Factors Affecting on Selecting a Life Insurance Policy (Special Reference to Gampaha District)

M. I. Lakshani[1] and A. L. Gunasekera[2]
Department of Finance, University of Kelaniya, Sri Lanka[1,2]
Isurikasamarasiri@gmail.com[1], gunasekeraal@kln.ac.lk[2]

ABSTRACT

Introduction - Life insurance is a very important function to protect a family member as well as to provide financial security for individuals. In Sri Lanka it shows a lower level of life insurance penetration rate when compare with other developing countries although there is small increment. So, it is very important to identify exactly influencing factors towards selection of life insurance policy to encourage this lower level of life insurance penetration rate.

Design/Methodology/Approach - A multiple regression analysis was applied to find out impact of each variable on selection of life insurance. Results indicate that the income level, knowledge, risk attitudes, income protection and social influence effect on selection of life insurance policy.

Findings - The researcher identified that insurance policy creation without having clear view about factors that affect for customers' decision on selecting life insurance policy are the major reason for that. By reviewing the literature, the researcher identified that income level, knowledge, risk attitudes, income protection and social influence are some of the most important factors which impacts on selection of life insurance policy. This study aims to find out whether each variables of income level, knowledge, risk attitudes, income protection and social influence effect on selection of life insurance policy. Population of the study was life insurance policy holders in Gampaha District. Data were collected through survey method and personally distributed questionnaires among 14 life insurance companies' policy holders.

Conclusion - This study is providing practical recommendations to insurer on understand customer decision when designing their insurance policy strategies regarding life insurance.

Keywords: *Income Level, Income Protection, Knowledge, Risk Attitudes, Selection of life insurance, Social*