

EVALUATION OF CONSUMER BEHAVIOUR IN THE PURCHASE OF SUSTAINABLE INSURANCE PRODUCTS IN THE REPUBLIC OF MOLDOVA

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Abstract: *We are increasingly talking about sustainability in the context of the green economy, so the way we approach any activity related to the household and economic activity is also changing. Thus, the environment, sustainability and good governance have contributed to the way business is done in the current conditions, and as a result of these phenomena, insurance companies have taken a new approach in light of the aforementioned. In the process of adapting to the new market circumstances influenced by the green economy, insurance companies in the Republic of Moldova are forced to adapt by creating new sustainable product offers. This study is conducted to identify what exactly stops consumers in the Republic of Moldova from purchasing this sustainable insurance. We will answer 3 key questions, namely: how well do people understand climate risks, how much money are they willing to pay for green insurance and how much trust do they have in insurers who propose green insurance. The study is based on a survey conducted on a sample of 200 respondents whose results are analyzed using mathematical and statistical methods. The results will contribute to guiding the marketing strategies of insurance companies to convince customers and develop the green insurance market, but also to creating viable offers by insurers to meet the needs of consumers in the Republic of Moldova.*

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INTRODUCTION

As global economies face risks related to climate change, pandemics and natural disasters¹, the development of the sustainable insurance segment is a current necessity for the insurance market in the Republic of Moldova. The current market need is triggered by factors that promote sustainability and the green economy, however, the insurance market demands remain the classic ones oriented towards consumer needs regarding insurance needs. And the behavior of the insurance market consumer is influenced by the quality of life factors, population income and socio-cultural factors.² Several current studies support the premises of financial factors, but also highlight other characteristics such as the degree of information of citizens and business people about the advantages of insurance, risk aversion,

historical factors and, including, the reputation of insurance companies³. However, there are certain premises for the formation of the insurance services market that are not influenced by consumer behavior. These are constituted by the instruments of the regulatory framework imposed by the state or certain authorities, constituting the mandatory insurance services segment.

A way of insuring risks related to certain banking services, which is widely developed in the EU member states, is bancassurance. Banks sell insurance together with loans, mortgages, guarantees, deposits, cards,⁴, etc.

At the international level, research on the insurance market is oriented towards the sustainability segment. Thus, in the study published by Niamh O'Sullivan⁵, sustainable insurance integrates environmental, social and governance issues into insurance activities, addressing risks such as climate-related material damage and the impact on health caused by pollution. Autorii Harinder Kaur, Kiran Sood, Uma Shankar Yadav⁶ consider sustainable insurance as a strategic approach that identifies, assesses and manages risks related to climate change, socioeconomic and institutional changes, promoting environmentally and socially responsible practices in the insurance industry to enhance resilience and sustainability. Similarly, Arti Gaur, S.S. Bhatti⁷ in the published study consider sustainable insurance as an emerging concept that aims to reduce risks, while promoting innovative solutions, but also improves business performance and contributes to environmental, social and economic sustainability.

Increasingly, green insurance is associated with responsible corporate governance (ESG) – Environmental, Social, Governance, as the insurance sector no longer has only the traditional role of risk transfer, but also that of a strategic actor in orienting capital and economic behaviors towards sustainability. Some studies confirm that sustainable insurance focuses on the integration of environmental, social and governance (ESG) factors into insurance practices, such as that of the authors Valeria D'Amato, Emilia Di Lorenzo, Gabriella Piscopo⁸. Thus, the magazine Finance and Credit states in a publication that sustainable insurance involves integrating ESG principles into the insurance sector, focusing on climate risks and promoting transparency. This includes reducing investments in high-carbon industries and reviewing underwriting principles to increase sensitivity to climate-related risks, favoring a transition towards sustainability.⁹ Veronika V. Barabanova¹⁰ In his article Insurance industry in the scope of sustainable development, he states that sustainable insurance aims to support global sustainability goals, including limiting greenhouse gas emissions and promoting transparency in reporting. The principles of the Sustainable Insurance Support Fund, created by the United Nations at the 2012 Conference on Sustainable Development, are considered a global framework for the insurance industry to address environmental, social and governance risks and opportunities. The Sustainable Insurance Support Fund¹¹ brings together more than 300 international government members, which aims to understand, prevent and reduce environmental, social and governance risks, but also to better manage opportunities to provide protection against risks. The European Community is equally concerned about sustainable insurance and responsible corporate governance, so they created the European Insurance and Occupational Pensions Authority (EIOPA)¹² which has the function of an advisory body to the European Commission, the European Parliament and the Council of the European Union providing legal, technical and scientific evidence for the creation of policies and laws at European level on sustainable development. The agency's latest report mentions that 92% of European consumers own at least one insurance product.

