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Too Small to Cover?

Rethinking Inclusive Life
and Health Insurance
for Entrepreneurs in Brazil
and Indonesia

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Executive Summary

Micro and small enterprises (MSEs) form the backbone of emerging economies, but they are exposed to multiple risks that impact their livelihoods and resilience. These include frequent exposure to health emergencies, climate shocks, inflation, and crime. Most MSEs have no reliable way to manage these shocks. Given the limited separation between business and household finances, exposure to shocks also adversely impacts household well-being. While many rely on savings, credit, and informal networks, the financial support provided is often inadequate for helping MSEs to strengthen resilience and prosper.¹ Insurance, particularly life and health coverage, remains a vital missing piece in the financial lives of millions of entrepreneurs.

Despite their transformative potential, life and health insurance continue to be overlooked in development and financial inclusion agendas. A 2022 review of 63 national financial inclusion strategies found that fewer than half mentioned insurance, and even fewer included concrete plans to expand coverage for life and health. While credit and savings dominate policy and provider attention, insurance continues to lag as an underfunded, under-researched, and underutilized area.

This study demonstrates the potential of well-designed, inclusive insurance products, particularly life and health insurance, to strengthen resilience among entrepreneurs. Drawing on original research with over 1,600 MSEs in São Paulo and Jakarta, we explore how MSE owners perceive, use, and experience insurance — their fears, coping mechanisms, and the role insurance can (and cannot) play in building resilience. Our findings underscore that insurance is not just a safety net; when well designed, it becomes a tool for confidence, continuity, and better decision making, enabling entrepreneurs to take calculated risks, protect their families, and plan for the future.

But meaningful uptake remains limited. In São Paulo, about half of MSEs held at least one insurance product, most commonly automobile, health, or life insurance. In Jakarta, the figure was far lower, with most coverage driven by government health schemes. Even among the insured, many policies are

¹ Totolo, E., Gubbins, P., Ruiz, L.A., Chakraborty, A., McGuinness, L., & Rice, C. (2025). Small Firms, Big Impact: Digitization, Financial Services, and Climate Resilience in Five Emerging Markets. Center for Financial Inclusion. [\(Source\)](#).

poorly understood, hard to claim, or perceived to be of low value. Less than 5 percent of MSE owners who faced health shocks used insurance to cope; most relied on savings, informal loans, or business cutbacks, pointing to a missed opportunity for providers to serve this segment and help MSEs strengthen resilience.

Why is this the case? Our data points to five critical barriers: high premiums relative to irregular incomes, behavioral biases that lead entrepreneurs to underestimate risk, low trust in providers, opaque product terms, and friction-filled claims processes. These barriers create a cycle of low demand and limited investment, which can be addressed by coordinated action across product design, distribution, policy, and regulation.

The research quantifies a substantial untapped market for inclusive insurance. Building on survey data and willingness-to-pay insights from the research, we constructed three scenarios to estimate the premium potential for life and health insurance among urban MSEs in Brazil and Indonesia. Our model includes an optimistic scenario where we estimate the total addressable market scenario and a more conservative conversion-adjusted scenario. Based on this, we estimate the total addressable market for life and health insurance among urban MSEs to be approximately US\$3.7 billion in Brazil and US\$2.3 billion in Indonesia. Even under conservative assumptions, adjusting for price sensitivity and realistic conversion rates, the opportunity remains sizable, currently ranging from US\$148 million to \$601 million in Brazil and US\$83 million to \$342 million in Indonesia. These figures underscore a compelling business and development case for inclusive insurance in both markets to offer affordable and relevant products that enable MSEs to strengthen resilience against a range of economic, climate, and health shocks.

Our research also identifies a large and often-ignored segment: *the interested but underserved.* These MSEs understand the value of insurance and express intent to purchase but remain unprotected due to price, trust, or complexity barriers. This group, sometimes called the “persuadable middle,” represents a prime opportunity for inclusive

insurance providers to demonstrate value and expand their portfolio. However, reaching them will require new approaches: designing with behavioral economics in mind, embedding insurance into tools entrepreneurs already use, and testing what works through local, iterative pilots.

Based on insights from the demand-side research and review of existing research on the market context in Brazil and Indonesia, we propose four strategic priorities for inclusive insurance providers to consider as they build insurance markets that serve MSEs:

1. **Use behaviorally informed insights for product design:** Our research shows that MSE owners living and making decisions under uncertain conditions often find insurance products to be irrelevant, highlighting an opportunity for insurers to better understand the lived contexts, needs, and preferences of MSE segments. Behavioral research shows that people often undervalue long-term protection and delay action until after a shock. Framing insurance as a pathway to stability, opportunity, and peace of mind, not just as protection from loss, could help counter this perspective. Other strategies for consideration could include, for example, pairing long-term coverage with small, visible benefits such as hospital cash, medicine discounts, or health checkups, which make the value of insurance more tangible.
2. **Simplify claims and build trust:** Many MSE owners have low trust in insurers due to negative experiences, unresponsive service, and challenges in understanding complex, jargon-ridden policies. Rebuilding consumer trust involves a multi-pronged process, beginning with making the claims process more straightforward and transparent. Offering clear, jargon-free explanations of what is covered, minimizing paperwork, and providing real-time support through agents, call centers, or digital channels will help MSE owners better understand the process and potentially increase the voluntary uptake of insurance. Human-centered service, especially at the point of claim settlement, can help ensure that insurance delivers when it matters most.

3. **Leverage embedded models and test before scaling:** Standalone insurance products are often hard to market and distribute to highly diverse segments such as MSEs.² Embedding insurance into the platforms they already use, like digital payments, ecommerce, ride-hailing, or utility apps, can make access more seamless and cost effective.³ However, for embedded insurance to work, it must be done right. Terms should be transparent, opt-outs easy, and customer control preserved. Investing in pilots that test bundled models (e.g., life insurance with small loans, health insurance with supply chain tools) before scaling products will provide invaluable insights into designing relevant products that achieve the intended outcomes.
4. **Segment the market and tailor outreach:** Small business entrepreneurs are not monoliths. Our research shows a large segment of entrepreneurs interested in insurance but underserved — a “persuadable middle” who understand the value of insurance but remain unserved due to cost, complexity, or low trust. These prospective customers are more likely to convert through targeted messaging, product features that reflect their needs, and re-engagement strategies for those who’ve dropped out. Segmentation based on gender, education, digital adoption, and past insurance use can improve alignment between products and preferences.

Delivering on the promise of inclusive insurance starts with understanding what entrepreneurs need, but it must go further to help the industry act on those insights. While these recommendations are grounded in demand-side research — a critical but often missing perspective in this field — they

also draw on a review of the regulatory and market context in Brazil and Indonesia and input from industry experts. Turning these insights into practical strategies will require insurers and distributors to test new ideas, refine products based on user feedback, and ensure delivery models are both feasible and effective.

A favorable ecosystem is required for inclusive insurance models to scale and serve low-income segments. Scaling inclusive insurance depends on a supportive policy and infrastructure ecosystem. Regulators can encourage experimentation through sandboxes, allow for flexible bundling of insurance with other financial products, and mandate simplified product disclosures. Donors and investors can also help by funding shared market infrastructure, like digital claims platforms, interoperable agent networks, or grievance redress systems, and supporting more localized research to improve product targeting and trust building. Without this broader support, even well-designed products may fail to reach those who need them most.

Are small businesses too small to cover? Our findings suggest that while the economics of serving MSEs with insurance can be challenging, they are not insurmountable. There is a strong case for tailored, efficient models that match the realities of local economies, especially when insurance is embedded in platforms they already use.⁴ Life and health insurance will not address all the risks these businesses face, but they can offer a useful layer of protection and stability. If the goal is to build more resilient and financially included small enterprises, insurance should be considered a practical complement to other financial tools, not an afterthought.

2 Mastercard Strive. (2023). Insight – Financial Services: Embedded finance. ([Source](#)).

3 Mastercard Strive (2023). See note 2. ([Source](#)).

4 While the study is grounded in demand-side research, the analysis was also informed by a review of the supply landscape and shaped by ongoing exchanges with sector experts and practitioners.

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1 Introduction: Inclusive Insurance for Micro and Small Entrepreneurs

1.1 A Neglected Pillar in Financial Inclusion

Inclusive insurance, especially life and health insurance, remains an underleveraged tool in development and financial inclusion strategies. While access to payments, credit, and savings has received sustained attention in global financial inclusion agendas, insurance, particularly life and health insurance, has largely remained peripheral. A 2022 review of 63 national financial inclusion strategies found that fewer than half mentioned insurance⁵ and even fewer included specific goals or investments for life and health coverage. However, insurance plays a unique role in helping vulnerable households and microentrepreneurs manage risks they cannot afford. It acts not just as a safety net but as an enabler of better choices, greater risk taking, and long-term planning.



Insurance also receives less empirical attention than other financial tools in academic and policy literature, partly due to low awareness and adoption rates and difficulties in measuring and quantifying its long-term impact. This gap is not just academic – it translates into policy blind spots and underinvestment in research and product development for low-income, financially underserved segments,⁶ yet evidence continues to accumulate. Health⁷ and life insurance⁸ can help households smooth consumption,⁹ invest in education, health, and small businesses, and avoid distress sales of productive assets and other harmful coping mechanisms.¹⁰ Insurance can be a critical missing piece in contexts where public infrastructure is weak, or climate and health risks are mounting.¹¹

5 Alliance for Financial Inclusion. (2022). National Financial Inclusion Strategies: Current State of Practice. ([Source](#)).

6 Noordhoek, D., Marcoux, B., & Schanz, K.U. (2022). Insurance Development in Emerging Markets: The role of public policy and regulation. The Geneva Association. ([Source](#)).

7 Liu, K. (2013). Health Insurance Coverage for Low-income Households: Consumption Smoothing and Investment. Norwegian School of Economics. ([Source](#)).

8 Rey-Ares, L., Fernández-López, S., Castro-González, S. (2023). Life insurance consumption across generations: The roles of financial knowledge, planning horizon, and self-control. International Journal of Finance and Economics, 29(4), 4742–4762. ([Source](#)).

9 Innovations for Poverty Action. (2019). Building Resilience through Financial Inclusion: A Review of Existing Evidence and Knowledge Gaps. ([Source](#)).

10 Innovations for Poverty Action (2019). See note 9 ([Source](#)).

11 Schanz., K.U. (2022). The Role of Insurance in Promoting Social Sustainability. The Geneva Association. ([Source](#)).

1.2 Life and Health Insurance as a Developmental Tool

Life and health insurance can help mitigate shocks while enabling people to be more confident and make decisions about their future. Health insurance lowers out-of-pocket health spending and increases access to emergency and inpatient care.¹² Life insurance provides access to cash and often helps cover funeral expenses following a death, helping preserve children’s schooling, protect household assets, and maintain business continuity.¹³ Studies from the U.S., India, and Latin America show that insured households are significantly less likely to incur catastrophic health expenditures or suffer long-term income losses after mortality shocks.¹⁴

Insurance helps people manage risk, but, just as importantly, it shapes their outlook and actions. When people feel secure, they are more likely to make forward-looking decisions, such as investing in preventive healthcare,¹⁵ growing their businesses,¹⁶ or sending children to school.¹⁷ This sense of security creates room for planning, not just coping. Our research highlights this often overlooked but critical benefit — unlike credit or savings, which require consistent discipline over time, purchasing insurance offers a sense of stability and long-term risk protection, giving entrepreneurs the confidence to take measured risks that support growth and resilience.

1.2.1 Limited Uptake of Insurance in Emerging and Developing Markets

Public health insurance schemes have expanded coverage but face gaps in financial protection and service quality. Programs like Thailand’s Universal Coverage Scheme and Vietnam’s Health Insurance Fund have significantly reduced out-of-pocket health

spending and improved service access for low-income segments.¹⁸ However, coverage alone does not guarantee protection. Co-payments, deductibles, exclusions, and low provider participation mean that many insured households still face high medical expenses. In Indonesia and Brazil, focus group participants described long wait times, poor quality, limited availability of services, and high out-of-pocket payments as pain points encountered under public health schemes.

Life insurance is underutilized in many low- and middle-income countries (LMICs) despite its potential to stabilize household finances. Life insurance penetration remains low, with average premiums totaling below 2 percent of GDP in developing countries, compared to 5 percent in developed countries, with access confined mainly to high-income segments.¹⁹ Government subsidies have had limited success. For example, the Government of India launched the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) in 2015 as a public insurance option to help low-income households manage shocks. PMJJBY provides life insurance coverage of up to US\$2,400 for an annual premium of about US\$5.25 to individuals aged 18 to 50. Yet, despite its affordability and relevance for vulnerable populations, nationwide uptake was less than 5 percent and under 1 percent among low-income households. Key reasons identified include low awareness of the scheme, limited appeal of a pure term product without any living benefits, and numerous process-level inefficiencies in the customer journey that cause customers harm and erode trust.

More innovative models, such as bundled microinsurance in Bangladesh and Kenya, combine life coverage with credit or savings, yet these products remain niche with limited penetration in target segments. Microinsurance models in Bangladesh²⁰ and Kenya²¹ bundle life coverage

12 Anderson, M., Dobkin, C., & Gross, T. (2012). The Effect of Health Insurance Coverage on the Use of Medical Services. *American Economic Journal: Economic Policy*, 4(1), 1–27. ([Source](#)).

13 World Bank. (n.d.). Insurance for the Poor: A World Bank Program. ([Source](#)).

14 Okunogbe, A., Hähnle, J., Rotimi, B., Akande, T., & Janssens, W. (2022). Short and longer-term impacts of health insurance on catastrophic health expenditures in Kwara State, Nigeria. *BMC Health Services Research*, 22. ([Source](#)).

15 Johns, M., & Rosenthal, J. (2024). How the Affordable Care Act Improved Access to Preventive Health Services. Center for American Progress. ([Source](#)).

16 Swiss Re Institute. (2017). Insurance: adding value to development in emerging markets. ([Source](#)).

17 Swiss Re Institute (2017). See note 16. ([Source](#)).

18 Hondo, D., & Kim, Y. (2023). Achieving Universal Health Coverage in Developing Asia and the Pacific. Asian Development Bank Institute. ([Source](#)).

19 Nguyen, Q. (2024). The development of the life insurance market and bank stability in developing countries. *Heliyon*, 10(19). ([Source](#)).

20 [See more details](#).

21 Martin-Odoom, J. (2023). Digital insurance offers security for underserved communities in Africa. Accion. ([Source](#)).

with credit or savings products to protect small businesses and enable surviving family members to avoid selling assets to pay off an outstanding loan. However, consumers frequently overestimate costs or believe they must pass health exams or credit checks to qualify. Additionally, these products are often designed to benefit financial service providers from losses rather than protect low-income customers in the event of a death of a family member.

1.3 Barriers to Insurance Adoption

Multiple factors inhibit insurance adoption among low-income populations. Five key barriers are particularly salient: (1) affordability and liquidity constraints, where even modest premiums feel prohibitive for volatile incomes; (2) behavioral biases such as present bias and limited risk perception, which discourage preemptive action; (3) trust deficits, often stemming from negative experiences with claims or aggressive sales; (4) complexity and information gaps, including low insurance literacy; and (5) poor service quality and claims friction, which erode confidence even among those who purchase coverage. These barriers interact to create a high drop-off rate between awareness, enrollment, and sustained use.



Affordability and liquidity constraints:

Even small premium costs can be unaffordable for those with volatile or seasonal incomes. Studies show that insurance premiums can account for a significant portion of monthly income, often an untenable burden for people earning under US\$2 a day.²² In Ghana, over 60 percent of individuals who either did not sign up for or dropped out of public health insurance cited a lack of cash at the time of payment as their primary reason for non-enrollment.²³ In São Paulo and Jakarta, our fieldwork revealed that inflationary pressures further limited households' ability to maintain or upgrade

their coverage. Flexible payment options, such as micropayments or installment plans, may improve retention and reduce drop-off.



Behavioral biases and perceived low value:

Behavioral economics helps explain why many delay enrollment until after a shock. Present bias leads individuals to prioritize immediate needs over future protection, while optimism bias can result in the underestimation of risk. Evidence shows that many only enroll in health insurance after an adverse event, incurring significantly higher treatment costs than early enrollees.²⁴ Meanwhile, insurance, unlike loans or grants, offers no immediate benefit, which makes the value proposition more challenging to communicate to resource-constrained households.



