

## PUBLIC PERCEPTION OF INSURANCE IN ROMANIA: A SURVEY OF INSURANCE CONSUMERS AND NON-CONSUMERS

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**Abstract:** *The current paper aims to emphasize the Romanian public perceives insurance companies and their products. To capture a real picture, we used an online questionnaire. We are focused mostly on the different impact of some relevant factors: knowledge, trust, income. Of the 150 respondents, 74% consider that the activity of insurance companies is essential. Moreover, 62% of individuals claimed to have a high trust level. In summary, we consider that insurers need to take some initiatives to boost the insured trust.*

**Keywords:** insurance, perception, trust.

**Classification JEL:** G22

### Introduction

The insurance subcomponent of the financial services is based on a promise. At first sight, the operating mechanism is simple: individuals agree to pay the insurance premium, and the insurer agrees to pay their losses. To characterize the insurance industry, we can use the following words: insured, insurer, trust, insurance premium, risk, claim, contract, complexity.

Schlesinger (2013) underline the role of the consumer's perception of insurance demand behavior, on the other hand, Anderson & Nevin (1975); Papon (2008) they focused their attention on the insured's behavior.

According to Ewold (1991) „Insurance can be defined as a technology of risk”, but trust in the insurance market appears to be limited. Hakanen and Soudunsaari (2012), relieve: „trust is fragile and can be lost quickly through negative experiences”.

This paper is organised as follows: *Section 2* contains information of relevant research regarding insurance, *Section 3* describes the date and the methodology used in this article, *Section 4* presents information regarding results and *Section 5* offers conclusions of this subject.

### Literature review

All the researchers interested in the subject of insurance demand found the *income* positively influence life insurance (Fortune, 1973; Campbell, 1980; Lewis, 1989; Beenstock, Dickinson, & Khajuria, 1986; Truett & Truett, 1990; Ward & Zurbruegg, 2002; Beck and Webb, 2003; Li et al., 2007; Dragos and Dragos, 2009; Feyen et. al., 2011; Kjosevski, 2012; Chang & Lee, 2012; Chang et al., 2014). Other factors with a positive effect are *the level of education* (Elango & Jones, 2011; Kjosevski, 2012; Millo, & Carmeci, 2015; Outreville, 2015), *urbanization* (Hwang & Gao, 2003; Curak et al., 2013; Dragos, 2014; Dragos et al., 2017), *social security expenditure* (Browne & Kim, 1993; ). The negative effect of inflation on life insurance demand is well documented (Browne & Kim 1993; Outreville, 1996, Babbel, 1981).

In accordance with the literature, there are several factors that influence the insurance market.

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Outreville (1996) underlined the fact that the life insurance market is influenced by the level of financial development the country has and also by the disposable income individuals own. According to Chandhok & Shakila (2018, pp. 521) insured “are continuously working on identifying these factors and catering to the needs of the individuals to have them under their customer base”.

Recently, interest in this area has received new valences: institutional indicators from the Worldwide Governance Indicators database (Kjosevski, 2012; Lee & Chang, 2015; Dragoș, Mare, & Dragoș, 2019) , cultural factors ( Park, Borde, & Choi, 2002; Chui & Kwok 2008; 2009; Park & Lemaire, 2011) and behaviour factors such as trust (Zheng at al., 2002; Mureșan & Armean, 2016).

The purpose of the present study is to measure customers perception towards service quality of Insurance market of Romania based on Sureshchandar et al. (2001), Sandhu & Bala (2011). Moreover, in order to establish what increases the probability of an individual to buy a life insurance or a voluntary private pension, Mureșan & Armean (2016) used the Multiple Correspondence Analysis (MCA) and logistic regression.

