UNIVERSITI TEKNOLOGI MARA

DETERMINANTS FOR DEMAND OF LIFE INSURANCE IN EUROPEAN COUNTRIES

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ABSTRACT

This paper investigates the determinants for demand of life insurance in European countries by analyzing the relationship between level of income, level of inflation, life expectancy, level of education and level of urbanization. This study covers 11 European countries out of 28 listed. 11 countries were chosen as a sample were identified as the sample countries and microeconomic data from the year of 2005 to 2014 were used as observations for this study, resulting in a total number of observations of 110. A multiple linear regression analysis was executed in this study to see the relationship between dependent and independent variables. The dependent variable is the demand of life insurance in which density of life insurance will be the proxy of the countries demand, whereas the independent variables are level of income, level of inflation, level of urbanization, level of education and life expectancy at birth. The study finds level of income and level of urbanization have significant effect on the demand of life insurance, while the rest has no significant effect on the demand of life insurance.

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CHAPTER 1
INTRODUCTION

1.1 Introduction

This section presents an overview of the background of study, problem statement contributed, rational of study, research objective, hypothesis statement and theoretical framework and the data collected. This section will help to explain about the study generally. It will give the researcher a brief idea about the topic that the researcher wanted to study with.

1.2 Background of Study/Overview

According to Meursing (2011) , insurance can be defined as a protection from any financial losses. It is also known transfer the risk to the other. The histories of transferring the risk to other were first practiced by the Chinese and Babylonian traders since the 3rd and 2nd Millennia B.C. The Chinese merchants always travel to dangerous river to redistribute their merchandise at many ships in order to limit their losses due to ships capsizing. Right after that, the Babylonian developed a system which was recorded by the famous Code of Hammurabi and were then practiced by early Mediterranean sailor merchants Meursing (2011). In this code, stated that if the merchant received a loan to fund the shipment, the merchant would pay the lender additional payment as exchange for the lender's guarantee to cancel the loan if the delivery is stole or lost in the sea. Later, it becomes sophisticated according to new era of financial system.

In this new era, every person and organization wants to be protected and diversify the risk to others. So, it was developed and was breaking into different types of insurance. According to Investopedia, there are a large numbers of type's insurance policies that were available in the industry. The most common types of insurance that is available is life, automobile, health, housing, education and many more (Investopedia). For the business, they also have special insurance policies to distinguish it from the personal insurance. As for the business, they need a policy that covers damage or injury.