Trust deficits and institutional alienation:

Negative past experiences, institutional exclusion, and perceived unfairness deter insurance use. Low-income consumers often distrust insurers due to denied claims, opaque policy terms, or aggressive sales tactics. In South Africa, insurance remains one of the least trusted financial institutions, often receiving the highest volume of consumer complaints, and is frequently misunderstood as an investment product — contributing to confusion, dissatisfaction, and mistrust.²⁵ Focus group participants in Jakarta and São Paulo echoed this skepticism, describing opaque exclusions and disappointing customer service. Trust can be rebuilt through transparency, community-based distribution, and participatory product design.



Complexity, information gaps, and financial literacy:

Insurance terminology and policy conditions are often opaque and difficult to understand. Key terms like "deductible," "co-pay," or "exclusion" are poorly understood by many prospective users. In São Paulo and Jakarta, participants relied heavily on brokers for information — leaving them vulnerable to mis-selling. Studies show that interactive product explainers and mobile decision aids can improve understanding, especially

22 Nosratnejad, S., Rashidian, A., & Dror, D.M. (2016). Systematic Review of Willingness to Pay for Health Insurance in Low and Middle Income Countries. *PLoS One*, 11(6). ([Source](#)).

23 Sarkodie, A.O. (2021). Effect of the National Health Insurance Scheme on Healthcare Utilization and Out-of-Pocket Payment: Evidence from GLSS 7. *Humanities and Social Science Communications*, 8. ([Source](#)).

24 Yang, P., Zhong, S., Wang, X., & Zhong, R. (2025). Adverse Selection as a Barrier to Achieving Universal Public Health Insurance Coverage in China. *Risk Management and Healthcare Policy*, 18, 801–821. ([Source](#)).

25 Jacobs, R., Mashego, L., Mofulatsi, K., Beyers, N., & Hougaard, C. (2023). South African financial customer behaviour and sentiment study. Financial Sector Conduct Authority. ([Source](#)).

among lower-literacy customers, which disproportionately includes women. Still, digital tools should complement, not replace, human support.



Poor quality service and claims friction:

Slow, opaque, or denied claims are a primary reason for dissatisfaction and dropout.

Globally, only one-quarter of low-income insurance users report satisfaction with the claims process. In our fieldwork, MSE owners in Jakarta cited issues with delayed reimbursements and burdensome paperwork; in Brazil, high deductibles and ambiguous policy terms were frequent complaints. Investments in digital claims, simplified documentation, and responsive customer service are crucial to improving user experience.

1.4 Methodology, Objectives, and Limitations

This study fills a critical gap in the inclusive insurance literature by focusing on the lived realities of MSEs in emerging markets – an essential but often overlooked segment. While insurance holds significant promise for strengthening resilience and unlocking opportunity, little is known about how MSEs perceive, experience, and use insurance products. To address this, the study employs a representative research methodology centered on the role of life and health insurance in improving stability for entrepreneurs. MSEs are the backbone of emerging market economies, yet they remain disproportionately exposed to shocks and largely uninsured. By capturing their perspectives through survey and qualitative research, this study aims to equip providers and policymakers with the insights needed to design more relevant products, build trust, and expand coverage in ways that meet the needs of underserved business owners.

Our research builds on original fieldwork with over 1,600 MSEs in São Paulo and Jakarta. These two cities were selected due to their size, diversity, economic complexity, exposure to climate and health risks, and differing levels of insurance market development. For the life and health insurance deep dive, São Paulo and Jakarta provided meaningful contrasts, one with a universal public health system, the other with a large-scale national insurance scheme, and both with active digital financial ecosystems.

To generate representative insights, we employed adaptive cluster sampling (ACS), a methodology well suited for informal, geographically dispersed businesses that are often missed by traditional surveys. ACS allows the sample to expand dynamically in areas with high concentrations of MSEs, improving both efficiency and representativeness. We enumerated over 11,000 enterprises and conducted in-depth surveys with 1,621 MSEs operating from permanent or semi-permanent locations. The sample excluded highly mobile vendors, international franchises, and upscale retail outlets in order to maintain focus on small, community-based enterprises.

The survey captured a rich set of variables, including risk exposure, coping strategies, usage and perceptions of insurance, digital behavior, and financial product adoption. To complement the quantitative data, we conducted qualitative focus group discussions with current, former, and non-users of insurance. These discussions yielded rich narratives about the emotional, practical, and financial dimensions of risk and resilience. The study explores differences across gender, education, and digital familiarity, aiming to go beyond describing low uptake and instead provide insights into how insurance is understood, experienced, and evaluated by small businesses.

The study also quantifies the potential market for life and health insurance in Brazil and Indonesia. We estimate the total addressable market, assuming full uptake at stated willingness to pay, at approximately US\$3.7 billion in Brazil and US\$2.3 billion in Indonesia. Recognizing that not all MSEs will adopt insurance in practice, we also model uptake under conservative and optimistic conversion scenarios. Even with modest assumptions, the annual premium potential exceeds US\$230 million across the two countries. Under more optimistic conditions, it could approach US\$1 billion. These figures underscore that the opportunity is not marginal, and that tailored insurance models for MSEs deserve greater attention from insurers, policymakers, and investors. Further supply-side research will help determine the true opportunity and the incentives and resources needed for insurance providers to serve this segment.

While the study offers valuable demand-side insights, translating these findings into action

will require closer engagement with insurance providers, including piloting new approaches to product design, distribution, and customer communication. The recommendations presented here are grounded primarily in the lived experiences of MSEs, complemented by a review of national insurance landscapes and consultations with industry experts. These discussions helped inform our analysis and shape the relevance of our findings. However, translating these insights into practice will require deeper engagement with insurers, distributors, and regulators to assess operational feasibility, align incentives, and test models through local pilots. To build on these findings, future efforts should focus on working closely with providers to test, refine, and

scale inclusive insurance models, linking demand insights with operational realities and market innovation.

This rest of the report is divided into three parts. Chapter 2 examines the institutional and regulatory environment for life and health insurance in Brazil and Indonesia, providing essential context for understanding local dynamics. Chapter 3 draws on original survey data and focus group discussions to explore how entrepreneurs perceive risk, engage with insurance, and cope with shocks. Chapter 4 distills these findings into practical recommendations to help expand inclusive insurance for underserved micro and small enterprises.

2 Market Context: Life and Health Insurance in Brazil and Indonesia

This chapter draws from secondary research and presents an overview of the health and life insurance markets in Brazil and Indonesia. While life and health insurance have shown promise as tools to reduce vulnerability and enhance household resilience, their reach and effectiveness are shaped by country-specific market conditions. Understanding the institutional, regulatory, and consumer-level characteristics of Brazil and Indonesia – two large, middle-income countries with vastly different financial ecosystems – is essential to contextualize the empirical findings that follow in Chapter 3.

2.1 Brazil: A Dual System with Uneven Private Sector Expansion

Brazil combines relatively high levels of financial inclusion with persistent inequality. As of 2023, the country had a GNI per capita of US\$18,437 (PPP-adjusted), and over 84 percent of adults owned a financial services account.²⁶ Financial literacy, while higher than in many peer countries, remains limited (30 percent according to OECD estimates).²⁷ Inflation in Brazil has stabilized from pandemic highs to only 4.6 percent in 2023, down from 9.3 percent in 2022.²⁸ These factors position Brazil's insurance sector to expand coverage to millions of financially underserved people.



The health and life insurance industries in Brazil have evolved significantly over recent decades, shaped by a combination of government initiatives and private sector development. Regulatory support in recent years, including the launch of a regulatory sandbox and the establishment of more flexible rules for insurance, has led to strong

26 World Bank. (n.d.-a). Account ownership at a financial institution or with a mobile-money-service provider (% of population ages 15+)–Brazil. ([Source](#)).

27 OECD. (2023). OECD/INFE 2023 International Survey of Adult Financial Literacy. OECD Business and Finance Policy Papers, 39. ([Source](#)).

28 World Bank. (n.d.-b). Inflation, consumer prices (annual %)-Brazil. ([Source](#)).

growth in Brazil's insurance sector. The introduction of a regulatory framework for microinsurance between 2011 and 2013 has boosted the number of microinsurance providers, expanded product availability, and increased uptake over the past decade.²⁹ Following the COVID-19 pandemic, the proliferation of embedded insurance products in digital banking, offered by Mercado Libre, NEAT Protect, Kovr, and others, has supported this growth as well, giving millions access to private life and health insurance for the first time.³⁰

Lack of affordability, low trust, and limited data continue to constrain the growth of inclusive insurance in Brazil. Despite regulatory support for microinsurance, the high cost of available policies relative to earnings and a low labor force participation rate make insurance unaffordable for many low-income Brazilians.³¹ Equally important is the lack of consumer trust; consumers often struggle to understand pricing and policy terms, and many believe that insurers do not follow through on claims.³² These challenges are compounded by a lack of publicly available data on insurance penetration and affordability disaggregated by gender and customer segments. Without detailed insights into who is being reached, what products are valued, and how perceptions differ across demographic groups, insurers and policymakers are left with limited guidance on how to meaningfully expand coverage to underserved communities.

2.1.1 Health Coverage in Brazil: A Snapshot

Brazil's coverage operates through a dual system, consisting of the government-provided Unified Health System and private health insurance providers. Brazil's public health system offers universal coverage in principle, but persistent gaps in quality and access have driven demand for private alternatives. The Sistema Único de Saúde (SUS), established following the 1988 constitutional

recognition of health as a state responsibility, was designed to guarantee free, universal healthcare for all Brazilians. While the system has succeeded in expanding coverage across the country, it continues to face structural constraints, including underfunding, uneven infrastructure, and long wait times for specialized services. These shortcomings have pushed many Brazilians, especially those in urban areas or with higher incomes, to supplement or replace public care with private health insurance.³³

Private health insurance in Brazil is associated with speed, quality, and status, but remains inaccessible to most low-income households. Roughly one in four Brazilians, about 25 percent of the population, has private health coverage through individual plans or employer-sponsored benefits.³⁴ These plans range from basic to comprehensive and are often seen as providing faster and better-quality care than the public system. Private insurance is also widely perceived as a marker of middle- or upper-class status, reinforcing its appeal among higher-income groups.³⁵ However, affordability remains a significant barrier: Only 2.2 percent of individuals earning less than one-quarter of the minimum wage have private coverage, compared to 86.8 percent of those earning five times the minimum wage.³⁶

In the private sector, it is important to distinguish between health plans (planos de saúde) and health insurance (seguro saúde). While often used interchangeably, these terms have distinct meanings in Brazil:

- **Health plans (planos de saúde):** More common and regulated by the National Supplementary Health Agency (Agência Nacional de Saúde Suplementar, or ANS), health plans typically offer predefined coverage for a range of medical services through a network of providers. The cost of services is included in the monthly premium paid by the patient. Health plans can be individual or group plans, with the latter often provided by employers.

29 CGAP. (n.d.). Access to Insurance Initiative. ([Source](#)).

30 Aggarwal, R., Habecker, S., Leitner, M., & Uchil, A. (2023). The Life & Health Insurance Inclusion Radar. Swiss Re Institute. ([Source](#)).

31 Aggarwal et al. (2023). See note 30. ([Source](#)).

32 See Sections 3.2 and 3.3.

33 Massuda, A., Hone, T., Leles, F., de Castro, M., & Atun, R. (2018). The Brazilian health system at crossroads: progress, crisis and resilience. *BMJ Global Health*, 3(4). ([Source](#)); Ortega, F., & Pele, A. (2023). Brazil's unified health system: 35 years and future challenges. *The Lancet Regional Health Americas*, 28. ([Source](#)).

34 Minami, B. (2024). Overview of Brazilian Supplementary Healthcare: 2019–2023 – Analysis of the ANS Healthcare Map. IESS. ([Source](#)).

35 Silva, B., Hens, N., Gusso, G., Lagaert, S., Macinko, J., & Willems, S. (2022). Dual Use of Public and Private Health Care Services in Brazil. *International Journal of Environmental Research and Public Health*, 19(3). ([Source](#)).

36 Summit Saúde. (2020, September 23). Access to healthcare: 150 million Brazilians depend on the SUS. ([Source](#)).



- **Health insurance (seguro saúde):** This is a less common option that provides reimbursement for medical expenses. It's regulated by the Superintendence of Private Insurance (SUSEP) and offers more flexibility in choosing healthcare providers, but it often comes at a higher cost. It also requires the patient to pay for the services and claim reimbursement later.

2.1.2 Life Insurance in Brazil: A Snapshot

Brazil's life insurance market has grown steadily, driven by product bundling strategies and rising demand for supplemental protection. The life insurance sector in Brazil has expanded consistently over the past decade, with real growth of 9 percent recorded in 2023.³⁷ Regulated by the Superintendence of Private Insurance (SUSEP), the market offers a wide range of products, many of which are integrated into broader financial services. This bundling approach has played a key role in driving uptake by simplifying access and increasing perceived value.

Examples of the commonly found bundled models include:

1. **Pension-linked life insurance:** Many life insurance products in Brazil are bundled with

pension plans, known as Vida Gerador de Benefício Livre (VGBL) and Plano Gerador de Benefício Livre (PGBL). These products combine life coverage with long-term savings features, offering tax advantages that make them attractive to consumers.

2. **Bancassurance products:** Many banks offer insurance products bundled with their banking services. For example, life insurance might be offered alongside credit cards or loans, often with simplified underwriting processes.
3. **Funeral assistance plans:** These policies are typically bundled with simple life insurance policies and provide a lump sum payment meant to cover funerary costs.

The government also provides limited life protection through Brazil's National Social Security Institute (Instituto Nacional do Seguro Social, or INSS), which offers benefits to the dependents of deceased contributors; however, these benefits are typically modest and insufficient to meet household needs after a loss. As a result, many families seek additional protection through private life insurance, contributing to sustained demand across income groups.

37 CNseg. (2025). Insurance Sector Statistics up to April 2025. (Source).

2.2 Indonesia: Building Toward Coverage in a Fragmented System

Indonesia's insurance sector is growing within a fragmented ecosystem marked by low penetration, limited trust, and early-stage digital transformation. As the world's fourth most populous country with over 270 million inhabitants, Indonesia presents significant learnings for inclusive insurance.³⁸ However, the market remains underdeveloped: Insurance penetration stood at 2.7 percent of GDP in 2021, far below the global average of 7.0 percent.³⁹ This gap mirrors broader challenges in financial inclusion — only 52 percent of Indonesians owned a financial account in 2021,⁴⁰ and 19 percent were financially literate in 2022, according to the OECD.⁴¹

The industry is regulated by Indonesia's Financial Services Authority (OJK), which oversees a relatively comprehensive insurance framework.

2014 was a critical turning point in Indonesia's insurance industry when it replaced its 1992 insurance law. The updated legislation mandated local ownership of domestic insurers and required domestic provision of insurance coverage for risks in Indonesia.⁴² While these requirements were meant to strengthen the local reinsurance market, they have also discouraged foreign investments. A survey conducted by the OJK in 2023 noted that limited support among domestic reinsurers is viewed as the sector's second-largest challenge.⁴³

OJK has introduced new licensing frameworks and operational requirements, especially for

digital insurance products. Recent regulatory developments include more intensive operational requirements for insurance companies and specific licensing requirements for digital insurance products. These steps are intended to build trust and improve consumer protection in a sector that receives a disproportionate number of complaints relative to its size.⁴⁴ A survey conducted by the OJK in 2023 reports that despite its low penetration and reported inclusion rate of only 16.6 percent, the sector had the highest recorded number of consumer complaints among financial sectors.⁴⁵

Digitization could be at a turning point, though progress remains uneven. A 2023 OJK survey found that most insurance providers continue to rely on conventional distribution channels like brokers and agents and that over half report using minimal information technology. Nonetheless, digital transformation is a rising priority; insurers identified it as their top strategy in the next five years.⁴⁶ For example, insurtech companies like PasarPolis and Qoala are leveraging technology to offer microinsurance products and digital insurance platforms, partnering with traditional insurers to broaden their product offerings.⁴⁷

The Indonesian insurance market still faces several challenges. These include low levels of financial inclusion, financial literacy, consumer understanding of insurance, and trust in insurance providers, as well as difficulty reaching those working in the informal economy, especially in rural areas.⁴⁸ Like in Brazil, the lack of publicly available research on insurance for people with low income inhibits effective product development and strategies to reach low-income consumers as well.

38 In 2023, the country had a GNI per capita of USD \$13,522, adjusted for purchasing power parity and an inflation rate of 3.7 percent.

39 ASEC. (2022). ASEAN Insurance Surveillance Report 2022. 25th ASEAN Insurance Regulators' Meeting. ([Source](#)).

40 World Bank (n.d.-a). See note 26. ([Source](#)).

41 OECD (2023). See note 27. ([Source](#)).

42 KPMG Siddharta Advisory. (2016). Insurance in Indonesia: Opportunities in a Dynamic Market. KPMG Indonesia. ([Source](#)).

