Africa. This extends to areas such as education, shelter, clothing, health and finance, inter alia. These financial responsibilities are largely idiosyncratic to people of colour in South Africa because of the legacy of apartheid. Apartheid was a system of separate development that politically and economically subjugated people of colour between 1948 and 1994, when the first democratic elections in South Africa took place resulting in freedom (Christopher, 2001). The social and economic implications of that resulted in a significant levels of inequality in particular between black and white South Africans. The levels of inequality cut across education , wealth , healthcare , life expectancy , networks inter alia. This legacy of apartheid and the racially untransformed nature of the South African economy has made South Africa the country with the highest Gini Coefficient in the world, at 0.65 (StatsSA, 2020). The Gini Coefficient is a measure of the levels of economic inequality, rated at between 0 and 1 in a population group.

However, in the context of black tax people of colour who have emerged as semi-skilled or skilled professionals often come from families where many members still wallow in poverty and remain economically excluded from the mainstream economy for a myriad of reasons. This results in the financial burden of these family members and kin to fall onto the financial shoulders of those who have recently been absorbed into the mainstream economy. This invariably means, they are the first port of call should any financial exogenous shocks result to the lives of their loved ones. This puts their finances under considerable strain and affects their capacity to participate in asset accumulation at the same rate as their white counterparts. The idea and notion that financial responsibility must be taken for both immediate and distant relatives is already socially acceptable and even subtly reinforced in many ways . It is as an existing institutional norm present in low-income communities. Participant C6’s comments illustrate how black tax manifests in the context of insurance cover:

I am the only child, right, and my mom is unemployed. So if my mom passes away, if I passed away, I don't think we're going to have anyone to help us with the burials of either person. So it's easier if I pay for it and I add distant relatives that are also

struggling financially, just to make it easier for the funeral process, because as black people, you know, funerals are a big thing and they cost a lot of money.

The comment illustrates that in order to be prudent and manage the potential impact of unplanned death in their families, young black professionals take up funeral cover policies that cover significant portions of their family. Some funeral insurance policies cover up to 13 individuals on a single policy. This kind of policy is tailor made to the contextual realities of black families, where one person may be responsible for far more than just their immediate family. The persistence of black tax is driven by the desire to protect one's family from shame and thus it feeds into the concept of dignity as an underlying theme that affects the behaviour of people when it comes to choice of insurance. The idea of borrowing or taking out credit for a funeral is frowned upon and was equated to suffering by Participant C9.

Ensuring that their immediate family is not placed under undue financial pressure by the expectations associated with a funeral was a consistent theme that was alluded to by almost all respondents as a motivation for taking up an insurance policy. It was clear that the financial wellbeing of their immediate family was a matter of concern, and funeral cover was a way to mitigate the unplanned financial impact of the loss of life.

It's my kids and my husband. Basically, it's my mother that motivated me, right. My mother passed on like six years ago. So we did not have an insurance at that time. So things were very difficult because we had to ask for contributions from family members and people, you know. And so that's what really drove me to say no, I need to get a cover so that I won't experience something like this. (Participant C9).

This comment accentuates the idea of self-reliance as a core motivating factor and component of dignity. It shows the perceived importance of being able to independently finance and execute a funeral for one's loved one without being dependent on the generosity and goodwill of extended family and community members. It was quite clear that individuals are aware that the social expectations and the financial pressures have significant implications for them. They take these expectations into account when they acquire funeral policies.

A dynamic of interest was the preference for funeral policies over typical underwritten life insurance. This was in light of the immediacy of financial pressure and the subsequent expectations that arise from the death of the deceased. The quick pay-out times of funeral policies of between 24 and 48 hours are seen as a huge benefit; life insurance can take a month or more to pay out, which is generally too slow when a sudden adverse event happens. The

importance of an immediate pay-out to low-income consumer in this market was well explained by Participant C15.

I don't think we understand it the same, because for us, it's like a lifeline. You see, when someone or a family members close to us dies, we need the money immediately to do, you know, what needs to be done. But for the companies or the, you know, people in charge of the funeral cover policies, for them it's just a matter of "Were you paying your premiums in time, did you do everything, you know, that you're supposed to do?" And then they just give you the money after that. But for them, I don't think they have a sense of urgency as us when we have lost our loved ones."

Recognising that the insurance pay-out is in effect a financial lifeline for consumers in this market descriptively and practically illustrates the importance of the timing of the pay-out. These comments and the obvious preference for funeral cover over life insurance gave insight into the institutional power that insurers and their intermediaries have relative to low-income consumers. They have the power to uphold their dignity or to destroy it where insurance pay-outs are concerned. Given the fact that low-income communities in South Africa are deeply relational and communal, irrespective of their urban, township or rural context, times of death become heightened moments of congregation. As earlier alluded to, a whole sequence of activities is ignited at the news of a death; community members immediately begin descending on the home, and the family members must hurriedly arrange a place and time for prayers from various church groups, cultural rites and the transportation of family groups, along with their attendant costs. The burden of these responsibilities are often significant to bear for low-income families who are mourning and financially constrained. This is one of the reasons why funeral cover would be favoured over traditional underwritten life insurance in this market, despite its being cheaper and having significantly higher pay-outs.

4.1.3 Lack of Financial Education

One of the key trends that emerged in interviews with consumers was that they were significantly funeral focused and not future focused. Their interest was the present costs of the funeral and upholding family dignity, reducing financial pressure and catering for the guests; little thought was given to how the family would finance their live and conduct their financial affairs after the funeral. This sort of emotional dissonance was apparent in the choice to take up a funeral policy which caters for immediate needs rather than a life policy which provides a financial benefits and security over the long term.

The underlying disposition that informed their consumption patterns was summed up in the response of Participant C3:

I think they understand the importance of a funeral because, not to generalise, but black people generally would prefer to take the funeral cover because they never really think of the afterlife. So they actually want to just cover. For instance, as my mother passes on, I don't want that uncertainty of not knowing how to bury her, whatever comes after, I really do not care about, not that we ignorant. I think it's more of a ... we were never really taught of it. We were brought up to just make sure that you have a funeral cover that's it. A life cover is something that now, as grown-ups, I feel, we're trying to explore. I mean, like I said, I don't really want to hear about a life cover, but now that I'm growing up, I think it's something that I'd consider if I buy myself a house, you know, things like that.

Two factors became apparent in analysis of this comment and others like it. First, there is a clear absence of adequate financial education, understanding and comprehension, which plays a huge role in people's inability to fully appreciate the impact of their financial decisions into the future. Participant C3 mentions not being adequately taught to think about the financial implications of death beyond the idea of ensuring that a funeral policy is in place. This is indicative of the significant knowledge gap that exists in low-income communities which continues to affect their short, medium and long-term financial health. This lack of knowledge transfer appears to have generational persistence to the point where it is recognised but does not change; the importance of funeral cover to the exclusion of other savings is a point of view firmly entrenched and accepted in C3's community. A proper burial takes precedence over any other consideration. This is indicative of the power of social/ideological/institutional beliefs at the community level to effectively shape financial product decisions and affect the uptake of life insurance in low-income communities. Furthermore, the implications and mechanics of funeral policies are not fully understood by policyholders, as many respondents failed to adequately read their policy document and simply believed the intermediary or administrator on the other end of the engagement. When asked about whether he had read the policy document to fully appreciate the nature of his insurance policy, Participant C8 said

No, no, no, I did not. I did, because I know I will ... I wouldn't understand the fine print. That's for legal minds to understand. So I was depending on what the consultant was telling me and the other questions I was asking. That's what I depended on most.

This comment was indicative of how consumers do not fully comprehend the implications of their decisions and thus their purchasing decisions are not necessarily reflective of understanding but simply of the desire to be covered. The lack of interest in the “fine print” has implications for consumers’ well-being. This reluctance to read what was considered fit only for legal minds was highlighted by Participant C4, who offered practical advice to the industry:

English – their English, they must – I’m not saying they need to, they must see to it that they are using simple English all the time.

The sophistication of language used in policy documents is a significant barrier to entry and prevents understanding for low-income consumers. Given the fact that the insurance sector is already deeply distrusted by the market, the complex language and legalese used simply serves to alienate consumers and deepen their distrust. It is also counterproductive for the industry as the language used makes it difficult for people to find reasons to adopt a product like life insurance. It became apparent in interviews that many respondents failed to read the policy documents thoroughly before signing off on them, either because they did not understand the insurance jargon and legalese, were too lazy to read or just believed the sales administrator (the intermediary). In addition, even if they attempted to read the policy document their understanding remained unfruitful and if anything further entrenched this perception of distrust. This general absence of understanding, consumer education and comprehension are among the contributing factors that affect the uptake of life insurance in low-income communities.

The issue of consumer comprehension and education has its foundation in the quality of the education system of the country. This in part has its roots in the system of inequality that was facilitated by the apartheid government where people of colour were educationally disenfranchised (Christopher, 2001). South Africa has an education system that is failing deeply in addressing basic numeracy and literacy. This intergenerational persistence of poor teaching practices and an ill-managed Department of Education directly affects the fundamental building blocks for consumers as actors who engage with financial services. Currently, adult illiteracy rates in South Africa are highest among black Africans. According to the Department for Higher Education and Training, 91.3% of the South African population that is illiterate is black African (Khuluvhe, 2021). In addition, the pass mark for English Home Language is 40 % and English is usually a second language for most low-income black African speakers in South Africa (Wedekind, 2013). This low standard for passing English, as a subject,

informs their inability to be able to adequately engage with documents that are of a contractual nature over and above the sophistication of the legal lexicon used in policy documents. Many people can read and write adequately but are functionally illiterate in that they cannot read for meaning nor critically appraise what they have read. Appreciating these limitations is an important when considering the quality of decision making in terms of financial product selection low-income communities. This complexity in part belies the comprehension and understanding purported by the product choices of consumers in this market.

It is equally important not to discount the relevance , role and ultimately the fiduciary responsibility of financial institutions and their intermediaries to invest in product education of consumers to ensure that they understand what they are purchasing. In the absence of effective education, consumers, especially low-income consumers, will rely on the representations and guidance of intermediaries when it comes to their purchasing decisions. This places intermediaries in an extremely influential and powerful position to shape consumer decisions in low-income communities in South Africa. Most respondents indicated that their intermediaries did not especially educate them about life cover but focused on funeral insurance, although there were instances where other policies not linked to life insurance were being upsold to consumers. Among the most significant challenges that arise from the fiduciary responsibility is the available resources to ensure that dominant institutional actors like intermediaries and insurers are actively doing their part to educate low-income consumers. The need to measure and assess this is critical to ensuring that informed financial decisions are made by consumers.

Another factor to be taken into consideration are the deep levels of debt in South Africa, which is a function of access to unsecured lending. Currently 75% of total household income in South Africa is being spent on servicing debt (Schraten, 2014). The available unsecured credit provided to consumers and households often finances discretionary consumption and is not necessarily geared towards investment or asset-compounding activities. Debt is not only facilitated through access to low-income threshold accounts via credit cards but equally through store cards that enable access to consumption-linked credit on the purchase of items such as fashion, electronics and furniture. Unfortunately, financial services businesses have been implicated in the extension of reckless credit over the years, which has worsened the debt situation of low-income earners in South Africa.

Furthermore, in the low-income sector, when access to traditional finance institutions is not possible, people turn to loan sharks to fund funeral and burial expenses (Mashigo, 2012). These loan sharks, also known as *amashonisa* are typically predatory lenders who charge high

interest rates of up to 50% monthly interest on the credit they provide to desperate consumers (Case et al., 2013). Loan sharks are known to use unconventional methods to collect their cash from defaulters, such as intimidation, verbal abuse, threats and at times physical harm or damage to personal property. The idea of using credit to bury a loved one is generally being frowned upon, and is considered an act of last resort by low-income individuals (Nyandoro, 2018). The prospect of going into debt to fund a funeral is often one of the motivating factors for taking up funeral policies that cover extended family members. Given the reality that 75% of household income is currently servicing debt in many families, the financial burden of a funeral would financially cripple not just low-income households but ordinary households, if funeral policy were not in place (Schraten, 2014). This is an additional factor that ultimately contributes to the low uptake of life insurance in low-income communities in South Africa.

4.2 Implications of Intermediary Incentives

A major theme that emerged from the data analysis was how the construction of the pay-off matrix of intermediaries was closely linked to financial return and earnings. In order to appreciate how their pay-off matrix affects their propensity to distribute life insurance, it is necessary to analyse the risks that intermediaries must consider and how the distribution of insurance manifests in low-income communities in South Africa. One of the biggest considerations taken into account by intermediaries is the risk of clawbacks and poor premium persistence. Clawbacks refer to the right that insurers have to claim back commission that has been prepaid to an intermediary on behalf of an activated policy should the policy not meet the agreed threshold of premium persistence over a period of time. Clawbacks are put as a safeguard for insurers to manage the risk of paying commission to intermediaries for policies which ultimately do not carry long-term value. Participant IN1, an industry professional and intermediary, explained the risk that exists, providing insight into the underlying motivations of intermediaries:

I think the brokers and the intermediaries are scared because of the lower income. They don't know if it will be sustainable, that the premiums will be paid all the time, because remember that commission structures works on a "you earn commission it's clawed back". So the policy lapses within two years- it's clawed back. So the risk for the brokers going into that [the low-income market]... it's more of a risk of income stream being cut, than making it more expensive or anything like that. Listen, there's one thing about insurance brokers, and I'm going to make a statement here and you can quote me for it. It's all about the money, money, money. Think about it. It's all about the

money. I'm telling you now, it's because, remember, if they sell a policy of R2000 to a higher income person, they get points, they get - it's called API, annual premium income. So it's 2000 times 12 times .85%. That's their upfront commission. So you could go and work it out. So you're looking at him out of policy, though the broker is earning about R15,000 on that policy. So should it lapse within a period of time it's clawed back. So if you sell that same policy or not, the same policy but also a policy to a lower income of R2000 do you think they will be able to afford it? Then it lapses and then the commission is clawed back. It's all about money, sir."

The comments of Participant IN1 not only highlight the risks associated with selling insurance from an intermediary point of view but the deep concern about their income being directly impacted as a consequence of intermediating life insurance into low-income communities. The reality of clawbacks, specifically where life insurance is concerned, make the notion of selling life insurance to low-income consumer less attractive. Figure 2 shows the insurance distribution model of life insurance in low-income communities.

