

# THE STUDY OF FACTORS THAT IMPACT LIFE INSURANCE DECISION OF INDIVIDUALS

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## Abstract

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The life insurance industry is a new field in the Kosovo market, which has shown rapid development in the last two decades. The purpose of this study is to find the main factor which impacts individuals in Kosovo in the decision to purchase a life insurance policy. This research was done in two different periods, one in 2009 and the other in 2021, using the same research methodology and aiming to compare the results of the two time periods. The first part of the research was carried out in 2009 and lasted about three months, while the second was in the last two months of 2021. Data are collected through a survey using a questionnaire designed for the study. Data analysis has shown that benefits from disability insurance are a crucial factor for life insurance. Ranjan et al. (2020) say that with increased competition, the life insurance industry has adopted innovative practices to capture a larger market; therefore, companies are developing their capabilities for penetration, distribution, and sales based on access to customers. Life insurance companies and their agents will benefit from the results of this survey, which will serve as a tool for contributing to the development of the life insurance industry in Kosovo.

**Keywords:** Life Insurance, Life Insurance Industry, Life Insurance Policy, Preferences, Benefits

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## 1. INTRODUCTION

The year 1985 shows the “origin” of life insurance in Kosovo; the Austrian company Wiener Staedtsche was the first insurance company in Kosovo’s market

to start to offer life insurance policies through the intermediary company WVP Group. In the early years, the number of individuals who purchased life insurance policies was minimal (Baek & DeVaney, 2005). The WVP Group operations were expanded

through network marketing (multi-level marketing – MLM) by licensed agents in all cities of Kosovo. This industry was exciting (when it started operating in Kosovo) and constantly developed and created stability. The sector's development lasted for an extended period, starting from the 80s and continuing in the 90s until 2009 when the life insurance market changed with the approval of the relevant laws and the licensing of companies to provide life insurance policies.

Different situations challenge the operations of life insurance agents in Kosovo's market. Political crises and social problems characterized the 90s. Insufficient knowledge and legal constraints for life insurance products constituted a challenge for life insurance agents. However, Kosovo did not stay indifferent to regional trends in life insurance, despite the dramatic developments over the 90s.

Postwar years (after 1999) show a positive trend in the development of the insurance market in Kosovo. This market showed significant growth and expansion, supported by the general direction of business development and the opening of new markets. Anyway, the progressive approach of Kosovans to new forms of operations and business developments, including all forms of insurance and not overlooking life insurance, which is also the focus of this research.

According to Gashi (2009), the insurance market in Kosovo began to operate after 1999 with United Nations Interim Administration Mission in Kosovo (UNMIK) regulations under the supervision of the Central Banking Authority of Kosovo (CBAK) (now the Central Bank of the Republic of Kosovo – CBK) with ten licensed insurance companies, but with a homogeneous portfolio of insurances.

The legal basis for operating insurance companies in Kosovo was the approval of UNMIK Regulation 2001/25 on insurance, covering the insurance intermediaries. Austrian companies expanded the life insurance market through this regulation through an intermediary company.

Since June 2006, the intermediary company WVP Group has opened its representative office in Pristina, which provides life insurance products to both Austrian life insurance companies Gracer Group and Grawer Group. The representative office serves as a venue for consultations, and information, offering technical support to the licensed agents in providing and interpreting the benefits of the life insurance policy, including compensation of additional payments regarding life insurance.

To implement Articles 27, 28, 32, 50, 53, and 57 of Regulation 2001/25 Board of Directors of the Central Banking Authority of Kosovo, in December 2007, adopted Rule 31 on life insurance. The adopted Rule 31 also regulated the legal basis for the operation of the life insurance industry, and a new chapter in this field began.

June 2009 shows the beginning operation of the first domestic company in the field of life insurance, Dukagjini Life, in cooperation with the Slovenian insurance company Sava Re Group. Flexible payment options offered by Dukagjini Life affected the dynamic growth and expansion of the life insurance market in the Kosovo market at the end of 2009 and in the first quarter of 2010.

Based on the trend and developments in the life insurance industry, many Kosovans obtained a license as agents for life insurance in recent years. This momentum created and influenced significantly increased competition among agents to sell life insurance policies. This situation conditioned many licensed agents to become more aggressive when introducing the life insurance policy and its benefits. The licensed agents showed aggressiveness during presentations held in informative seminars. The intermediary company organized informative meetings throughout Kosovo. This situation has created a need and demand for research and identification of people who want and are ready to be equipped with life insurance policies and their preferences.