43 Otoritas Jasa Keuangan (OJK). (2023). Roadmap for the Development and Strengthening of the Indonesian Insurance Industry 2023–2027: Restoring Confidence Through Industrial Reform. ([Source](#)).

44 Baker McKenzie. (2025). Indonesia: Regulation 36/2024 – Paving the way for innovation in Indonesia's insurance industry. ([Source](#)).

45 OJK (2023). See note 43 ([Source](#)).

46 OJK (2023). See note 43 ([Source](#)). See also: Tirona, O. (2024). Indonesian insurers' old-school thinking holds back sector. Insurance Asia. ([Source](#)).

47 [PasarPolis](#); [Qoala](#)

48 OJK. (2021). National Strategy on Indonesian Financial Literacy (SNLKI) 2021–2025. ([Source](#)). See also Section 2.2.1.

2.2.1 Health Insurance in Indonesia: A Snapshot

Indonesia’s national health insurance program has expanded coverage, but gaps in access and quality have sustained demand for private alternatives.

Indonesia’s National Health Insurance program — Jaminan Kesehatan Nasional (JKN)— was created in 2014 to address the country’s low rate of health insurance coverage (under 50 percent) and high out-of-pocket costs (45 percent of healthcare expenditures).⁴⁹ Participation in JKN is mandatory, even for those with private health insurance. JKN subsidizes basic coverage for people living below the poverty line. Still, 20 percent of Indonesians do not have active policies, according to the government,⁵⁰ most of whom likely work in the informal sector where premiums are not automatically deducted from paychecks.

JKN has made measurable progress, but quality concerns persist. Health insurance coverage has increased substantially, and out-of-pocket spending has declined to 27.5 percent of healthcare expenditure. Still, access to quality care remains uneven. A large share of private clinics have not joined the JKN network, likely due to burdensome administrative processes and perceived low reimbursement rates. In many rural areas, public primary care facilities are virtually nonexistent. Even where facilities are available, long wait times and concerns about service quality persist.⁵¹ In order to fill these gaps, private health insurance plays a complementary role, catering in particular to the growing middle-class and affluent population segments in urban areas.

2.2.2 Life Insurance in Indonesia: A Snapshot

Life insurance is the largest segment in Indonesia’s private insurance sector, but individual coverage

remains limited, and investment-linked products dominate. Despite being the country’s largest private insurance segment, life insurance coverage in Indonesia is still shallow. In 2021, the average value of life insurance policies in Indonesia was just under USD \$46 per person, compared to an average of about USD \$160 per person among ASEAN countries.⁵²

Bundled and investment-linked products account for the bulk of life insurance offerings, reflecting a market geared toward wealth management rather than broad-based risk protection. Most major life insurance providers bundle life insurance with pension funds and other investment instruments. These investment-linked products dominate the market, accounting for 44 percent of total insurance premiums paid in 2022.⁵³ These products typically allocate a portion of premiums paid to investments for the policyholder so that they receive returns as well as life insurance coverage.⁵⁴ Bundling and embedded insurance are popular in Indonesia overall, with 72 percent of insurance providers offering products through banks and 66 percent through non-bank financial institutions.⁵⁵

While premium growth has been modest, the number of insured individuals has surged, driven almost entirely by group plans. Growth in premiums remained modest at only 4.3 percent in 2024, yet group plans through employers and other organizations have seen rapid growth. The total number of insured individuals increased by 80 percent to almost 150 million people in 2024, according to the Indonesian Life Insurance Association. This growth was almost entirely due to the doubling of the number of individuals covered by group plans.⁵⁶

49 Johar, M., Soewondo, P., Adji, A., Pujisubekti, R., Satrio, H.K., & Wibisono, I.D. (2017). The impact of Indonesia’s rapid move towards universal health insurance on total health care expenditure. Community Welfare Policy Assistance Team, Indonesia. (Source).

50 Sismonev DJSN. (n.d.). Social Security Monitoring and Evaluation System. (Source).

51 Maulana, N., Adani, N., Mardani, H., Trihono, & Pattnaik, A. (2022). Expanding Coverage and Readiness in Indonesia: How JKN Coverage and Supply-Side Readiness Influence Out-of-Pocket Payments across the Archipelago. ThinkWell, Indonesia Brief 3. (Source).

52 ASEC (2022). See note 39. (Source).

53 OJK (2023). See note 43. (Source).

54 Fajarai, B. (2025, February 20). Understanding PAYDI Insurance, Regulations, Types and Benefits. Lifepal. (Source).

55 OJK (2023). See note 43. (Source).

56 Indonesian Life Insurance Agency. (2025, February 28). Indonesia Insurance Summit 2025 [Press release]. (Source).

3

What Drives the Decision? Understanding Insurance Choices Among Small Entrepreneurs

This chapter presents demand-side evidence from over 1,600 micro and small enterprises (MSEs) to shed light on how entrepreneurs perceive, use, and experience insurance. Having explored the broader market context for inclusive insurance in Brazil and Indonesia, this chapter elevates the voices and experiences of MSEs operating in São Paulo and Jakarta. These businesses face a range of shocks (health, economic, and environmental), but often lack access to affordable, trusted financial tools to manage them. Despite differences in regulatory frameworks and product availability across the two markets, our data reveals shared patterns in how MSEs understand risk, make decisions about insurance, and navigate the gaps between public and private coverage.



The findings in this chapter are grounded in field research with MSEs in São Paulo and Jakarta. Using a combination of large-scale surveys and focus group discussions, we explore how small business owners perceive risk, make decisions about insurance, and interact with both public and private coverage options. The analysis highlights differences across gender, sector, education, and digital engagement, surfacing practical insights into how insurance fits or fails to fit into the financial lives of underserved entrepreneurs. Figure 1 summarizes the key characteristics of MSE owners in both markets.

FIGURE 1: SUMMARY TABLE ON JAKARTA VS. SÃO PAULO

Metric	São Paulo	Jakarta	Additional Context
Estimated number of MSEs	506,000	454,000	Seventy percent of these MSEs had fewer than 10 employees.
% of women-owned MSEs	35%	70%	Nearly 50 percent of women-owned MSEs in Jakarta and 25 percent in São Paulo were engaged in food-related businesses.
% of MSE owners who had completed secondary education	79%	91%	Level of education was found to be a key driver of adopting digital technologies and financial services.
% of MSE owners below 55 years of age	74%	85%	Forty-three percent of MSE owners in São Paulo and 64 percent in Jakarta are between 35 and 54 years old.
% of MSE owners with 10+ years of entrepreneurial experience	37%	20%	Fifty-five percent of MSE owners in Jakarta and 40 percent in São Paulo had up to five years of entrepreneurial experience.



3.1 Living with Risk: How MSEs Experience and Manage Shocks

This section focuses on the risks MSEs in São Paulo and Jakarta face and the measures they adopt to cope with them. Our research found that inflation was a salient business risk that made MSEs more price-sensitive in their insurance purchase decisions. MSEs were also exposed to climate, health, and other shocks and relied on a combination of financial and non-financial strategies to cope with these events.

MSEs face a range of shocks that significantly impact their livelihoods and resilience. As shown in Figure 2, nearly 25 percent of MSE owners in São Paulo and 40 percent in Jakarta cited rising input and labor costs as the single most costly shock they had faced in the past three years. In addition, during the focus group discussions, MSE owners cited rising competition leading to loss of customers, supply chain risks including events triggered by climate shocks, losses from accidents and crimes, and increasing costs of raw materials as key business risks. Most MSE owners set aside profits and tried to find creative ways to reduce costs without impacting business volumes.

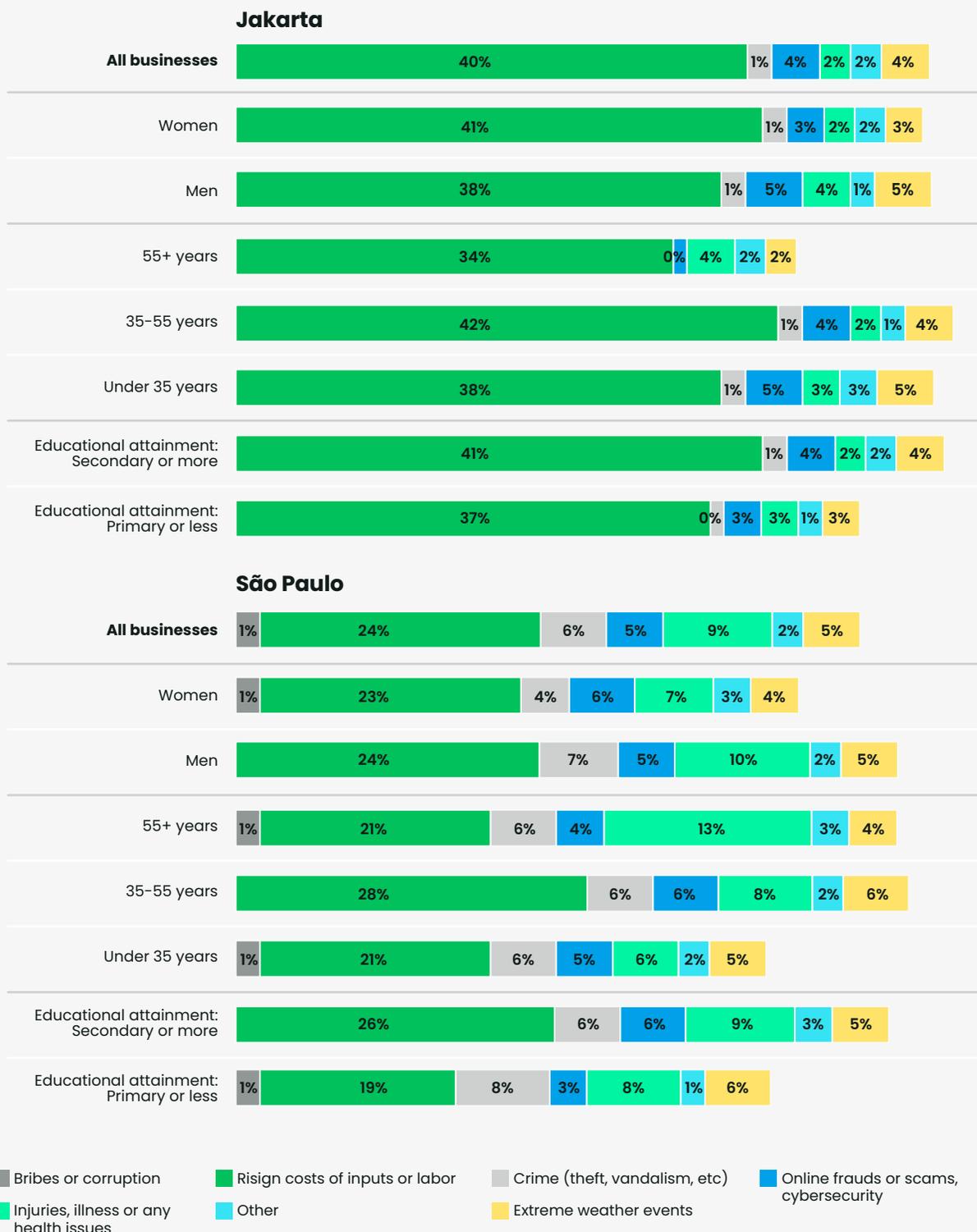
While inflation is a systemic issue that is difficult to insure as a standalone risk, it is important to note that MSE owners facing pressures over margins are likely to be highly price sensitive. As a construction business owner in São Paulo explained, “The value of our health insurance was absurd. So we downgraded our health plan to cut costs.” Another MSE owner explained, “There is an increase in prices yearly... because of inflation. That’s why lots of people move to other insurance companies.” Consequently, MSE owners in emerging markets with high inflation are likely to prefer insurance products that are inflation indexed, affordable, and offer great value or incorporate provisions to guard against price increases.

MSEs faced various health shocks that impacted business operations. Over 11 percent of MSE owners in Jakarta and 17 percent in São Paulo mentioned business disruptions caused by health shocks faced by themselves, their family members, or employees. Of them, 9 percent of MSE owners in São Paulo cited injuries, illness, or other adverse health events as the single most costly shock they had faced in the past three years. The overall costs of managing health shocks were significant and often went beyond health care expenses. For example, when some MSE owners, employees, or family members were unwell and had to take time off to recover, business operations suffered, leading to higher operating costs, lower productivity, and lower margins. A bakery owner couple in São Paulo explained, “My husband and I were sick; we had strong headaches. I was sick for 15 days. His was even worse; he got hemorrhagic dengue and couldn’t even walk. We solved our health issue by canceling orders and missing client deliveries.”

To cope with health shocks, MSEs relied on household or business savings, pointing to the lack of separation of business and household finances in informal microenterprises in emerging markets. An apparel business owner from Jakarta explained, “My mother was affected by COVID-19. Thankfully, she didn’t have any underlying conditions, but the costs were quite high since we weren’t referred to a government hospital. I had to pay out of pocket. It was quite expensive, and I helped cover the costs with money from my business. Unfortunately, because my emergency savings were depleted and insufficient, I had to use the business funds to cover the medical expenses.” As shown in Figure 3, while over 25 percent of MSEs received assistance from friends and family, less than 10 percent borrowed from formal or informal financial institutions. A nursery store owner in São Paulo justified her preference for borrowing from her family over a formal lender: “I borrow from my family. I can always ask the bank for money, but I don’t want to. It was too expensive. I always ask my sons if it is reasonable because they know I will repay.”

FIGURE 2: HIGH-IMPACT SHOCKS FACED BY MSEs

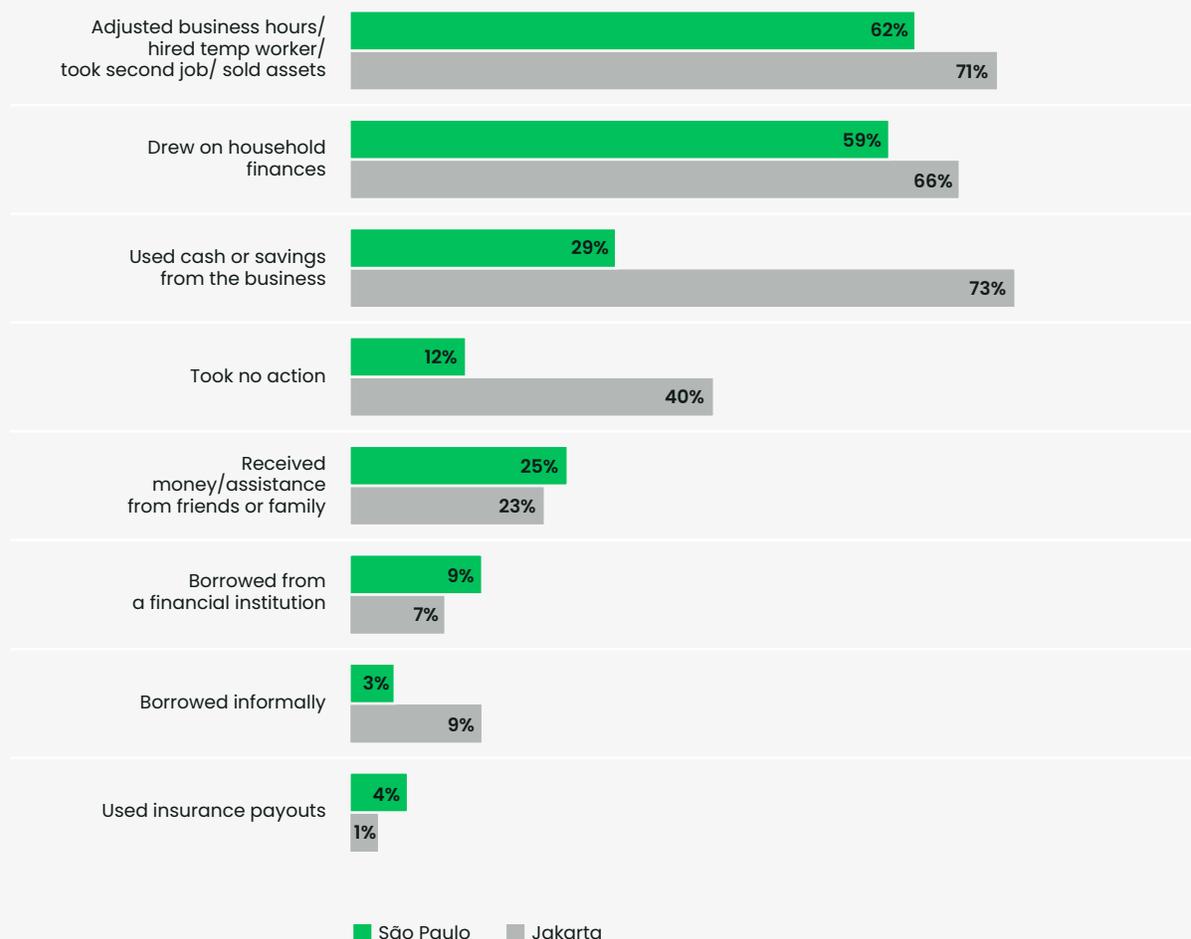
In the last 36 months, which of the following risks had the largest impact (most costly) in terms of losses or expenses incurred by the business? MSE owners or managers (%)



Source: Totolo et al. (2025) "Small Firms, Big Impact".