Figure 2: Insurance distribution model of life insurance in low-income communities

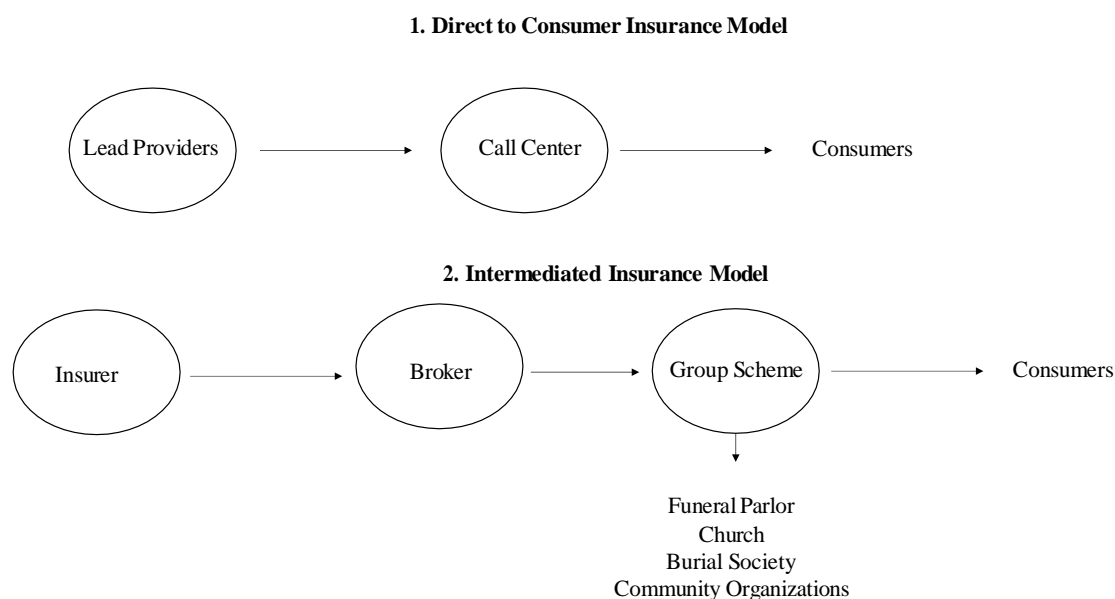


Figure 2 provides insight into the current distribution model that exist in terms of accessing consumers in low-income communities. The direct to consumer insurance model is the current path that is taken by insurers when they seek to go direct to market without using intermediaries. Insurers would rely heavily on lead providers who use social media and a verified database to share consumer details with call centres, which then endeavour to upsell the product to consumers. The intermediated insurance model is the insurance model currently being deployed in life and funeral insurance products on the market.

When considering the dynamics of distribution, it is important to appreciate how insurance is delivered. Insurance companies currently distribute products into low-income communities either by going directly to consumers via internal call centres or by employing intermediaries known as brokers. Brokers will in turn directly target large group scheme organisations. Group schemes are usually organisations such as burial societies or commercial operations such as funeral parlours, which aggregate services for individuals and make it easier for the delivery of insurance to communities. They may also provide a service to these communities in times of death. Burial societies are grassroots informal community-based organisations that are formed for the sole purpose of enabling community members to combine their saving to mitigate the financial impact of death. These are voluntary organisations that are formed not for profit but for service and support of each other in times of mourning. Funeral parlours, on the other hand, are commercial operations responsible for providing undertaking services and other ancillary services such as tombstones, catering, seating and vehicle arrangements to transport the deceased and their family members. Funeral parlours build a base of consumers by targeting churches or other community organisations to build a book of clients. They typically sell policies that are provided from an insurer through a broker or sometimes directly from the insurer.

Funeral parlours in turn resell this insurance product to consumers for a profit. It is important to note that the mark-up placed on top of the underlying premium is not necessarily monitored by the FSCA. The implication of this is that it makes the costs associated with funeral for low-income consumer significantly higher than initially actuarially calculated. According to one of the intermediaries, IN1, the profit is known as the “Gupta”. The word is used in reference to a nefarious business family that was involved in large-scale looting and corruption under the administration of former President Jacob Zuma. Participant IN1 explains how this margin/commission manifests:

For example, R40, the funeral parlour will give it to the people at R140, so that R100 a month they keep in their pockets. That's their ... some people call it commission, I hate the word commission, I call it profit. That's their business profit. The Guptas used to call it ... sometimes they call it the Gupta fee, dangerous, I know, but that is a type of income. So they will earn that income ongoing for as long as that policy is there, where the normal broker that just sells it ... a normal policy will get the income, the commission, upfront except with retirement annuities - that's also broken down in a percentage.

This sort of surcharge is indicative of unfortunate predatory behaviour on the part of intermediary actors in the low-income market. The “Gupta” is a reference to a surcharge or profit margin that intermediaries feel entitled to for delivering the insurance product. The amount of the “Gupta” is not regulated. However, it significantly increases the price of the underlying policy – often by 300%. The consequence is that intermediation often adds additional costs to the product without clear value that ultimately accrues to the consumer or the insurer. This increased cost of intermediation is ultimately borne by consumers in low-income communities and ultimately takes advantage of their vulnerability and lack of knowledge. The insurer heavily relies on the intermediary to ensure that premium income is generated and collected from their distribution channel, which is persistent and growing. Insurers are not deeply invested in understanding how these products are sold and whether they are represented transparently to consumers. Their concern is numbers of sales. It is market environments like these, that are significantly profit and sales growth driven, that lay the foundation for vulnerable consumers to be taken advantage of. The signs of this are already apparent in the current institutional order where products are being sold at absorbent prices beyond the agreed calculated premium. Insurers are more concerned with premiums flowing back to their income statements and less about whether consumers are aware that insurance premiums have been inflated to reflect the economic interests of the funeral parlour. The nature of this arrangement unduly prejudices the poor and consumer who are largely uneducated about how insurance intermediation operates.

Funeral parlours drive the growth of their businesses through agents who resell both the insurance policy and the funeral parlour services. All intermediaries across the value chain earn commission, and the brokers, in particular, earn what is known as a premium multiple. Brokers will usually earn 85% of the premium income multiplied by twelve months upfront, and in the second year, they earn 15% of the premium income multiplied by twelve months.

Due to the nature of incentive structure for intermediaries, which manifests as premium multiples and commissions, also referred to as p-factors, which is balanced against the expectation of premium persistence. This means that intermediaries, especially brokers, need to be clear about the affordability of premiums to the client and their ability to keep up with payments over the long term, which will ensure that the insurance company does not clawback its commissions. This downside risk often results in a skewing of intermediary behaviour, where the intermediary focuses only on distributing the most profitable products with the lowest search costs and the highest pay-offs. This consequence is a misalignment of interests between consumer and intermediary.

It results in products such as funeral cover being sold quite aggressively by intermediaries because it is a non-underwritten product and does not require any medical checks. Since there is no underwriting involved in the delivery of this product, the search costs are low and onboarding is fairly simple with limited information gathering . However, with life cover, the insurers typically want a medical examination, blood tests and the client's medical history before they underwrite the risk and issue a policy. This process increases search costs and makes the sales process less seamless, and the net effect is that it increases the cost of distribution in the market both in cost and time. The result is that market demand is not being shaped by a product that creates the most value for the customer, but rather by the pay-off incentives of the intermediary. Under these conditions of complexity of distribution, the sale of life cover remains improbable to consumers in low-income communities in South Africa. This then filters into their levels of awareness, understanding and comprehension in turn regarding life insurance being low. The complexity of the life insurance sales process is exacerbated by the fact that it is extremely difficult to assess affordability among consumers whose income is not captured in a monthly pay slip; many consumers in the low-income market are engaged in informal economic activity or in part-time or seasonal employment. In the eyes of intermediaries who have to make a distribution decision around product, the risk of premium persistence is often a key concern. As has been pointed out, the monthly premiums associated with life insurance are significantly higher than the monthly premiums for funeral cover, despite the fact that the life insurance product as a whole offers greater value for money, since pay-amounts are so much higher. The result is that intermediaries, aware of the downside risk of income clawbacks owing to poor premium persistence, focus on ensuring the uptake of funeral cover as opposed to life cover in low-income markets.

However, what emerged during interviews is that there is a market that can afford to purchase life cover. Consumers in the low-income market segment have been found to have multiple funeral covers with multiple insurance firms in a bid to increase the total sum assured. Participant IN2 provided insight on this matter:

Sometimes the reason is that whole savings thing or, like, someone is going to die and I'm going to make money. And sometimes it's because you honestly just want to leave money for your children but you're not equipped. You don't know about the other options. You don't know about life insurance.

Having multiple funeral policies in most cases was done in order to be able to cover the cost of a funeral but also to have a little extra; as IN2 pointed out, to leave a legacy for one's children after one dies, to reduce their financial burden. Hence the notion that individuals in this market segment cannot afford life cover appeared to be contradicted by the findings. The premiums paid for multiple funeral policies would, in some cases, can be comparable to the premiums paid for one life cover policy.

What also emerged was that funeral cover products have a significantly higher lapse rate than life insurance products do, largely because they are concentrated in the low-income market. Currently the lapse rate hovers at about 40%. A lapse rate is a measure used to calculate premium persistence, which in effect ascertains the percentage of an insurance firm's customer base that does not renew its policies over a period. The significant lapse rate that exists among funeral cover policies is indicative of rent-seeking behaviour on the part of intermediaries and poor retention strategies on the part of insurance companies. Therefore, the outcome is a pattern of consumer behaviour where consumers are "recycled" through different funeral insurance providers with intermediaries benefitting from the commissions that result. Funeral insurance is often delivered in a highly transactional way because of the incentive structure that underpins its distribution. This results in behaviour that is financially driven and commission focused, with the consequence that consumers make sub-optimal decisions, rarely receiving adequate advice and explanations of what they are purchasing in relation to other options.

In addition, since brokers work with group schemes such as funeral parlours which engage directly with consumers, an environment is created that facilitates certain market failures, chief of which is lack of transparency. The result is that asymmetry is deeply entrenched and appears to be institutionally maintained by actors in the market. Excessive intermediation often leads to information asymmetry which ends up hurting actors in an institutional context, with consumers having less market agency than any of the other players.

4.3 Information Asymmetry

The third part of the analysis provides insight into information asymmetry; how it manifests in the behaviour of consumers, intermediaries and insurers, the factors that drive its persistence, and its effect on the uptake of life insurance in low-income communities in South Africa.

4.3.1 Information Asymmetry Faced by Consumers

Analysis of the interviews in light of the literature revealed that very little has been done by intermediaries and insurers in the low-income market to actively educate low-income consumers on life insurance. The vast majority of respondents who had a funeral policy did not appear to be informed about life insurance. This is captured in the comment of Participant C11 when asked about whether, in the process of taking up insurance, they had been educated about life cover; the participant said, *“They never told me anything about life cover.”*

Consumer education is critical to ensure that consumers make informed decisions about the products they take up. Their reliance on intermediaries to make informed decisions for them is evident and a core feature of the market. Over and above ensuring that consumers make informed product choices, appropriate consumer education is necessary for trust and the longevity of the insurance industry. In a market where institutional trust is very low, financial services providers, especially insurance firms, need to focus on the creation of trust and transparency. However, where sales are facilitated by a third party whose interests are mostly shaped by financial incentives, a tendency towards distortion and asymmetry is almost inevitable. This is evident in the comments made by Participant C10, who reflected on the absence of transparency and appropriate product education by intermediaries:

I just think they need to explain further what the insurance has, because now they do not quite explain on what is it that you are covered for most of the time. They will tell you that you need to pay them a certain amount and then you get this, that. They do not explain everything. So I just need that. We do not have to hide anything. They just need to tell you everything that you need to know so that you won't get any surprises when someone has passed on.

Information asymmetry of this nature has contributed to retarding the uptake of products such as life cover in low-income communities through eroding consumer trust and affirming perceptions, fears and inherent doubts among consumers. Overtly sales-driven approaches by intermediaries or their representatives foster a transactional climate steeped in information asymmetries with regard to product options, product knowledge and product process. This often leads to distrust and unnecessary complexity. The desire to close the sale therefore outweighs the responsibility to ensure that the consumer adequately understands what they are buying into.

Furthermore, in this study, respondents were not quite clear about the purpose of life cover and were very focused on funeral cover, as is revealed by C10's comment above.

Information asymmetry with regard to life cover appeared to be driven by poor consumer education, which is a direct result of lack of financial literacy and low awareness of the existence of these products. Financial literacy relates to the ability of an individual to be able to fully appreciate the financial implications of the decisions they are making about their financial health (Nanziri & Leibbrandt, 2018). The levels of financial literacy in South Africa in low-income communities, and in particular among those who receive government grants, has been found to be significantly low (Nanziri & Leibbrandt, 2018). Financial literacy scores are as low as 43.1% in provinces like the Eastern Cape (Nanziri & Leibbrandt, 2018). Consumers with the lowest levels of financial literacy form the target market for many financial services firms. This concentration of sales among the least financially literate appears to be motivated simply by the fact that this group forms the largest segment of the market.

Among the ways in which poor financial literacy manifests is the financial product adoption patterns of consumers in this market. One of the most financially unsound patterns that emerged from the interviews was the tendency for consumers to have multiple funeral policies. Three factors underlies this behaviour. First, consumers want to be able to mitigate risk in instances where an insurance provider queries the claim and delays payment. This would put the consumer under financial strain and cause huge reputation damage, given the importance attached to funerals and the necessity of maintaining dignity at such a time. Second, consumers want to be able to provide a dignified funeral for their loved one, and in most cases, a single policy cannot cover all the expenses of such a funeral. Third, consumers are essentially using funeral policies as savings schemes for their children; they want to leave a legacy and reduce the financial burden that may result after their passing.

The consequent financial behaviour manifests in sub-optimal financial outcomes, on aggregate, for consumers. This ultimately is owing to information asymmetry on the available financial products that are on the market to solve the three pain points canvassed above, of which life insurance is one.

This is compounded by easy access to cheap store credit that manifests in consumers holding multiple store accounts at fashion and electronic outlets such as Edgars and Foschini. Access to store credit serves consumers' aspirational desire for brands and items of status, and deepens their debt. Their precarious financial position is made worse by the upselling of funeral policies by the very stores in which they have accounts. Multiple store accounts and funeral policies lead to debt defaults. Consumers are highly indebted and ultimately begin to prioritise short-term obligations to refinance their credit-based lifestyle. Low-income consumers default on their funeral policies which directly affects premium persistence. On aggregate, this raises

the risk of providing insurance to this market, a fact that is factored into premium pricing. This is captured in the comments of Participant PD3, an actuary and product development specialist in the insurance firm:

And then, like, overall it's like a strain on the industry as a whole to have poor sales and poor retention because it triggers, you know, it's unnecessary admin costs, drag, then there's brokerage fees. And then you also have all the clawbacks, etc. So like on a life product, you know, you go over the first two, whatever odd years you're paying most of your commission. If that person lapses and comes and then only re-enters again, he like inherently creates more cost to himself over time. And then therefore the whole system.

These comments by Participant PD3 really reveal and accentuate that the antecedent of high premium costs is poor financial literacy on the part of consumers, which manifests in their behaviour. Consumer payment defaults create inputted costs that are ultimately passed on to consumers in low-income communities who are seen as the same profile. The consequence is that life cover as a product is not even considered by most consumers. The apparent monthly cost of life insurance appears high, even though rand for rand it is cheaper than funeral cover, considering the claim value. The result is that multiple funeral products are adopted in a bid to build up a significant claims pay-out, where as a single life policy benefit would not only be more affordable but significantly higher in cash value of the claims pay-out.

Thus poor financial literacy and decision making continues to fuel the sales of funeral policies to the exclusion of other forms of life insurance into the market. One of the challenges faced by consumers in being able to make informed, financially literate decisions is their information sources. In low-income communities, biased actors with a transactional objective in mind are the only sources of information who are intermediaries. The perpetuation of the sale of funeral policies is related to the way in which they are sold; through intermediaries. Consumer are at their mercy when it comes to product access and understanding. Participant IN2, a broker, explained how intermediaries have played a role in shaping consumer understanding, attitudes and beliefs, and how this ultimately contributes to information asymmetry.

So I don't think there's a problem with access. So I think there's a problem with advice; we have product pushers, we don't have advisors. So people come because they know ... and especially in the field ... like I grew up with my grandparents. They were teachers, their friends were teachers and principals. So they're in the education space, their friends were nurses. They had the majority of policies because people come to

them and sell them a story, if you die or whatever, you want your children ... so funeral policies, education policies, for your children, it's what sells, so it's what is sold. I don't think it's an access issue. I think it's an advisor issue.

