

Millennials and Health Insurance in Sri Lanka: An Exploratory Study on Perceptions and Knowledge

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Introduction

The importance of health insurance has come into the lime-light as the health costs for the people rapidly increases during the time of a global pandemic. From an economic perspective, unexpected incidences in relation to health, be it life threatening accidents, injuries, critical illnesses, diseases, pandemics or epidemics, create financial risks to people. Such financial risks thereby create multiple socio-economic challenges to the individual as well as the whole family. Health insurance is commonly used as a method to mitigate these unexpected financial risks which arise out of health and wellbeing related issues (Miller, 2009).

Millennials are the segment of the population who were born between the time period from 1981 to 2004 (Dodamgoda & Canagasabey, 2019). That means they are between the age of 16 and 40. It is crucial that they plan out their financial risks and risks arising from health-related concerns that play a key role in today's context. Moreover, millennials are considered to be more knowledgeable with the increased level of access to modern technology and to the wider knowledge base of the internet. However, the overall knowledge base on health insurance is considered to remain at low levels in Sri Lanka (Dodamgoda & Canagasabey, 2019). Millennials have to possess both the

knowledge as well as the appropriate skill set to wisely select the appropriate health insurance policy and thereafter use it to reduce their financial risks arising out of health concerns. The present study focusses mainly on the knowledge segment of insurance literacy.

Out of all segments of the population, young adults and middle-aged persons are at a critical stage in making life-long decisions on whether to opt for any health insurance scheme or not. In most of the developed nations it is more or less compulsory for all citizens to opt for a health insurance scheme (Chen, 2013). Predominantly as persons become independent from their parents and start their young adult life, they have to make the decision to opt for a personal/individual health insurance scheme. Although this pattern is not quite common in developing nations, youth especially once they enter the job market or once they settle down for marriage or family life, they tend to be concerned about health insurance schemes. Moreover, it is a commonly accepted fact in the insurance industry that the premium which a person has to pay when they start an insurance policy at a young age is quite lower than what he/she might have to pay at an older age (Li, 2011). This is primarily associated with the higher likelihood of health risks and illnesses that appear with age.

Having stressed the importance of health insurance, it is appalling to know that there is much less research done in the area of health insurance in Sri Lanka with specific reference to the knowledge. In this backdrop the present study is conducted as an exploratory study to examine the perceptions and knowledge on health insurance of millennials in Sri Lanka.

Objectives of the Study

There are two objectives of the present study and they are as follows:

1. To investigate on the different perceptions of Sri Lankan millennials on health insurance in Sri Lanka
2. To explore the knowledge gaps possessed by Sri Lankan millennials on health insurance policy options and benefits available in Sri Lanka

Literature Review and the Research Gap

Health insurance literacy has been defined as “the degree to which individuals have the knowledge, ability, and confidence to find and evaluate information about health plans, select the best plan for their own, or their families’ financial and health circumstances, and use the plan once enrolled” (Paez & Mallery, 2014). Different authors have classified insurance literacy in different ways, some authors merely classify it into two segments such as knowledge and skills, while others have more sophisticated categories (Bartholomae et al., 2016, Weedige, et al., 2019). For instance, Paez & Mallery, (2014) indicates four different domains of health insurance literacy, which include knowledge, information seeking, document literacy and cognitive skills.

Previous studies reveal that most respondents to surveys had very little understanding of the common terminology used to describe health insurance plans (Politi et al., 2014). According to Dodamgoda and Canagasabey (2019), it was revealed that millennials are a segment in the economy that looks for instant gratification and their perceptions thus on insurance are also formed based on those motives. Additionally, Wong et al., (2015), highlighted that health insurance related knowledge was related with the experience which a person faces in purchasing an appropriate insurance policy. In the same study it was revealed that the young adults who are also part of the millennials, were confused about basic terminology in relation to health insurance.

In Sri Lanka, there are few studies that focus on the insurance industry and there are very few in relation to health insurance. Following are some of the major research studies carried out in Sri Lanka in relation to the insurance industry. The latest study conducted was in 2019 and it is in relation to “Decision making in personal insurance: Impact of insurance literacy” (Weedige, et al., 2019). In order to identify the policy implications, the role and trends of health insurance in Sri Lanka are examined. Studies about the impact of service quality on customer satisfaction and customer loyalty in life insurance companies in Sri Lanka are also available. Similarly, an assessment was done to identify the customer relationship management strategies which lead to creating customer loyalty in the insurance industry. Operations of Islamic insurance, its development and challenges are some of the other areas examined in the context of Sri Lanka.

