University of Zurich[UZH]

Master's Thesis

"A Comparative Study of Demand Drivers for Life Insurance in Western and Eastern Europe"

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August 2018

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Executive Summary

In the first part of this thesis I explore the development in academic literature dedicated to life insurance since its dawn in the 1960s. I pay heed to both theoretical and empirical breakthroughs that marked the evolution of scientific thought over the years by discussing a plethora of different papers.

In the second part I examine the evolution of the legislation concerning life insurance in the European Union since the Treaty of Rome was signed and the development of the life insurance market during and after the last financial crisis.

In the third part I use econometric analysis in order to answer the question whether life insurance demand in Eastern Europe functions in a different manner as it does in Western Europe. Hence, with the framework presented in this work I aim at expanding the literature by comparing the life insurance demand drivers in Eastern and Western Europe whereby my focus is not the magnitude of these drivers but the fact whether they are identical across the continent.

For this purpose, I employ panel data which I analyze with three different models: pooled OLS, Fixed Effects and Random Effects. I run the three models for both samples in order to draw parallels. Afterwards, I perform the necessary testing so that I can determine the most appropriate model for each sample. I conclude that the Random Effects model suits best my strategy. In addition, I carry out robustness testing and discuss my results.

I find statistical evidence that life insurance drivers in Eastern Europe might be different from those in Western Europe. Even before the robustness testing I find that most coefficients in the Eastern European model are not statistically significant while the Western European model features only statistically significant results which is consistent with previous research. Even after the robustness tests most coefficients in the Western European model are still statistically significant, while in the Eastern European model only one coefficient remains significant. Thus, I find that the only life insurance demand driver common to both samples is disposable income.