This buttresses the point that intermediaries are a critical tool for consumer education, and their input and advice informs how product decisions are made in low-income markets in South Africa. Participant IN2's comments reflect how product sales are pushed more than the provision of advice. The resultant information asymmetry results in poor financial decisions being made that are not in the long-term interests of low-income consumers and their families.

A factor that perpetuates information asymmetry among consumers is the use of technical, legal, industry-specific jargon in the facilitation of insurance contracts and sales. The use of technical jargon may be necessary for the purposes of legal expression for insurance documents, but it has driven information asymmetry. Insurance has significant legal consequence for both the insurer and the insured. However, the intermediary should play the role of demystifying the product with regard to terms used, especially in areas such as legal risk and rewards that accrue to the consumer after adopting the product. This does not happen for most low-income consumers who are not fully aware of the legal ramifications of what they are signing. Participant C6 explained that brokers were not providing sufficient information on the contracts they wanted her to sign with respect to life cover:

You know, if you don't read your fine print, they can say oh, no, but like, we didn't say that if the person passed on due to Covid then the person's covered. You get it? And Covid wasn't a thing before when you signed the contract. So I do and I don't take contracts lightly, and that's the reason why I said before that with life covers, these people don't want to sit down with you. These brokers don't want to sit down and explain to you properly. They just want you to sign and you can't sign something that you don't understand.

The sales-driven and institutional architecture within which, that brokers and intermediaries work, results in this sort of outcome, where consumers remain ignorant and know that they are ignorant but cannot access the information they really want. Intermediaries do not feel they are sufficiently compensated for giving advice, given the prevailing costs of intermediation in the low-income market. The result is persistent information asymmetry on a product level, a consumer awareness level and a legal level. Intermediaries therefore focus on the distribution of products that ultimately have the least amount of friction, i.e., funeral policies. Funeral policies provide higher premium persistence in a group scheme setting than when sold to individual policyholders. This reduces the risk of clawbacks from insurers and ultimately

drives profitability. Information asymmetry therefore persists, in a situation where consumer demand for insurance products does not reflect their true preferences. This skewness of information contributes to the low uptake of life policies in low-income communities, a point captured in Participant IN2.

*Because, “Our people like funerals, our people like death lump sums, our people ...”
It's not about what they need. It's not about understanding them. It's about what they know and what they like and what they take and what they understand. So we push that.*

This comment shows how information asymmetry is maintained and upheld among consumers, where products are pushed because that is what consumers “like”. The fact is that they do not know of viable alternatives and have not been educated to see the value in alternatives. What consumers like, know and understand is determined by what was initially presented to them by intermediaries. The information asymmetry that manifests among consumers is largely a result of the institutional power that intermediaries and their affiliates have in shaping consumer demand through their representations to consumers.

4.3.2 Information Asymmetry Faced by Insurers

Insurers are responsible for the creation of insurance offerings designed by qualified actuarial scientists. Products are developed, approved and deployed to market within the defined regulatory framework of the of the Financial Sector Conduct Authority (FSCA) which acts as the prudential authority for the financial services industry in South Africa. Once developed, products are distributed through intermediaries to the identified target market. In this section, what emerged was the presence of deep information asymmetry among actuaries about the consumers whom they service and design products for. The ideas and perceptions held by the industry ultimately contribute to the uptake (or lack of it) of life insurance in low-income communities in South Africa.

Actuarial scientists are product development specialists who work in the insurance industry and are responsible for developing insurance products, determining the pricing and the underwriting procedures for each policy. They are central to the products taken up by the low-income market. However, what emerged from the findings was that the vast majority of these product development specialist lacked an understanding and awareness of the values and behaviour that inform product adoption among low-income consumers in South Africa. This lack of awareness at an industry or company level significantly impacts the ability of actuarial scientists to change their perspective on product development and innovation, which in turn

negatively affects the uptake of life insurance in low-income communities in South Africa. This is because their views and understanding of the market are shaped by historical beliefs and ideas that are deeply entrenched in the status quo.

Information asymmetry among insurers manifests in two main areas: ignorance of culture and ignorance about consumer behaviour.

4.3.2.1 Ignorance of Culture.

It emerged during interviews that insurers are generally unaware of the cultural importance of funerals to consumers in low-income communities who constitute their largest base of funeral policyholders. They do not understand what informs their size and the inherent responsibilities and expenses associated with large funerals, which are the norm in African culture. Funerals bring with them a plethora of cultural and social expectations which create a substantial financial burden for the family of the deceased. The social, cultural and spiritual dimensions of death and funerals influence the product selection of consumers, a fact that is not fully appreciated by actuaries. Nor do they understand how these factors create an inherent bias in favour of funeral cover as opposed to life insurance. The comments by Participant PD2 provide insight into the information asymmetry prevalent among insurers.

OK, I'm middle class. People do not usually have funerals with like thirty grand (R30 000). People in the informal sector really do. You know they are big, funerals are a party. Actually my point is, in the middle class, like, I've never thought in my life, I need funeral cover. I thought I would just get life cover. People in the informal sector, the only thing that they have to think about is, "I have to get this person in the ground and when I get them in the ground, I need to party." The priorities, I think, are different.

The comments above reflect the disposition of the insurance company's product developers and the misunderstanding that persist about funerals. There is evident lack of understanding of the cultural implications of having the community participate in the funeral ceremony as a form of paying respect, upholding social bonds, and affirming the value of life. The reading of these activities by PD2 is that of a "party" unfortunately reflective of a clearly out of touch service provider with their client base. Social expectations, which carry costs, arise as a consequence of these aspects. This clear dissonance between what funerals are and mean, and the understanding of insurers, shows that insurers may not fully appreciate the social and cultural dimensions of funerals in low-income communities and the reasons for the concomitant low

penetration of life insurance. This in turn affects the quality of service, product innovation and attention allocated to this market segment.

Some product development specialists acknowledged their ignorance about the customers they served. This provided a platform for honesty and a recognition that they needed to develop their personal understanding to become more effective contributors to the industry. Participant PD3 was quite open about their lack of understanding and their own realisation of it seemed to come as a shock.

I, again, I don't have true experience on it on the ground. Don't have like ... haven't done a market research. Jeepers! I'm realising I am involved in stuff I should know a little bit more about, but I'm gonna give myself some more time.

The clear cultural information asymmetry among product development specialists in the insurance industry with regard to the cultural context of consumers in low-income markets will impede their ability to provide product solutions that work for them. In the absence of understanding among product developers, South African low-income consumers will continue to be driven by what they know and what is convenient for them, and not necessarily what is best for their financial well-being. It is likely that under these circumstances, the uptake of life insurance in low-income communities will remain low.

4.3.2.2 Lack of understanding of Consumer Behaviour.

Among the biggest challenges facing insurers is understanding what informs underlying consumer preferences. This lack of understanding creates a systemic knowledge gap in the operational, product and innovation engines of insurance companies. In practice, all critical understanding of the consumer as it relates to attitudes, behaviours, motivations and incentives is held by actors outside the business. These external agents responsible for the provision of these insights on what consumers think, believe, want and adopt from insurance firms are intermediaries. Intermediaries are responsible for a significant portion of insurance sales in low-income communities in South Africa, and have effectively shaped the insurance industry. Their unique positionality of being the main access point of products for consumers and the primary channel for distribution for insurers, places them in an enormously dominant and influential position to inform the direction of market interactions and outcomes.

The extent of the information asymmetry between intermediaries and insurers became clear when members of sales and distribution teams were asked whether they felt enough was

being done to facilitate their understanding of low-income consumers. It emerged that insurers were not actively engaged in the development of consumer understanding as a key input in their business process to ensure their competitive advantage within the market. They relied on a vicarious understanding generated by elements outside of the firm, i.e., intermediaries. This vicarious insight, knowledge and understanding was gained through ad hoc engagements with intermediaries or other partners who supported their consumer engagement efforts. Participant SD5 acknowledged their low level of active participation in consumer research.

I don't necessarily think we really do. There's so many opportunities. There's so many things going on that we don't necessarily, as an insurer, try and be active on the ground, in the communities, ourselves. We rely on our intermediaries and third parties, people who sort of represent communities to inform and guide of what people really need and understand. And we specifically, from our perspective, haven't gone out to figure out, to understand people. We are trying to put what's currently working, current products, through distribution channels and enabling those distribution channels at this point in time.

Participant SD5's comments reveal that the emphasis for insurers is sales and distribution of existing products which are "currently working", rather than deepening existing client understanding. This means, in effect, an ever deepening prioritisation of funeral cover over life insurance where low-income consumers are concerned. The unfortunate lack of emphasis on understanding consumers limits insurer's understanding of the extent to which intermediaries or third parties shape the industry. These third parties are not incentivised to formalise their knowledge and present it scientifically; they share what they know informally, and may be withholding some information for the furtherance of their own interests. Their knowledge sharing is determined by what they feel is strategically optimal for their financial gain. The continued externalisation of consumer behaviour and insights to third parties remain as militating factors in ensuring that consumer understanding receives the priority and attention it requires.

Therefore, what insurers have unfortunately done in this process is to conflate and confuse the evidence of policy sales of insurance products with consumer understanding. The strategic flaw is that, a sales-led lens runs the risk of being alienating to consumer context, behaviour and nuance especially when interpreted through the self-interested eyes of intermediaries. Participant IN2 spoke of the need for more effective feedback loops in the insurance industry in order to enable more effective product development for low-income communities.

Well, we need to give feedback. I don't know if we've got proper platforms to give the kind of feedback because they've got the, I mean, they've got actuaries, actuaries we deal with, like actuarial people who deal with data, what's the data telling us, you know. I don't know how much engagement and again I say, I might be wrong, but I don't know how much engagement is done with intermediaries and also note that intermediaries have also been product pushers as opposed to solution givers. So the data is skewed to "this is what works". Yeah, so I don't know how much insurers are engaging intermediaries or intermediaries are engaging insurers. Maybe we shouldn't put it all on the shoulders of insurers with regards to what is required.

The incentive structure of intermediaries remains a crucial concern with respect to the feedback they give and using this feedback as a basis for understanding consumers. The major issues laden within this concern is the propensity for bias given the pay-off matrix of intermediaries.

The failure by insurers to control their knowledge set which informs consumer understanding is bound to create information asymmetry and stifle product innovation.

Participant SD4 provided insight on the context of this approach.

I'll say we're not necessarily doing enough, right. And I think it was strategically designed as such. We've outsourced or we've partnered with people that we think should do that research for us. I've spoken of XYZ, one of our biggest partners – they do that research for us, right? They are there in customers' faces to understand them, and they as a partner design a product, so yes, we underwrite the product, but they design the product to meet the customer's needs. Similarly, with the group scheme space, we work with those people who work with funeral parlours, who understand the customer's needs. So I think as for us as an insurer, we aren't necessarily close enough to the details, but the people that we are underwriting or the people that design the product that we end up underwriting, I think are very close to the market to understand what needs they have, especially in the funeral space. I don't think so necessarily in the life space. We're not mature in that space, but very much in the funeral space.

While relying on third parties for sales and distribution may prove profitability, failure to develop direct in-house data insights and consumer understanding as an insurer reflects a disposition that is comfortable with information asymmetry.

It emerged that the appetite to develop deeper consumer understanding was not present in part because sales and distribution executives could not see a link between directly owned consumer insights and increases in sales volumes. They were equally further disincentivized by the associated effort to go and re-establish existing channels of access which have been already created by intermediary partners. The challenge which remains is that the uptake of life

insurance is underdeveloped, despite the glaring fact that death and disability cover gap in South Africa is worth R34.7 trillion (\$2 trillion) (The True South Actuaries & Consultants, 2019). This gap may persist because consumer attitudes and behaviour with regard to life insurance are not fully understood by insurers; as a result, they cannot design the sorts of products that would suit low-income communities. The current business model relies too heavily on outsourced intermediaries who may not always share the same market development interests as insurers. In addition, it appears as though insurers are indifferent to the current institutional arrangement. They remain profitable and continue to grow their bottom lines without having to spend resources to navigate the complexity of low-income communities. Whether or not they are losing out on a substantial treasure trove of data that could inform their next phase of growth or missing out on an opportunity to design products for their customers more appropriately doesn't appear a major concern to them. However, the bigger concern is that the lens through which insurers understand the market cannot be validated in the absence of an internal institutional desire to prioritise consumer understanding. Consumers and insurers alike are therefore at the mercy of intermediary biases, idiosyncratic ideals and underlying objectives with respect to product distribution, innovation and narrative. This is despite the fact that insurers have the inherent resources and agency to adequately facilitate their own research and garner deeper consumer understanding.

One of the key areas where consumer information asymmetry is apparent as a consequence of intermediation is in consumer education. This is because intermediaries are the main actors in the value chain who directly interface with consumers. The attitudes, beliefs and perceptions held by consumers are not necessarily a true reflection of what is available or most beneficial to them. Their attitudes, beliefs and perceptions are in actual fact to a large degree shaped by their interactions with intermediaries who selectively educate them based on their inherent economic interests.

This fact was acknowledged by respondents in the insurance industry, who confirmed that not enough work was being done to educate consumers on life insurance. Among the reasons given by members of the sales and distribution team was that there was low uptake of life insurance in low-income communities. The perception was that life insurance was felt by low-income consumers to be unaffordable and was a product for the wealthy. Second, they assumed that low-income consumers found the process of taking out life insurance too complex, whereas the process associated with funeral insurance was relatively simple. In addition, the pay-outs for funeral policies are processed and received without much restriction

or verification. Life cover policies typically exclude cover for certain ailments. Participant SD4 stated:

No matter how much time, and I'm saying no, because even with the people that are within the industry there's a lot of uncomfotability around insurance. I think it's a very complex product structure, right? And that's why it's always been sold through a broker, who can then try and explain and tell you what you need and what you don't need. Because even if you take it out, if you're sick, there's exclusions. So you've got cover but you know that you're not covered for everything. There's exclusions, there's loading. It's a very complex model. And I don't think there's enough that has been done to try and educate people.

The perception that low-income consumers avoid life insurance partly because of its complexity is therefore true. Product complexity directly affects the uptake of life insurance in low-income communities not because the complexity cannot be distilled and made simple but rather because intermediaries and insurers not want to spend the time educating consumers on life insurance, because of issues to do with profitability or cost complexity.

One of the challenges of educating consumers about life insurance is that of reach and effective content distribution channels. An employee of the insurer explained how social media channels such as Facebook, Instagram and others were used yet appeared to be unsuited to reaching the target market. Use of social media requires first, a smartphone and second, connectivity. Participant SD5 explains some of the challenges associated with consumer education and bridging the consumer preference gap.

I think we, as life insurance companies, have put a lot of effort into trying and educating. There's only so much you can do through the limitations of access to these communities and the like. So we typically targeted social media, emails, content educational because these things are not a one-liner explanation of what underwriting means or what exclusion means or a loading means, whatever. So you need more content, more copy, more information – it's complicated matter. So from a marketing perspective, in our world, we've done insurance 101, where we partnered with a lady called Nicolette Mashile. She did 30-second clips, etc. Unpacking just the vagueness of some of these insurance terms, just to make it understandable to the everyday man, but again, that's through digital content. You need to have a smartphone to access these things, you need to reach us. We to reach you on Facebook and Instagram and the likes and so on. I think that's the problem.

What emerged as a challenge in their bid to drive consumer education and reduce the gap is clearly connectivity. The investments of financial services firms in consumer education have taken the form of online and social media-driven content. However, this approach does

not facilitate the necessary inclusion and access that is necessary to reach low-income consumers.