Furthermore, the relationship between perceived brand equity and purchase intentions of life insurance in Sri Lanka is also observed. Further studies on micro health and life insurance are also widely available. Apart from that, Jayetileke, et al. (2017) identified the factors affecting the persistence of the life insurance policy in Sri Lanka.

Demand for life insurance and the factors that determine the life insurance were also being examined by some scholars. Erlbeck (2017) studied the demand for micro-life insurance in Sri Lanka. Demand for life insurance in the Central Province (Gamage, et al., 2016) and North Central Province (Perera, 2016) is also examined. Dodamgoda and Canagasabey (2019) identified the factors affecting the purchase of life insurance among millennials. They have focused on the people who are born between 1982-2004 for their study.

But none of the studies have specifically focused on perceptions and knowledge in relation to health insurance of the millennials in Sri Lanka.

Methodology

The study primarily used an online survey to collect the data. The online survey was distributed to 120 respondents and 95 respondents successfully completed the survey. The sample includes millennials of 13 districts of Sri Lanka, covering all the 9 provinces and all the ethnicities. A background research was initially carried out within the insurance industry, in order to identify the current health insurance policies available and health benefits provided in Sri Lanka. In the interviews carried out with the insurance companies for the background study, most specific categories of health benefits which these insurance companies offer were identified. Further, it was identified how insurance companies differentiate their policy products issued from the competitive firms.

After identifying the present policy options and benefits provided by the insurance companies, the online survey was formed and circulated via online modes to collect the data. This includes both persons who are already covered under health insurance schemes, be it personal or employer-based schemes and persons who are not covered by any insurance scheme. Snowballing sampling technique was used in this study. Qualitative discussion and descriptive statistical analysis is used to build up the discussion for this study, as it is still at the exploratory stage.

Results and Discussion

The first section of the results and discussion is focusing on the perceptions that millennials have in relation to the trust that they place in the health insurance sector as well as how important they think that health insurance is to them. Secondly, the discussion is extended to the knowledge and health insurance literacy related discussion. In that, the discussion is divided into two sub-

sections: those millennials who already have a health insurance policy and those who do not have a health insurance policy.

Trust on the Insurance Industry in Sri Lanka

Out of the total sample, 49 percent of the respondents reported that they trust the insurance industry in Sri Lanka and the other 51 percent of respondents stated that they do not trust the insurance industry in Sri Lanka. Similarly, Nicolas (2020) identified that the trust in insurance is highly determined by the experiences that the people have with the industry and it is lower among the individuals with higher insurance literacy. According to the survey findings, this is confirmed as millennials who stated that they knew the health benefits offered by their health insurance also stated that they faced conflicts with the insurance company or heard of such conflicts at the time of obtaining claims. Some specific statements are extracted in narrative form and presented in Table 1. It is to be noted that all of the respondents who gave these statements, showcased a higher insurance literacy rate and a low trust placed on the insurance industry in Sri Lanka.

Table 01: Statements in relation to Perceptions

Statements made by some of the respondents:
“There is no guarantee that insurance would cover all expenses required in the event I require it.”
“I have no trust in them, because I have heard a lot of incidents where the policyholders suffer to get their benefits when they met with an accident.”
“Cannot get money back when we wanted”
“I personally prefer savings than the insurance. I agree in some circumstances insurance compensates in an emergency. In some cases compensation policies differ according to the terms and conditions as well as the circumstances of insured. I can't assure

that I can pay monthly or annually since my income range may fluctuate. so I can spend my savings in an emergency instead of claiming from insurance.”

Source: Author collected data via survey, 2020

Level of importance placed on Health Insurance

When considering the perception of youth in relation to the importance they place on health insurance, it was revealed that 28 percent of the respondents identified health insurance as extremely important, 34 percent identified it as fairly important, 26 percent stated it as important, 8 percent as not important and 4 percent of respondents stated that insurance was not at all important. But only 42% of people have health insurance. This is in line with the study results of Panchal (2013) who stated that more than 80% of respondents believed that health insurance as important yet majority of them do not have a policy.

Even though 62 percent of respondents did not trust the insurance industry in Sri Lanka, among them, more than 80 percent of respondents identified the health insurance as extremely important, fairly important and important. 19 percent who do not trust the insurance industry in Sri Lanka also opined that the health insurance is not important or not at all important.