FIGURE 3: COPING STRATEGIES ADOPTED BY MSEs

MSE owners or managers impacted by health shocks in the past 36 months (%)



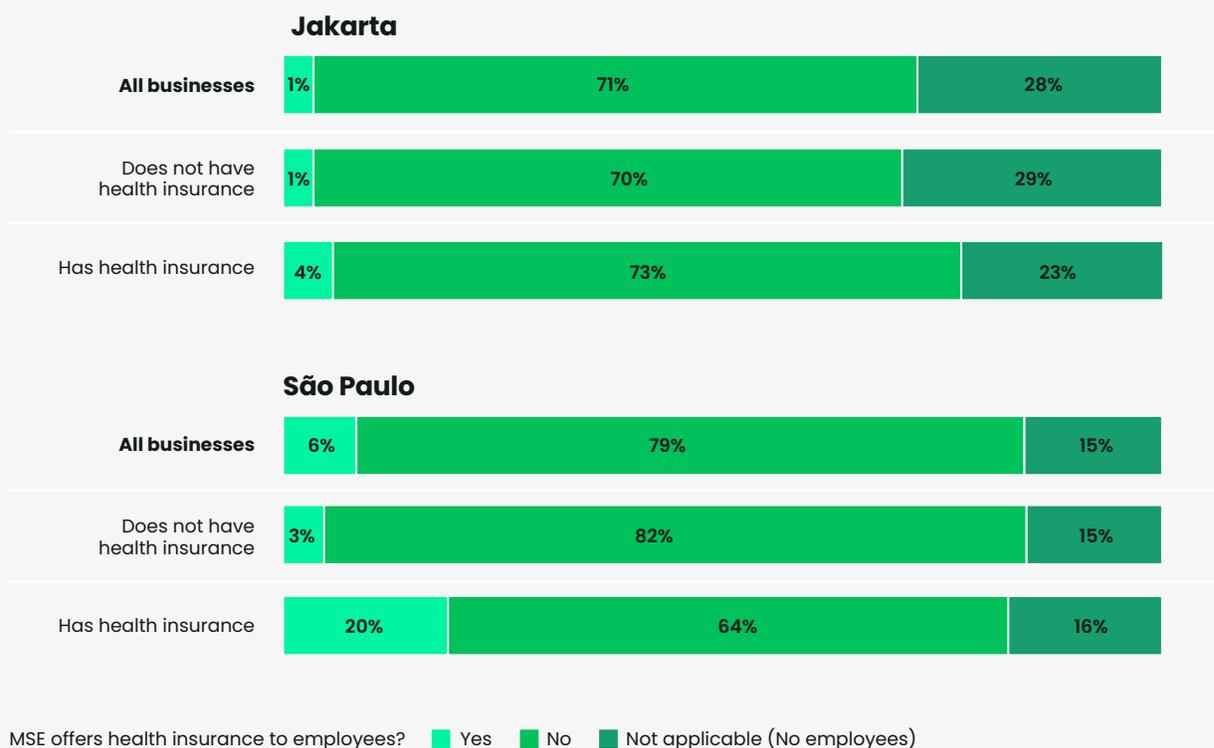
Source: Totolo et al. (2025) "Small Firms, Big Impact". Notes: The estimates presented in this figure are based on the following question: What actions did the business take to cope with the impacts of this health issue? [Reference population: MSEs that faced health shock]

Fewer than 5 percent of MSEs impacted by health shocks used insurance payouts as a coping mechanism. The negligible use of insurance payouts may be attributable to very few MSEs offering health insurance to their employees. As shown in Figure 4, among MSEs with one or more employees, only 6 percent in São Paulo and 1 percent in Jakarta offer health insurance to employees. However, during the focus group discussions, MSE owners from Jakarta acknowledged that business operations were disrupted when employees were sick and unable to

work. Given their limited scale of operations, MSE owners — particularly those having health insurance — tried to support employees by setting aside a small fund for medical expenses, offering employees insurance with small premiums, or encouraging them to enroll in free, government-provided health insurance. Additionally, as explained in subsequent sections of this report, high health insurance premium costs, delays in receiving insurance payouts, or small sizes of the payouts limited MSEs' ability to use them for immediate business requirements.

FIGURE 4: MSEs OFFERING HEALTH INSURANCE TO THEIR EMPLOYEES

MSE owners or managers (%)



Source: Totolo et al. (2025) "[Small Firms, Big Impact](#)".

Given the high cost of private health insurance, Brazilian MSEs in São Paulo did not rely solely on insurance to manage healthcare expenses.

During the focus group discussions, MSE owners in São Paulo expressed frustration with the long waiting times and suboptimal services provided by the public healthcare system. Many Brazilian MSEs in São Paulo used a combination of health insurance and health plans to balance affordability with more coverage options. A restaurant owner in São Paulo explained, “The health plan covers some of my health expenses, and my health insurance is a complementary contract that I have. I got health insurance because my health plan is not the fanciest. So many procedures would not be authorized. But now, if I need those special procedures, I’ll probably use the health insurance.”

Beyond financial services, over 60 percent of MSEs in São Paulo and 70 percent in Jakarta also relied on non-financial services such as selling assets, downsizing, adjusting business hours, or taking on additional employment opportunities.

A restaurant owner in São Paulo explained, “We dance according to the song. There is not much we can do but go for the day, sometimes reducing operating hours, focusing on high-margin products, keeping clients loyal.” Approximately 12 percent of MSEs in Jakarta and 40 percent in São Paulo did not take any measures to cope with health shocks. While most MSEs were able to recover from these shocks, and a few were in a better position, approximately 28 percent of MSEs’ business operations in São Paulo and 46 percent in Jakarta had not fully recovered from the impact of the health shocks, pointing to the inherent vulnerabilities of these businesses.

BOX 1: CLAUDIA AND PEDRO'S EXPERIENCE MANAGING RISKS WHILE GROWING THEIR BUSINESSES⁵⁷

From the time she was a little girl, Claudia Moriera enjoyed being around colors and fabrics. The 30-year-old is now a fashion designer running a small boutique from her house in São Paulo. Like most small business owners, Claudia's journey has been fraught with challenges.

One of Claudia's biggest worries is dealing with rising competition from local brands and online retailers. While Claudia takes pride in using high-quality, imported fabrics, such as Peruvian cotton, recent supply chain disruptions caused by climate shocks have impacted production, leading to lower sales. Consequently, despite being ambitious, Claudia is wary about making new investments where returns are not guaranteed. Heavy rains also impact her business directly. Claudia explains, "If it rains, the road in front of my shop gets flooded. I might not make any sales for a week. That's very stressful."

Her husband, Pedro, runs a small bakery, which was severely affected by power outages and lower client footfall during periods of heavy rain. "We had a power outage for three days because of the trees falling due to heavy rain. We needed the electricity because we needed the mixer, the blender, and the fridge. But there was no way to work without power, so we had to give back all the money for advance orders. We had a financial loss, in addition to throwing everything away, because we could not store anything perishable," recounts Claudia.

Given that both Claudia and Pedro are solo entrepreneurs who hire temporary workers only when needed, taking time off to recover from any illness was nearly impossible. "I'm the one who gets my hands dirty, so if I get sick, it's a problem," Claudia explained.

The family relies on diverse financial and non-financial strategies to manage shocks and run their businesses. Claudia is trying to expand her collection to swimwear and athleisure and is learning to use WhatsApp for business. Claudia and Pedro are also cost conscious and are always looking for ways to reduce expenses. Pedro explained his frustration, "We are constantly cutting expenses. We change brands at the supermarket, buy in bulk when things are cheap, stop ordering food or going out, but there is a limit." "We also downgraded our health insurance for a cheaper one," mentioned Claudia.

The couple was proactive in financial planning and had purchased property insurance for their home and the bakery. They had also saved a small corpus for emergencies. However, their savings were depleted after Pedro had a bike accident and had to be hospitalized. Given the limited coverage of their new health insurance policy, the couple had to cover most of the expenses out of pocket. Pedro's brother had helped cover some of the expenses, and the couple covered the rest with their personal savings and business reserves. They avoid borrowing from formal lenders due to the high interest rates and fear of becoming over-leveraged.

Claudia and Pedro's story is not unique. It highlights the many challenges microentrepreneurs in emerging markets face and the mechanisms they rely on to navigate shocks and manage household and business needs.

3.2 The Insurance Gap: Who Is Covered, Who Isn't, and Why It Matters

This section focuses on insurance awareness and adoption patterns, key drivers of adoption, and life and health insurance growth potential

in the two markets under study. For this analysis, MSEs were segmented into three categories: current policyholders, prospective policyholders, and hard-to-reach. Current policyholders are those with active insurance policies, while prospective

⁵⁷ Claudia and Pedro are fictional characters, "personas" crafted to represent the common themes and stories shared by many men and women entrepreneurs during our focus group discussions in São Paulo. While their story is not tied to specific individuals, it reflects the lived experiences, challenges, and motivations described by participants in this study.

policyholders⁵⁸ are those who currently don't have an active insurance policy but are keen to purchase one over the next 12 months or appreciate the benefits and role of insurance. Prospective policyholders may have had insurance policies in the past. Finally, the hard-to-reach segment refers to MSEs owners who don't have active policies and are disinclined to purchase insurance soon. This segment is also likely to harbor attitudes and perceptions that make it more challenging for providers to convert them into customers. Figure 5 shows the share of these three insurance market segments among all MSE owners and by gender, age, and educational attainment.

One out of five MSE owners in Jakarta and one in two in São Paulo currently use at least one insurance product. Of the eight insurance products tracked in the study, automobile insurance is most commonly used (30 percent) in São Paulo, followed by health insurance (15 percent), business insurance (12 percent), and life insurance (11 percent).

Furthermore, current policyholders in São Paulo have two active policies on average, pointing to a diverse private market for insurance and greater awareness and valuation of insurance among the MSE population. As shown in Figure 5, men are moderately more likely to use insurance than women (50 percent versus 45 percent) in São Paulo, a gap that persists across all products except for home insurance. Just over one in three MSE owners in São Paulo could be categorized as “prospective” policyholders, while 17 percent are hard to reach. In Jakarta, women are more likely to use insurance than men (24 percent versus 14 percent). Twenty-seven percent of MSE owners are “prospective” policyholders, while over half are “hard to reach” as potential customers. Figure 5 also indicates a correlation between insurance adoption levels and MSE owners' level of education. Interestingly, in Jakarta, MSE owners who had not studied beyond primary school were most inclined to purchase insurance over the next 12 months.

BOX 2: RAMONA'S INSURANCE ADOPTION JOURNEY⁵⁹

42-year-old Ramona lives in São Paulo with her husband and two young daughters. She owns a small restaurant, while her husband works as a construction contractor. Having grown up in a low-income family, Ramona had never heard of insurance. She learned about insurance and its protective benefits from her friend who works in a bank. However, she felt purchasing insurance was an unaffordable luxury given the couple's unpredictable income flows.

Ramona's perspective started shifting after her brother-in-law, the sole breadwinner for a family of four, passed away unexpectedly. Seeing the hardships her sister's family experienced, Ramona and her husband recognized they needed to plan for their children's futures. “We made a ballpark calculation of how much money we would have to save in order to leave a large sum of money to our daughters when we die or get old. We figured we would never be able to reach the amount we want in savings by then, so we decided to make life insurance to the value I have in mind,” explained Ramona.

With help from her friend, Ramona browsed the internet for more information on life insurance products, obtained quotes, reviewed benefits, and finally bought a product that offered living benefits. She relied on her friend's testimonial and was reassured that the insurance provider was highly reputed. Ramona was happy to report, “My policy has something interesting: a disability waiver of premium, and I can stop paying the premium if I get disabled. And I also receive a value if I am diagnosed with a chronic illness.”

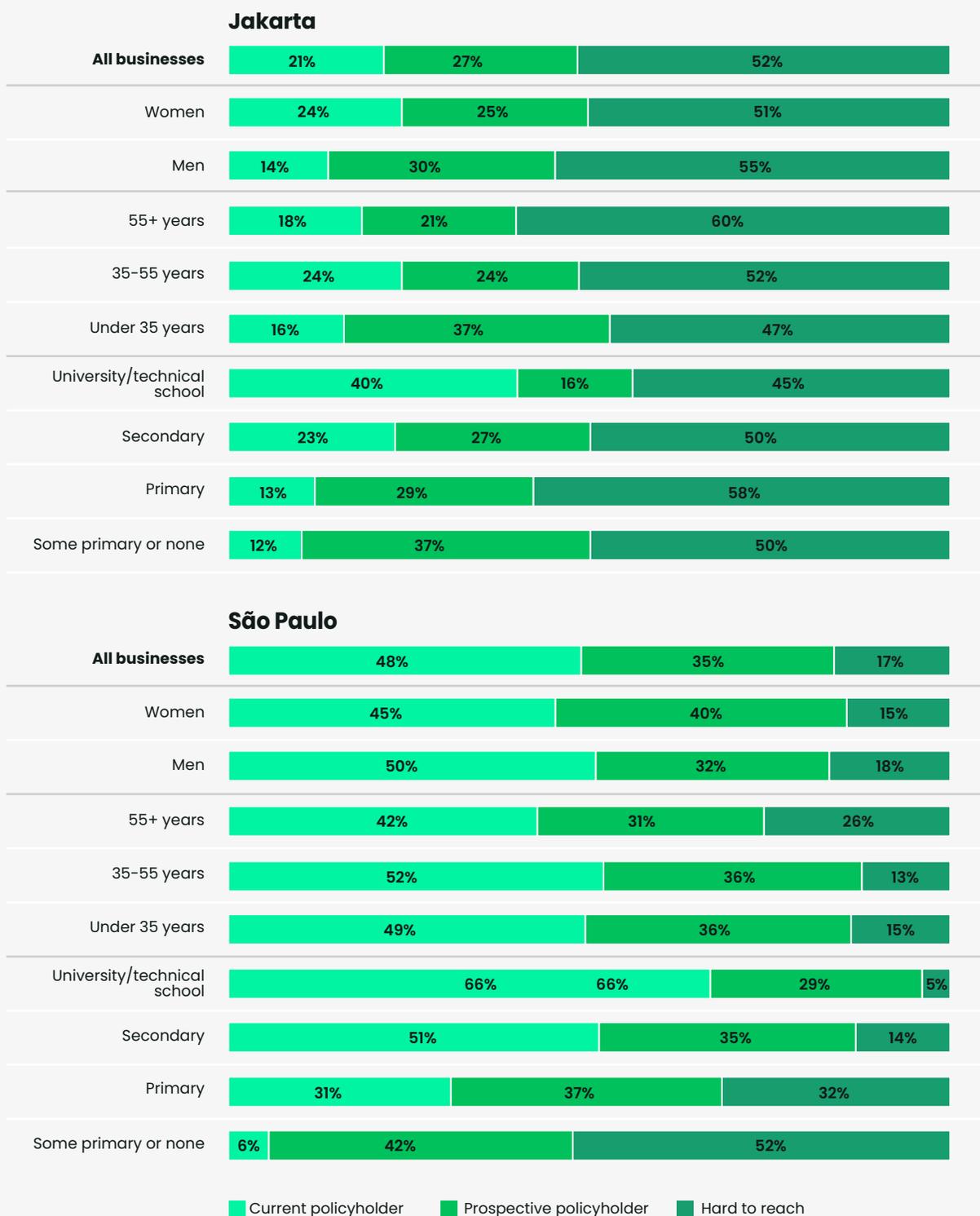
Ramona is now relieved to have a tool to help her plan for her children's future. While the premium payments are an additional expense that stretches the family's tight budget, the family has found ways to manage. In her view, being able to protect her family during unexpected situations is a worthwhile expense that helps her sleep peacefully at night.