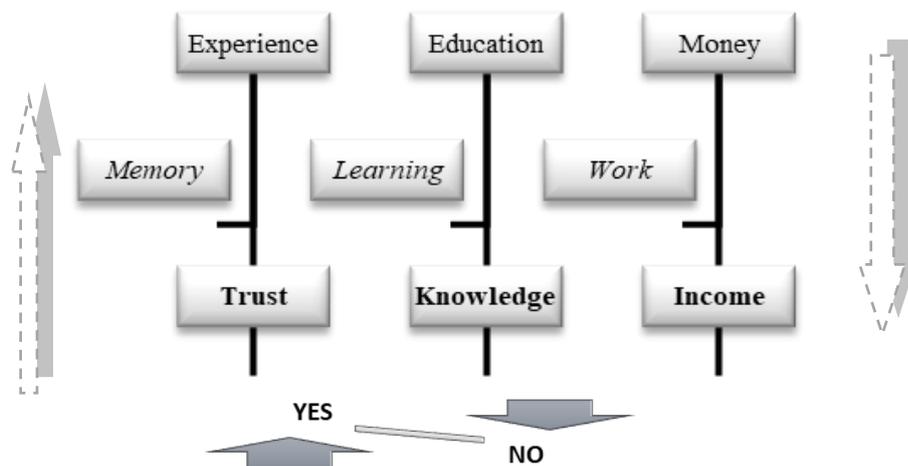


Figure no.1 Policyholder Behavior

*This figure reports the results of typology of consumers' behavior on insurance market*

*Source: Soruce: Mureșan & Armean (2016)*

The model proposed by Mureșan & Armean (2016) suggests that behavioral factors plays an important role on insurance decision.

As you can see, there are numerous studies on the insurance literature which have evidenced the direct or indirect impact of different factors on insurance development. This paper contribution resides in a new effort to understand the public perception of insurance services in Romania.

### Data and methodology

In the current paper, we examine the individual’s perception in subscribing an insurance policy. We are focused mostly on the different impact of some relevant factors: knowledge, trust, income.

All participants were informed about the aim of the study. We mention, they did not have a time limit to answer, and their details are exclusive confidential.

A single and a multiple-choice questions was used for data collection and individuals were given the opportunity to expand on their responses. All information was collected using an online questionnaire (isondaje.ro). The inclusion criteria were participants aged  $\geq 18$  years.

## Results

### Descriptive characteristics of individuals

Of the 150 participants, 65 (43%) were male and 85 (57%) female. The mean age was 31.2, with a range of 18 to 62. Last graduated school was: 10.2 % High school, 7.4% Technical school/Post-High school and 82.4% University studies/Post university studies.

### Descriptive characteristics of the insurance market

Next questions have been as follows: *Which life insurance companies/ non-insurance companies have you heard?* These multiple choice questions ask the respondent to choose between one or more answer options.

According to the Figure no. 2 - 20% of the respondents' answers turned to NN, 18% opted for Allianz-Tiriac, 17% Gothaer, 12% BRD Life Insurance, and the remaining companies noticed below 10%.

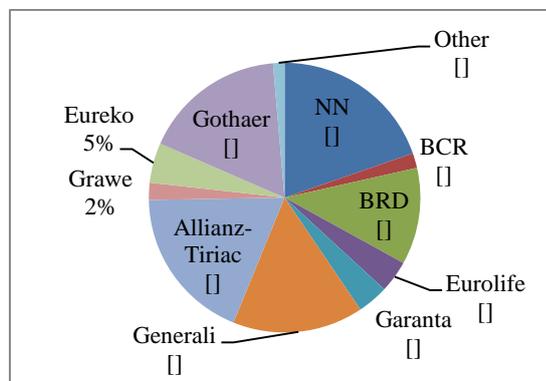


Figure no. 2 Life insurance companies  
Source: own processing

Allianz-Tiriac holds the largest share of total, followed by Omnisig and Asirom, according to Figure 3.

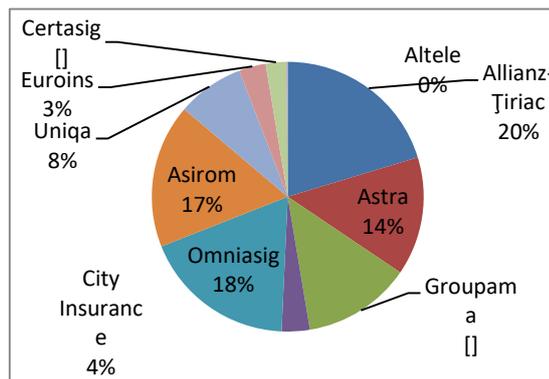


Figure no.3 Non-Life insurance companies  
Source: own processing

**Public perception of insurance in Romania**

Figure 4 is captured the answer to the question: *What types of insurance have you subscribed?*