As a result, a need appeared to identify potential customers for purchasing life insurance policies. Therefore, identifying the main factor affecting individuals on life insurance decisions is a particular interest of the study.

The study's primary purpose is to identify the main factor affecting individuals in decision-making to purchase a life insurance policy, which will achieve by identifying their preferences.

The survey results will serve as a working tool for licensed agents who sell life insurance policies and companies that offer life insurance products. The survey results will also serve everyone as awareness about factors that affect individuals in Kosovo in the decision to purchase life insurance.

From the research objective and the environment of Kosovo in the life insurance market, the research question is set up:

*RQ1: Which main factor impacts individuals to purchase a life insurance policy?*

The formulation of the research question has theoretical support in studies conducted by different authors.

The structure of the paper is as follows. Section 1 consists of the introduction of the research work with details about the purpose and research objectives. Section 2 presents a review of the relevant literature. Section 3 shows the methodology used including sample design, research design, and data collection. Section 4 presents the results from the analyzes that were made for the two time periods (2009 and 2021), including a discussion of the main findings of the paper. Section 5 provides a conclusion about this research project and recommendations for future research.

## 2. LITERATURE REVIEW

This section includes a comprehensive review of the literature on life insurance related to the study's objective, trying to make any possible synthesis.

Factors and preferences in the decision for life insurance policy studied in the survey have a liaison in many theoretical and empirical works, which are discussed and synthesized in this section.

The literature review presented theories and models, and empirical studies.

### 2.1. Theories and models

According to Yaari (1965), theories and models for life insurance, as well as demand for life insurance policies, fall into two main groups: 1) the model of Marshall and 2) the model of Fisher.

Heads of households with more dependents have greater demand for life insurance (Browne & Kim, 1993). Those motives usually are evident in life insurance policies for an indefinite period.

In general, revenues positively affect purchasing of life insurance policies because the growth of income increases opportunities for life insurance (Baek & DeVaney, 2005).

Norberg (1999) states that the theory of bonus significantly impacts every type of life insurance, including the terms and features that it entails.

Deus and Josephine (2014), in their paper, say that life insurance is essentially a form of savings that competes with other forms of savings on the market. Thus, the theory of life insurance demand evolved through life cycle models of savings.

Zhuo (1998) notes that savings through life insurance, based on features representing long-term deposits, play an essential role in economic development. Also, this author states that one can only apply a particular theory for saving through life insurance for some countries due to different socio-economic systems, where conditions and factors affecting the savings can be incompatible with other countries.

Wu and Wang (2018) say that the life insurance industry in China is in the initial stage of development, characterized by limited scale, low penetration rate, and low intensity. They also conclude that pension gaps have emerged due to the issue of population aging, which signals that insurance companies with commercial properties can make other parts of resident funds.

The model of demand for life insurance by Buser and Smith (1983) uses the average variation analysis. This model explains the optimal value of insurance depending on two components: the expected value of human capital and risk characteristics included in the insurance contract.

Ibbotson et al. (2005) have built a model whereby human capital (age, income) and a certain amount of money affect a decision for life insurance and in providing capital for investment, subject to risk approach and reciprocal relationship between human capital and financial markets.

Liyanage (2019) notes that life insurance plays an important role because it is a limit against loss of income after the death of a breadwinner. This is because the insurer will pay the beneficiary a certain amount of money after he/she passes away, or when he/she is disabled with a critical illness. Life insurance is therefore a form of protection against life's uncertainties.

Priyan and Selvakumar (2012) say that risk coverage is an important factor for insurance due to increasing uncertainties in life; customers are looking for an insurance policy that provides risk coverage due to natural/accidental death, permanent disability, critical illness, and so on.

The model of Lewis (1989) focuses on the benefits of life insurance policies. The theory explains that we should view the demand for life insurance from the perspective of beneficiaries. This model does not rely on the motives of the heritage.

Biçoku and Memaj (2022) notice that Albania has a relatively small life insurance market, both from the point of view of companies operating in the market (only three) and from the total volume of

premiums. In conclusion, Biçoku and Memaj (2022) say that the development of the life insurance market has an important role because it promotes long-term savings and reinvestment of amounts significantly in private and public projects.

Cummins et al. (1998) point out that technological advancements in sales, prices, and shareholders have pushed insurance companies to become more innovative in this business. Relying on efficiency indicators, it suggests directing life insurance companies to mergers to make product diversification and enrich it with different benefits for the insurers.

