

# Voluntary Insurance Products and Factors Affecting their Demand

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## Abstract

*In our country the insurance market is still in the first steps of its development. As voluntary insurance products make up an important part of the insurance market, we have tried to highlight the factors that influence the demand for voluntary insurance products.*

*The paper begins with general information on insurance, benefits provided by those companies, their history, insurance products focusing mostly on voluntary insurance products and their statistical data for the first quarter of 2017.*

*In a small developing country like ours, where consumers do not have the right information about voluntary insurance, the number of these insurances is relatively low. From the statistical data we note that voluntary insurance premiums, during the period January-April 2017, were about 1,976 million, 17.68% higher in the period January-April 2016. The number of voluntary insurance contracts increased by 34.67% compared to January-April 2016. This shows that Albanian consumers of the insurance market are increasingly becoming aware of the importance of voluntary insurance.*

*The study of the factors influencing the demand for volunteer products has been conducted by considering a choice of 100 individuals from the city of Durrës.*

*The results obtained from questionnaires filled out by different individuals serve us to reach the conclusions of this case study, from where it has resulted that the most salient factor in the claim was the low income. It should be noted that this conclusion is very close to the reality of Albanian society.*

**Keywords:** insurance, factors, claim, products, voluntary insurance

## Insurance history

The first insurance lines in the world we find at the time of ancient Babylon. At that time, security was done to protect goods from theft during transport from one country to another. Nowadays, insurance has progressed more and more and offers a large number of insurance products. In our country, the insurance system was involved in a deep reform that laid the foundations for creating such a security system that not only coped with the problems of this period but also resisted time and serving for future generations. Thus, in 1991, the first insurance company "INSIG" SH.A was created in Albania, with the Albanian Parliament approving the Law establishing the Insurance Institute by dividing it from the Savings and Insurance Institute. In 1993, the Social

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Insurance Institute (ISSH) was established as a state and independent public institution, which would respond to the needs of social protection for different categories of population. In 1999, the first privately owned SIGMA and SIGAL insurance companies were created, all other companies were created in the first five years of 2000 (2000-2005) thus increasing competition in the market and expanding The insurance market in Albania. These companies were ATLANTIK JSC, INTERSIG JSC, INTERALBANIAN JSC, ALBSIG JSC, EUROSIG SH.A.

### **Understanding the Security and its Benefits**

The insurance is the transfer of the risk of incurring casualties by forming a risk basket of such casualties and by conveying them to the insurer's insured against the payment of a premium by the insured in exchange for the insurer's pledge to cover Financially damages for any losses incurred within the insurance period. This transfer is done through the signing of the insurance contract. In this way, the individual seeks to be protected from disaster, which could endanger life or cause property damage. The common features of all the risks are that they are occurring in the coming time, are unpredictable, and do not depend on our wishes. Insurances bring numerous social benefits. These benefits are disclosed as follows:

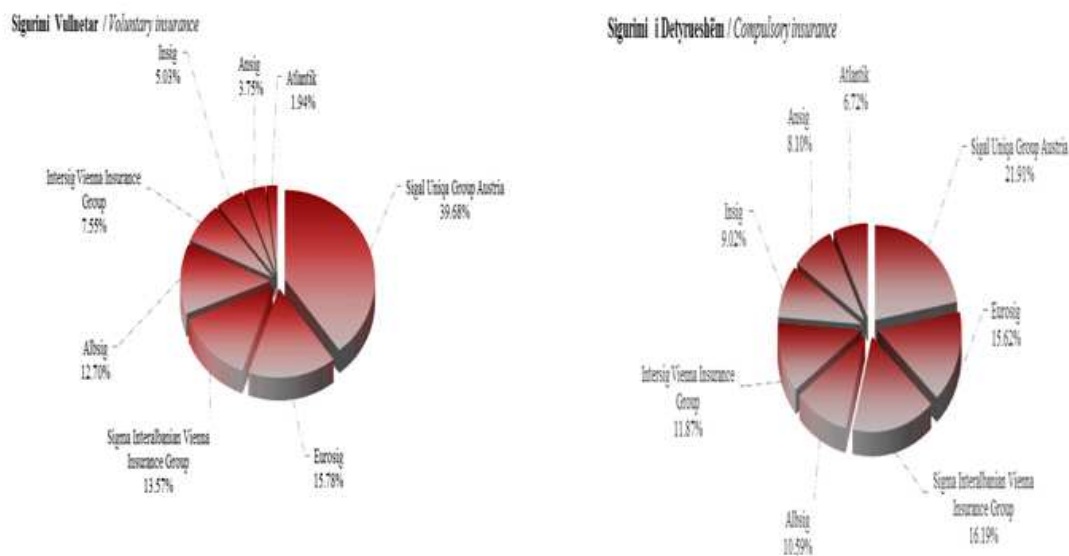
- Insurance provides stability for those who are insured, as they can bring the insured back to the financial condition that was before the damage occurred.
- They avoid the fear, anxiety and distress of the insured because the insured does not have to separate money with the meditation they will use if the loss occurs.
- They are a powerful source of investment and capital accumulation, as money received from premiums, the insurance company invests in various financial instruments.
- Have strength to prevent losses because the insurance company imposes technical conditions that must be met by the one who seeks to secure it before securing it
- Increases the borrowing capacity of investors, which in turn increases investment, economic development and welfare of society.