However, green insurance is not a product in itself but an economic governance mechanism that catalyzes the transition processes towards sustainable development models. For our country, green insurance associated with ESG governance mechanisms represents a modernization of the supervision and reporting framework, a responsibility of the actors in the insurance market and the creation of an economic resilience mechanism in the face of climate risks.

Studies for consulting and supporting the consumer of the insurance market have been carried out by several authors, with an orientation towards the impact on the insurance intermediation market¹³. Informing consumers by insurers and distributors has been an effective way to increase the

quality of the insurance market and the visibility of the products offered by them, however, the development of society and the orientation towards innovation offer possibilities for implementing new dimensions in this sector. A study that would identify the preferences of the local consumer regarding the sustainable insurance market has not been conducted in recent years, so this study is a pioneering one, although the factors influencing the consumer can evolve and change constantly, a benchmark for certain marketing policies for insurance companies is quite important.

The method and methodology used are based on the principles of quantitative research, aiming to assess perceptions and the level of knowledge regarding green insurance. The research in question uses the sociological survey method, carried out by applying a questionnaire. This method allowed the collection and comparison of data as well as the identification of trends and regularities in the perceptions of respondents regarding the role of green insurance. To measure the opinions of the respondents, the Likert scale was used with values from 1 to 5 from the lowest to the highest appreciation. The methodological approach allows achieving the objectives and provides empirical support for formulating conclusions and recommendations.

RESULTS AND DISCUSSIONS

The questionnaire applied to a sample of 205 respondents was divided into several chapters. So that each of them could respond to one of the objectives established for this study. Analyzing the results from the chapter on the experience with insurance that respondents were exposed to on the structure of the experience and the general level of satisfaction with the insurance services held, provides a coherent picture between the consumer and the insurance market. Thus, the results show that respondents have a greater relationship in the area of social and individual insurance. The results indicate that 59% of respondents reflect the perceived importance of health protection and a high degree of this type of product for insurance companies. In second place is car insurance with a share of 24.8%, confirming once again the mandatory nature of these insurances in the daily practice of consumers. A category with a fairly high share of approximately 23.8%, which refers to the category of other insurance, is in third place in the respondents' assessments. It is a fairly interpretable share, since consumers demonstrate a consumption experience of a diversified spectrum of insurance, most likely related to travel or property insurance.

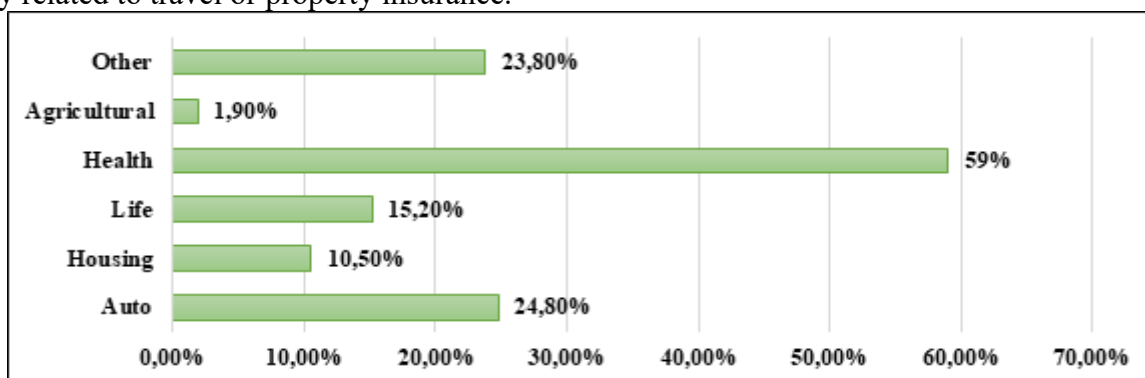


Figure 1. Results of respondents' answers to the question regarding the types of insurance held