The theory of agency and maximizing the company's value is used by Otero González and Fernandez Lopez (2005) in their study of the life insurance market in Spain based on data from 28 insurance companies by using the tools of financial risk.

## 2.2. Empirical research

According to Cutler and Zeckhauser (2004), in recent decades, economic attention has been closely related to the extraordinary rise of the insurance industry.

Baruti (2022) shows that the insurance industry has a positive impact on the development of countries, and the factors related to the macroeconomic and financial sectors are important drivers for the future development of the insurance industry.

According to Osifodunrin and Lopes (2022), two global insurance industry surveys/reports (Centre for the Study of Financial Innovation [CSFI] & PricewaterhouseCoopers [PwC], 2019, 2021) asserted the important ideal roles of regulation and then accused it of being sometimes ineffective and often posing major debilitating risks to the industry.

Li's (2008) research provides an essential contribution by proving that most economic variables, such as wealth and psychographic factors, are closely related to purchasing life insurance by individuals and households in the United States. The demand for life insurance was developed, including demographic variables (age, education, employment, health status, number of children, race), economic variables analyzed, and wealth (income, property, debts, liquid assets, certificates of deposit, mutual funds, etc.) and psychographics variables (aversion to risk, access to the legal issue, etc.).

Demographic variables used in this research are strongly related to variables relevant to Kosovo and the research environment, except for race, which is incompatible with Kosovo's demographic specifics.

Categories of economic and property variables, including income, liquid assets, and property, are remarkably compatible with the approach and commitment of Kosovars to purchase the life insurance policy. In contrast, other categories (liabilities, certificates of deposit, mutual funds) have a negligible impact based on the type of life insurance policy offered in Kosovo.

Chen (2006) studied the requirements for life insurance in the German market inside the German economic framework. Data from the panel of German socioeconomic studies concluded that the motives of inheritance in families with children are powerful to keep the life insurance policy.

Unemployment has a negative effect, while the high rates of marginal taxation are associated with higher demand for life insurance because of the tax incentive scheme in Germany.

Novovic Buric et al. (2017), describe Montenegro's insurance market in a low level of development compared to developed countries. They assume from testing results that age structure and education (demographic factors), as well as the level of employment (economic factor), very highly influence the demand for life insurance in Montenegro.

Killins (2019) focused on the Canadian life insurance sector and found that the size, liquidity, and risk exposure of life insurers are significant factors in their profitability. He also found that macroeconomic factors are significant determinants of insurers' profitability.

Tobing et al. (2022), in their study, show that, despite the many benefits and risks, consumer protection is still being implemented in the workplace, albeit inconsistently and not optimally. The study also shows the importance of need-based sales growth, ongoing consumer protection, and trust-building efforts by life insurers.

Uduwana et al. (2022) recommend life insurance companies in Sri Lanka focus on better performance in relation to customers but also in terms of return on their assets, where they should improve leverage and liquidity.

Sen (2008), in his study about determinants of demand for life insurance in some Asian countries and India, has divided it into two parts. The first part analyses the economic variables and socio-political situations that could explain the life insurance structure in 12 Asian countries for 11 years (1994–2004). The second part contains an independent practical explanation of the form of life insurance consumption for these 12 countries.

The empirical analysis has proved that some variables categorized as economic, demographic, legal, socio-political situation, and so on have a significant impact on the demand for life insurance in the economies of these countries.

The results show that the variables income and age have a positive effect on the need for life insurance and its density. It has grown after substantial changes and reforms in the financial sector in the period after the financial crisis and the economic liberalization process of some countries in this region.

Mai et al. (2020) show that life insurance purchase behavior is influenced by purchase intent, attitudes, financial knowledge, and access to the product. The research determined that financial knowledge can drive purchase intention into actual life insurance purchase behavior.

Saha and Dutta (2019), in their study, find that with the privatization process and the increase in the number of insurers, competition has increased significantly. To survive, companies have come up with different products and solutions; factors such as growth in life/property coverage, diversified customer-friendly products, and rapid growth of multiple channels.

Hong and Rios-Rull (2004) used demographic data: age, gender, and marital status to conclude that demographic periods of age and marital status have a specific effect on the purchase of life

insurance in the United States. Findings show that marginal benefits for the purchase of life insurance in females are significantly lower than in men after marriage. Results also indicate that men are more interested in their subordinates than women, which is related to the level of consumption.