58 Specifically, these are respondents who say they agree or strongly agree to any of the three following statements: (1) “I am likely to purchase insurance coverage in the near future”; (2) “Health insurance is necessary for ensuring access to healthcare services”; and (3) “Life insurance is a critical component of long-term financial planning.”

59 Ramona is a fictional character, a “persona” crafted to represent the common themes and stories shared by many men and women entrepreneurs during our focus group discussions in São Paulo. While her story is not tied to a specific individual, it reflects the lived experiences, challenges, and motivations described by participants in this study.

FIGURE 5: INSURANCE MARKET SEGMENTS

MSEs (%)



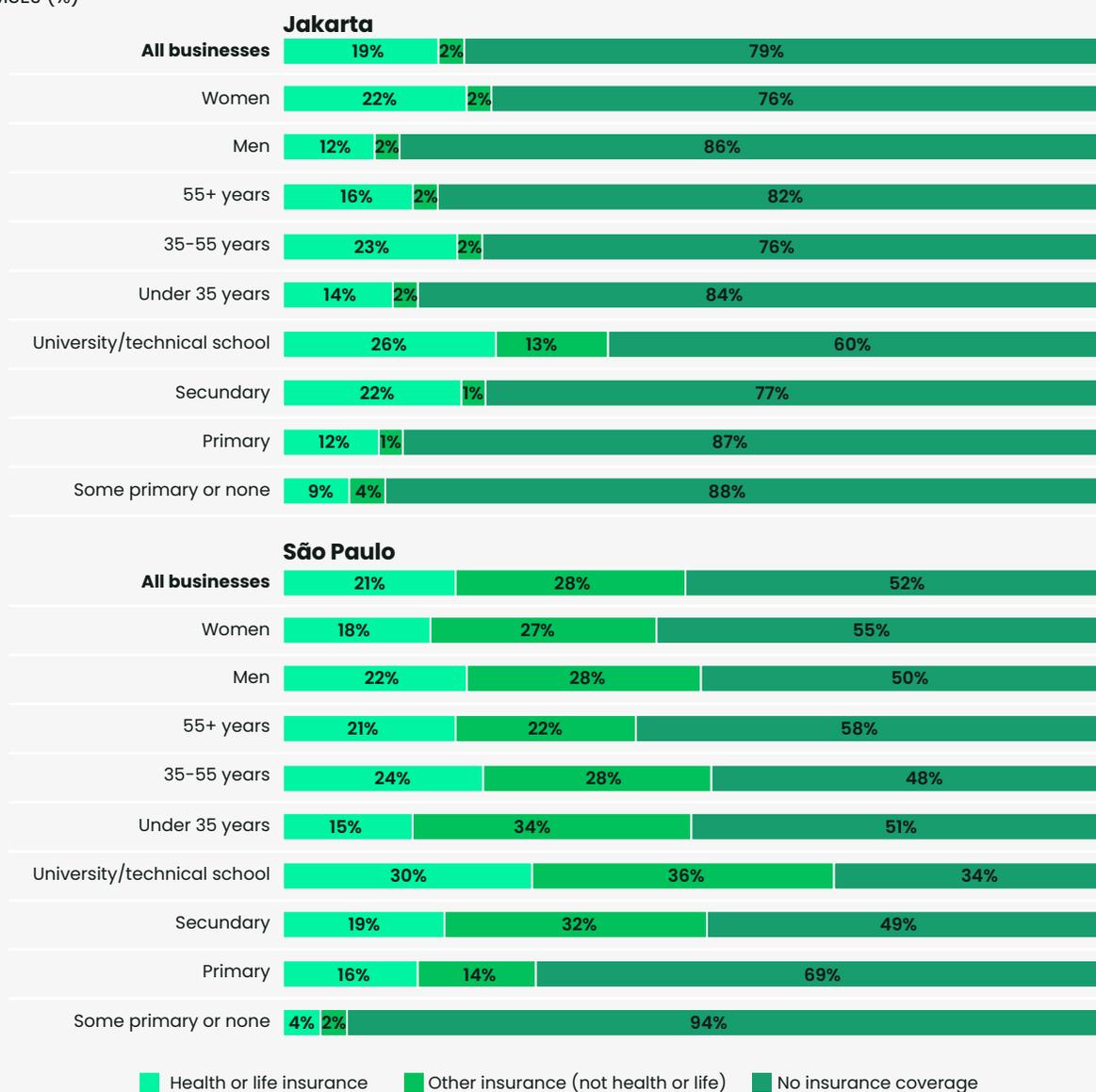
Source: Totolo et al. (2025) "Small Firms, Big Impact" Notes: The insurance market segment labeled 'Current' is based on whether survey respondent reports that they currently have at least on of several types of insurance, including: Life, Health, Accident, Home, Funeral, Business, Automobile, Weather-indexed and others. The 'Prospective' segment is composed of respondents who do not currently have insurance but who say they agree or strongly agree to any of the three following statements: (1) 'I am likely to purchase insurance coverage in the near future', (2) 'I understand the benefits of having insurance coverage', (3) 'Having insurance is essential for financial security'

Insurance usage in Jakarta is overwhelmingly concentrated on health insurance, primarily driven by the national health insurance program, Jaminan Kesehatan Nasional (JKN). Despite the program’s focus on achieving universal coverage, only 19 percent of the MSE population in Jakarta had access to health or life insurance, pointing to the challenges of enrolling and retaining low-income, informal segments of the workforce (Figure 6).

Less than 3 percent of MSE owners in Jakarta currently use other types of insurance, particularly private insurance. Furthermore, 43 percent of MSE owners have never used insurance, and 36 percent have used insurance in the past but no longer do so, suggesting churn or low re-enrollment rates. As shown in Figure 6, men in Jakarta are substantially more likely than women to have never used insurance. 13 percent of MSE owners in São Paulo have stopped using insurance, while 39 percent have never used insurance. Women in São Paulo are slightly more likely to have never used insurance than men.

FIGURE 6: INSURANCE ADOPTION SEGMENTS

MSEs (%)



Source: Totolo et al. (2025) "Small Firms, Big Impact". Notes: The insurance adoption group is based on whether survey respondents report that they currently have one of several types of insurance, including: Life, Health, Accident, Home, Funeral, Business, Automobile, Weather-indexed and others.



3.2.1 How MSEs Buy Insurance: Channels, Trust, and Intermediaries

Across both cities, MSEs preferred purchasing insurance through traditional, in-person channels through agents, insurance companies, and banks.

When making insurance purchase decisions, MSE owners relied heavily on testimonials from others in their network and prioritized well-known brands. As shown in Figure 7, among MSEs in São Paulo that currently have or recently had insurance, the most common purchase channels were brokers (44 percent), followed by banks and other financial institutions (32 percent), and in-person visits to insurance companies (29 percent). Qualitative research with MSE owners indicated a high reliance on agents and brokers. As a restaurant owner in São Paulo explained: “I trust my agent. She brought all the necessary information and made the application process easy.” On the other hand, no single channel dominates how MSE owners in Jakarta access and purchase insurance. The four most common modalities of purchase for current or former policyholders include in-person through an insurance agent or broker (32 percent), through a government or social insurance program (29 percent), in-person directly from the insurance company (24 percent) and through a bank or financial institution that offers insurance products (19 percent).

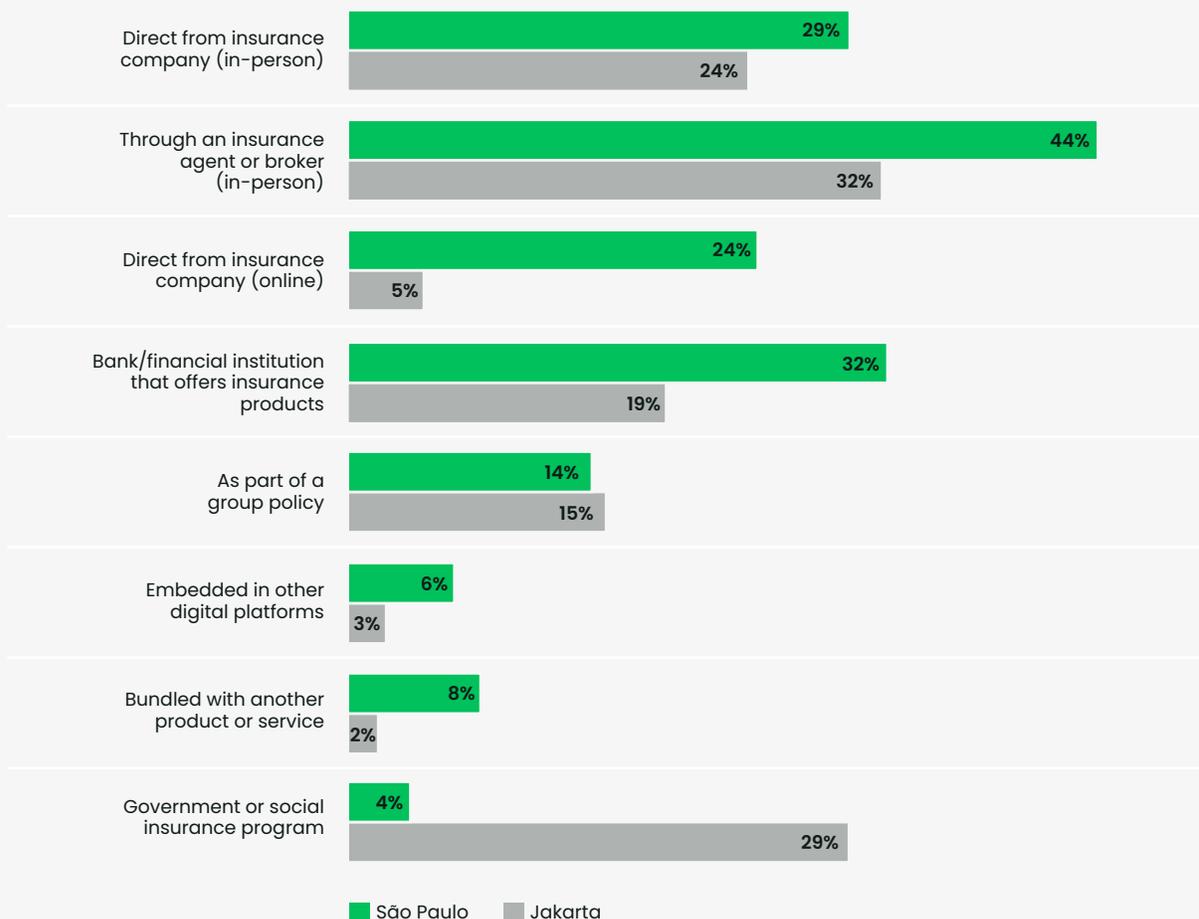
Across both cities, life insurance policyholders are nearly twice as likely as other insurance users to obtain insurance products from a bank or other

financial institution. While accessing insurance directly from a company online is relatively common in São Paulo (24 percent of current or former policyholders purchased their insurance online), less than 5 percent of current and former policyholders in Jakarta indicated doing the same. MSE owners in São Paulo stated that they relied on websites and online platforms to research insurance products and compare pricing and benefits. However, as the owner of a security company in São Paulo explained, they remained wary of the potential risks:

“I think it’s a bit complicated. For example, when we are ordering from Uber, iFood, Netflix, or others, like ordering food or a cab, searching for a movie, or buying something, we are in a hurry. We won’t stop to look and buy life insurance; our minds are not in that vibe. Insurance is something that we need to sit down and analyze, see the clauses, and check the company. We can’t be like, I entered the Uber app, the banner came up, and I will buy it. There are also so many online frauds.” A similar concern was echoed by a produce seller in Jakarta who expressed, “With apps, there is a concern of getting unclear information.”

FIGURE 7: INSURANCE PURCHASE CHANNELS

MSEs owners or managers that currently have or recently had insurance (%)



Source: Totolo et al. (2025) "Small Firms, Big Impact". Notes: The estimates in this figure are based on the following two questions: (1) Please select the channel(s) through which you purchased your insurance policy? [Asked to all respondents who said they currently have or had any type of insurance in the past 12 months, including respondents who reporting using insurance payouts to cope with climate or health shocks]

3.2.2 Knowing but Not Believing: Insurance Awareness and Skepticism

Despite low levels of insurance adoption, most MSE owners are aware of insurance products and have a broad understanding of their benefits.

Qualitative research with MSE owners revealed that current policyholders have a better understanding of insurance product concepts and benefits than those without coverage. MSE owners stated that they learned about insurance from family members

or were approached by insurance agents and bank employees, and they relied on relatives, colleagues, and personal research to deepen their understanding and make insurance purchase decisions. In São Paulo, 35 percent of MSE owners who currently do not have insurance stated that they understood the benefits of insurance coverage and its critical role in providing financial security. These MSE owners also expressed interest in purchasing insurance in the future, leaving only 17 percent of the MSE owner population “hard to reach” by insurance companies.

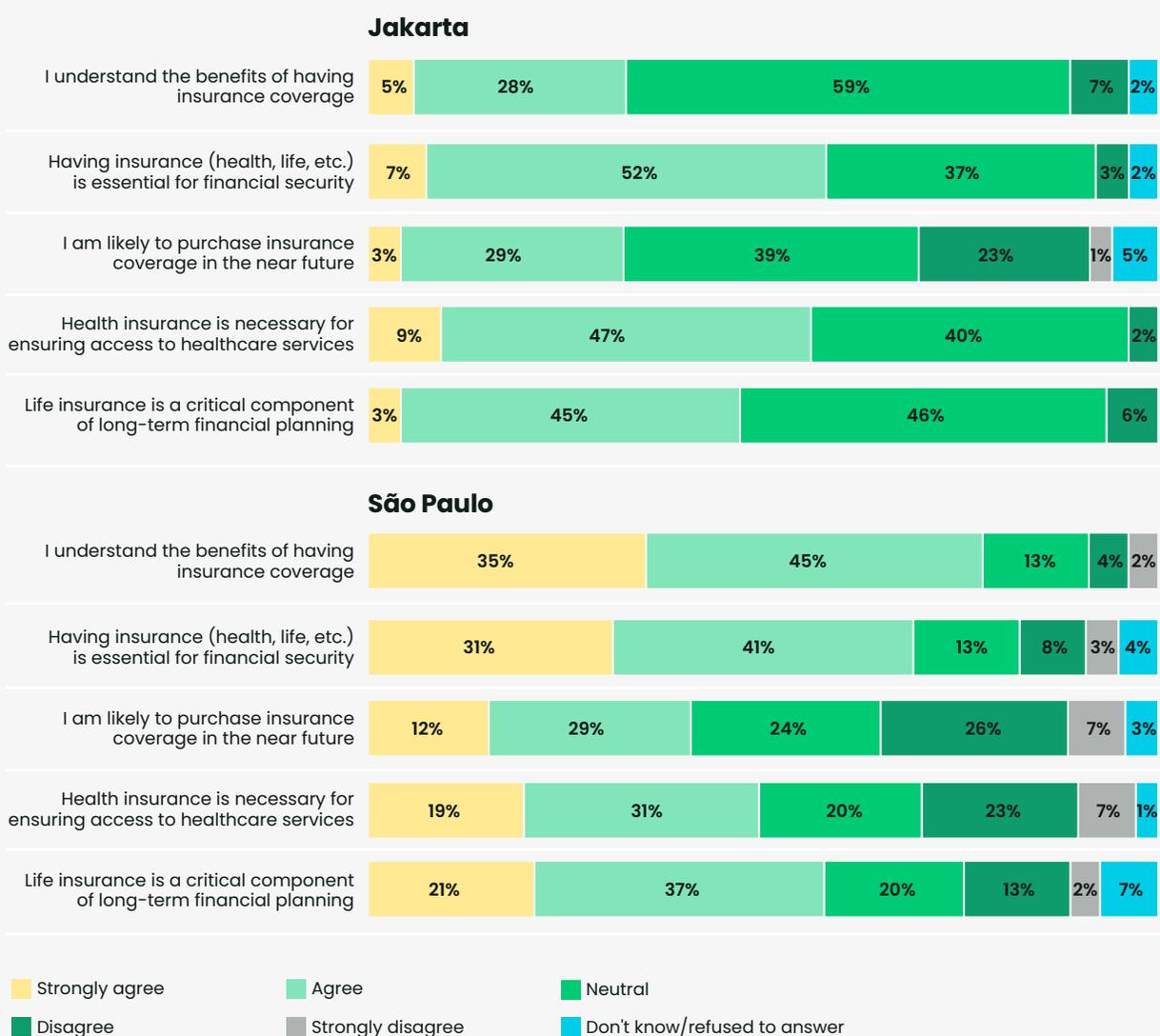
Ninety-seven percent of MSE owners in Jakarta were aware of the eight insurance types probed in the survey. However, over 50 percent of MSE owners in Jakarta expressed that they did not understand the benefits of insurance coverage and remained skeptical about its role in providing financial security. As shown in Figure 8, this trend was most prominent among uninsured MSE

owners. A restaurant owner in Jakarta noted, “Some insurance policies may have less premium value. But we do not know their quality or the ease of making claims.” Despite being familiar with insurance, these MSE owners indicated they were also unlikely to purchase insurance, pointing to the limited value and low trust that MSE owners had in insurance products.

