ABSTRACT

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Abstract

Importance of insurance industry around the world has grown for the past 40 years. The trend has been robust especially in Europe and with life insurances in particular. A few traits and characteristics exist in life insurance business that make it at the same time complex but simultaneously interesting; Life insurance is an abstract and complex service and its benefits to the customer are focused on unsure future benefits. Life insurances are used to cover for mortality, but also for saving for the future. This is often supported by the government with tax-incentives.

Because of good growth and excellent potential, it is naturally in the interests of numerous quarters to study and analyse life insurance industry and different life insurance markets – mostly for commercial purposes. Also a number of theoretical studies on life insurance industry exist. Characteristic for these researches is the use of hard, quantitative data, such as inflation rates, GDP growth rates and life expectancy rates. These researches come up with coherent and valuable implications – and are much referred to in this research, too – but lack in depth which can only be attained with interviews of experts and life insurance practitioners. Thus the purpose of this research was to analyse the most important factors of life insurance markets; In more detail, the purpose was to identify the factors and to analyse, how these factors affect the market and to identify connections between the factors. This was done with a focus on emerging markets, Estonia, in particular.

The study was conducted via using semi-structured interviews. Three experts on life insurance industry were chosen, each of them from different backgrounds and representing more or less different interest groups of life insurance industry. Components of some well-known theories related to market analysis – Porter's five forces, PESTEL model and consumer life-cycle theory – were chosen as basis for interviews.

Factors that drive a life insurance market and connections between them were found, but out of approximately 12 factors – depending on the way of counting – that could have been drawn from the theoretical background, only a few were seriously important. In other words some factors, when favourable, might create an environment for the life insurance market to flourish and vice versa. Most important factors were related to the political environment and maturity of the market. Some economic factors, such as growth rate and inflation, were found to be important to consider, but their impact is not completely ambiguous.

Key words	Life insurance, market analysis, Porter's 5 forces, PESTEL, consumer life-cycle, emerging markets
Further information	