Chi et al. (2019) studied the factors influencing life insurance consumption in Malaysia and found a relationship between the level of income, level of education, perception of life insurance benefits, medical expense risk, and life insurance consumption.

Lim and Haberman (2005) show that savings and the insurance policy price are the main variables associated with life insurance in Malaysia. Even Zhuo (1998), in his study on the impact of savings on demand for life insurance, shows that savings significantly impact the Chinese market.

Basak (2021), studying life insurance factors in Bangladesh, concluded that low premium, service quality, efficient agent, trust, technology, and communication are the most significant motivating factors compared to product features, price, flexibility, brand value, economic growth, and maturity benefits on policyholders' satisfaction.

Since savings has a crucial role in the Kosovo market, this life insurance variable is being researched and analyzed in the study.

In their empirical research, Pliska and Ye (2006) reviewed the request to purchase life insurance in an economic environment through experimental, numerical analysis. Based on the results obtained, they concluded that different variables have positive or negative impacts on purchasing life insurance.

Through the multinomial logit model, Dragos and Dragos (2009) explained various aspects of the insurers in the Romanian market. Demand for life insurance products is higher with a low level of risk, and lower income is a crucial factor in selecting life insurance products and their features.

Jain and Talach (2023), in their study, say that providing insurance coverage is not simply to earn from it, but to provide a more suitable plan that helps fulfill social responsibility.

Ristiany and Efendi (2021), studying the life insurance industry in Indonesia, notice that operational costs, claims, and company size have a significant positive effect on the contribution of life insurance participants.

Grynchyshyn and Gryshchuk (2019) prove the importance of life insurance both for meeting the social needs of the insured and for the economic development of the country. They also prove the importance of cumulative life insurance in relation to the gradual deterioration of the demographic situation, the reduction of the working population, and the increase in the number of retirees. They also emphasize the study of theoretical and practical aspects of various types of long-term life insurance, especially investment, divided into classic life insurance and the investment component.

Rasika and Karunaratna (2021) reveal that sales behavior can be attributed to the lower life insurance penetration rate in Sri Lanka. From the analysis, the results show that sales pressure and competitive intensity have a significant positive relationship with unprofessional sales behavior. Thus, it is suggested to reduce sales pressure.

Reddy and Reddy (2020), in their paper, tend to examine the relationship between life insurance and various economic and demographic characteristics of households. The research shows that the main factors of insurance in the urban area are caste, level of education, the income of family members, income, savings, and the nature of accommodation. In the category of rural areas, the level of education, the number of children in the family, the number of dependents in the family, income, and savings are the determinants for life insurance. In both categories caste, education level, income, and savings are the most important factors.

Demographic factors in the Lithuanian insurance market have a dual character, according to Belinskaja (2009). Changes in population structure directly affect the demand for life insurance products resulting in reduced demand for individual insurance products and slowing the level of the insurance market development.

### 3. METHODOLOGY

#### 3.1. Sample design

According to 2011 population registration, Kosovo is a country with approximately 1.8 million inhabitants, while the projections based on the demographic movements of the last decade show a decrease in the number of the population.

The life insurance industry started in the 90s, but with a few insurers, until it developed over time, with a development in 2003–2009 and, after 2009 (when the legal infrastructure regarding life insurance was completed). An increase in customer interest is shown due to opportunities for paying premiums through installments, and the increase in awareness regarding life insurance and global trends have influenced the expansion of thinking and rational action regarding this field.

Thus, based on the number of the population of Kosovo (1.8 million, 2011; but with a downward trend in the following years), and the number of individuals who have purchased life insurance, we consider that the sample for the two analyzed periods is credible and representative for the territory of Kosovo.

Selecting the sample for this research is the deliberate selection of the example. According to Cooper and Pamela (2008), the choice of the measure based on any given criteria but not on probability is a deliberate selection of the sample.

Criteria for sample selection were individuals who have a life insurance policy; this means that the subject of analysis is only people who have a life insurance policy.

The sample is from seven major cities of Kosovo (Pristina, Prizren, Peja, Gjakova, Mitrovica, Ferizaj, and Gjilan).

#### 3.2. Research design

This study aims to identify the factors that influence the decision for the life insurance of the citizens of Kosovo. After analyzing the research process, based on each element in the research process, it has been estimated that the best and most correct way is to contact only individuals who have purchased a life insurance policy; since we considered that only

those people who have bought life insurance can be more reliable in giving answers. Thus, through the insurance agents, the people who bought life policies were identified and the questionnaires were distributed to them.

