

## STUDY OF THE BENEFITS OF LIFE INSURANCE FOR YOUNG PEOPLE IN BULGARIA

**Galina Stoyanova, PhD**

Center for Economic and Management Sciences

Burgas Free University, Bulgaria

Tel.: +35989985566

E-mail: gali\_100yanova@abv.bg

**Abstract:** *Knowing and understanding the benefits of life insurance - relevant to each person's individual characteristics - form a variety of insurance combinations to provide insurance protection, some of which are related to savings or investments. For them, a person's age is a major risk determinant in the conclusion of life insurance, and this is the important reason young people are subject to research, as consumers with high insurance interest. This article lays down the advantages of life insurance, summarized results of surveys in Bulgaria are presented, prescriptions are given to the insurance practice for forming and managing the insurance interest of young people.*

**Keywords:** *life insurance, saving, investments, young people, entrepreneurship*

**JEL Codes:** *G22, G23, G52, G53*

### INTRODUCTION

Life insurance creates a human insurance product. Insurance risks related to a person's life, health and body integrity include insurance risks such as lifetime insurance, loss of life from accident or illness, serious illness, loss of working capacity due to accident, hospital stay, surgery, etc. Based on their own risk statistics and national statistics on the state and multi-ly condition of insurance risks, a large number of types of life insurance have also been created. Their legal regulation is in the Insurance Code and listed as species in Appendix No 1. Young people today have all the conditions and opportunities to be informed, can directly meet with an insurance intermediary, boldly cross the threshold of an insurance company of their choice in order to consult or thoroughly explore the sites of different insurance companies and their life insurance offers. According to data of the Financial Supervision Commission (FSC), 11 life insurance companies operate on the Bulgarian insurance market.

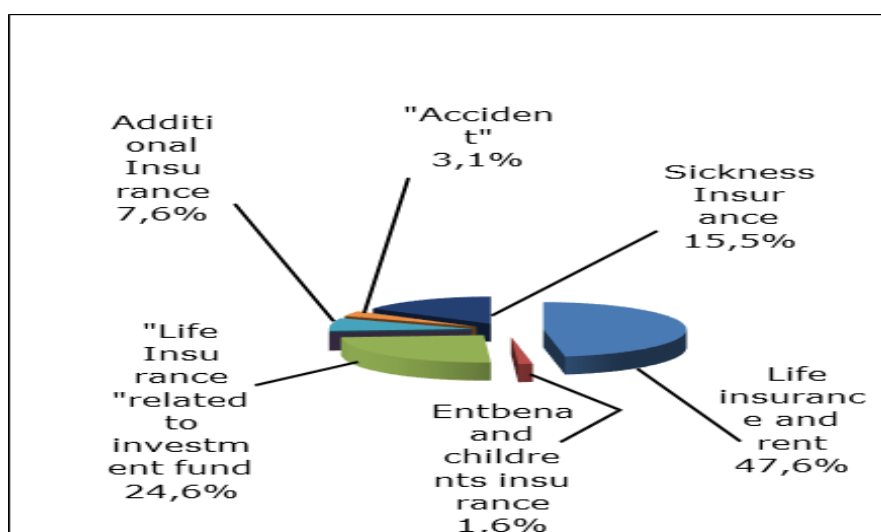


Fig. 1. Structure of premium income by insurance class as at 31.12.2020

Source: Financial Supervision Commission

The proceeds from premium income in life insurance for 2020 bgn 441.5 million, of which BGN 210 million is the premium income under life insurance and rent, BGN 7 million under Entbena and children's insurance , BGN 108.4 million for life insurance related to an investment fund and the rest are premium income for sickness insurance, accident insurance and additional insurance.

The main thesis of the study is that the role and completeness of the range of benefits of life insurance are significantly greater when the insured are young people. The activity of family, insurance education and insurance practice in Bulgaria in terms of informing young people about life insurance and overcoming their current problems for their proper and full voluntary consumption is unsatisfactory.

The tasks set by the author are:

- Study the advantages for man of the types of life insurance, and in particular for young people, based on the condition and trend in the consumption of life-threatening products on the Bulgarian insurance market;
- Study awareness, attitudes and consumption of life insurance by young people;
- Conclusions and prescriptions for education and insurance practice.

## **EXPOSITION**

The life insurance contract is concluded to persons aged 18 years and in some varieties, a life policy holder or an insured person may be a person aged 15 years. Who are young people? In the projects for "Training and employment of young people" these are persons up to the age of 29 years. According to eurostat information, which presents young people not engaged in work and training activities in different countries, the observations are for the population of Bulgaria in the age range between 20 and 34 years. For life insurers, young people are up to the age of 35.