The results show a lower share for life insurance by 15.2% and for home insurance by 10.5%, for which consumers opt less, either due to financial limitations or because they are not mandatory. Agricultural insurance in this survey is marginal with a share of only 1.9%, which on the one hand signals a low degree of use, and in the context in which only 30% of respondents are from rural areas, it is an explainable result.

Assessing the level of satisfaction with the insurance held, respondents had the opportunity to select one of the ratings with a value between 1 and 5 corresponding from low to high. More than 50% of respondents declared themselves satisfied with their insurance, giving a score between 4 and 5.

Although 31% of respondents expressed their view as moderate satisfaction, it can be associated with a functional experience more than with a level of appreciation. Respondents also reported dissatisfaction, although this is of minimal value, summed from values 1 and 2 with approximately 16.2%, which highlights the existence of dissatisfaction and suggests to companies a more severe monitoring of complaints.

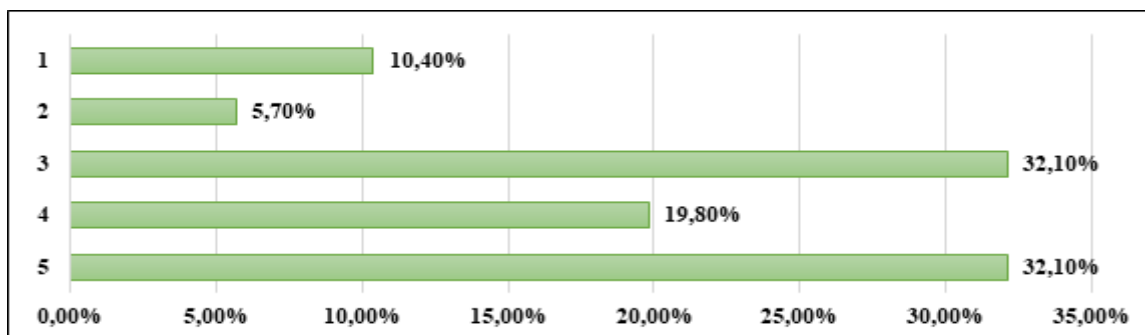


Figure 2. Results of respondents' satisfaction level regarding their insurance policies

Centralizing the results for this chapter, we can assess the level of consumer satisfaction relatively favorable but not uniform for a predominant experience with mandatory insurance. Under these conditions, the existence of a potential for strengthening trust and diversifying the insurance portfolio is observed, including by promoting innovative products, such as green insurance, correlated with governance and sustainability principles.

A central objective of the research is the perception of the local consumer of insurance services regarding green insurance. The analysis of the data collected from the respondents in the sample results in a relevant perspective on the degree of knowledge of the concept as well as on the way in which the content of this concept is understood. Referring to the degree of familiarity of consumers with the concept of sustainable insurance, we observe a rather fragmented level. Thus, 34% of respondents declare that they have heard about the concept of sustainable insurance compared to the 43.4% of respondents who do not know about this concept. Similarly, a significant segment of 22.6% of respondents declare themselves unsure of their understanding of the concept, which would correlate between a vague or superficial understanding. In this sense, marketing policies aimed at promoting the concept and orienting customers on the sustainability dimension is a viable objective for the insurance market. Orienting customers on the topic of sustainability transposed into the insurance field would be an advantage not only for the insurance market but also for ESG policies.