Based on the goals and objectives of the research, research can also be done through the offices of life insurance companies. Through these offices, access to people who have life insurance policies would be much easier, as well as data collection. Thus, the officials of the life insurance companies can distribute the questionnaires to the insured individuals and obtain the necessary answers for the research. This can also be an alternative form of conducting research.

Based on the conversation with life insurance agents and data from the literature review, are designed questions and statements for respondents. The identified questions and comments are mainly oriented to categories and characteristics related on the decision to purchase the life insurance policies, which are: annual income, benefits from disability insurance, opportunities for savings, and benefits for reward/bonus.

Life insurance policies offered on the Kosovo market at the end of the contracted period have a reward or bonus offer of up to 50% of the total annual premiums paid. Through answers from respondents, we try to find the level of compliance that: income, savings benefits, reward benefits, and disability insurance benefits are essential factors in purchasing a life insurance policy. Respondents were also asked to indicate the level of compliance with the statements from 1 (“strongly disagree”) to 5 (“strongly agree”) using a Likert scale range. Using a scale of five alternatives, the respondents will have more flexibility to give objective responses. Also, they had the alternative of choosing a neutral option, scaling number 3 (“neutral”).

After the collection and systematization of the questionnaires, they will be entered into the IBM SPSS Statistics software package, where the various analyzes offered by this package will be performed.

The analysis methods that will be used are: mean, standard deviation, coefficient of variation, and correlation coefficient. The data analysis is for the two periods separately (2009 and 2021) and then compared to these two periods.

The data will be obtained through the questionnaire, specially designed for this research, and distributed in seven main cities of Kosovo.

#### 3.3. Data collection

Data are collected through life insurance agents in seven major cities of Kosovo and the intermediary office of WVP Group and Illyria Life Insurance in Pristina. Insurance agents have helped to find individuals with life insurance policies; and with whom the data collection process was carried out; through the survey questionnaire.

Data collection was started in June 2009 and completed in October 2009.

Collecting data was to identify the changes in individuals’ perceptions regarding purchasing a life insurance policy. The data collected from November to December 2021, unlike the first part of data

collection (in 2009), in 2021, a significantly developed life insurance market was observed, with scope and portfolio quite attractive for individuals. Consequently, the collection of data in 2021 has been more accessible, and access to individuals who have life insurance policies was faster and more easily accessible. In 2009, 207 respondents were surveyed, and in 2021 — 345 respondents.

**4. RESULTS AND DISCUSSION**

After inputting data from questionnaires in the IBM SPSS Statistics software package, methods such as mean, standard deviation, coefficient of variation, and correlation coefficient are used to state the factors for the decision to purchase a life insurance policy.

Mean refers to the average collection values until the standard deviation is measured rate of variation from the average and distribution of values from the norm. A coefficient of variation is a normalized measure of the probability distribution defined as the ratio of standard deviation and the average. Also, the correlation coefficient measures the rank correlation (statistical dependence between the rankings of two variables).

The data analysis is for the two periods separately (2009 and 2021) and then compared to these two periods.

In the first part of the data analysis, 2009 shows a low diversity in the provision of life

insurance policy offers, in contrast to the year 2021, where we have a development of the insurance market, product assortment, and facilitation in the forms of payment of installments.

**4.1. Data collected in 2009**

In 2009, the necessary laws for the regulation of the insurance sector were completed and approved in the Assembly of Kosovo, which is also known as the official start of offering life insurance policies.

This year, after extensive work in the field, meetings with people involved in the insurance industry (with particular emphasis on the life insurance industry), as well as the commitment of life insurance agents, it was possible to receive 207 questionnaires. Respondents completed them from 7 main cities of Kosovo. Respondents are individuals who purchased life insurance policies and were willing to answer our questions; contribute to identifying factors that influence individuals' decisions to buy life insurance policies.

Data presented in Table 1 and Table 2 show the level of compliance for the factors that influence the decision of individuals to purchase an insurance policy. Identified factors in buying a life insurance policy are income, savings benefits, reward (bonus) benefits, and benefits from disability insurance. These statements tried to identify the main factor of individuals which affect the decision to purchase a life insurance policy.

**Table 1.** Rated statements of respondents for factors for life insurance (for 2009)

Rated statements	Annual income is a factor for life insurance	Saving benefits are factors for life insurance	Reward/bonus benefits are factors for life insurance	Disability insurance benefits are factors for life insurance
1	1	1	2	1
2	83	1	3	
3	88	42	35	4
4	24	114	93	58
5	11	49	74	144
Total	207	207	207	207

Source: Authors' elaboration using SPSS Statistics.