### **Insurance products**

The insurance products are good at no risk (unrecoverable). The insured takes over a contract called insurance policy and pays a premium that is the premium. Indeed the product that the insured is receiving is not a contract but it is the transfer of the risk. We have 2 types of insurance: life and non-life insurance products. Life insurance products include life insurance, health insurance, injury insurance, and temporary / permanent disability insurance. Non-life insurance products include property and liability insurance.

We have 2 types of insurance: voluntary and compulsory insurance. Voluntary insurance is the moment when individuals turn to insurance companies themselves to

make insurance while compulsory is prescribed by law. Such are internal MTPL, border security and green cardboard.



## 1 Voluntary Insurance

## 2.2 Mandatory Insurance

From the above data we see that the number of compulsory insurance is almost twice as high the number of voluntary insurance. The company, which occupies the largest share in the market for compulsory and voluntary insurance products, is Sigal Uniq Group Austria with 21.91% and 39.68% of the total.

### Voluntary life insurance

Over the years, the insurance market is in an improved structure in favor of voluntary insurance. From the statistical data we notice that in the first quarter of 2017, voluntary insurance amounted to about ALL 1,976 million, or 17.68% more than in January-April 2016. The number of voluntary insurance contracts also increased by 34.67% compared With January to April 2016.

Life insurance is a contract between an insurance policy holder and an insurer where the insurer promises to pay a certain amount of money in return for a premium after the death of a insured person on the basis of the insurance premium paid by The insured.

### LABOR INSURANCE TYPES USED

- Provide life in case of death.
- Provide life in case of survival.
- Mixed life insurance.
- Annuities.

**Life-long life insurance** during January-April 2017, increased by 15.75% over January-April 2016.

Property income, liabilities, guarantees during the period January-April 2017 with revenues of about 939 million ALL in total, the first place received fire and other damages owned by property 72.65%, followed by the provision of general civil liabilities with 19.67% Of the total.

In the portfolio **of fire and natural forces**, during January-April 2017, there was a 48.12% increase in the gross written premiums written in this portfolio and a decrease of 17.13% in the number of insurance contracts, compared to January- April 2016.

Income from **accidents and health insurance** during the period January-April 2017 amounted to about ALL 437 million, an increase of 3.64% compared to January-April 2016.

Life insurance premiums during January-April 2017 reached about 345 million leks, or 27.77% more than in January-April 2016.

### Providing CASCO

CASCO insurance is a voluntary insurance contract, the purpose of which is to compensate for any damages or losses that are incurred by the motor vehicle under the coverage specified in the insurance contract and may be returned to the previous state. Even the coverage of the injured party in cases where CASCO security owner is guilty, this police covers both parties as well as third parties.

### STUDY

After receiving information on insurance as a concept and insurance company in Albania we have conducted a questionnaire to see which factors influence the demand for voluntary insurance products. The study was conducted by 100 champions in the city of Durres.

### CONCLUSIONS OF THE QUESTIONNAIRE

Of the 100 respondents, 60 of them were women and 40 males.

#### 3.1 Gjinia



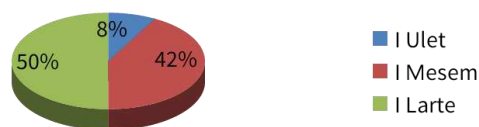
The survey showed that 26% of respondents were single, 73% married, 1% divorced and 0% widowed

#### 3.3 MOSHA



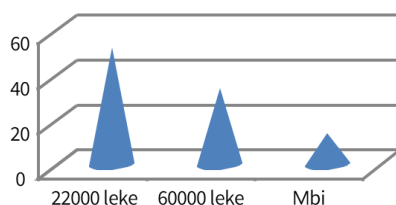
45% are around 20-30 years old, 22% are around 30-40 years old, 30% are 40-60 years old, 3% are over 60

