

AN EMPIRICAL STUDY OF THE DETERMINANTS OF THE DEMAND FOR LIFE INSURANCE IN SRI LANKA

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Abstract

Life insurance plays an important role in managing personal risks of individuals and families, and life insurance provides benefits to them when they need financial support in expected or unexpected situations. However, households' demand for life insurance remains in a very low level in Sri Lanka. The aim of this research is to examine why Sri Lankan households with substantial income have low demand for life insurance plans. In this research, data was collected from a sample of 200 households selected through stratified random sampling technique and the collected data was analyzed using quantitative data analysis techniques.

The research revealed that, 31 percent of the households have purchased and 49 percent of the respondents are willing to purchase life insurance products. Majority of the households have no substantial knowledge about life insurance products. Income of the households is one of the major factors affecting the demand for life insurance. Further, interest rates of the banks, bonus declared by the insurance companies and stability of the company and living costs of the households are the other factors affecting the demand for life insurance. However, households' perception is that, purchasing life insurance plans is a good solution for the economic problems faced in the future.

Keywords: Personal risk, investment, life insurance, determinants for demand