From the results (Table 1), the statement for disability insurance has the highest value. Of the 207 respondents, 144 of them, or 69.6%, strongly agree (level 5) with this statement, and only one strongly disagrees (level 1). Fifty-eight (58) respondents, or 28.0%, agree on level 4, and only four were neutral.

Benefits in reward (bonus) show that 167 respondents declared at levels 4 and 5 ("agree" and "strongly agree") and only 35 expressed "neutral" (3). The "strongly disagree" and "disagree"

levels showed 2 and 3 respondents, respectively.

The benefits in savings show a high level of compliance with the statement that 163 respondents expressed at levels 4 and 5 and with 42 respondents declared as "neutral" in this statement.

Of all the statements, incomes as factors for buying an insurance policy show the lowest level (Table 1), which can be taken as an exciting statement of the respondents, and why not as an object for future studies.

**Table 2.** Descriptive statistics of the rated statement for factors for life insurance (for 2009)

Descriptive statistics	Annual income is a factor for life insurance	Saving benefits are factors for life insurance	Reward/bonus benefits are factors for life insurance	Disability insurance benefits are factors for life insurance
Valid	207	207	207	207
Missed	0	0	0	0
Mean	2.81	4.01	4.13	4.66
Median	3.00	4.00	4.00	5.00
Mode	3	4	4	5
Standard deviation	0.847	0.710	0.811	0.567
Coefficient of variation	30.14	17.71	19.64	12.17
Min	1	1	1	1
Max	5	5	5	5

Source: Authors' elaboration using SPSS Statistics.

The results show that in all statements, the level of compliance (on average) is over the arithmetic average (2.5).

At the highest level is the statement for benefits from disability insurance. The statement asks respondents to answer for the level of compliance that benefits from disability insurance are the factor for a life insurance policy which indicates a mean of 4.66 associated with a standard deviation of 0.567 and a coefficient of variation of 12.17. This variation coefficient means that the average distribution is a small value reflected with a lower coefficient of variation.

Reward and saving benefits also show a high mean of 4.13 and 4.01 and a standard deviation of 0.811 and 0.710.

Unlike others, the statement for annual revenue as an essential factor for life insurance has a different distribution with an average of 2.81, where 88 respondents, or 42.51%, expressed neutral on the statement and only 11 respondents agree in level 1 as "strongly disagree" (Table 1 and Table 2). In all statements, median and mode show levels in

numbers 3, 4, and 5 related to the mean of the rated statements.

The correlation coefficient (Spearman's rho) is calculated between variables: *Annual income is a factor for life insurance* and *Saving benefits are factors for life insurance*. Also, we have variables: *Annual income is a factor for life insurance* with *Reward/bonus benefits are factors for life insurance* (Table 3 and Table 4).

This coefficient measured the dependence or relationship between the selected variables.

In both cases (Table 3 and Table 4), we have a strong positive relationship, which means they have a strong relationship with each other.

In the first case, we have a correlation coefficient of 0.790 between two variables: *Annual income is a factor for life insurance* and *Saving benefits are factors for life insurance*. The second one shows a correlation value of 0.782 between variables *Annual income is a factor for life insurance* and *Reward/bonus benefits are factors for life insurance*.

**Table 3.** The correlation coefficient, annual income with saving benefits (for 2009)

			<i>Annual income is a factor for life insurance</i>	<i>Saving benefits are factors for life insurance</i>
Spearman's rho	<i>Annual income are factors for life insurance</i>	Correlation coefficient	1.000	0.790**
		Sig. (2-tailed)		0.000
		N	207	207
	<i>Saving benefits are factors for life insurance</i>	Correlation coefficient	0.790**	1.000
		Sig. (2-tailed)	0.000	
		N	207	207

Note: \*\* Correlation is significant at the 0.01 level (2-tailed).

Source: Authors' elaboration using SPSS Statistics.

**Table 4.** The correlation coefficient, annual income with reward/bonus benefits (for 2009)

			<i>Annual income is a factor for life insurance</i>	<i>Reward/bonus benefits are factors for life insurance</i>
Spearman's rho	<i>Annual income is a factor for life insurance</i>	Correlation coefficient	1.000	0.782**
		Sig. (2-tailed)		0.000
		N	207	207
	<i>Reward/bonus benefits are factors for life insurance</i>	Correlation coefficient	0.782**	1.000
		Sig. (2-tailed)	0.000	
		N	207	207

Note: \*\* Correlation is significant at the 0.01 level (2-tailed).