Access to a smartphone or a mobile device is the first impediment, although not an insurmountable one. The current penetration of smartphones in the South African market has significantly increased, with a total reach of 91.2% of the population having access to smart mobile devices that are able to engage online and access the internet (ICASA, 2022). The real challenge faced by insurers in bridging this gap is the cost of mobile data. The cost of data in South Africa is a contentious issue that has given rise to criticism of the major network operators such as MTN, Vodacom, Cell C and Telkom, particularly by the Competition Commission. The Competition Commission was established to ensure fairness and mitigate antitrust activities and any form of collusion that could be disadvantageous to fair market competition and consumer access. The Commission found that mobile data prices were unnecessarily expensive and that more needed to be done by mobile operators to bring their prices down.

To contextualise this further, the average South African is spending about \$6.51 dollars per gigabyte of data. This cost amounts to 2% of the monthly minimum wage in South Africa (National Minimum Wage Panel, 2016). Given the inherent cost of accessing the internet, digital channels are not the most effective means through which to carry out consumer education. The default option for insurers is to rely on intermediaries and third parties who have a historical track record of driving sales in this market and have become the channel through which education is facilitated. This is despite the fact that insurers could intentionally invest in developing new channels to engage with consumers and access them directly.

4.3.3 The Implications of Information Asymmetry

Information asymmetry has resulted in the adoption certain dispositions that remain unchallenged and which do not necessarily serve low-income consumers. The asymmetry affects a number of operational and consumer-facing elements to do with service and product design, which equally have an impact on the uptake of life insurance in low-income communities.

One of the emergent themes in the context of information asymmetry was the theme of poor sensitivity to consumers' needs. This emerged as a key finding because of the heavy reliance on intermediation, which highly affects the ability to appropriately and effectively respond to consumer needs and concerns. Insurers acknowledged that they were not appreciating, synthesising and responding to consumer needs directly and that they relied on

third parties to translate consumer behaviour into insights. Consumers felt that there was a deep cultural void between them and insurance firms. To them, insurers appeared far removed from the consumer, and were viewed as an impersonal provider of insurance and not a real service provider with has a vested interest in their context and priorities. Participant C1 made this clear.

I don't think pretty much they do understand the cultural side of things because they be like ... what I would say is they're focusing on the math side of things, that when one pays this amount of premiums, then the cover could be this much. So they don't consider stuff like cultural stuff whereby us as black people, we buy cows and all that, there in funerals. So they just ... they do give you an amount that will cover certain things like a casket, probably the transport and the grave as well. I think that that's what they're focused on.

An appreciation of the role of culture and the way it interacts with a financial product and financial decisions cannot really be attained in a deeply mediated environment. Insurers rely on ill-informed conjecture and the delivery of fragmented perspectives by intermediaries to formulate opinions on a market that has not been significantly qualitatively tested.

Information asymmetry also stifles the ability of insurers to innovate. Innovations are needed that speak to low-income consumers' deeply felt needs and which may potentially represent market opportunities. For instance, low-income consumers seek to leave a financial legacy for their loved ones but are doing so through holding multiple funeral policies rather than by investing in an effective life insurance policy. Addressing this fact can only be informed by a detailed quantitative and qualitative understanding of the market. Participant IN2 reflected on the implications of information asymmetry with respect to the behaviour of insurers.

I think they jump, jump onto the bandwagon. I don't think it's about understanding the consumer. I think it's about looking at the bottom line and looking at "Ooh, funeral policy is popular – black people like funerals," and then they do funeral, but I don't think a lot of people are bothering, I don't know, in my view, and I might be wrong, to understand why. And maybe even show them something different.

The underlying motivation for participation in the market is, of course, profit. However, an exclusive focus on profit has affected the ability of industry players to sufficiently consider other metrics beyond sales as explanatory variables for underlying consumer behaviour.

Another consequence of information asymmetry was the deeply held view that low-income people do not want life insurance, a view that is not necessarily reflective of low-income consumers' desires. This is indicative of the poor sensitivity that insurers have in

relation to low-income consumers. The two excerpts below, by Participants PD2 and C5, illustrate how these qualitative aspects of asymmetry exist between insurers who are responsible for product creation and consumers who, in some cases, do want life cover, as Participant C5 made clear. Participants PD2 showed a singular lack of understanding of the market.

People in low-income communities don't realise that if a man dies, and he's the worker, who's going to look after the children? How's your wife gonna look after the children?

This answer was part of a response to the question of whether insurers had done enough to educate low-income consumers on life insurance. This participant made assertions about low-income consumers being unable to make the link between death and loss of income, and their consequent failure to save through life insurance. This view was probably based on Participant PD2's exposure to existing financial product selection among low-income consumers. The fact that an insurance actuary believed that low-income consumers have little or no concern for their immediate family's welfare after death is cause for concern.

One can juxtapose these comments with the comments of Participant C5, a low-income consumer who expressed a desire to provide a legacy for their immediate family and loved ones. Participant C5's comment was in response to whether a broker had ever spoken to them about life insurance in the process of selling them funeral cover.

So, however, I've been planning in a couple of months to come. The thing is, I just need to patch up some stuff but life cover – I do want to leave some stuff, some inheritance for my kids. I don't want them if I should pass on, then they should have to just start from scratch. So what I can say I'm aware of is the funeral cover, but not so much in detail the life cover, of which should I look at the figures. They actually look quite nice. This is now the funds that come out once, if I should pass on, so yeah.

Participant C5 reveals a desire to provide for their immediate family and to ensure that their children do not have to struggle and start from a low financial base after their death. The purpose here is to bring to light the ways in which information asymmetry create an environment in which sensitivity to consumer needs is not prioritised. Deeply entrenched views about low-income consumers seem to be rooted in nothing more than current insurance product choices, which, as has been established, are shaped largely by intermediaries and do not reflect consumer's real interests and concerns.

This discussion in this section has sought to explain why information asymmetries persist, the form they take and their consequences. Some of the obvious consequences are the

that innovation is stifled, and low-income consumers remain uneducated about the many varieties of insurance products that could suit their needs.

4.4 Challenges Faced in the Distribution of Life Insurance

The third theme that emerged was the challenges of distributing of life insurance in low-income communities. These challenges are diverse. In many ways they intersect with topics previously raised; however, a focus on these challenges helps to explain the underlying issues involved in the delivery of life insurance.

The first issue involved is the process of underwriting and determining risk in the life insurance industry, and how this aspect penalises low-income consumers for being poor. The second is the challenge of delivering life insurance in a way that enables product adoption with minimal complexity and optimal transparency for the consumer. The third is the challenge of establishing trust in terms of consumer beliefs about insurers. Lastly, there are general challenges related to consumers and products.

4.4.1 Policy Underwriting Challenges

A sub-theme that emerged was medical underwriting. Medical underwriting is the process that insurers undergo to ensure the health and wellness of a potential policyholder to ascertain the inherent medical risk associated with providing life insurance. Typically this would involve medical professionals and institutions who would require the policy applicant to take a blood-test, urine test and other health checks to ascertain their health and to verify the presence of hereditary diseases or existing ailments such as cancer or HIV/Aids. The results inform the premium pricing structure for the policy holder. Medical underwriting is a critical component of life cover, ensuring that the insurance company is able to sufficiently price a policy and determine its risk.

Beyond engaging in medical tests, questions are asked of respondents about their lifestyle such as drinking habits, smoking habits, exercise and diet. These lifestyle questions help determine the health and life expectancy of the consumer and inform the insurer's calculations. The rule of thumb for the insurer is the more one knows about the client the better one is able to appraise the risk. Insurers would typically attach a loading, which refers to an additional charge on the client where they feel the risk is higher than average. This loading is usually attached after an assessment of health, lifestyle, hobbies, age and work. The challenge associated with loading is the fact it automatically penalises low-income communities for being poor. Their poverty or low-income level inherently makes them riskier to insure, partly because

insurers view them as less likely to be consistent with premiums, and partly because they have a higher proclivity to lifestyle diseases and are not in a financial position to seek proper treatment. Thus their poverty alone puts them in a separate risk class from someone who earns more.

The model for life insurance and risk pricing therefore appears to be discriminatory. Loading, which is common for low-income earners, makes the product more expensive for the low-income earner than for the wealthier client. Participant SD3 provided context in response to a question on the purpose of life insurance for low-income consumers.

The clauses on which a client is also appraised – your age, your smoking, non-smoking – but that is a choice – but your qualifications, your salary, that all ranks you in a ranking where you are priced in life cover. So if you earn more, and if you live healthier, and you're in a job qualification, or your occupation description is a high type of level job, and you're earning more and you're in a higher class, then your rights are cheaper than when you're in a lower class. So for me, there's like a sort of a disconnect with lower paying clients and higher paying clients.

What is described here is in effect class penalisation – institutional in nature and is part of the current actuarial practice for assessing risk, but it does not lend itself to inclusion and the uptake of life insurance in low-income communities. Firstly the class penalization is a function of the lottery of birth which neither insurer or policy applicant has any control over. The economic or social class one is born into has significant implications for their tendency towards wealth accumulation. In the context of South Africa this is further exacerbated by the historical inequality and inter-generational persistence of poverty due to an institutional framework that has maintained economic inequity over the years.

The inherent problem of the process described, as it relates to medical underwriting, is that it is arduous for consumers in the low-income sector to participate in the underwriting process. The practical limitations involved are access to medical underwriting for blood tests and the necessary medical examinations. The facility where these tests must be carried out will invariably be state run hospitals or institutions which are over-burdened by high patient volumes and low medical professional capacity resource constraints. The costs of having the test performed at a private facility would usually be beyond the reach of low-income consumers, and expensive to travel to, requiring a taxi or the hiring of private transport to get there. These inherent practical barriers of access are tangible mitigating factors that impede the ability of low-income communities to take up life insurance in a manner that is meaningful.

Despite these barriers, low-income respondents acknowledged that insurers needed full medical disclosure, appreciating that their health status would affect the risk of providing insurance cover to them. Nevertheless a tension remains over full disclosure because people generally are reluctant to reveal their health status.

4.4.2 Transparency Challenges

What emerged during the interviews was that fear of losing the policy was the overarching motivation for full health disclosure rather than the consumer's appreciation for the insurer's need to appraise their risk. Participant C6 provided this response when asked about medical disclosure of ailments to insurers:

I think it's very important. But I understand why most people don't. I think it's extremely important because your insurer needs to understand. See, if things happen or what was the cause of it, you know, your, your medical history is really important when it comes to such things. But most people don't disclose because, you know, you get treated differently or you don't receive certain benefits because you have certain illnesses. So it's a tricky question, because it's basically you should be doing it. But sometimes if you do it, then you will not receive certain benefits because they think you're going to pass away quickly or whatever.

Full disclosure often results in certain exclusions being imposed on low-income consumers. The financially onerous consequence of loading or exclusion may disincentivise individuals from disclosing their health truthfully.

It is equally important to understand the cultural dynamics of disclosure of one's health condition to strangers. Health is a deeply personal thing, and certain diseases are stigmatised or frowned upon by society especially within the cultural context within which low-income consumer live. They may be seen as a reflection of the individual's moral disposition or character. Participant C17 had the following to say in response to a question regarding sharing medical health disclosure to insurers:

Sensitive information, yes, but you need it, it's a process that needs to be done. So then, they have to tell the truth. So that your things are in proper order, it might be too, too difficult, probably, over the phone, I believe, but maybe when you're sitting down in person with this person in an office setup, and you're relaxed, maybe it will be easier to break it down. But I do believe it is a sensitive topic, especially if it's an illness or a disease that is kind of looked down upon or outcast in the community, you know.

This reveals that insurers may need to find better ways to navigate the challenges faced by low-income consumers when it comes to the health disclosure necessary for underwriting. Participant IN2 provided insight into the challenges that surround disclosure.

We figured that ... some people don't want to know if they've got HIV or they've got diabetes or what they've got. So as long as I don't know, I don't have it, right? And people do know and it can be added, but they find some of the things that I've done in the life insurance space to be very invasive. So they will want to speak to questions rather than ... filling a form, you know. So we've figured that a limited underwriting life product as well as funeral [cover] because we realise that dignified funerals are important to our people.

The reality is that in many ways the current underwriting process does not fully align with what would be considered culturally appropriate for individuals to share. Much of it is perceived as invasive. This is primarily driven by the fact that extremely sensitive information regarding your health status is being shared with someone who you do not know or have any sense of social capital with. This primarily being done in a bid to attain a life insurance policy which you will not experience the immediate benefit of. Secondly, a deep distrust already exists for the financial services and insurance industry as a whole which doesn't make the process of information sharing easier or comfortable. The complexity involved with the filling out of long forms also makes the onboarding process cumbersome and difficult.

The other practical implication is the opportunity cost to the intermediary, whose key activity in intermediation is driving sales and providing policy adoption for their insurance principals. The inherent cost associated with intermediating a life insurance product to a low-income consumer market in need of product education is significantly higher than the cost of selling the same product to a sophisticated client. The result is that the search and selection costs become too high for an intermediary to undertake relative to the potential value of the sale. As mentioned earlier, the economic pay-offs of the distribution of life insurance are not sufficient to entice intermediaries to distribute the product more widely. The current structure of established intermediation is largely based on funeral parlours and group schemes. These funeral parlours are significant economic players in low-income communities in terms of the provision of financial services for burial purposes, and are not suited to selling other options.

The first reason for this is that funeral parlours provide the services that accrue to the families of the deceased after a death in the family. Insurers pay the financial value of the policy to the funeral parlour, which in turn offers an array of services to the deceased and their family on the date of burial. These services include but are not limited to driving the family

around, providing transport to the funeral to the community, providing a casket, a large tent to house the guests and the associated grave digging and catering services. Funeral parlours make their money not only from charging a margin on the policy distributed but also from the claim amount paid out by the insurer. This makes them highly unlikely to want to sell a policy such as a life policy to their current customer base of low-income communities, where neither of their revenue-generating models would be adopted.

4.4.3 Trust Challenges

One of the biggest challenges of distributing life insurance is bridging the trust gap between consumers and insurers where the relationship is not already stable. Creating trust and transparency emerged as a critical outcome. The legal nature of financial and insurance services requires that policies be legally worded, which makes them obscure to consumers. Intermediaries and sales agents have not sufficiently done their job of explaining the legal and operational implications of policies. The result is the creation of a deficit of trust between insurers and the end consumer. The entire process is deeply transactional and sales driven. The transactional nature of the business is obviously a result of the sales targets and responsibilities placed on sales agents who represent intermediaries or insurers through their call centres. All of this breeds scepticism and does not make for an environment that facilitates trust. Participant C3 decried her experience with an insurance intermediary.

It was just about the money. I don't want to lie. Even if I cut them off in terms of life, and whatsoever, I feel like even when they go through the terms and conditions, they're very fast. They're very fast over the phone and so they just want to get it through and done with it. And they want you to agree yes, yes, yes. Okay. They've taken a life cover, you'll be debited on this day and life goes on.

Trust remains the primary currency upon which businesses in this market ultimately base their existence and growth. In the absence of trust, the penetration of life insurance in the market would meet persistent barriers – which appears to be the case currently. The current relationship of consumers with the insurance industry can best be described as one of convenience and not one of real intentionality and purpose. The capitalistic and individualistic nature of the relationship, where consumers are seen as premiums and their utility devolves on the persistence of their premiums, is cause for concern. In order to reframe this, more work needs to be done to develop and reconstruct the foundations of trust and belief between consumers and intermediaries, alongside the insurers they represent.