### 3.4 ARSIMIMI

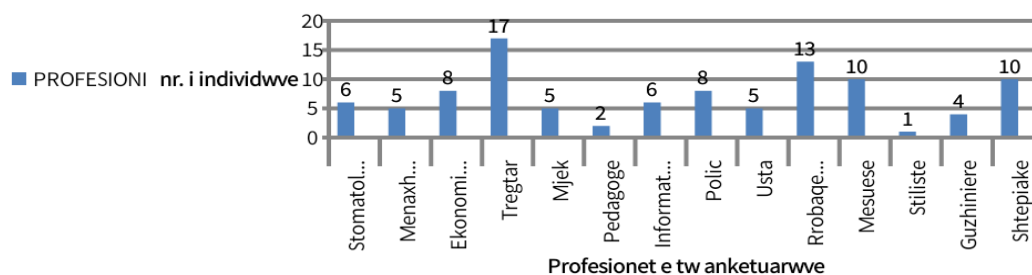


Of the respondents, 50% are with higher education, 42% with secondary education and 8% with lower education.

### 3.5 NIVELI I TE ARDHURAVE



In terms of income level, 52% of respondents had a minimum income level, 34% had an average of 60000 lek, while 14% had an income level of over 60000 lek.



## Conclusions

Based on the theoretical basis of various literature we can say that:

- Provision is the transfer of the risk of the loss of the loss of risk by forming a risk basket of such casualties and by conveying them to the insurer's insured against the payment of a premium by the insured in exchange for the insurer's pledge to cover financially damages for any losses incurred within the insurance period.
- In our country the insurance market is still in the early stages of development and has potential for further expansion. This is also shown by the various statistics obtained from the FSA, which shows an expansion of this market from year to year although this growth is at a slow pace.
- Insurance products are good (untouchable). The product that the insured gets is not a contract but it is the transfer of the risk. We have 2 types of insurance products: life and non-life insurance products. We have 2 types of insurance: voluntary and compulsory insurance.

Starting from the study done by taking a choice of 100 individuals in the city of Durres, we have come to the conclusion that the factors that influence the demand for voluntary insurance products are:

**Income** - It was the most important factor in the demand for voluntary insurance products. It should be borne in mind that always the revenue link with the demand is positive. When for each individual or firm that provides the premium / income ratio falls, the insurance claim increases. This ratio decreases when:

- a) Without changing the premium level, the insured has higher incomes, in which case the insured with the increase of income perceives additional risk to be protected and tends to buy more insurance products.
- b) Without changing the premium level, the insured has additional wealth - such as capital growth, wealth from inheritance etc. In this case, the insured for each additional property unit is exposed to additional risk, hence tends to purchase additional insurance products.
- c) Without changing the level of income, but insurance companies offer lower premiums. This means that the fall in the insurance price increases the demand for insurance products.
- d) A negative impact on demand is that when the insurance premium is changed, household income and wealth decline, then the insurance claim falls.

**Culture**-that is another factor that affects individuals' demand for voluntary insurance, as Albania is a transition country and does not have it in its volunteering insurance culture.

**Non-Perception of Risk**- From the questionnaire that we noticed that a significant number of individuals - about 20% of them - did not make insurance because they did not perceive the risk.

**Lack of information** - It should be acknowledged that lack of information also makes individuals not volunteering. A good part of the respondents were of low education and were not aware of voluntary insurance so they would not talk later on to undergo voluntary insurance.

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## **SUPPLEMENT**

### **Questionnaire**

**1. What is your gender?**

- a. Male      b. Female

**2. What is your civil status?**

- a. Single      b. Married      c. Divorced      d. Wifeless

**3. What is your age?**

- a. 20-30 year old      b. 30-40 year old      c. 40-60 year old      d. Over 60 year old

**4. What is your education?**

- a. Low      b. Secondary      c. High

**5. Your income level is:**

- a. 22000 ALL      b. 60000ALL      c. Over 60000 ALL

**6. Which is your profession?**

.....

**7. Do you have insurance information?**

- a. Yes      b. No

**8. Are you insured or any member of your family?**

- a. Yes      b. No

**9. If yes what insurance did you do?**

- a. House      b. Wealth      c. Life      d. Car (CASCO)      e. Others

**10. The insurance that you have made is: (to answer only those individuals who have made a type of insurance)**

- a. Voluntary      b. Compulsory

**11. If not what is the reason you did not make insurance:**

- a. Low income      b. Lack of information      c. Do not perceive danger  
d. We do not trust whether the insurance company will compensate us

**12. If you would be able to choose a voluntary insurance you would choose?**

- a. Property insurance      b. Health insurance      c. Life insurance      d. All of the above

**13. Do you think making insurance you avoid risk:**

- a. Yes      b. No

**14. Which company do you prefer to make sure?**

- a. Sigal      b. Eurosig      c. Albsig      d. Intersig      e. Ansig      f. Others

**15. What is the reason you prefer this company?**

- a. It's reliable      b. It's safer      c. They have recommended me      d. Others