Source: Authors' elaboration using SPSS Statistics.

#### 4.2. Data collected in 2021

The year 2021 shows an entirely different and favorable situation regarding the life insurance industry. This is because this market is developed well, enabling much better conditions for individuals who buy life insurance policies, flexibility in paying installments, and other benefits in compensations and rewards.

Another crucial element in this point of view is raising the awareness of the citizens of Kosovo for the benefits that a life insurance policy offers. This situation has positively impacted the purchase of life insurance policies. Another reason for the increase in the investment in life insurance policies is the possibility of paying monthly

installments, which is considered a considerable relief and incentive for purchasing the policy.

In 2021, within two months of data collection, we accepted 345 completed questionnaires.

Results in Table 5 on the statement for disability insurance show 300 respondents at levels 4 and 5 ("agree" and "strongly agree"), which in percentage show 86.95%; only 30 respondents are neutral, and 15 disagree and strongly disagree.

Income as a factor for life insurance also shows a high level, with 285 respondents in levels 4 and 5, 82.61%, and 40 respondents declared neutral.

Reward benefits are in third place with 276 respondents (levels 4 and 5), or 80%, and saving benefits with 263 respondents in levels 4 and 5, and 76.23%.

**Table 5.** Rated statements of respondents for factors for life insurance (for 2021)

Rated statements	Annual income is a factor for life insurance	Saving benefits are factors for life insurance	Reward/bonus benefits are factors for life insurance	Disability insurance benefits are factors for life insurance
1	1	1	4	3
2	19	2	4	12
3	40	79	61	30
4	156	201	141	144
5	129	62	135	156
Total	345	345	345	345

Source: Authors' elaboration using SPSS Statistics.

Results in Table 6 include descriptive statistics of the statements on the 2021 survey. Mean shows high values in all statements, starting with disability insurance with 4.26 and continuing with reward benefits and income as a factor with 4.16 and 4.14. Saving benefits in 2021 show a mean of 3.93.

The standard deviation of all statements moves from 0.848 to 0.836, which shows that we have an easy distribution.

The low distribution of the average is also observed by the coefficient of variation with values from 17.15 to 20.48.

**Table 6.** Descriptive statistics of the rated statement for factors for life insurance (for 2021)

Descriptive statistics	Annual income is a factor for life insurance	Saving benefits are factors for life insurance	Reward/bonus benefits are factors for life insurance	Disability insurance benefits are factors for life insurance
Valid	345	345	345	345
Missed	0	0	0	0
Mean	4.14	3.93	4.16	4.26
Median	4.00	4.00	4.00	4.00
Mode	4	4	4	5
Standard deviation	0.848	0.674	0.834	0.836
Coefficient of variation	20.48	17.15	20.04	19.62
Min	1	1	1	1
Max	5	5	5	5

Source: Authors' elaboration using SPSS Statistics.

The correlation coefficient between annual income and saving benefits shows a strong positive relationship, with a high level of 0.787 (Table 7). Annual income and reward/bonus benefits also

show a positive association of 0.963 (Table 8).

This coefficient has shown similar values even with the 2009 survey.

**Table 7.** The correlation coefficient, annual income with saving benefits (for 2021)

		Annual income is a factor for life insurance	Saving benefits are factors for life insurance
Spearman's rho	Annual income is a factor for life insurance	Correlation coefficient	1.000
		Sig. (2-tailed)	0.000
		N	345
	Saving benefits are factors for life insurance	Correlation coefficient	0.787**
		Sig. (2-tailed)	0.000
		N	345

Note: \*\* Correlation is significant at the 0.01 level (2-tailed).

Source: Authors' elaboration using SPSS Statistics.

**Table 8.** The correlation coefficient, annual income with reward/bonus benefits (for 2021)

		Annual income is a factor for life insurance	Reward/bonus benefits are factors for life insurance
Spearman's rho	Annual income is a factor for life insurance	Correlation coefficient	1.000
		Sig. (2-tailed)	0.000
		N	345
	Reward/bonus benefits are factors for life insurance	Correlation coefficient	0.963**
		Sig. (2-tailed)	0.000
		N	345

Note: \*\* Correlation is significant at the 0.01 level (2-tailed).

Source: Authors' elaboration using SPSS Statistics.