4.4.4 Product and Consumer Dynamics

Among the key challenges that further impede the penetration of life insurance in low-income communities in South Africa are product design and dynamics that are at variance with the consumer context. Life insurance is geared toward the provision of long-term financial protection to the beneficiaries of the deceased. This usually takes the form of a large lump sum pay-out of cash to the nominated beneficiaries, or, in a more structured environment, to a trust. In the context of low-income communities, the dynamics that affect the adequate uptake of life insurance products include the underlying financial commitment, the product claims process, and the social perceptions that exist around life insurance.

The financial commitment required by a life insurance policy is high in relation to the minimum wage in South Africa, currently R3500 a month. At the time this thesis was being written, that amounts to \$7 a day (South African Government News Agency, 2017). The cost of the typical life cover that provides an estimated R3 million in cover is around R330 per month. These values are according to the Old Mutual insurance website (Old Mutual, 2022), with the amounts subject to the necessary medical underwriting practices of the insurer. At the current pricing, the policy would cost an estimated 9% of the total income of a low-income consumer, assuming minimum wage as the basis. The typical R10 000 funeral policy offered in the industry is priced at about R40 per month. The result is that life cover as a share of monthly income is eight times more expensive than funeral cover. However in relative terms, per thousand rand of cover, life insurance is cheaper. The tension therefore that exists for the uptake of life insurance in low-income communities is affordability versus value of cover. The default, therefore, is to opt for the lower value but more affordable funeral cover. What is equally known about low-income community consumers is their tendency to have multiple funeral cover products. The reasons for this include a lack of financial education, being sold multiple policies, and a desire to leave an inheritance for their children. Participant IN2, an intermediary, provided context on how this behaviour and outcome manifests in low-income communities.

And sometimes it's because you honestly just want to leave money for your children but you're not equipped. You don't know about the other options. You don't know about life insurance. You don't know, or life insurance is too cumbersome and too complicated for you. So the two products that we have, we have funeral, because people – it's important for our people, and not always ... it's probably important because our lives haven't always been dignified lives. So we think our funerals must be dignified. I think

it's a psychological matter. So people want to have dignified funerals. They want to be able to give dignified funerals to their parents, children, sisters, brothers. But also over and above that, some people just want to leave money for their children. So they'll have ten funeral policies. Only two of them will bury them, and then the rest is leaving money for my children, and it's not the cheapest way in order to do this. So we have what are called a simplified life product, but that's the one with the limited underwriting.

The answer was provided in response to a question about how well designed products are for low-income consumer. It is therefore important to recognise that the dynamics alluded to above affect the behaviour of consumers with regard to the adoption of life insurance in low-income communities in South Africa.

The complexity and slowness of the claims process is a definite contributing factor. The claims process for life insurance is typically more cumbersome than for funeral cover. Funeral cover requires a waiting period of six months from the time the policy is active for any sort of claim to be allowed. Should a claim be lodged after the six months waiting period, the documentation required is a death certificate issued by the relevant authorities, and certified copies of the identity documents of the deceased and the beneficiary. The beneficiary will receive full settlement of the funeral cover claim within 24 to 48 hours of submitting the documents. This assists grieving loved ones to get on with the necessary preparations for the funeral.

With life insurance, similar documentation would be required but the waiting period would be 30 days or longer. This is because the insurer needs to ensure that the necessary verifications are done, given the value of the pay-out, which is sizeable. Insurers go to great lengths to rule out fraud involving identity theft, and to ensure that there is no underhandedness in the claim. Exclusions in policy documents may include suicide. The length of time needed is a problem for the low-income consumer with a funeral to arrange. In low-income communities in South Africa, individuals are buried within a week of their passing. This is to minimise mortuary costs and give the family time to grieve. The time it takes for life insurance policies to pay out would not enable the family to bury their loved one in a dignified manner. The claims process in relation to the immediacy of needs, among other factors, mitigates against the widespread adoption of life insurance among low-income communities. This is a clear barrier that would need to be addressed.

Other challenges surrounding life insurance are the perception that it is expensive relative to funeral cover and that it is for the wealthy. Life cover is significantly cheaper than funeral cover in terms of ratio of premium to pay-out, yet the idea persists because the product

has not yet been adequately positioned to consumers. The comments by Participant SD4 capture this idiosyncratic social perception.

And I'll just use my own family as an example. You know, most of them, they all have funeral policy. I've been in the life insurance industry for more than 11 years. No matter how much I try to convince them to take on a life insurance product, they think it's a deception thing. They think it's targeted to more wealthy people. It doesn't meet their immediate need, because most of the immediate needs is something like a funeral, because that can happen anytime and you're still responsible for it. And then the third thing is affordability, right. And it's a perceived affordability thing because if you look at it, the price of a funeral product its higher than a life product. Yet the perception is life product is more expensive than a funeral, which is not true. So there is lack of education there.

Life insurance has not been effectively marketed to low-income consumers as an alternative to funeral cover, and hence the erroneous perceptions persist. They are a result of lack of education on the financial implications and pricing of life insurance relative to funeral cover.

The second perception that affects the uptake of life insurance is intra-communal mistrust, where individuals are of the view that someone may try to harm them for the purpose of claiming the life insurance pay-out. The comments by Participant SD3 explain how this matter is viewed.

They're afraid it's on their life and they don't want to give, so for example, the beneficiary doesn't want to give the details because they're scared the guy that took out the life cover is going to plan something with them, like take their life or something. I picked that up a lot. For example, in one case the guy took out ... he was a funny case, because he had a wife and he had a girlfriend. Yeah, with the wife he had three kids and with the girlfriend he had one kid and he made provision for the girlfriend. I think he had put it in place about two million life cover at the time, for her and the baby. But it took me two years to get it into my office and explain to her that her life is not at risk here. If he passes away she will be earning or getting the two million. I just need her like ID number details. It's an education thing and I think it's also like they don't trust it, and they don't trust each other.

This perception persists primarily because there have been instances where murder is committed for the purpose of financial gain in relation to life insurance. The result is that the perception spreads that life insurance is a catalyst for greed and has the potential to lead to harm if not managed appropriately. While these isolated events may be true, they ought not to be the dominant concern of an entire market segment. The perception that the risk of their

death become higher after taking out a policy or being added as a beneficiary needs to be addressed.

The findings from this research are indicative of the many dynamics at play in the life insurance industry that affect the low uptake of life insurance in low-income communities. It is clear that while interest exists in life insurance products, intermediation and the current structure of the market is not effectively set up to service low-income communities with life insurance. There is a need for increased education and increased commitment by both the insurers and the intermediaries to assist low-income consumers to avail themselves of these products that yield far higher pay-outs than funeral products do at a relatively lower cost.

Chapter 5: Discussion of Findings

This chapter provides insights on the theoretical and practical contribution of this thesis to institutional work theory and its impact on a deeply intermediated markets laden with information asymmetry. The specific focus was the life insurance industry in low-income communities in South Africa. The chapter is divided into a discussion of the key findings, the implications for theory, practical implications, inclusive innovation, and finally the study’s limitations and recommendations for future research.

Figure 3 shows the innovation objectives and outcomes for insurers, intermediaries and consumers.

Figure 3: Innovation objectives versus manifested outcomes

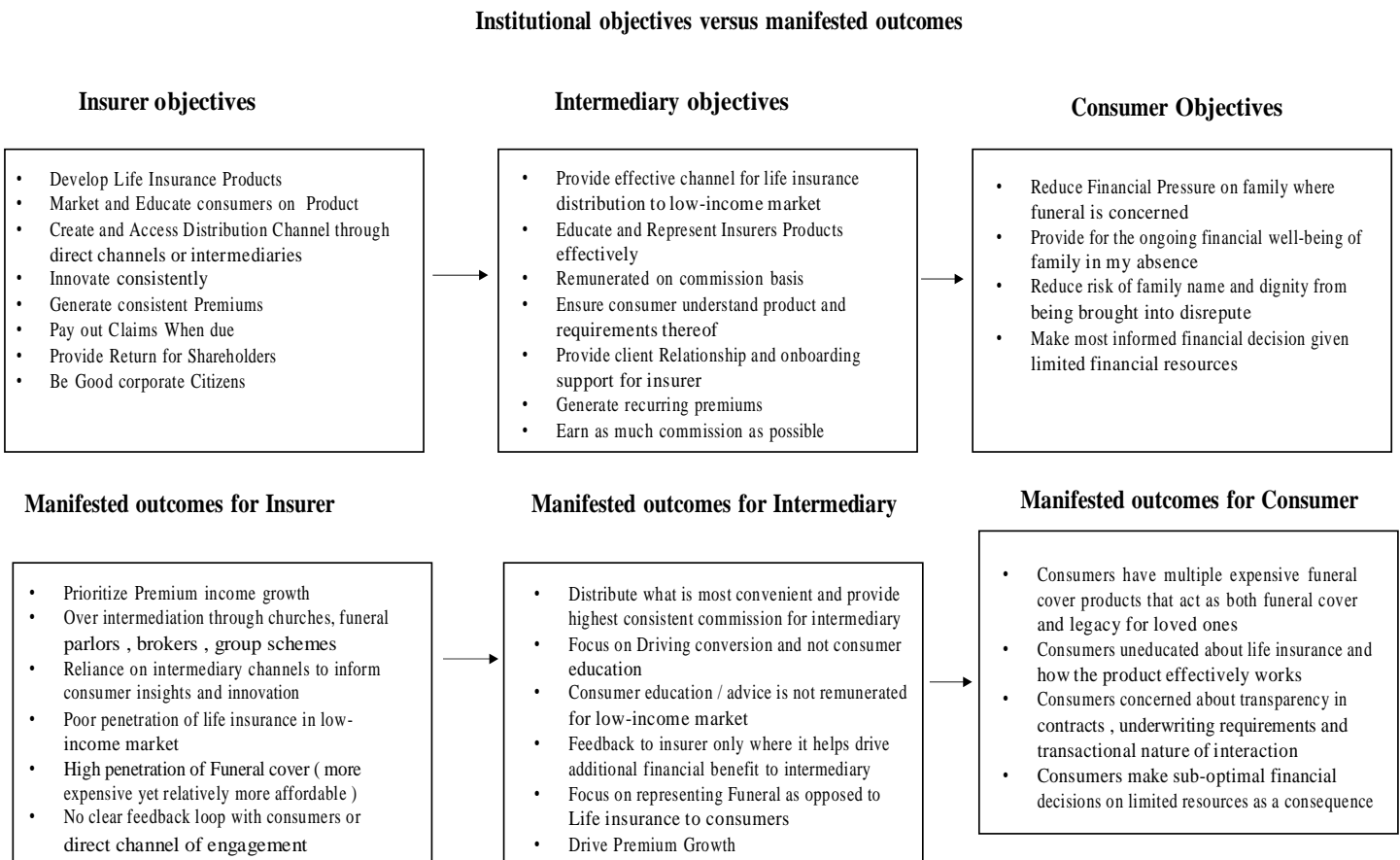


Figure 3 shows the dissonance that exists between these objectives and the manifested outcomes. The figure provides a lens through which the implications discussed in this chapter may be understood.

5.1 The Incentive Structure of Intermediaries

In the literature review it was highlighted that part of the way in which institutional orders and systems may be changed to address institutional voids was through institutional work. The type of institutional work deployed in the insurance industry to deliver financial services products such as life insurance is intermediation. Although intermediation has proven to be an effective tool through which the insurance firms have been able to access low-income communities, the findings have shown how this intermediation has become an institutional void in itself, requiring remediation. The institutional void caused by intermediation is misinformation or lack of information which ought to go hand in hand with the selling of financial products. The result is that consumers are not aware of the benefits of life insurance as an option and thus are unable to make informed decisions. This outcome is largely driven by the incentive structure of intermediaries who are not compensated for providing financial advice to consumers but rather for sales. In a market environment where it is far easier to sell funeral cover than life insurance, intermediaries are likely to overrepresent funeral cover to consumers in low-income communities.

The finding revealed pertinent insights regarding the underlying incentives of intermediaries and how these incentives affect their behaviour. First it was highlighted that intermediaries are not sufficiently incentivised to sell life insurance in low-income communities. Because of exclusions, underwriting and pay-out dynamics, life insurance is more complex, time consuming and consequently expensive to sell, for intermediaries. Having to explain the nuances of such a product to low-income consumers would typically take more time than simply selling a funeral cover product that has a fixed price and a clear cover amount linked to that price; for example R40 a month gives one R10 000 in funeral cover.

Furthermore, the structure of the market currently enables intermediaries – often funeral parlours and at times individual brokers – to charge an additional fee or margin on the price of the product provided by the insurer. This is how they make their profit, but the practice makes the cost of the policy up to 300% more expensive than its original cost to the end consumer, as alluded to by Participant IN1, who explained how the margin works. Funeral parlours working in tandem with brokers usually have arrangements with insurers that ensure that upon claim, the financial pay-out accrues to the funeral parlour which provides certain services such as catering, seating and transportation. Life insurance would not enable the same benefit to accrue to the funeral parlour. For the funeral parlour, profits are earned on funeral policies through the ancillary services they sell at the time of the funeral claim. These trump the opportunity cost of selling life insurance.

In addition, the cost of consumer education or advice is not remunerated by the insurer or the consumer. The intermediary is paid on the basis of sales. The likelihood of making a sale on funeral cover is higher than the likelihood of making a sale on life insurance, and hence the bias towards funeral cover in the market. Funeral cover has resonance in the market as a result of effective institutional work done by intermediaries and its aptness to the cultural context of consumers who value a dignified funeral and fast pay-outs. The argument in respect of funeral cover over life cover in the minds of consumers is strong, and will take a lot to change.

Moreover, the relative affordability of funeral cover, which is cheaper than life cover when viewed on the basis of the monthly premium alone, reduces the risk of clawbacks for intermediaries. The findings show that intermediaries are paid commission. These are paid upfront as a particular multiple of the premium paid by the consumer. The risk that emanates from upfront commissions in the life insurance market is that clawbacks by insurers on intermediaries occur specifically when there is a lapse in premium payment by the policyholder. The risk of clawbacks are heightened when premiums are high. This is especially the case among low-income consumers who do not necessarily have steady, ongoing incomes and are financially vulnerable.

5.2 The Persistence of Information Asymmetry

Information asymmetry emerged as a critical consideration. The study has revealed how it manifests, where it comes from, why it persists, and how it contributes to low uptake of life insurance in low-income communities in South Africa. The findings showed that information asymmetry persists between consumers and insurers, affecting both parties, revealing the complicity of intermediaries in this process and their maintenance of the current institutional order.

The findings revealed that intermediaries are at the nexus of the information asymmetry and strongly invested in its continued existence. Information asymmetry perpetuates low levels of consumer education and low levels of understanding of the consumer on the part of the insurer. It negatively affects low-income consumers and creates an environment that facilitates poor financial product decision making. Intermediaries were not invested in offering life cover to low-income consumers and did not spend time explaining the product. The natural result is that funeral cover has become the dominant insurance product intermediated in this market. Consumers have multiple funeral cover products, clearly using some funeral policies as a life insurance product so that they can leave a legacy for their children. However, this practice comes at significant cost to the low-income consumer. Had an intermediary educated them on

life insurance they could have been spared the financial expense, as funeral insurance is significantly more expensive than life insurance, in terms of ratio of premium to pay-out.