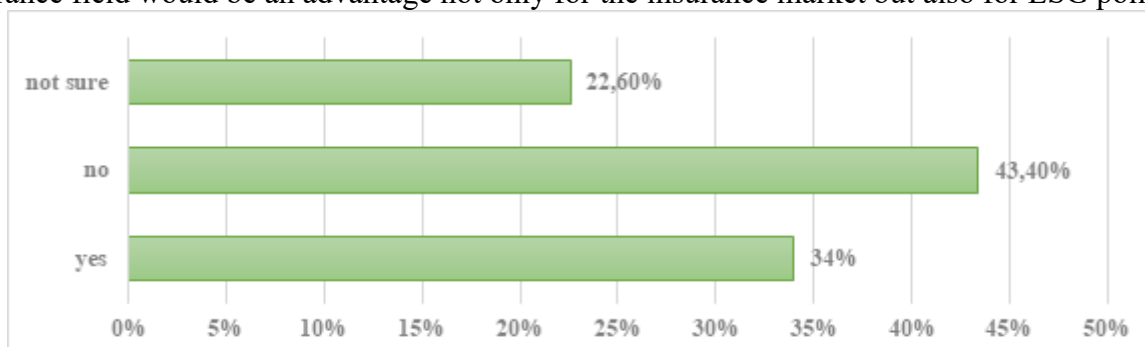


Figure 3 Results of respondents' answers to the question: Have you heard of the concept of sustainable insurance?

Analyzing consumer perceptions of the defining criteria of green insurance, we observe a lack of uniformity in the results, which means that respondents cannot yet concretely define green

insurance. This result indicates a wide area of action in correctly guiding customers regarding the perception of new products in the portfolio of insurance companies.

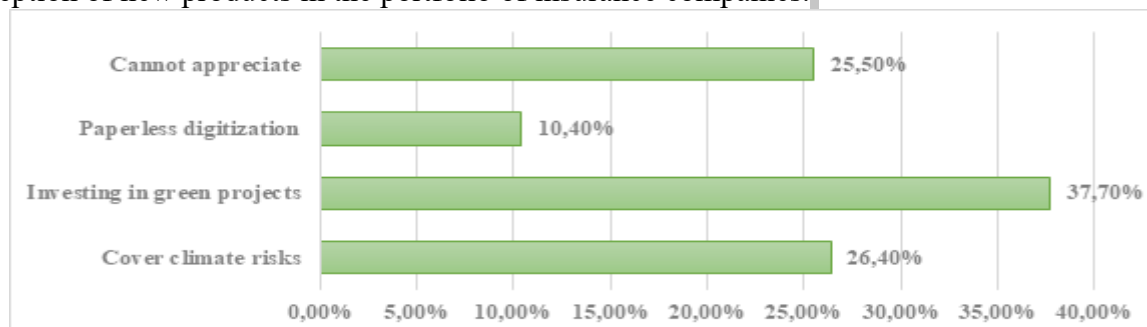


Figure 4 Results of responses to the question: What do you think defines green insurance?

The majority of respondents with a share of 37.7% consider that green insurance is an investment in ecological projects, thus we find that consumers link sustainability to the financial-investment dimension and not to environmental risks. Only 26.4% of respondents consider that green insurance covers climate risks, which would be a partial perception of the role of this type of insurance. Only 10.4 of respondents selected the answer option paperless digitization, which is why we consider that the operational and governance dimensions are less known by the respondents in the selected sample. Although the respondent segment is 56% made up of people aged between 20-29, these notions are not sufficiently promoted in the training processes and are not recognized by them. The 25.5% of respondents who confirm that they cannot appreciate the concept of green insurance explain the need for structural information for potential clients, consumers and society in general, regardless of their decision to purchase green insurance. So we have a very motivating result for creating marketing policies towards the educational element and forming correct perceptions both for declarative expression and for substantial understanding, which can contribute to a complex integration of governance on the environmental and societal dimensions. At this point, the statements of the hypothesis regarding the insufficiency of public perception regarding green insurance are confirmed, and the consolidation of this gap through certain marketing strategies on the part of insurance companies can contribute to creating a significant development potential in the context of the transition to sustainability.

Next, we discuss the results of the chapter on perceptions, skills and behavioral intentions of respondents in relation to green insurance as well as their availability to purchase them. We focused the respondents' attention on the perception of the impact of climate change on the economic effects of the Republic of Moldova, for which we obtained a feedback of 36.8%, that is, a third of respondents who recognize the impact of the climate effect on the country's economy. The 34.9% of respondents who state a neutral perception, we can consider a precautionary effect that can at any time prevail one of the two extremes. However, 31.1% of respondents are skeptical and do not associate climate effects as a factor of influence on the national economy.

