

THE EFFECT OF CONSUMER FACTORS AND FIRM EFFICIENCY ON MALAYSIAN LIFE INSURANCE EXPENDITURE

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ABSTRACT

Although Malaysia has been identified as one of the highest saving countries in the world, only about 6.5 millions, or less than 30 percent of its total population, are protected under life insurance. In other words, a large portion of the society is still at the risk of suffering a reduction living standard in the wake of sudden loss of property or personal misfortune. It is therefore crucial and timely to provide additional information regarding the issue to consumers and firms in the industry. The purpose of this study is two folded, firstly we investigate the factors contributing to individual purchasing behaviour of life insurance in the market; secondly we examine whether there is any relationship between the efficiency of insurance companies and the expenditure on life insurance. It is interesting to find out that the numbers of children in the households, the ages of the consumers and their income level significantly influence the expenditure on life insurance. The result obtained from the Data Envelopment Analysis (DEA) approach, on the other hand, shows that the expenditure is also closely linked to the efficiency of the insurance companies in the country.

Keywords: Life Insurance, Consumer Factors, Probit Model, DEA, Efficiency