The findings showed that intermediaries and their sales agents were not taking the trouble to demystify industry jargon and were content to give simplified explanations without delving into the fine print to consumers. Thus most remained ignorant of the legal implications thereof. Owing to their desperation for funeral cover, consumers sign policy documents without being fully aware of the full implications of the policy. The lack of transparency and sales-oriented manner in which the engagement occurs has facilitated mistrust of financial services institutions. In addition, insurers lack a nuanced understanding of their market. Intermediaries do not constitute an effective feedback mechanism that provides full and contextual understanding to insurers on consumer needs. They cannot be relied upon as the sole authority to facilitate consumer understanding.

Consumers were not aware of the affordability of life insurance relative to funeral cover in terms of premium in relation to cover pay-out. The ignorance was driven by a lack of financial education which appeared to have persisted and was institutionally maintained by intermediaries. This was evident in comments that revealed a general lack of understanding of these products and the perception that they were for a wealthier market. The idea that life insurance is not within their reach, coupled with general lack of access to financial education, prevents consumers from venturing to find out more.

An equally erroneous and interesting perception is that having life insurance makes one a target, as both the holder and the beneficiary of the product. This applies even when the beneficiary is someone other than the holder of the product. Factors that inform this fear are the large amounts involved and urban myths (some of which are in fact true) about wives or husbands who kill their spouse for the sake of reaping the life policy benefits. This fear of becoming a target feeds into individuals' tendency to avoid life insurance in this market.

5.3 The Role of Dignity

The concept of dignity emerged as a dominant theme and a major contributor to the preference of funeral cover over life cover. This section highlights the major findings in this respect and the ways in which dignity affect insurance choices.

The study revealed that social and community perception is a major consideration among consumers in particular as it relates to their decision making process leading to the event of a funeral in the family. Substantial financial obligations and expectations are associated with funerals; these include the expectation that the entire community will be

catered for, some for a several days and nights. In addition, to fulfil cultural expectations, a cow must be slaughtered and certain rituals performed. Transportation for family members must be paid for and full catering must be provided for upwards of 200 people who attend the funeral as a sign of respect and an expression of communality. No one is restricted from participating in the funeral (Roth, 2001). Families who are unable to carry the financial costs associated with this process are frowned on by community. They are often gossiped about and unduly slandered because they are seen to have not made adequate provision for the deceased.

Because of the high incidence of debt, most low-income families have little in reserve and must have multiple funeral policies to cover the costs of a funeral. Pay-out is effected within 24 to 48 hours. All of this is essential for protecting family dignity and image. The idea of being unprepared for a funeral, and having to ask for friends and family to help cover the cost, is seen as shameful – the very antithesis of dignity. In cases where funeral policies are insufficient or entirely lacking, loan sharks are an option, but the idea of using a loan shark to fund a funeral is frowned upon. This reflects the extent low-income households will go to ensure their loved ones are given a proper send-off. The cost of death is therefore significant in low-income communities. The desire to maintain dignity at all costs contributes to the vulnerability of low-income households to predatory lenders who charge absorbent interest rates.

Black tax plays a role in the uptake of funeral policies in the context of dignity. Young black professionals often purchase funeral cover for extended family members to ensure their dignity and to maintain a good perception of the family in the community. The costs of funeral cover for multiple family members is a well-established practice and a cost that working young black South Africans accept. This has contributed in part to the low uptake of life insurance, as funeral cover is considered manageable, whereas life insurance is not considered manageable. Black tax is an accepted burden for young black working people, and is largely fuelled by the desire to maintain dignity for all family members.

5.4 Theoretical Implications of the Findings

This section discusses the theoretical implications of the findings in relation to the underpinning theory of institutional work, and the extent to which the findings corroborate or extend the theory. The hope is that this section will provide insights into the contribution of this paper to the theory and to the broader academic body of knowledge on institutional work in dualistic, asymmetrical markets. Institutional work was the paradigm through which this research was conducted. Three theoretical implications are discussed in this section: the effects

of actor incentive structure on institutional work, the effects of information asymmetry on institutional work and the concept of dignity in relation to institutional work.

5.4.1 The Effects of Actor Incentive Structure on Theoretical Work

Institutional work, as defined in Section 2.2, is the maintenance, disruption and creation of institutions (Lawrence et al., 2009). This maintenance, disruption and creation of institutions is facilitated by institutional actors; in the context of this research, these are intermediaries. It emerged from the findings that intermediaries are ultimately relied upon by insurers to intermediate and ensure market access for the products they have developed. The findings showed that the disposition of intermediaries is incongruent with the interests of consumers and, to some extent, to the interests of insurers. This incongruence arises from a number of factors, including product complexity, market structure dynamics, affordability and the costs associated with educating low-income consumers. The result is that intermediaries engage in what is known as institutional maintenance. Institutional maintenance effectively means ensuring that the status quo is maintained and even deepened. It is a form of institutional work which retards the possibility of more diverse product adoption.

This finding confirms what the literature asserts on dominant actors in a particular institutional order. The current institutional order serves their interests more effectively than the alternative of change. The findings confirm that this is the case for insurance intermediaries, who play a dominant role in capturing economic rents for insurers through the sale of funeral policies. The associated benefits which they derive from the intermediation of these products supersedes the rewards that might accrue from the sale of life insurance, given the relative sunk cost of intermediation. The result is that actors – in this case insurance intermediaries – use their embedded agency within the system to ensure the maintenance of the institutional arrangement. This involves a blatant disregard for the positioning and marketing of life insurance. Secondly, it results in the over-intermediation of funeral cover which has become the preferred financial product among low-income consumers, despite its relative lack of value for money. This is significant as it highlights how profit-driven intermediaries are able to truncate the process of institutional work where they discern that their interests are not fully captured. It also highlights how institutional intermediaries can garner significant influence in an institutional arrangement as a consequence of their embedded agency.

One of the emergent realisations was that insurers themselves do not appear to be deploying significant intentionality and agency towards the uptake of life insurance beyond what has

already been done for funeral insurance cover. The implications of this is that there appears to be a lack of emotional investment by insurers in terms of using their agency on intermediaries and steering them toward the advancement of life insurance. The findings equally confirm the theory that where emotional investment is not significantly present in institutional work, emotional dissonance is the result. Actors begin to justify their actions based on their emotions, and the result is that institutional change is not achieved.

This is emblematic of what has transpired among insurers who only intermittently engage with intermediaries to extract information on the market, and have never aggressively driven the uptake of life insurance in low-income communities. The findings highlight the need for both emotional and cognitive investment on the part of institutional actors to ensure that products are designed with real consumer needs and long-term interests in mind. This would amount to transformation of the institutional order, which is especially needed in a market that is dualistically structured. The findings clearly revealed the lethargy and unintentionality of insurers in terms of facilitating the uptake of life insurance among low-income communities.

5.4.2 The Effects of Information Asymmetry on Institutional Work

Information asymmetry was a key focus of the study and was revealed as a dominant factor at play in this market, given its dualistic structure. The uptake of life insurance was retarded as a result of information asymmetry, which persists. It persists because intermediaries fail to educate consumers on life insurance in low-income communities. Insurers rely too heavily on intermediaries as the main channel for engaging and communicating with this market at scale. Furthermore, as shown in Section 4.3.1, lack of transparency and insufficient explanations by intermediaries and sales agents regarding the legal implication of existing policy documents deepens misunderstanding and mistrust. Finally, incorrect beliefs and folk tales regarding the uptake of insurance – such as life insurance is for the wealthy and that the uptake of life insurance puts one's life at risk – hindered the uptake of life insurance products.

Regarding the first point that intermediaries are not transparent and fail to educate consumers, the findings reveal interesting dynamics in relation to institutional work. Initially intermediation was intended to be a form of institutional work, constituting a channel for market access and delivery of life cover, of which funeral insurance was the initial product. Life insurance was later introduced, but has not met with significant adoption. Thus one sees that the vehicle of institutional work to intermediate funeral insurance has been used as a tool to deliberately ensure that consumers remain uneducated. The theoretical dynamic that manifests is the duality of institutional work in the hands of intermediary market actors in a

dualistically structured market with an asymmetric flow of information. It appears that in such market structures, intermediaries can use their institutional power to drive institutional work to create institutional voids, not of deliberate misinformation but of information asymmetry. The fact that market actors such as brokers, funeral parlours, sales agents and other profit-driven intermediaries are present in a market and yet insufficient consumer understanding of life insurance persists is indicative of how institutional work can result in the deepening of institutional voids. This is a nuanced contribution to the theory, showing how institutional actors can maintain an existing institutional order through embedded agency and institutional maintenance. Existing theory does not explain how such actions create and exacerbate institutional voids. This is a particularly salient aspect. The current research highlights how institutional work in the particular context of a dualistically structured market with an asymmetric flow of information has the capability to create and deepen institutional voids where dominant market actors engage in institutional maintenance.

Given that insurers rely on a single channel – intermediaries working within a particular incentive structure – to access this market, erroneous ideas and perceptions persist in the minds of insurance professionals such as actuaries. This is because their narratives on the market are shaped by the feedback they get from intermediaries. The result is the use of symbolic institutional work to confirm an entrenched narrative. The theory in this regard is confirmed.

Symbolic institutional work refers to the construction of narratives or ideas that explain situations and justify particular actions by actors in their institutional work, making use of language, identity and signs (Jones & Massa, 2013). Actors often use these narratives to justify their actions or defend certain positions (Hirsch & Bernmiss, 2009). The creation of a rigid narrative about low-income consumers not seeing any value in life insurance and being unable to afford it was revealed in the findings. This narrative was shown to be false, and yet it remains the dominant view, held by influential role players in the insurance industry. Thus one sees that symbolic institutional work, which can be used as a tool to address institutional voids, is being used as a tool by dominant institutional actors to shape views on low-income communities in South Africa.

5.4.3 The Concept of Dignity in Relation to Institutional Work

Among the key findings that emerged was the importance of family dignity and the preservation of a dignified image to the community during times of mourning. The concept of dignity has largely informed the proliferation of funeral policies among low-income communities. Other factors that contributed to funeral policy uptake were the perceived need

to preserve the family image, the deep debt in which many South African households find themselves, black tax and lack of awareness of alternatives. Intermediaries who are aware of these gaps and vulnerabilities exploit them to continue to drive the sale of funeral insurance products to consumers. Funeral parlours as intermediaries, especially, have been vehicles through which the idea of the dignified funeral has been popularised through giving access to fancy cars for the loved ones of the deceased on the day of the funeral, and the provision of expensive-looking caskets and tombstones.

The pomp that is often attached to funerals is done with the intention to convey a message of dignity. Dignity and the social perceptions that surround it are examples of an incommensurable. Theoretically speaking, what is being done is the leveraging of incommensurables to maintain the status quo. As discussed in Section 2.5, incommensurables are things, practises and systems which do not have a comparable value (Rianelli Weiss & Huault, 2016). In the context of intermediation, trust and integrity are incommensurables that ordinarily cannot be measured on a price-based system to provide mechanical objectivity (Rianelli Weiss & Huault, 2016). Intermediaries exploit this fact by asserting the incommensurability of their service of intermediation, as a price cannot be placed on integrity and trust. In this way they safeguard the institutional arrangement they seek to maintain (Samiolo, 2012). Dignity is an incommensurable with tremendous emotive power. Intermediaries will play on this aspect as they aggressively push funeral insurance products which have a natural affiliation with the concept – more so than the longer-term life insurance products. The insurance firm itself seeks to create and maintain the incommensurables of trust and integrity, both for themselves and for their intermediary.

Knowing the power of the incommensurables, intermediaries have created bidirectionally in their use, allowing misperceptions to persist about the complexity of life insurance among consumers and asserting the absence of the desire for life insurance in communications with insurers. The result is institutional maintenance through the use of incommensurables, as described in the literature. The implication for institutional work theory is that institutional maintenance is the core position for dominant institutional actors in dualistically structured markets in the presence of asymmetry. The leveraging of incommensurables makes it easy for the institutional order to be maintained, as few questions are asked about the intentions or motivations of actors. They have been seen to create value in the current institutional arrangements and endeavours, and are not challenged. This is because they make use of incommensurables in their intermediation of insurance products to low-

income communities, stressing dignity to low-income families facing the prospect of social shame in the event of being unable to provide a fitting funeral.

5.4.4 Conclusion of Theoretical Implications

The findings have confirmed the literature and the theory. It is evident that institutional work, making use of dominant actors (intermediaries), will continue to exercise institutional maintenance. What emerged as a contribution to theory is how originally instituted institutional work, effected through intermediating actors, has the capacity to create institutional voids in dualistically structured markets facing information asymmetry, where the intermediating actors become dominant actors in the arrangement. In the insurance industry, intermediating actors actively maintain the status quo through their choice to uphold institutional maintenance, which exacerbates existing information asymmetry and creates institutional failings that negatively impact weaker actors. The hope is that these insights will add to creating a deeper understanding of institutional work theory and how it manifests in dualistically structured markets facing information asymmetry.

5.5 Practical Implications of the Findings

This section discusses the practical implications of the findings as it relates to intermediary incentives, the persistence of information asymmetry and the social dynamics of dignity. Therefore, analysis and discussion is provided on the findings presented and the possible ways of addressing the issues. The assumption is that institutional change in the insurance industry, informed by these findings, could result in better value for low-income communities in South Africa.

5.5.1 Implications of Intermediary Incentives

The findings show that intermediaries are not an effective tool for the intermediation of life insurance in low-income communities but are an effective channel for the intermediation for funeral cover. The reliance on existing intermediary infrastructure to facilitate product penetration of life insurance is not fit for purpose owing to the multiple layers of intermediation and the current system of incentives, in which actors are remunerated based on volume of sales. To overcome this obstacle, insurance firms would have to create alternative routes to market to enable them to access this market beyond their established channels. Alternative touch points such as NGOs and grassroots organisations that do not have a purely financial incentive but an interest in the well-being of the community should be considered. There is a need for

intentional action by the insurance industry to directly engage with consumers and build a solid direct business model that facilitates the uptake of life insurance in low-income communities. The reality is that product complexity is a critical component of life insurance, and currently the necessary education is not being done because intermediaries have little incentive to do so. Consumer education is essential if consumers are to be able to make informed decisions about life insurance. Therefore, the creation of content that helps to demystify this content is necessary. The insights highlighted in this study provide a basis for understanding why the uptake of life insurance in low-income communities in South Africa is low and why the quoted cover gap of R34.7 trillion persists (The True South Actuaries & Consultants, 2019).

5.5.2 Implications of Information Asymmetry

It is apparent that there is a need to intentionally engage and communicate with this market. The required communication ought to be done in a fundamentally more effective and contextual manner that provides both the scale and effectiveness necessary to ensure appropriate product education. Intermediaries have clearly not ensured that consumer product education on life insurance is being facilitated. Some of the present channels of communication that may be viable in South Africa is WhatsApp as a scaled digital platform, given the 91.2% penetration of smartphones in South Africa (ICASA, 2021). This might enable effective communication and engagement by insurers and ensure that consumers who leverage this communication tool come into contact with their material. Using this model, insurers could assist consumers to access further information by engaging call centres, who would fulfil the function of merely providing information. The findings clearly highlight the need for insurers to take ownership of consumer education and to be intentional and innovative in how they address this challenge.

Insurers need to be more intentional, too, in building trust and transparency with their consumers. Greater effort should be deployed in the development of trust and the simplification of terms and concepts to ensure that consumers do not feel they are being taken advantage of by insurance firms. This may require additional training of intermediaries, call centre agents and sales agents to ensure that communication is delivered in a way that promotes trust rather than focuses only on sales. The absence of effective explanations on the part of intermediaries can lead to the creation of negative assumptions about the intentions of insurers and the industry as a whole. In an environment where institutional trust is low, low-income consumers are highly unlikely to participate in the purchasing of life insurance.