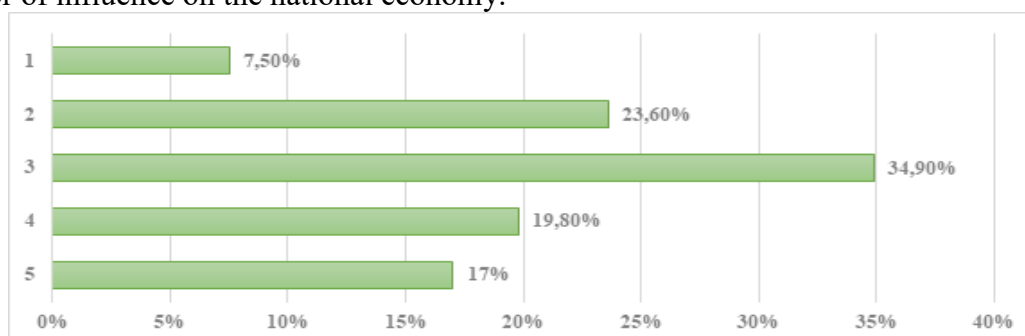


Figure 5. Result of answers to the question: Do you think that climate change influences the economy of the Republic of Moldova?

From the results of the assessments by the respondent segment, we find that their trust in insurance companies investing in green projects is relatively favorable, but also cautious, being rated more with a score of 3, meaning conditional trust. The rather modest maximum assessment of only 13.2% from the respondents is an advantage for insurance companies in the formation of marketing policies, which they can use as statements of trust for this segment.

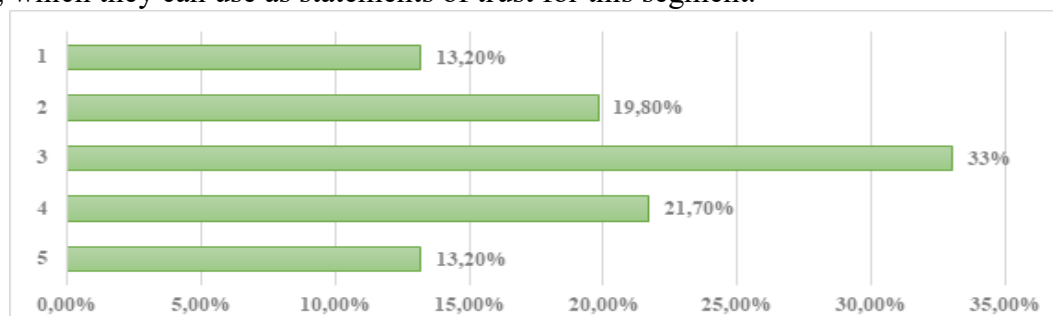


Figure 6. The result of the answers to the question: Would you have more trust in an insurance company that invests in green projects?

So, promoting investments in green projects by insurance companies can constitute a clearer communication bridge with future beneficiaries, and the use of transparent campaigns regarding green insurance packages can contribute to increasing the level of trust.

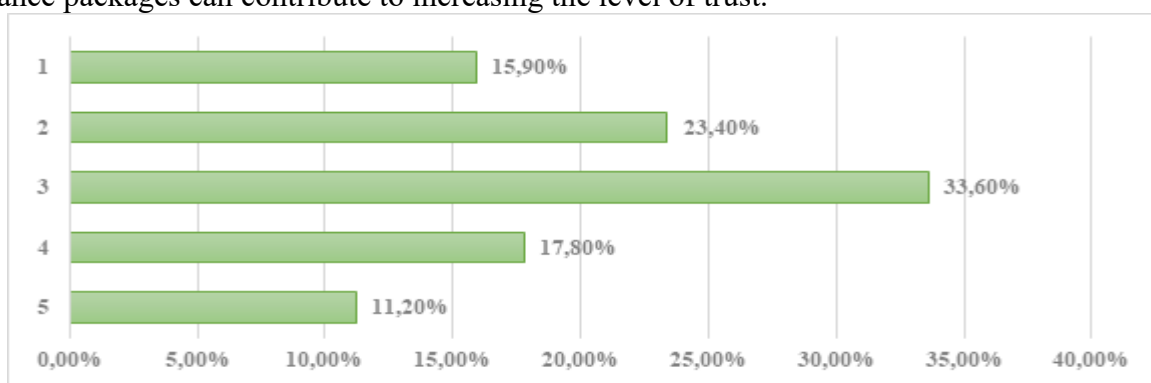


Figure 7. The result of the question: Are you willing to pay more for a sustainable product?