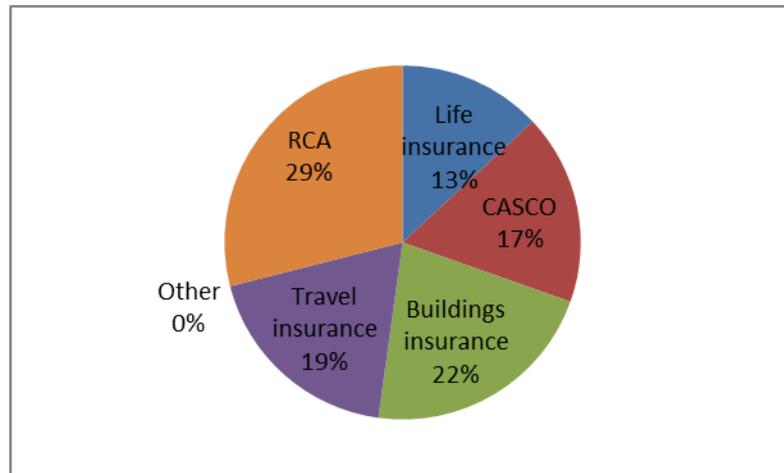


Figure no. 4 Types of insurance  
Source: own processing

According to the chart above, only auto, buildings, life and travel insurance were mention.

The questionnaire continued with the following question: *Would you recommend to family/ friends/ acquaintances your insurance subscribed?*



Figure no. 5 Advice for subscribing  
Source: own processing

The majority of respondents answered affirmative, but 24% individuals undecided to make a recommendation. Companies must identify these customers because the answer "maybe" indicates some doubt about their satisfaction. Moreover, they noted the insurance quality with 7.85 (*Please evaluate the quality of insurance products and services*). The marks ranged from 1-10. The smallest mark was 4, and the highest mark was 10.

"Do you consider that insurance companies play an important role in your life?". Of the 150 respondents, 74% consider that the activity of insurance companies is essential. In contrast, some respondents are not of the same opinion.

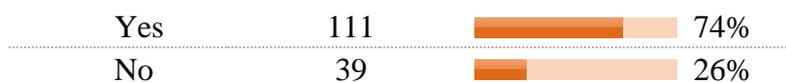


Figure no. 6 Insurance importance  
Source: own processing

We are reserved for concluding, but we were still worried because 26% is not a negligible percentage.

*What is the most important factor that determines your choice of insurance?*

Table no.1 Factors affecting the insurance demand

Factors	Points
Risk coverage	249
Price	300
Reputation	351

Source: own processing

Points represent the total sum of all the answers to this question. The most important answer has the least number of points. Consequently, the degree of risk coverage is the key factor that determines the majority of the respondents.

*How much trust do you have in insurance companies?*

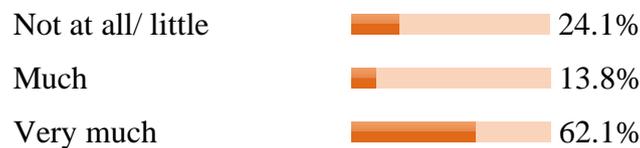


Figure no.7 Insurance trust

Source: own processing

For instance, individuals declared that they have a low level of trust in the insurance market are 24%, but at the same time, other people affirmed having a high trust level (62%). According to Muresan & Armean (2016) individuals “that affirmed having a high trust level are 2.25 times more likely to be interested in such contract than those whose trust is very low”. According to Barrett (2005), “without trust, insurance cannot perform its proper function as a risk management device for companies and individuals”.

To the question: *What percentage of your annual revenues are intended for the payment of insurance premiums*, we have obtained the following results: 77% less than 10%, 19% between 10%-20%, 4% between 20%-30%, 0% more than 30% of revenues.

### Conclusions

The primary findings indicate that major individuals have the same opinions concerning the benefits of subscribing insurance. These people are more likely to be interested in buying a policy.

In the present, the Romanian insurance market remains focused on the non-life sector, according to the Financial Supervisory Authority. Moreover, “the concentration of the Romanian insurance market is significant, given that 10 insurance companies hold about 90% of the insurance market” (Bilevsky,2018).

We consider that insurers need to take some initiatives to boost the insured' trust.

### Limits of the study

The findings of this study have to be seen in the light of some limitations. The primary limitation to the generalization of these results is a small sample size.

Another barrier relates to the high cost that it involves a larger database.

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