The idea that life insurance puts a target on one's head is important to address. Consumers should be educated about the lengths that insurers go to to investigate the cause of death and rule out the possibility of fraud before a pay-out is done. In addition, education should be done on the various life insurance structures to mitigate bad actor behaviour and facilitate greater trust in the industry.

5.5.3 Implications of the Concept of Dignity

Life insurance does not necessarily address the dignity needs of families or help them deal with the social pressures and perceptions of society. Life insurance addresses the medium- to long-term financial implications of the loss of a breadwinner but does not effectively solve short-term financial constraints. The fact that dignity emerged as a primary driver for underlying consumer behaviour means that industry actors who have a vested interest in seeing the adoption of life insurance should find ways to position its design and value to that end. The findings reveal that forces other than affordability and price are dominant factors in the decision making of consumers when it comes to insurance and death-related financial products. This reveals a need to ensure that products do not speak only to the underlying financial context of their users but equally to their dominant perceptions, fears, beliefs and idiosyncrasies, to ensure contextual relevance.

The centrality of dignity is closely aligned to culture, and there is clearly a need to ensure that life insurance speaks to the cultural dynamics that shape peoples' thinking. One of the ways in which grassroots institutions such as burial societies have harnessed culture to remain popular is their provision of cattle and goats for cultural practices before the funeral. Burial societies are not as established as insurers, since they are still funded by public markets; nevertheless they have maintained their relevance, even among the educated, because of the integration of culture into their operations. For life insurance to have traction, it must find ways to be culturally relevant not only in marketing but in product design. Furthermore, a key feature of both the burial societies and funeral cover is speed of pay-out; to compete, it is necessary for industry actors to innovate in the claims process for life insurance. The cumbersome nature of the claims process needs to be addressed and solutions need to be developed to reduce the time from submission to the processing of the claim. This would enable life insurance to be a strongly considered alternative to funeral cover or burial societies. It is possible that compliance on health and transparency may improve if a more contextual approach is taken to life insurance.

For life insurance to be considered, it must equally speak to the financial needs of those who take out insurance on behalf of multiple family members. Black tax describes the idea of sending financial remittances to loved ones and covering them in terms of funeral policies. One of the key considerations to ensure the uptake of life insurance in low-income communities is recognising the financial dynamics of the individual who adds multiple family members to a policy document, and establishing how life insurance might better serve their needs. In addition, as mentioned earlier, life insurance products must be developed that also cater for the immediate financial pressures of a funeral. This innovation would create flexibility and increase adoption. An appreciation of the already financially strained situation of the population group paying black tax is critical for ensuring increased long-term product adoption and persistence.

In the final analysis, the interpretation section of this chapter has emphasised the need for practitioners in this sector to be more responsive to the needs of low-income communities in South Africa. They already constitute a significant portion of the market and would be significantly affected by the deliberate introduction of life insurance to their market, with the appropriate consumer education. There is a need for disintermediation and the creation of innovative direct channels of engagement that will form the basis of trust building and engagement between insurers and consumers. It is hoped that this research will provide the necessary clarity on what needs to be implemented by market actors to achieve an increased uptake of life insurance in low-income communities.

5.6 Inclusive Innovation

Inclusive innovation would increase the uptake of life insurance in low-income communities. In recognition of this fact, the salient barriers and possible solutions are presented below. The hope is that these ideas for practical innovations will have resonance in the market and be pursued to ensure innovation and access to low-income consumers.

5.6.1 Innovation Barriers

This section deals with the four challenges that confront the uptake of life insurance in low-income communities, as revealed by the findings, and proposes an innovative solution to overcome the barriers of exclusion, as seen in Figure 4.

The first innovation barrier is intermediation, which raises the need for disintermediation. Over-intermediation by brokers, funeral parlours and sales agents has pushed up the cost of insurance to the low-income consumer. There is a need to disintermediate

the value chain to ensure that insurers gain direct access to the market to actively engage and onboard consumers in a more cost-effective and seamless manner. Consumers' reliance on intermediaries as the primary channel of financial products and education makes it difficult for them to make informed choices. Intermediaries will only represent products that are profitable and carry the least friction for them to sell, a practice which is not necessarily in the best interests of the consumer. This is true in the case of the preference for funeral insurance over life insurance.

Second, there is a need for data on consumer behaviour. Currently insurers heavily rely on intermediary channels as the main channel through which information on consumers is garnered, which creates inherent institutional voids and information asymmetry. In the absence of accurate consumer data which is reliable and not warped by incentives, insurers cannot make informed product innovation or consumer decisions. This impedes the quality of insurance received by low-income communities.

Affordability, the third barrier, remains a key challenge. The price of life insurance policies should not be a barrier to entry for consumers. There is a need to ensure the uptake of life insurance through innovation to reduce the total spend on funeral cover, which would unlock additional resources to be used for the uptake of life insurance. The price of life cover relative to funeral cover is prohibitive for many, although in reality, the price of funeral cover is more expensive per rand of value derived in cover.

The fourth barrier is institutional maintenance. A solution needs to be developed that reduces institutional maintenance and ensures greater alignment of interests. It should promote value creation and not allow lopsided institutional dominance through adherence to a particular institutional arrangement. The current status quo has revealed that the current arrangement is lopsided in favour of the insurer and intermediary, which results in clear inefficiencies which cannot be easily resolved because of the entrenched nature of the current method of market access. A key consideration is that the solution needs to create commercial value, so that it is viable for those involved. It is critical that the solution generates financial returns for both the insurer and the partner (the grocery manufacturer) in such a way that the opportunity cost of maintaining the status quo is higher than the cost of innovation.

5.6.2 An Embedded Insurance Innovation Solution

Many practical challenges face insurers and consumers if insurers are to change their current methods of product distribution, adoption and education. The proposition posits the formation of strategic partnerships with partners who are equally looking for an increase in the

sales of their products and the deepening of consumer product adoption, but experience challenges of institutional intermediation. Fast-moving consumer goods manufacturers such as Unilever, Procter & Gamble, PepsiCo and Tiger Brands are all examples of businesses which get their products to market off the back of intermediaries. These intermediaries include retailers, wholesalers and even informal outlets known as spaza shops in South Africa, globally known as “mom and pop” shops. The challenge, however, is that beyond price and better distribution, which have been over-used as a marketing gimmick, no real innovation has been brought to enable low-income consumers to access insurance products. Fast-moving consumer goods (FMCG) manufacturers are looking for ways to grow once-off purchases and repeat purchases, and to increase their market share, typically understood as their share of the consumer basket.

The inclusive innovation proposed sits at the confluence of enabling FMCG companies to increase their distribution and market share while and their use as a rail for the uptake of innovative insurance. This would enable direct access to consumers and disintermediate the value chain. This practical innovation has been developed to solve the challenges that emerged in this study. It is one which appreciates not just the contextual dynamics of the low-income consumer market but equally the inherent challenges that intermediation presents in its current form. The solution is an innovation that involves the embedding of insurance in the production of fast moving consumer goods that are produced by FMCG companies such as Unilever and Procter and Gamble.

A typical use case would be the embedding of R1000 of accidental life insurance or funeral insurance in a 500 ml bottle of Sunlight liquid soap or a loaf of bread. The result would be that consumers would be able to access insurance at no additional cost and the uptake of the insurance would be linked to their purchase of the particular product in the grocery basket. The insurance would in turn be redeemed or activated via WhatsApp, a ubiquitous platform that is accessible to most South Africans, given the 91.2% penetration of smartphones in South Africa (ICASA, 2021). This would enable consumers to reduce their spend on funeral cover by getting product manufacturers to pay a calculated product commission every time consumers redeem the insurance product to the insurer. Figure 4 shows how the model would work.

Figure 4: Proposed model. Consumer user journey for an inclusive innovation of embedded insurance

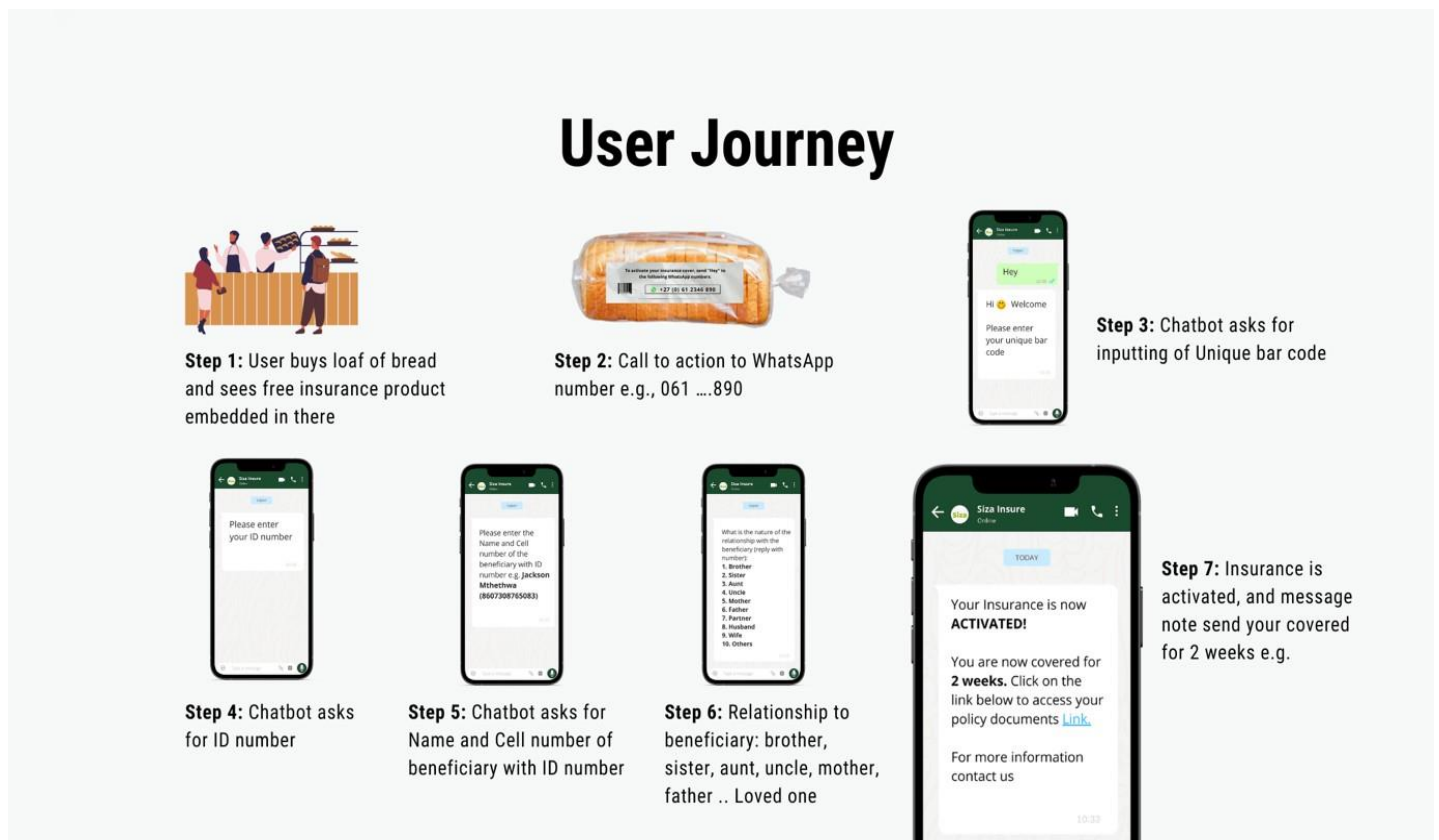


Figure 4 uses the example of the purchase of a loaf of bread. The label would provide a WhatsApp number to call to access free insurance. The user calls the number, giving their details such as identity number, cell number, beneficiary details, etc , and accepts the terms and conditions, then activates the insurance cover free of charge which lapses in 7 to 14 days.

The insurance is structured in such a way that the cover lapses every week or two to ensure repeat purchase of the product and in that way, premium persistence. What this effectively achieves is both premium persistence and product adoption. The innovation as proposed here is already in motion in stealth in a partnership with a global reinsurer, where the available premium pricing sits at R0.60 per R1000 of accident insurance cover and at R2.25 per R1000 for funeral cover for one person or R4.50 per R1000 for the entire family. These quoted amounts would be the commission paid by the product manufacturer to the insurer to cover the cost of the premium when the product is adopted.

The ultimate result is that it reduces the vulnerability of the poor and increases financial inclusion by ensuring that insurance is provided through the routine action of going grocery

shopping. In addition, it ensures that it is delivered in a manner that reduces excessive intermediation and facilitates a direct channel of engagement, which ultimately would reduce information asymmetry and friction between the insurer and consumer.

5.6.3 Implications for Innovation Barriers

The innovation proposed overcomes some of the innovation barriers and provides an opportunity to reduce the negative effects of institutional intermediation on low-income communities. This section discusses how the innovation addresses the innovation barriers described earlier.

The first barrier was the cost of intermediation and the need for disintermediation. The innovation deals with this challenge by leveraging the existing brand value and trust that is inherent in brands that are consumed by low-income consumers. This is critical as this enables effective engagement with consumers and re-establishes a platform of trust between insurers and consumers on the backs of product manufacturers who already have imputed consumer trust. In addition, an item such as bread has significantly deeper market penetration and scale than any intermediary has. The ability to embed insurance in everyday grocery products enables direct access to consumers, especially when activated on free platforms such as WhatsApp, which is widely used.

The second barrier was access to consumer behaviour data. The innovation overcomes this barrier by giving insurers a direct line of communication via WhatsApp through a chatbot to engage with consumers and gather information. This is far more scalable and efficient than relying on intermediaries to provide feedback on an intermittent basis. In addition, a more well-rounded picture is garnered by the insurer about the consumer in terms of their purchasing behaviour. Such data can aid future underwriting models and enable deeper consumer insight. In addition, it reduces information asymmetry bidirectionally as consumers can directly engage with insurers regarding a product and insurers can use it as a cost-effective way to upsell life insurance without the cost of intermediation.

The third barrier was affordability. The innovation would reduce the amount of money spent on funeral cover, which is over-priced because acquired through intermediaries. Consumers would thus make a direct financial saving as less would need to be spent on funeral cover. They would obtain their funeral cover through the inconsequential act of buying bread or purchasing other grocery items. The savings would provide access to cash that might enable consumers to buy an innovative and simplified form of life insurance. This is essential in

helping more poor and vulnerable consumer to establish a financial basis. It would make life insurance a viable option.

It is all worth noting that enabling the financial outcomes of partners is built into the innovation. The financial outcomes of partners would be significantly improved, since product manufacturers would be able to gain additional value as the perceived value of their product increases to consumers. The loaf of bread does not just provide sixteen slices for R18; it also provides R1000 of funeral cover or R1000 of accidental death cover for free. This provides much-needed financial value and social value that consumers would not ordinarily gain. It is envisaged that the innovation would increase customer stickiness, promote market share growth and ensure premium persistence for the insurer, provided the product is taken up. The dimension of inclusivity in this innovation is evident in increased benefits bestowed by the purchased product and the fact that more low-income individuals would be covered at no cost to them.

Finally, this innovation would help to reduce institutional maintenance, the fourth barrier. The risk of institutional maintenance is significantly reduced since the product manufacturer is not incentivised to pitch or maintain a certain kind of financial product. The innovation provides a channel through which insurers are able to access and engage with consumers via WhatsApp to upsell life insurance in a cheaper way. Insurers would ultimately be more client facing. This is fundamentally different to the current institutional arrangement where intermediaries are client facing and insurers do not have significant direct access.