FIGURE 8: GENERAL PERCEPTIONS OF INSURANCE

MSE owners or managers (%)

Current policyholder

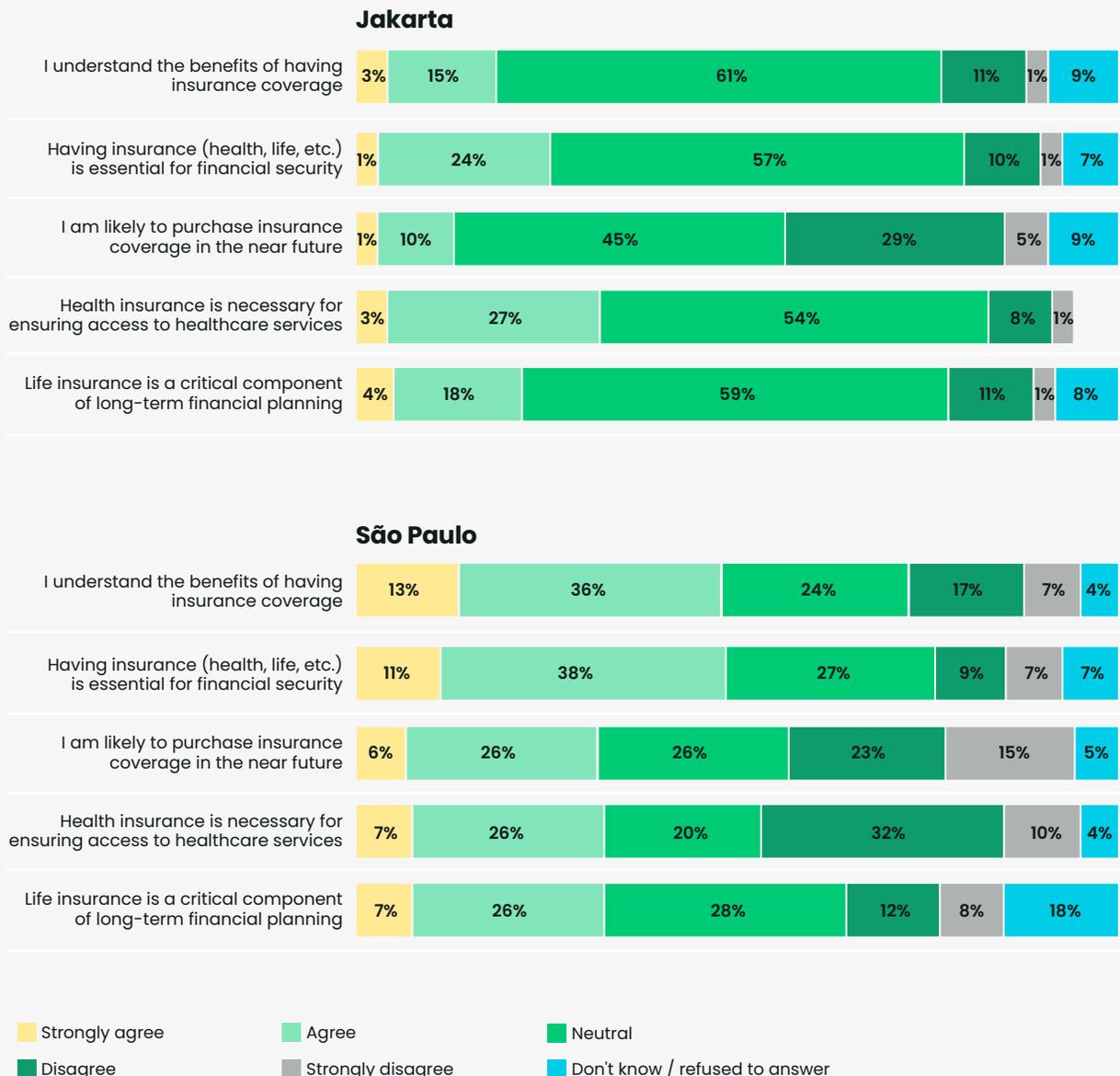


Source: Totolo et al. (2025) "Small Firms, Big Impact". Notes: All respondents (both users and non-users of insurance) were asked to rate their agreement with each statement.

FIGURE 8 (Cont'd): GENERAL PERCEPTIONS OF INSURANCE

MSE owners or managers (%)

Prospective policyholder or hard to reach



Source: Totolo et al. (2025) "Small Firms, Big Impact". Notes: All respondents (both users and non-users of insurance) were asked to rate their agreement with each statement

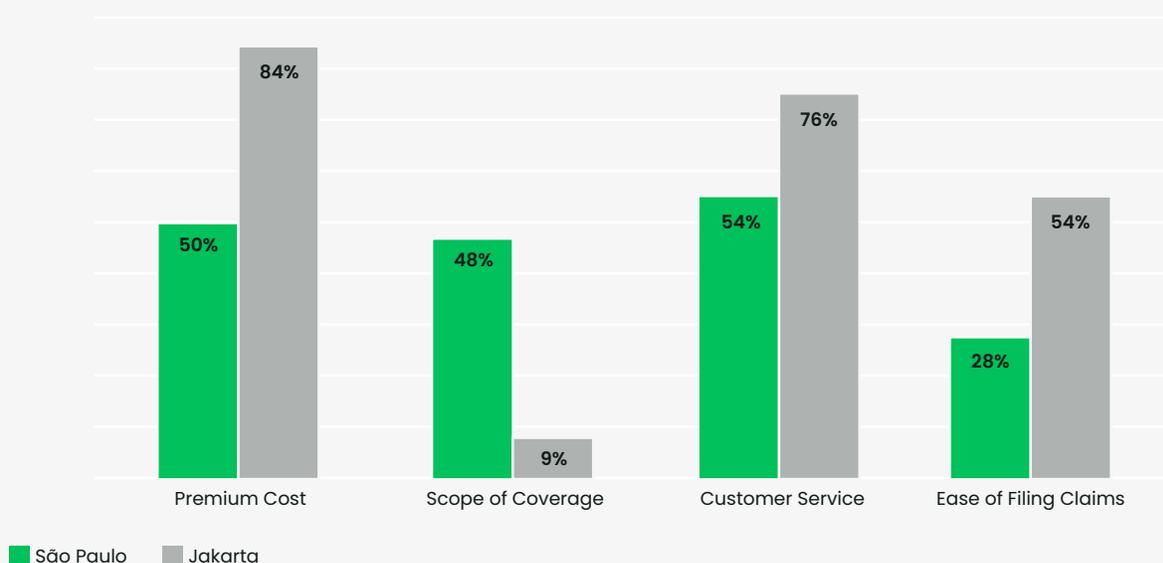
3.2.3 Drivers of Insurance Purchasing Behavior: The Role of Cost, Trust, and Experience

Across both cities, current policyholders prioritized the cost of premiums and customer service when selecting insurance products. Policyholders also relied heavily on the experiences and testimonials of others in their networks. While 48 percent of current policyholders in São Paulo cited the scope of coverage as a key selection factor,

only 9 percent of MSE owners in Jakarta prioritized it as a key concern. Over 50 percent of MSE owners in Jakarta emphasized the ease of making claims or availability as decision-making factors (see Figure 9). A health insurance user from Jakarta explained the complexities involved in the claims process: “I uploaded the documents, and if you have everything at hand, it takes only 10 minutes. The problem is getting everything organized and ready to send, including the medical request, proof of payments, medical reports, and everything.”

FIGURE 9: KEY FACTORS MSEs CONSIDER WHEN SELECTING INSURANCE PRODUCTS

MSE owners or managers (%)



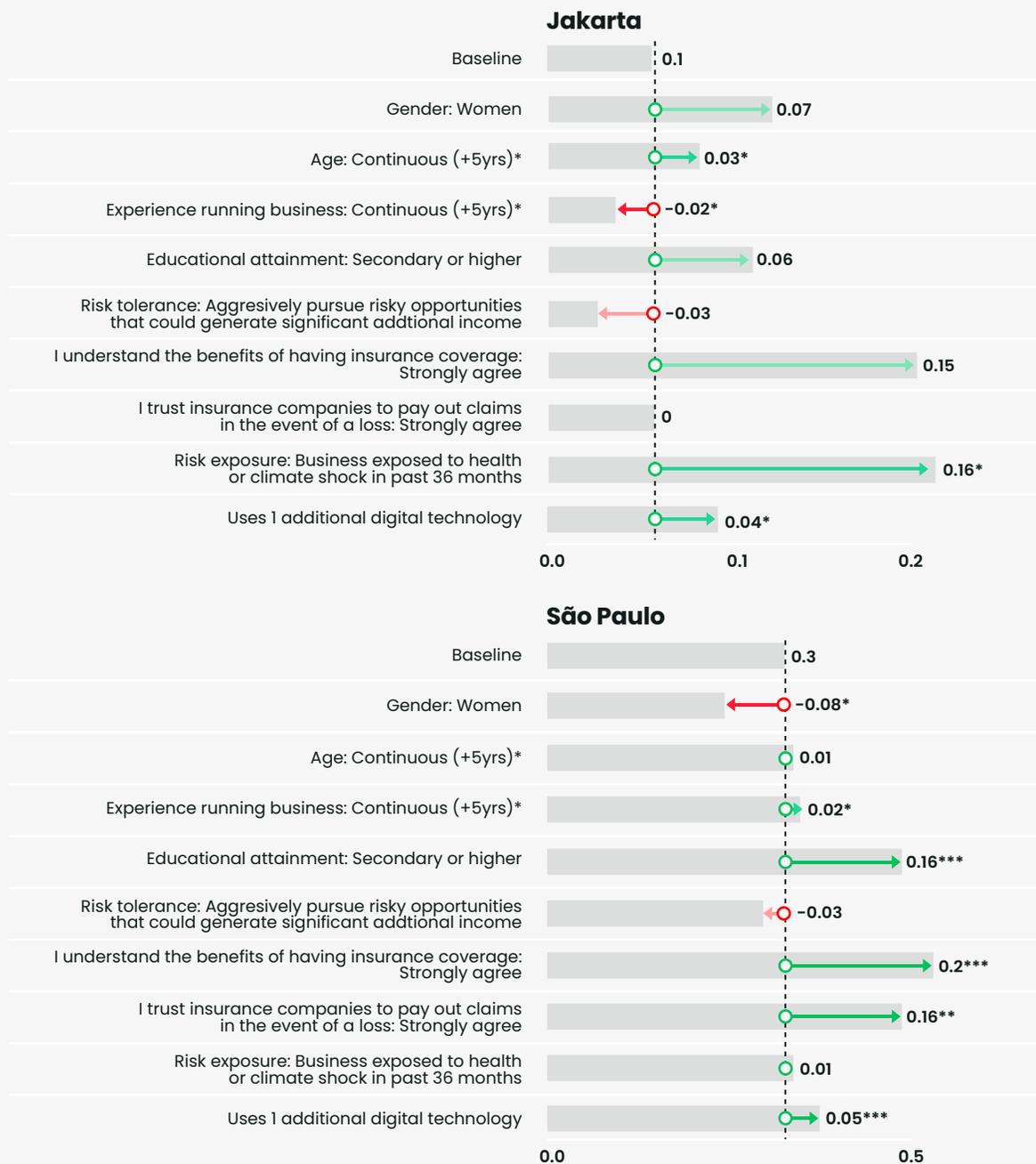
In São Paulo, three factors substantially influence the likelihood of insurance adoption among MSE owners: their level of formal education, their understanding of the benefits provided by the insurance coverage, and their trust in providers.

As shown in Figure 10, MSE owners with secondary education or more are 16 percentage points more likely than those with less formal education to be current users of insurance. Additionally, women are 8 percentage points less likely to adopt insurance. To a lesser degree, using digital technologies for business purposes also raises the likelihood of insurance adoption. In this context, more intensive use of digital tools by MSE owners may capture the

effect of digital capabilities and skills and potentially the emphasis put in place by the insurance sector in promoting digital access to its services. Beyond these, MSE owners who believe they have a strong understanding of the benefits of insurance coverage and trust that insurance companies will pay out claims in the event of a loss are more likely to be using insurance than others.⁶⁰ This pattern was evidenced during the focus group discussions when the owner of a fisheries business gave her insurance policy a stellar rating because she believed that the excellent service and certainty that policyholders could claim all the benefits listed in the policy justified the premium costs.

⁶⁰ Note that these findings must be treated with caution, as it is not immediately obvious whether trust and understanding of insurance precedes adoption or if adoption shapes understanding and trust and, therefore, current users are more likely to understand and get value from it and demonstrate higher levels of trust.

FIGURE 10: DRIVERS OF INSURANCE ADOPTION⁶¹
Predictors of insurance adoption



Predicted probability (%)

The effect of each predictor on the probability of having an active insurance policy → - → +

Source: Totolo et al. (2025) "Small Firms, Big Impact". Notes: The results shown are based on a linear regression model that measures the relationship of several owner and firm-level characteristics with membership in one of three mutually exclusive customer segments. The regression parameters are used to compute predicted probabilities to show the marginal effect of each characteristic on membership in each segment. Age and experience are mean centered and the effect shown corresponds to an increase in 5 years. The height of 'Baseline' corresponds to the predicted probability of membership in the segment for firms run by an owner with mean age, mean experience, with primary-level or less educational attainment and in the retail trade (services) sector.

61 To identify factors that are predictive of financial insurance adoption, a statistical modeling approach is used in which the influence of several socioeconomic, demographic, and behavioral factors is jointly assessed in a regression model. The intention here is to identify factors that have strong independent effects on adoption. Note: A green arrow represents a positive relationship, while a red suggests a negative relationship. The shade and thickness of the arrows indicate the strength of the relationship, with the degree of thickness representing the level of statistical significance.

In Jakarta, prior exposure to a health shock in the past 36 months is a key driver of insurance adoption, indicating a potential tendency for health insurance enrollment to be motivated by adverse health events or initiated at the point of care. MSE owners who had integrated more digital tools into their business were also more likely to use insurance. Additionally, while the relationship is not statistically significant, completing up to secondary or tertiary levels of education is associated with a higher likelihood of using insurance adoption. Older MSE owners were also significantly more likely to have insurance. Women were more likely to have insurance in Jakarta, unlike in São Paulo, although the relationship is not statistically significant when controlling for other socioeconomic factors.

Across both cities, hard-to-reach policyholders were much less likely to trust insurance companies than prospective policyholders. Sixty percent of prospective policyholders in São Paulo and 36 percent in Jakarta say they trust insurance companies, compared to 22 percent of hard-to-reach policyholders in São Paulo and 9 percent in Jakarta. Low trust was attributed mainly to product design – high cost, complex and opaque pricing and terms, and low perceived value. A restaurant owner from Jakarta explained her skepticism with insurance agents: “I buy through a known agent but don’t fully trust them. I also research the insurance myself, checking if they have a call center and how claims are handled because they may not take any responsibility afterward.”