People with health insurance scheme

As per the survey, 42 percent of respondents were covered by a health insurance policy. Among the health insurance policy holders, 57 percent were married and 43 percent were unmarried. From them, 38% of the people opt for a health insurance scheme to minimize the future risks and 24% opt for the overall personal health and well-being and due to the increasing health cost.

According to the results, 71% of the respondents strongly agreed and agreed that so far, the health insurance policy that they have, has met all their expectations in insurance and were fully aware

about the benefits that they get out of the insurance policy. Out of the sample 67% people agreed that all the claims that they have requested for have been met by the insurance company and they were fully satisfied with their health insurance policy. 76% of the respondents strongly agreed and agreed that the benefits of the insurance policy are worth for the premium they pay and are satisfied with the pre and post customer service of the insurance. From the 42% with health insurance coverage, 62% of respondents were getting the health insurance coverage by the employer. Only 38% of people were having their own personal health insurance schemes.

These 38% of respondents with their own health insurance schemes were above 27 years and decided to opt for an insurance scheme because of the living benefits that are provided by the insurance company and because of the recommendation from friends and family members. 88% of them trust and 22% of them do not trust the insurance industry in Sri Lanka. From the respondents who had their own personal health insurance schemes, 38% were male and 62% were women. Also, 50% were employed in the public sector, 38% employed in the private sector and 12% were not employed at all.

From the 62% of people who were getting the health insurance coverage from the employer, 39% of them do not trust the insurance industry and 61% trust the insurance industry in Sri Lanka.

Further, 4% of the people were suffering from critical illnesses and 2% of them have a personal health insurance scheme and the other 2% have health insurance coverage taken by the employer. Only 2% were suffering from non-communicable diseases and covered under a personal health insurance scheme. There is a positive weak relationship between the age and the annual premium that the respondents were paying ($r=0.11$). This depicts

that though people are getting older there will be a slight increase in the premium that they pay.

Knowledge gap of the people who have a health insurance policy

From the respondents who have a health insurance policy, only 57 % of the people were aware whether they are covered under wellness coverage or not. Only 40% of the people knew they were covered or not under dental cover. Also, 46% of the respondents aware that they have optical cover or not within their health insurance policy. And 48% of people knew whether they are covered or not under the pharmacy expenses coverage. On the other hand 54% of the people were well aware whether they have a maternity cover or not. Similarly, 80% of the respondents were aware about the fact whether there was a cover for surgery. Further 85% of the respondents were aware whether they have a daily hospital room charge coverage or not and 65% of people were well aware whether they have ICU room charge coverage.

In addition, it was revealed that only a lower percentage (below 30%) of the insured respondents were aware about the coverages on ambulance charges, day care treatment, pre-hospitalization charges, post-hospitalization charges and Ayurvedic treatment. This reveals that the millennials do not have complete information and awareness on the health benefits that their respective insurance policies provide. Although awareness is high in relation to critical illness, surgery and hospitalization claims, other health benefits and claims show poor knowledge. These findings are on par with previous literature done on the insurance sector in Sri Lanka, where Weedige, et al., (2019) stated that the majority of people have poor knowledge of personal insurance, while many are unaware of the importance and the value of personal insurance.

People Without a Health Insurance Scheme

It was revealed that, 58% of respondents were not covered by a health insurance policy, and out of them 55% were women and 45% were male. 69% of them worked in the private sector, 17% in the public sector and 14% were unemployed. Majority of the respondents who do not have any health insurance scheme stated that they do not trust the insurance companies in Sri Lanka.

There is moderate positive relationship between age and the annual premium that the respondents who do not have any insurance policy, are currently willing to pay in the future ($r = 0.50$). Further, the results depict that the older the people get, they are willing to pay moderately higher annual premium than the people of a young age.

Conclusion

The present study concludes that there are knowledge gaps amongst the millennials on health insurance policies and benefits provided. This also leads to the low level of trust kept on the insurance industry in Sri Lanka especially in relation to health protection. If the insurance companies can take measures to be more transparent as well as more descriptive in the promotional campaigns, a win-win situation can be arrived at for both the millennials of Sri Lanka and the insurance industry as a whole. Moreover, this study reveals an important finding in relation to the millennials: that is, although they are considered to be highly knowledgeable and possess all the information on markets, industries etc. it is clear that their knowledge segments of the insurance literacy is poor and at low levels, especially in relation to health insurance. Henceforth, as an industry these findings have to be taken into consideration when planning the strategies for the medium and the long term.

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