5.6.4 Existing Solutions and Current Innovations

Currently, some innovative solutions that facilitate the uptake of insurance are operational in the telecoms space. Telecommunications firms charge a fee to the consumer for a premium-rated SMS. A premium-rated SMS is effectively a message that is charged at a higher rate, for example R5, where the going rate for an SMS is R0.75. The surcharge is born by the consumer. It is an effective strategy to collect premiums and activate insurance cover, with the telecommunications company earning their intermediary commission and the insurer gaining their premium.

The alternative model is where insurance is adopted via a USSD and unique access is provided through a code such *133#. Once a particular insurance product is selected and details are typed in, the amount is collected from one's airtime balance. While these models provide direct access to consumers, they are reliant on the consumer knowing that this particular offering exists on the telecommunication platform, and opting to be charged for using the

product. While such solutions provide distribution which is a critical consideration in insurance, they do not provide the persistence and stickiness that the proposed embedded insurance provides through WhatsApp. Neither does it provide the level of consumer engagement and access that the embedded insurance solution provides. The embedded insurance solution lends itself to understanding consumer behaviour, given the likelihood that grocery purchases are more consistent than premium payments facilitated through airtime via premium-rated SMS or USSD.

5.7 Limitations

Certain limitations were experienced in this research that may affect the opportunities that emerge for future research. The main limitations were those imposed by the Covid-19 pandemic and the problems inherent in interviewing people via mobile networks.

5.7.1 Industry Inaccessibility Owing to Covid-19

The research was conducted during the Covid-19 pandemic, when most insurers, especially those in life insurance, were not able to engage as they were absorbed in the vast number of claims being made as a result of widespread illness and death. The result was that the study was not able to elicit the views of all product development specialists (actuaries), sales executives and intermediaries. Individuals were either sick or working from home, and the corporate priority was to ensure that they got through the crisis. This affected engagements with all stakeholders in the insurance value chain, including funeral parlours and lead providers. The insights shared were provided by seasoned brokers who work directly with other intermediaries in the value chain involved in the delivery of financial services to low-income communities. Thus some essential voices were not heard.

5.7.2 Mobile Network Infrastructure

Owing to pandemic-related restrictions, it was not easy to reach consumers from low-income communities. Rules on social distancing prevailed and the researcher was not able to travel into the townships to conduct the interviews. A compromise was reached where interviews were conducted via phone calls and not in person which were recorded on Otter.ai. However there were challenges surrounding access to the network, and a number of the calls were dropped and had to be picked up some time later from the last question asked. What the researcher cannot fully validate is whether consumer responses may have changed between the time of their original answer and their new answer, after they had had time to consider it.

5.8 Future Research Opportunities

The research has revealed a number of areas where further research would be valuable. Further study could be conducted on the ways in which intermediaries educate consumers about financial service products. This emerged as an area of interest because clearly some information is conveyed, although product sales are the key driver of interactions between intermediaries and consumers. Understanding how effective financial product education practices manifest in low-income communities would shed further light on the uptake of financial products in dualistically structured markets.

A longitudinal study would provide deeper insight, as the aspects in focus would be observed and studied over a period time.

It would be equally valuable to understand how the dynamics of age and income influence the purchase of insurance products.

It would be very interesting to engage reinsurers on their views on how the uptake of life insurance could be facilitated. Reinsurers are the insurers of insurance companies, who carry a portion of the risk of life policies on their balance sheet. They ultimately make the process of life insurance possible, as the full claims risk is split between the insurer and their reinsurer, with a portion of consumer premiums paid to them. Reinsurers are not consumer facing but purely face the insurer. Understanding their institutional role and their capacity to influence insurers towards the uptake of life insurance in low-income communities would be valuable. They are important stakeholders whose views would add significant insight on the industry.

Finally, research could be done on the role of funeral parlours in the creation of the concept of dignity in low-income communities and the impact they have on financial product selection. Funeral parlours have emerged as effective distribution channels for funeral cover. Understanding the dynamics that inform their work and the role they play in the creation of dignity is critical to appreciate the interplay between these aspects and institutional work theory in relation to the uptake of life insurance in low-income communities.

Chapter 6: Conclusion

The researcher set out to answer the following three questions at the beginning of the research process. These also served as effective guides:

1. What factors should be considered by the life insurance industry in the provision of life insurance to low-income communities in South Africa?
2. How can institutional work by intermediaries more successfully address information asymmetries so as to enhance the uptake of insurance in low-income communities?
3. What institutional challenges do intermediaries face when selling life insurance to low-income communities?

The purpose of these questions was ultimately to fulfil the overarching research objective, which was to understand how intermediaries engage in institutional work to address information asymmetries in the uptake of life insurance in the South African low-income market.

6.1. Research question 1

In consideration of the first underlying objective specific insight regarding the prominent role of dignity emerged. First, the findings showed the importance of dignity to low-income communities, particularly where funerals are concerned. Dignity therefore should be an important consideration in the provision of life insurance. The dynamics surrounding funerals also show the importance of being able to cater for both immediate financial needs and long-term needs; life insurance products should be designed with both in mind. Low-income communities value positive social perceptions by the community, which necessitates the ability to provide for the community in the event of a death and provide a dignified funeral. The reality of high indebtedness among many South African households and the theme of black tax both emerged as important considerations for the life insurance industry.

These findings were significant in that they provided insights on the contextual realities of consumers and the need for the life insurance industry to craft life insurance products with an awareness of these realities.

6.2 Research question 2

The second research question was to uncover what could be done by intermediaries to address information asymmetries to ensure the uptake of life insurance. It emerged that intermediaries were actively involved in institutional maintenance and had no interest in ensuring the uptake of life insurance. This was because life insurance is not a profitable product to intermediate because of the higher risk of clawbacks. Second, life insurance has a far more complex product structure than funeral cover, requiring medical underwriting which means that medical tests have to be taken and documentation has to be completed by low-income consumers. Intermediaries saw these intermediation costs as significant relative to the low costs of distributing of funeral cover, which has mass adoption, is non-underwritten and carries only one restriction – the six-month waiting period. These facts are significant as they highlight why intermediaries engage in institutional maintenance.

The solution that would answer the question is for intermediaries to engage in consumer education, and be far more invested in consumers beyond product sales. Consumer education is the critical piece of institutional work that should be adopted to address information asymmetries. However, it is unlikely that intermediaries will actively engage in it because they are not compensated for consumer education. Intermediaries are primarily compensated for policies sold and persistence of those policies overtime. Finally, intermediaries are unlikely to engage in consumer education because they profit from the current institutional arrangement. It protects their interests far more than any proposal of institutional change that necessitates the education of consumers around life insurance.

6.3 Research question 3

The third research question was to uncover the challenges that intermediaries face in selling life insurance. A number of significant insights emerged in the findings to shed light on this. The findings reveal a significant gap in consumer education on insurance products. The uptake of life insurance was also retarded because of certain social perceptions which persist and are an indication of lack of consumer education. Some of these perceptions included the notion that life insurance was a product targeted at the wealthy, that it is relatively expensive and that when life insurance is taken up, it provides an incentive for others to kill the policyholder or the beneficiary. This misperception has more resonance than the evidence supports. Sufficient education was not provided to the market about the investigations that are conducted to mitigate fraudulent claims by life insurers. This in turn affects the effective intermediation of life insurance.

A further challenge to intermediaries in the sale of life insurance was the lack of trust in insurers and intermediaries because of the lack of transparency and lack of explanations provided to consumers, especially about the terms and conditions that form the legal part of policies. The findings reveal that consumers felt that intermediaries and sales did not provide sufficient explanation and were interested only in closing the sale. This discomfort was not addressed as the ultimate intention was to sell a product that catered for the funeral component. These findings are significant because provide insight on the challenges facing intermediation and reveal the contextual complexities that exist where deep information asymmetries are present in dualistically structured markets.

The findings of this study provide an understanding of the effects of intermediation and information asymmetries on the uptake of life insurance in low-income communities in South Africa. They highlight the need for more to be done to change institutional arrangements to ensure that consumers are able to make more informed financial decisions about their wellbeing, particularly with regard to the purchase of death-related financial products. The thesis highlights the need to address the role of institutional work, and how, when the incentive structure of actors or intermediaries is not appropriately positioned, their efforts can end up creating institutional voids. This was evident in the fact that intermediaries actively and deliberately maintain an institutional arrangement that does not serve the interests of consumers and insurers alike. The maintenance of current institutional arrangements has led to the deepening of consumer and insurer information asymmetry.

The hope is that this thesis will challenge academics to expand their understanding of institutional work and institutional theory and investigate how it plays out in the world of financial services, particularly in low-income communities. It is also hoped that it will challenge industry practitioners. Practitioners should recognise that a return on capital investment is not the only objective that is important; that a deep understanding of one's clients is equally as important – particularly when those clients do not look and speak like you, or share the same culture. The hope is that practitioners will actively invest in the development of systems and processes that facilitate a tangible appreciation for their consumer context. Consumers should not be seen as a consumable means to a corporate end, but an end in themselves.

It is the appreciation for the fact that more needs to be done in the realm of consumer insights to deeply change the biases held at an industry level and to unlock the necessary institutional agency required. It is when actuaries take the necessary time to appreciate cultural context, dynamics and complexities that it results in product development and innovation that

is more inclusive, meaningful and profitable. It is only through such intentional actions being taken that the lived realities of consumers in low-income communities in South Africa will change.

Institutional actors should not only acknowledge but recognize the agency and the optionality that they have to make a difference in the current institutional arrangement of how life insurance is intermediated into low-income communities. When they decide against pursuing only what is convenient in the short term and imagine what is beneficial in the long term, this study will have achieved its ultimate objective.

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Appendices

Appendix 1: Research Interview guide

Research Questions	Sources of evidence
1. What factors should be considered by the life insurance industry in the provision of life insurance to low-income communities in South Africa?	Interviews
2. What institutional challenges do intermediaries face when selling life insurance to low-income communities?	Interviews
3. How can institutional work by intermediaries more successfully address information asymmetries so as to enhance the uptake of insurance in low-income communities?	Interviews
4. What factors affect consumer preferences in low-income households in their uptake of life insurance?	Interviews

Appendix 2: Interview protocol for insurers

Building rapport	
Introduction of myself and research project	
Discussion of research ethics	
Interview questions	Research questions addressed
What is your understanding of the purpose of life insurance for the consumers in low-income communities?	What factors affect consumer preferences in low-income households in their uptake of life insurance?
Who have you typically targeted for your life insurance products?	What factors should be considered by the life insurance industry in the provision of life insurance to low-income communities in South Africa?
Why do you think consumers in low-income communities do not purchase life insurance?	What factors should be considered by the life insurance industry in the provision of life insurance to low-income communities in South Africa?
Do you think sufficient work has been done to educate low-income communities on life insurance? Please explain.	How can institutional work by intermediaries more successfully address information asymmetries so as to enhance the uptake of insurance in low-income communities?
Do you think as an insurer you sufficiently understand the role insurance plays for low-income consumers? Please explain	What factors affect consumer preferences in low-income households in their uptake of life insurance?
What sort of challenges to brokers face in the provision of life insurance and how effective have brokers been in getting your life insurance into low-income communities?	What institutional challenges do intermediaries face when selling life insurance to marginalized communities?
How have you navigated information gaps that manifest in the realm of life insurance with respect to clients in low-income communities?	What institutional challenges do intermediaries face when selling life insurance to low-income communities?

<p>How aware are you of the social cultural dimensions linked to life and funeral cover for consumers in the informal sector? Please explain</p>	<p>What institutional challenges do intermediaries face when selling life insurance to low-income communities?</p>
<p>Do you believe that you are doing enough as an insurer to understand who your consumers are? Please explain</p>	<p>What factors affect consumer preferences in low-income households in their uptake of life insurance?</p>

Appendix 3: Interview protocol for intermediaries

Building Rapport	
Introduction of myself and research project	
Discussion of research ethics	
Interview questions	Research questions addressed
Describe how you go about distributing life insurance into the informal sector?	What factors should be considered by the life insurance industry in the provision of life insurance to low-income communities in South Africa?
How well designed are the products to the consumer's context? Please explain	What factors affect consumer preferences in low-income households in their uptake of life insurance?
How profitable is funeral cover versus distributing life cover? Please explain	What institutional challenges do intermediaries face when selling life insurance to low-income communities?
Please describe the sort of information you ask of consumers before selling them life insurance and why?	How can institutional work by intermediaries more successfully address information asymmetries so as to enhance the uptake of insurance in low-income communities?
How do you think the challenges faced in distributing insurance into low-income communities can be addressed?	How can institutional work by intermediaries more successfully address information asymmetries so as to enhance the uptake of insurance in low-income communities?
What consumer education barriers do you believe exist in the life insurance space with consumers in low-income communities?	What factors should be considered by the life insurance industry in the provision of life insurance to low-income communities in South Africa?
Do you believe that insurers understand their consumers sufficiently? Please explain	What institutional challenges do intermediaries face when selling life insurance to low-income communities?
How do brokers assist insurers in product development?	How can institutional work by intermediaries more successfully address information

	asymmetries so as to enhance the uptake of insurance in low-income communities?
Do you believe brokers are sufficiently incentivized to sell life insurance into low-income communities? Please explain	What factors should be considered by the life insurance industry in the provision of life insurance to low-income communities in South Africa?
Do you think that brokers and insurers have an appropriate understanding of the impact of the role life insurance plays for consumers in low-income communities? Please explain	How can institutional work by intermediaries more successfully address information asymmetries so as to enhance the uptake of insurance in low-income communities?
How does lack of consumer information and cultural context affect your ability to sell life insurance?	What institutional challenges do intermediaries face when selling life insurance to low-income communities

Appendix 4: Interview protocol for consumers/potential consumers

Building rapport	
Introduction of myself and research project	
Discussion of research ethics	
Interview questions	Research questions addressed
Please describe your understanding of life cover.	What institutional challenges do intermediaries face when selling life insurance to low-income communities?
Why did you take up your first life cover/ funeral cover product? Please explain.	What factors should be considered by the life insurance industry in the provision of life insurance to low-income communities in South Africa?
Has a broker ever explained life insurance to you in the process of selling funeral cover to you and did you sufficiently understand? Please explain	How can institutional work by intermediaries more successfully address information asymmetries so as to enhance the uptake of insurance in low-income communities?
How do you think insurance companies understand the cultural importance of a funeral in your community versus what you understand it to be?	What factors affect consumer preferences in low-income households in their uptake of life insurance?
Do you believe that it's important to be honest to your insurer about your current health status and how do you think your honesty helps an insurer? Please explain	What institutional challenges do intermediaries face when selling life insurance to low-income communities?
What is your biggest motivation for taking up a life cover or funeral cover?	What factors affect consumer preferences in low-income households in their uptake of life insurance?
Do you believe it is sensitive if an insurer wants to understand your health status such as HIV, stroke and diabetes conditions? Please explain	What factors should be considered by the life insurance industry in the provision of life insurance to low-income communities in South Africa?
How do you think insurers can improve the products they have designed for you?	What factors affect consumer preferences in low-income households in their uptake of life insurance?

Did you ever fully read the policy document before you took the policy and why?	How can institutional work by intermediaries more successfully address information asymmetries so as to enhance the uptake of insurance in low-income communities?
Do you think the broker provides you with full understanding of the product they are selling, or do you feel it's just about the money for them?	How can institutional work by intermediaries more successfully address information asymmetries so as to enhance the uptake of insurance in low-income communities?