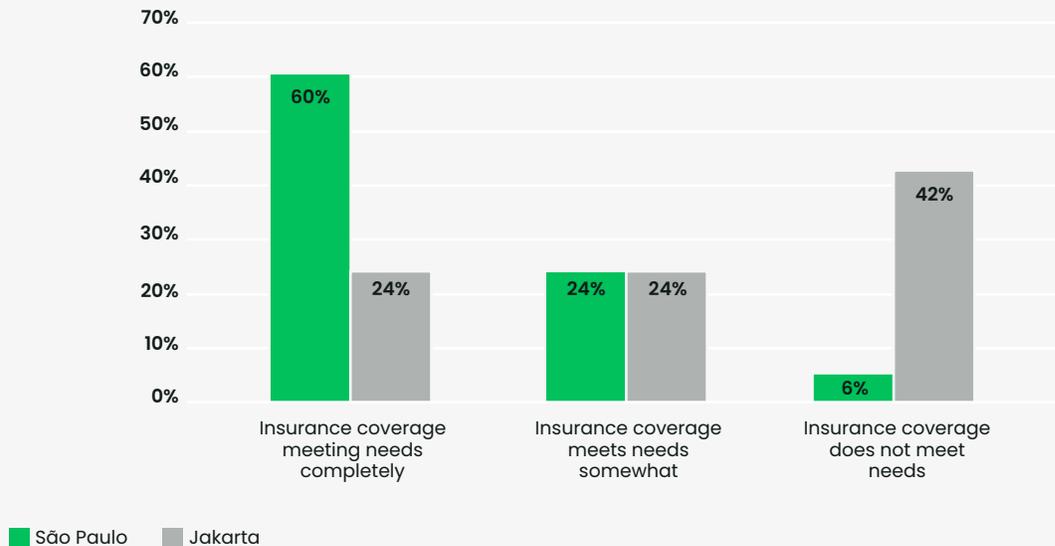
3.3 Experience Using Insurance

This section focuses on current policyholders’ experience using life and health insurance products and the perceptions and challenges faced by prospective and hard-to-reach segments. Key areas covered in this section include product design, pricing, coverage, terms and conditions, claims processes, consumer protection issues, and consumer trust.

MSE owners in São Paulo were largely satisfied with their insurance policies. As shown in Figure 11, 60 percent of current insurance policyholders feel strongly that their insurance coverage meets all their needs, and only 6 percent expressed dissatisfaction. During the focus group discussions, an education consultant in São Paulo mentioned relying on her health insurance policy for all her

healthcare needs, from booking appointments to having procedures and surgeries. Additionally, 77 percent of current health insurance policyholders and 62 percent of life insurance users in São Paulo were willing to recommend insurance to others, indicating their satisfaction with the product. 25 percent of MSE owners with life or health insurance had also submitted claims for reimbursement, and over 75 percent were satisfied with the process and resolution. Current policyholders who were moderately satisfied or felt their policy did not meet their needs were keen to have policies with better coverage and lower deductible amounts. To that end, a car rental business owner stated, “One thing that could work better is how they show what is covered and what is not. People often have surprises and find out that the plan does not cover what they need, but only when they need that procedure.”

FIGURE 11: SATISFACTION WITH INSURANCE COVERAGE

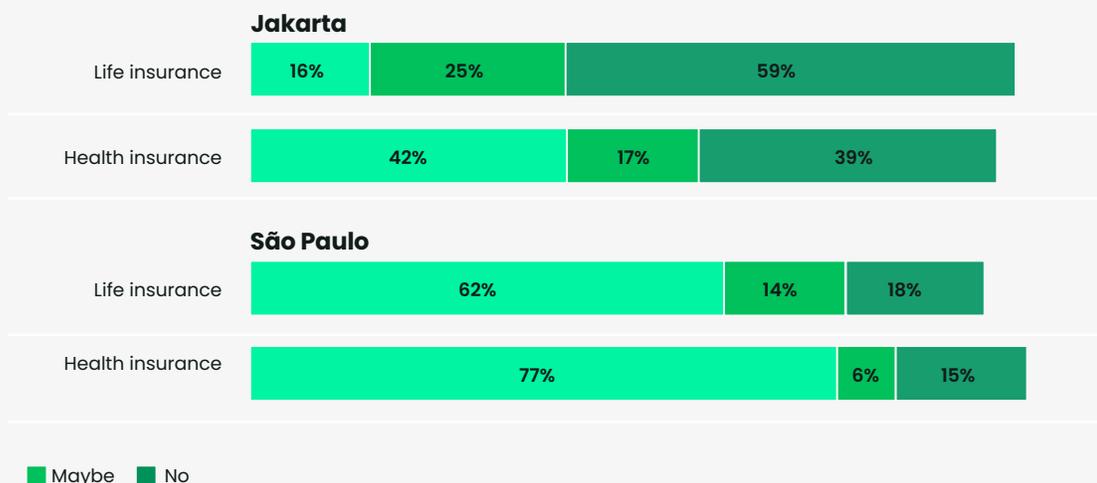


Most MSE owners in Jakarta were keen to have policies with better coverage. Approximately 25 percent of current policyholders strongly agreed that their insurance coverage satisfied all their needs, while 41 percent were dissatisfied with their policy. Approximately 42 percent of MSE owners currently dissatisfied with their policy stated that the most important areas they would prioritize if they could expand their insurance coverage included being able to add other family members to the policy, having additional risk areas covered or more benefits provided, and increasing the level of coverage. For example, several women MSE owners from Jakarta expressed a need for health

insurance policies covering childbirth expenses. An apparel business owner shared her experience: “For health insurance, one thing not covered is birth expenses. I went through the surrogate test twice without success, gained weight, had a C-section, and was hospitalized. If there were coverage for this, it would be beneficial.” Additionally, as shown in Figure 12, only 42 percent of health insurance users and 16 percent of life insurance users would recommend insurance to others. Less than 6 percent of health and life policyholders in Jakarta had experience filing claims, perhaps because this segment relied heavily on JKN to meet their healthcare needs.



FIGURE 12: LIKELIHOOD OF CURRENT POLICYHOLDERS TO RECOMMEND INSURANCE TO OTHERS
MSE owners or managers (%)



Source: Totolo et al. (2025) "Small Firms, Big Impact". Notes: The reference population for the estimates in this figure are all respondents that currently have insurance or had insurance of each type in the past but not in the past 12 months.

BOX 3: FAJAR'S EXPERIENCE WITH HEALTH INSURANCE⁶²

47-year-old Fajar owns a car repair workshop in Jakarta. For a long time, he and his family relied on government-provided health insurance. However, long waiting times, particularly during severe illnesses, were a significant challenge. He finally purchased private health insurance in 2019. "It is better to use insurance than JKN because we don't need to queue. If we were hospitalized and have JKN, we have to wait, but we can go first if we use insurance," explained Fajar.

Fajar does not regret his decision. He uses his health insurance for everything — from making appointments to dental and vision care — and his experience has been positive. However, it was pretty stressful when he had to be hospitalized with COVID-19. "It was a bit of a hassle. During COVID-19, my insurance didn't have a reimbursement system, so I had to use my card, which was cumbersome. I had to print out forms, fill them in, and attach everything. That was the tricky part. Even though everything was listed in the insurance policy, every healthcare action had to be confirmed with the insurance company. But the hospital was afraid of the insurance, so the hospital always made confirmations first," recounted Fajar.

Fajar bought his health insurance policy through a reputed insurance provider's agent. While the agent was helpful at the time of purchase, Fajar wishes she had been more transparent about the premium and deductibles and had clearly explained what conditions were covered.

Based on his experience, Fajar suggests that insurance companies provide policyholders with online information about the policy, pricing, benefits, and conditions covered, as well as in-network doctors and hospitals, so they can do their research and not rely entirely on the agent. Additionally, tips on good health and lifestyle and free annual checkups would also be valuable. He also feels that digitizing the claims process would make the process less cumbersome for small business owners like him.

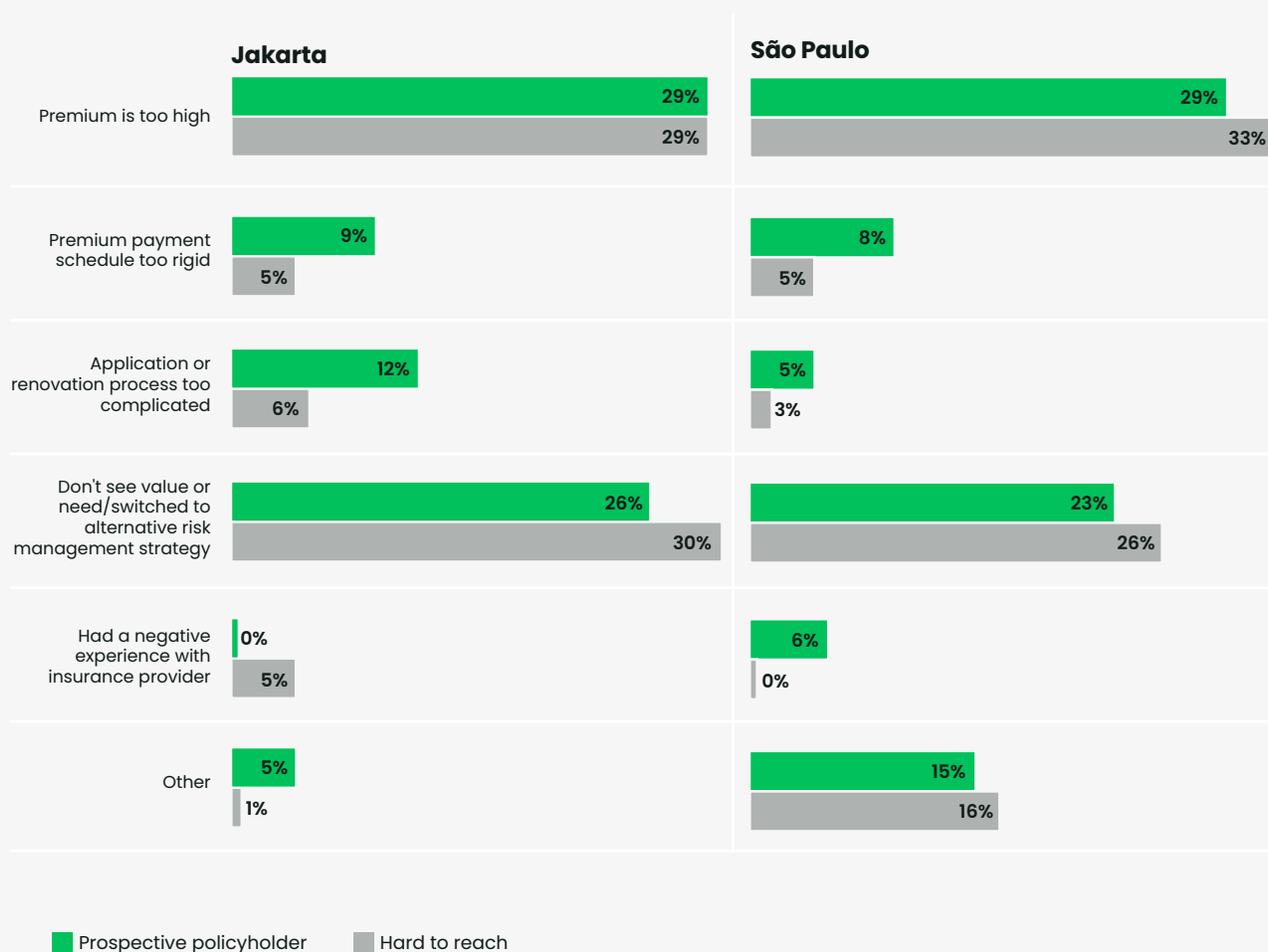
⁶² Fajar is a fictional character, a "persona" crafted to represent the common themes and stories shared by many men and women entrepreneurs during our focus group discussions in Jakarta. While his story is not tied to a specific individual, it reflects the lived experiences, challenges, and motivations described by participants in this study.

High premiums, low perceived value, and lack of trust are key concerns MSE owners face. Five percent of current or former policyholders in São Paulo mentioned facing challenges when using their policy in the past three years; the most prevalent issues were the lack of clarity around terms and benefits and challenges in processing claims. On the other hand, 5 percent of current and recent policyholders in Jakarta stated being coerced into buying an insurance policy or being treated

disrespectfully. Policyholders in Jakarta were also unhappy about the rapid increases in premium costs. As shown in Figure 13, MSE owners who have never used or discontinued using insurance cited high premiums, lack of value, and preference for alternative options as key reasons guiding their decision. Additionally, 8 percent of MSE owners who had never used or discontinued insurance in Jakarta stated that the main reason was that they found the application and renewal processes complex.

FIGURE 13: REASONS FOR DISCONTINUING INSURANCE

MSE owners or managers who have never used or discontinued insurance (%)



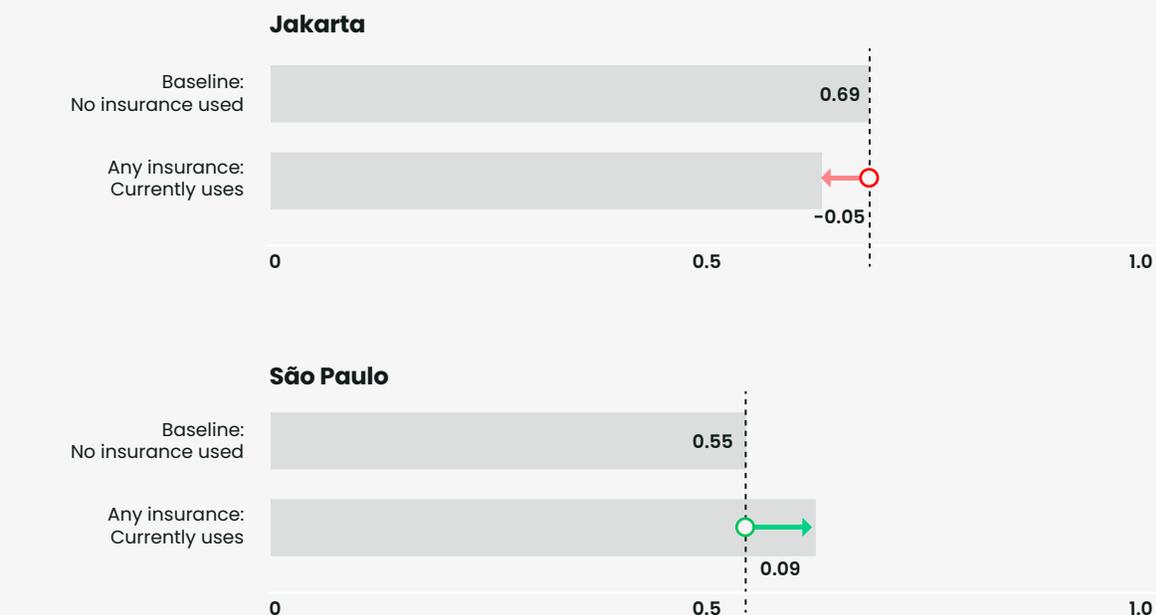
Source: Totolo et al. (2025) "Small Firms, Big Impact". Notes: The estimates in this figure are based on the following question: (1) If you currently do not have insurance or have discontinued your insurance, what is the primary reason for this decision?

Most MSE owners call the agent or the providers' helpline to resolve an issue or sometimes visit the insurance companies' websites for more information. During the focus groups, MSE owners who had called the insurance company or the agent to resolve issues mentioned being satisfied with the process. A baby goods store owner in São Paulo explained, "I rarely have an issue, and the one I had was solved. I have constant service and support, so I have nothing to complain about."

MSE owners with insurance stated greater financial security, business continuity, and confidence as key benefits. Approximately 54

percent of current and former insurance users in São Paulo and 35 percent in Jakarta stated having greater financial security and business continuity. In comparison, another 25 percent in São Paulo and 15 percent in Jakarta expressed having more confidence and ability to take risks. Additionally, as shown in Figure 14, MSE owners using insurance in São Paulo are 9 percentage points more likely to access emergency funds without significant difficulty in 30 days than those without insurance but have equivalent levels of experience and educational attainment. Only about 10 percent of MSE owners who had used insurance did not find it beneficial.

FIGURE 14: EFFECT OF INSURANCE USE ON FINANCIAL RESILIENCE



Predicted probability of access to emergency funds (%)

The change in the probability of financial resilience (percentage points) → - → + associated with use insurance.

Source: Totolo et al. (2025) "Small Firms, Big Impact". Notes: The results shown are based on a linear regression model that measures the effect of use of insurance on financial resilience. Financial resilience is defined as not having major difficulty raising emergency funds equivalent to 1 month of revenue in 7 days. This model includes controls for two variables: years of experience and educational attainment. The regression parameters are used to compute predicted probabilities. The height of 'Baseline' corresponds to the predicted probability that a firm can raise emergency funds for firms run by an owner with mean years of experience, and secondary-level educational attainment.