Comparing the two periods in which the research was carried out (2009 and 2021), we can say that, in general, there are no significant changes in the perceptions of Kosovan individuals regarding the purchase of a life insurance policy; all indicators are in relative values. The only difference in the perceptions of Kosovans is income as a factor

for purchasing an insurance policy. In 2021, we had a noticeable change compared to 2009. In 2009, only 19 respondents declared at levels 4 and 5, or 16.91%, until in 2021, 285 identified at these levels (4 and 5), or 82.61%. We also have a slight change in disability insurance, with a slight decrease of about 10%.



### 4.3. Discussion

Based on the results from the data analysis, we can answer the research question posted.

From the findings (in two periods, 2009 and 2021), we can assume that the benefits from disability insurance have significant importance to the individuals in Kosovo in the decision to purchase a life insurance policy.

Life insurance offered in the Kosovo market includes benefit plans in case of accidents and disability resulting from any accident. These benefits are explained by psychographic indicators where individuals face a certain probability of being unable to work at each moment.

Through the envisaged degree of disability, compensation and expenses are covered under specific terms and conditions of the contract. Compensation provides benefits for both short-term and long-term disabilities and partial and total disabilities. These benefits cover only disabilities arising in the case of an accident. In this context, employees exposed to various risks in their work have a greater preference for the benefits of this insurance, although the criteria were strict about jobs with high risk.

The lack of other disability insurance schemes in Kosovo has contributed significantly to purchasing life insurance policies from Austrian insurance companies.

### 5. CONCLUSION

This survey aimed to identify the main factor affecting individuals' decision-making to purchase a life insurance policy.

This research is oriented toward life insurance only and does not include other forms of insurance. Also, the respondents of this research are only the people who have a life insurance policy and it does not generalize the results to other people. The research was conducted in Kosovo (in the seven main cities), and cannot include any other country.

Based on the literature review and conversations with licensed agents for life insurance, key factors and preferences for life insurance are identified.

The questionnaire designed for this research included a statement about essential factors and preferences for life insurance, which asked to indicate the level of compliance with the statements from 1 to 5, using a Likert scale.

The method survey received data from 207 individuals in 2009 and 345 individuals in 2021; (who have a life insurance policy), in seven major cities of Kosovo (Pristina, Peja, Prizren, Gjakova, Gjilan, Ferizaj, and Mitrovica).

Aggregated data from questionnaires are analyzed with the IBM SPSS Statistics software package. From analysis, we have raised the confirmation of the research question about the main factor that impacts individuals on the decision for life insurance.

Thus, disability insurance benefits show the highest level of preference in both periods (2009 and 2021), which means that the focus, orientation, and preferences of Kosovars are for disability insurance benefits that are part of life insurance packages.

The results of this study provide an essential contribution to identifying the key driving factors of Kosovo's citizens for life insurance.

Based on the information received for the two respective periods (2009 and 2021), it is observed that in addition to preferences for disability benefits, Kosovans have also expressed preferences for two other categories: reward benefits and savings benefits. Based on our research, it is clearly seen which are the main factors for the decision to purchase a life insurance policy in Kosovo: disability insurance, savings benefits and reward benefits.

In the studies of different authors, it is observed that these life insurance factors have strong theoretical and empirical support; as part of many works and research's on the factors that affect life insurance.

Based on our results, we find some researchers that support our conclusions. Priyan and Selvakumar (2012) state that customers are looking for an insurance policy that provides risk coverage due to natural/accidental death, permanent disability, critical illness, and so on.

Biçoku and Memaj (2022) say that the development of the life insurance market in Albania has an important role because it promotes long-term savings. This way, Deus and Josephine (2014), say that life insurance is a form of savings.

Liyanage (2019) notes that the insurer will pay if/when he/she is disabled with a critical illness. Life insurance is therefore a form of protection against life's uncertainties.

This survey has significant importance since it has been conducted throughout Kosovo with the sample selected in seven major cities of Kosovo, using a questionnaire designed carefully for this survey, trying to clarify the research question.

Future studies may focus on terms and conditions provided by different companies, including flexibility in premium payments and other details about compensation in case of an accident and benefits in the savings scheme.

Although the development of the life insurance market in Kosovo has been an increasing trend (particularly apparent in the last decade), nevertheless, a large number of Kosovans do not purchase the life insurance policy. In this context, necessary research will be the identification of reasons why a large number of Kosovans do not buy life insurance policy. This can be realized by trying to find answers to questions about the credibility of insurance companies. Is a lack of promotion of policies and benefits provided or conditioned by psychographic factors such as aversion to risk.

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