The results presented in Figure 7 show a dominance of 33% of those interviewed as being undecided about assuming additional expenses regarding sustainable products. Although the willingness to pay is limited, a good part of the respondents with a share of 29.2% would still be willing to bear additional expenses. So we need a promotion of the values, context, concept and benefits of green insurance to change the size and vision of consumers regarding this insurance segment.

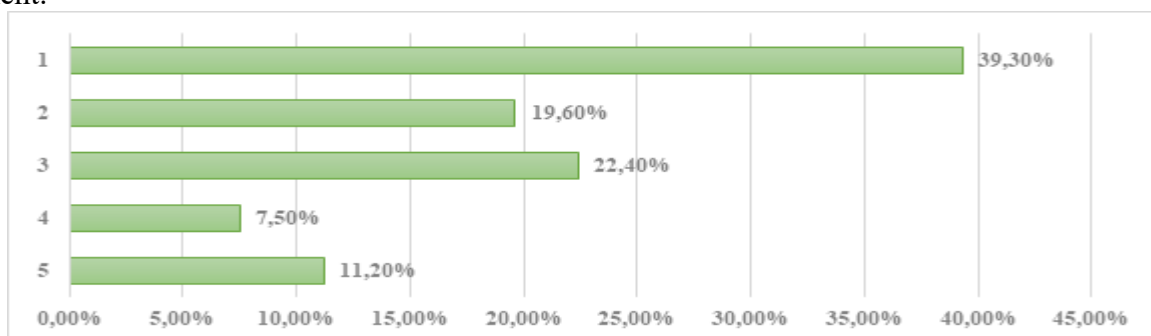


Figure 8. The answer to the question of whether they intend to buy a green policy in the next 12 months

If we analyze the results of this diagram, we see a statement with a positive intention of 18.85, that is, those who will most likely purchase, directly proportional to the share of respondents whose monthly income is higher than 15,000 lei. We can conclude that the dependence of purchases is directly influenced by the monthly income of consumers. Under these conditions, the target segments for promoting green insurance will be oriented towards consumers with incomes higher than the average salary in the economy.

From an economic point of view, any purchase intention must be transformed into demand, and until this exchange is achieved, awareness of sustainable insurance topics is necessary on the part of companies in the insurance market.

This scientifically argued study, through its results, confirms the existence of a structural gap between the perception, attitude and behavior of consumers regarding green insurance services. At this level, it is determined that consumers view green insurance as a conceptual aspect without having the intention to transform it into an immediate economic necessity, but through correct marketing tools they can adopt it, albeit in a smaller proportion at first. With the increase in the level of trust and the application of correct communication methods, including financial education, the green insurance market can grow considerably, also in the context of the acceptance of faster innovation processes by society, under current conditions.

In conclusion, we state that green insurance is a new concept for the Republic of Moldova, which is at an early stage of knowledge, which is an advantage for creating marketing strategies regarding the promotion and correct information of consumers about the advantages and importance of assimilating this type of insurance. The study confirms the limitation of consumers to the experience with insurance, predominantly in traditional fields and mandatory fields such as health and motor transport.

Through marketing actions, the utilitarian approach associated with insurance can be transformed into a broader perception, with the development of clearly differentiated green insurance products with certain benefits. Contributing to a clearer understanding of the concept, the cognitive gap in the perception of the notion of green insurance can be eliminated and consumer perceptions and behavior can be directly influenced. The only limit that can hinder acceptance and the purchase decision remains the economic aspect, which can also be easily shaped through certain marketing strategies.

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