3.4 Market Opportunity: Estimating Demand at Scale

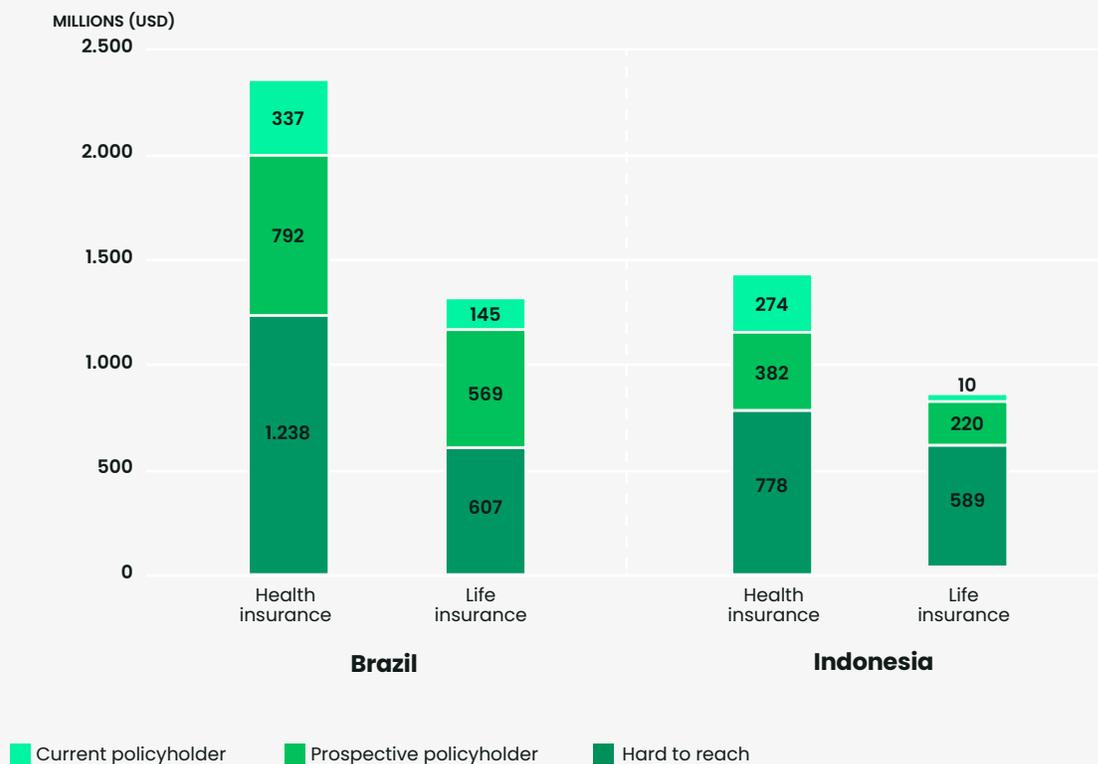
The segmentation of MSEs into current users, prospective users, and the hard to reach not only provides a behavioral lens, but also enables a structured estimate of the potential market size for inclusive insurance. Building on survey data and willingness-to-pay insights, we constructed three scenarios to estimate the premium potential for life and health insurance among urban MSEs in Brazil and Indonesia: a total addressable market scenario, and two conversion-adjusted scenarios – one optimistic, one more conservative.

The total addressable market assumes full adoption at the average willingness to pay across all segments. Under this scenario, the annual premium potential is estimated at approximately US\$3.7 billion in Brazil and US\$2.3 billion in

Indonesia. These figures reflect upper-bound estimates based on the full urban MSE population in both countries, extrapolated from survey data in São Paulo and Jakarta using national statistics on urbanization and enterprise density.

Depending on assumptions about uptake, the estimated annual premium potential for life and health insurance among urban MSEs ranges from US\$149 million to \$601 million in Brazil, and from US\$83 million to \$342 million in Indonesia. The conservative scenario is based on adoption rates of 2 percent for hard-to-reach MSEs, 5 percent for prospective policyholders, and 9 percent for current users – figures that reflect current benchmarks used in the industry, as reported by experts consulted during this study. The optimistic scenario, by contrast, uses higher conversion rates of 10 percent, 20 percent, and 30 percent, informed by broader signals of intent and willingness to pay observed during our fieldwork and qualitative interviews.

FIGURE 15: TOTAL ADDRESSABLE MARKET



These figures are indicative rather than predictive and should be interpreted as directional estimates based on current willingness to pay and behavioral intent. Still, they point to a clear conclusion: Small business entrepreneurs may operate at the margins of formal insurance, but they are not too small to represent a viable market. Capturing this opportunity will depend on the product’s design, pricing,

distribution models, and trust-building strategies. While these estimates are based on demand-side research, additional supply-side research will help uncover providers’ incentives and constraints, and what needs to be done to enable them to serve this sizeable, untapped segment. See Annex 1 for more details on the methodology, assumptions, and breakdowns.

	Health Insurance		Life Insurance	
	Optimistic Scenario	Conservative Scenario	Optimistic Scenario	Conservative Scenario
Brazil	\$383 million	\$95 million	\$218 million	\$54 million
Indonesia	\$236 million	\$59 million	\$106 million	\$24 million

4

Conclusions and Recommendations: Opportunities for Inclusive Insurance

MSEs are an integral part of local economies, yet they remain largely uninsured. These enterprises create jobs, provide essential goods and services, and support households and livelihoods that are frequently exposed to health, climate, and economic shocks. Our research reveals a stark mismatch between this exposure and the financial tools available to manage it. There is a strong latent demand for stability and resilience, especially in the face of illness, rising costs, and business disruptions — but insurance, particularly life and health coverage, remains out of reach for most.

Throughout this report, we have explored the lived experiences of MSE owners in São Paulo and Jakarta, shedding light on how they perceive risk, navigate shocks, and evaluate insurance. Their insights underscore a simple truth: The value of insurance is recognized, but the journey from awareness to sustained use is fraught with obstacles. These barriers are not just financial; they are behavioral, structural, and institutional. Five recurring themes emerged across our survey and qualitative research:

1. **Affordability and liquidity constraints:** Even modest premiums can feel prohibitive for businesses with volatile cash flows. Inflation and seasonal income cycles further reduce the ability to pay, leading to lapsed policies or forgone coverage.
2. **Behavioral biases and perceived low value:** Insurance often loses out to more tangible financial tools. Present bias, low perceived risk, and optimism about avoiding future shocks dampen proactive enrollment.
3. **Trust deficits and institutional alienation:** Skepticism about claims, fear of being misled, and negative word of mouth erode confidence in providers, especially where consumer protection is weak or insurance terms are opaque.
4. **Complexity, information gaps, and low literacy:** Policy terms remain difficult to understand. MSE owners tend to rely heavily on informal sources or brokers, who may not always provide accurate or complete information.
5. **Poor service quality and claims friction:** Even those who buy insurance face frustration in navigating claims. Long delays, rejected payouts, and unclear exclusions erode trust and turn users away, sometimes permanently.



Addressing these barriers requires a shift from selling insurance to building trust and designing relevant products. Based on demand-side research insights, we outline five priority actions for providers, regulators, and funders to consider as they work towards closing the coverage gap and unlocking the stabilizing and developmental power of insurance for MSEs.

- **Design with behavioral barriers in mind:** Insurance is a hard sell without clarity on the value proposition, especially in contexts of uncertainty, informality, and irregular income flows. While many MSE owners in our study understood the concept of insurance in principle, few prioritized it in practice. Present bias,⁶³ low risk salience, and the intangible nature of insurance benefits make it challenging to voluntarily enroll small business owners with unpredictable cash flows. Product design must respond to these behavioral realities by framing insurance as a tool for stability and growth, not just protection. Messages that emphasize what is gained (peace of mind, uninterrupted business, education for children) rather than what might be lost are likely to be more effective. Enrolling MSEs in group schemes or embedded products and communicating the benefits and limitations of these approaches in a transparent manner can also help build understanding and reduce inertia.

Design must also accommodate liquidity constraints. Even modest premiums can feel unaffordable when cash flows are tight or unpredictable. Understanding customers' cash flows and offering flexible payment plans, such as weekly or monthly micropayments through mobile wallets or business apps, can improve uptake and retention. Products that include living benefits, such as daily hospital cash or discounts on medicine, are more likely to resonate than those that offer only long-term protection. Additional supply-side analysis accompanied by pilots will help address some of these information asymmetry barriers, develop a business case, and generate evidence of products, solutions, and process improvements that align with MSEs' needs and constraints and have the potential to be scalable.

- **Simplify claims and strengthen trust:** Across both cities, trust in insurance companies emerged as a decisive factor. Many MSE owners, especially in Jakarta, voiced skepticism about insurers' willingness to pay claims or honor terms. This perception was shaped not just by experience but also by word of mouth, complexity, and lack of transparency. Improving trust requires a visible change in how insurance is explained, serviced, and communicated.

Simplifying claims processes can be a critical starting point. MSEs need clear, written explanations of what is covered and what is excluded. Claims processes and associated paperwork should be streamlined, with support available through agents, helplines, or digital platforms. For low-income or digitally hesitant users, this human layer of support remains essential. While more research is needed to identify the incentives and constraints of inclusive insurance stakeholders, identifying and prioritizing key pain points in the customer journey can be a helpful first step for providers. Regulators can also contribute by requiring insurers to disclose claims acceptance rates and timelines, thereby encouraging accountability and industry-wide benchmarks.

- **Leverage embedded insurance and run inclusive pilots:** Reaching low-income MSEs at scale will require going beyond standalone insurance products. Embedded insurance offered through mobile wallets, ecommerce platforms, point-of-sale apps, or utility payments, can dramatically reduce distribution costs and make enrollment seamless. Many of the MSEs in our research already used digital tools to manage sales, payments, or suppliers. Embedding simple, affordable insurance into these platforms can be a natural next step; however, embedded models must be transparently designed with clear safeguards and give customers a choice. Designing pilots where the terms and conditions are easy to understand and allowing MSEs to opt in or out at renewal can provide providers with evidence on the business case and benefits of developing transparent, customer-centric processes.

⁶³ "Present bias" refers to the tendency of people to give stronger weight to payoffs that are closer to the present time when considering trade-offs between two future moments (See: O'Donoghue, T., & Rabin, M. (1999). Doing It Now or Later. *American Economic Review*, 89(1), 103–124. ([Source](#))).

In order to avoid premature scaling, providers and donors should consider investing in testing bundled products (e.g., life insurance with small loans or health coverage with inventory protection) with different messaging strategies across different MSE segments. Pilots should measure not just uptake but also retention, claims experience, level of understanding, and changes in business resilience or risk behavior. These experiments should inform iterative design, making use of behavioral insights and human-centered approaches throughout.

- **Segment the market and meet MSEs where they are:** Not all non-users of insurance are alike. Our data highlights a large “persuadable middle” — MSE owners who understand the role of insurance but remain on the sidelines due to affordability, trust, or uncertainty. Targeted outreach and tailored product offers are more likely to convert these prospective users than generic campaigns. Providers should also consider re-engaging with lapsed customers who once had insurance but dropped off due to being dissatisfied with the experience or high premium cost. Understanding why they left is as important as knowing why they joined and could open up new opportunities.

Segmentation also allows for better alignment between product features and user needs. For example, women-owned businesses in Jakarta showed greater willingness to pay for childbirth-related benefits. Younger MSE owners in São Paulo were more open to using digital channels for research and purchase. These distinctions matter and should be reflected in distribution, pricing, and design.

- **Create an enabling environment for inclusive insurance:** Finally, inclusive insurance will not

thrive in a vacuum. Regulators play a key role in enabling innovation while ensuring consumer protection by allowing experimentation through sandboxes, encouraging bundled and embedded models, and pushing for simplified disclosures and digital claims processing. Public-private partnerships can help extend coverage to informal workers, with the government underwriting some risks or subsidizing coverage for the most vulnerable.

At the same time, donors and investors should fund local research and codevelop shared infrastructure — such as digital claims platforms, grievance redress systems, or interoperable agent networks. Trust, scale, and efficiency will grow fastest where the broader insurance ecosystem supports both innovation and equity. Insurance will only fulfill its promise if it is seen as reliable, understandable, and worth the investment by the people it aims to protect.

So, is there a real opportunity for inclusive insurance? Our findings suggest yes, but only if the industry rethinks how it defines viability.

While MSEs face constraints such as irregular income, limited trust, and low perceived value, they also represent a sizeable segment with demonstrated interest in insurance when products are affordable, understandable, and relevant. Even under conservative assumptions, the potential market exceeds one billion dollars across Brazil and Indonesia. The opportunity lies not in universal uptake, but in targeted expansion through better-aligned product design, simplified claims, and integration into channels that MSEs already rely on. With the right conditions, inclusive insurance can become a practical lever for resilience, rather than a marginal offering.

Annex. Quantifying the Market Opportunity for Inclusive Insurance in Brazil and Indonesia

This annex outlines the methodology and assumptions used to estimate the size of the market opportunity for life and health (L&H) insurance among urban micro and small enterprises (MSEs) in Brazil and Indonesia. The analysis quantifies in US dollars the potential premium revenue that could be generated from this segment under two different adoption scenarios: one optimistic and one conservative.

Summary of Findings

Our estimates suggest that there is a significant untapped market for inclusive life and health insurance among urban MSEs:

- Under a total addressable market (TAM) approach, assuming full conversion, the opportunity reaches:

\$3.69 billion in Brazil

\$2.25 billion in Indonesia

- When adjusted for realistic conversion rates, the opportunity remains sizable:

Optimistic scenario: \$601 million (Brazil) and \$342 million (Indonesia)

Conservative scenario: \$148 million (Brazil) and \$83 million (Indonesia)

These findings underscore the importance of pricing, segmentation, and distribution strategies in unlocking the full potential of inclusive insurance for small business owners.

Estimation Approaches

We used two complementary approaches to estimate the market size:

1. Total Addressable Market (TAM):

This assumes 100 percent adoption of life and health insurance across the MSE population, at a price level consistent with their stated willingness to pay. It provides an upper-bound estimate of the potential market size if affordability, trust, and product fit barriers were addressed.

2. Adjusted Market Potential (Conversion Rate Scenarios):

This approach introduces assumptions about the likelihood of adoption across three MSE segments:

- Current policyholders: Highest likelihood of uptake
- Prospective policyholders: Moderate likelihood
- Hard-to-reach segment: Lowest likelihood

Conversion rates were applied based on two scenarios:

- Conservative: 2 percent (hard-to-reach), 5 percent (prospective), 9 percent (current)
- Optimistic: 10 percent (hard-to-reach), 20 percent (prospective), 30 percent (current)

Summary Estimates by Scenario

TOTAL ADDRESSABLE MARKET (ASSUMES FULL CONVERSION)

Country	Health Insurance	Life Insurance	Total
Brazil	\$2.37 billion	\$1.32 billion	\$3.69 billion
Indonesia	\$1.43 billion	\$0.82 billion	\$2.25 billion

ADJUSTED MARKET POTENTIAL – OPTIMISTIC SCENARIO

Country	Health Insurance	Life Insurance	Total
Brazil	\$383 million	\$218 million	\$601 million
Indonesia	\$236 million	\$106 million	\$343 million

ADJUSTED MARKET POTENTIAL – CONSERVATIVE SCENARIO

Country	Health Insurance	Life Insurance	Total
Brazil	\$95 million	\$54 million	USD 148 million
Indonesia	\$59 million	\$24 million	USD 83 million

Methodology and Assumptions

To estimate premium potential, we use the following formula:

$$\text{Premium Potential} = \text{MSE Population} \times \text{Share in Segment} \times \text{Annual Premium}$$

Key Inputs:

- **MSE population:** Estimated from survey data in São Paulo and Jakarta and extrapolated to national urban populations using World Bank urbanization data and national census figures.
- **Share in segment:** Based on survey classification into current policyholders, prospective adopters, and hard-to-reach entrepreneurs.
- **Annual premiums:** Derived from focus group discussions and triangulated with secondary sources.

Product Type	Monthly Premium (Brazil)	Monthly Premium (Indonesia)
Life Insurance	\$21.60	\$12.30
Health Insurance	\$38.70	\$ 21.50

These monthly premiums were annualized and assumed to be constant across all MSE segments for calculation purposes.

Customer Segment Use Cases

The three customer segments modeled in this analysis each present distinct commercial use cases:

- **Current Policyholders:** Offer opportunities for cross-selling or bundling additional coverage.
- **Prospective Policyholders:** Represent a growth segment for new customer acquisition, particularly when barriers related to trust and affordability are addressed.
- **Hard-to-Reach Segment:** Requires long-term strategies focused on education, trust building, and simplified product design. This group may also benefit from subsidized or embedded models.

Notes on Elasticity and Interpretation

The adjusted estimates are based on stylized demand elasticity functions reflecting segment-specific price sensitivity and behavioral intent. While these functions are informed by field research and industry benchmarks, they are illustrative rather than predictive due to the absence of longitudinal adoption data.

- The optimistic scenario assumes favorable market conditions, effective outreach, and behavioral nudges that improve conversion.
- The conservative scenario assumes minimal improvement in uptake beyond current patterns and high price sensitivity.

These scenarios are not forecasts but indicative ranges meant to guide strategy and prioritization.

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