The advantages of life insurance for young people are of different nature and include:

- The main advantage is that they bring certainty and insurance protection at the insurance risks chosen by the insurer. At a difficult time, when an insurance event occurs, the financial support received through them improves the financial sustainability of the injured person and his family. Money can be used to pay for treatment and restorative procedures.
- Risky – life savings insurance is an installation for achieving savings. They can bring profit not only to their owner, but also to his relatives. The discipline for realizing savings is nurtured at a young age and it is always too late to start a savings process.
- In addition to personal insurance, young people can also take out life insurance for the benefit of a third party. Thus, the accumulated funds can be paid to children, spouses or grandchildren.
- An advantage of life insurance is the exact determination of the maturity of insurance premiums and the deadline of the policy. Thus, the insurer or users will know exactly at what point the accumulated funds and the profitability will be paid by the insurer.
- Life insurance related to investment funds is a combination of purely risky life insurance and investment. Investments are in mutual funds and managed by professionals. According to individual risk tolerance, the insurer chooses a low-risk, balanced or aggressive investment fund to invest part of the gross insurance premium that he pays to conclude and maintain his insurance. The risk of the investment is carried by the insurer.
- According to the current IITA, every year the insured natural person can reduce his annual taxable amount by up to 10% with the amount paid, as an insurance premium for life insurance. This is definitely a template for personal tax planning.
- Life insurance can be in a currency other than BGN. This option eliminates concerns for some people to suffer losses from inflation and devaluation.

- Modern life insurance has flexible options for changes over the course of the insurance period: change in the amount of the insurance premium and the insurance amount, change of users, addition or rejection of additional insurance packages, replacement of the insured with another, change in the frequency for payment of the insurance premium, etc.
- In the case of savings policies after the second year, the possibility of transforming or transforming the policy into a premium is also available – the customer stops paying his insurance premiums, but remains protected and insured in the insurance company for a reduced insurance amount compared to the one where he started his insurance.
- The attractiveness of digital transformation in life insurance is appreciated in more than young people. It allows to save time to service owl insurance or refine their marketing activity in terms of choice of insurance and insurer.
- In 5 of the 11 life insurance companies on the Bulgarian insurance market provide risk insurance protection "COVID-19" by including it in their general terms and conditions, and 4 companies cover it by their individual products or offer it as additional cover.

Based on a random sample survey among young people up to the age of 35, conducted in the period 1.02.2021. – 1.04.2021, the following results may be submitted:

- 92% of all respondents identified life insurance for something useful in personal and family terms;
- 60% of respondents did not have in-depth information about the nature and possibilities of life insurance;
- 10% of respondents know about the life insurance experience of their parents and have wondered whether life insurance today is an excellent opportunity for insurance protection and savings, investment;
- 3 % of all respondents never knew that life insurance existed except accident insurance;
- 15% define their age as "very young" and "it is too early for such insurance";
- 47% of respondents do not have the financial sustainability to decide to start personal life insurance;
- 21% want to save through life insurance and are close to making it a fact;
- 2% of respondents received an insurance payment for an insured case under personal life insurance;
- 11% of all respondents already have life insurance for the benefit of their children.

The Association of Bulgarian Insurers conducted a nationally representative survey "Attitudes towards insurance and insurance literacy" in the period 29.02. – 06.03.2020, sample 1000 people aged 18-65. Some of the questions of the survey were on topics such as value system , level of confidence in insurance, familiarity and use of insurance products, consumer motivation for choice and purchase, etc., as well as questions about self-assessment of the level of knowledge about basic terms and products.

The survey showed a positive trend in terms of the level of confidence in the insurance sector, with 47 % of respondents saying they trust insurers. Ten years ago, only 40% of people declared that they trusted insurers, according to data from the World Bank's Financial Literacy in Bulgaria survey from 2010.

For 76% of those surveyed, insurance was a form of security, 68% said insurance saved future contingencies, and for 58% insurance was not an unnecessary expense. At the same time, a higher proportion take out insurance under an obligation of 59%, and at their own request 37%. One in two or 53% think people don't know about insurance and that's why they don't.

The group of young active persons divided into two groups 18-24 years and 25-34 years have serious differences. The first group from 18 to 24 years old. 65% of them rated their insurance literacy as missing or low. The average level is that they have only 27% of the first group, while the second group of 25 -34 years, this share is 50%. Although the two groups cover "young people" the results present serious differences due, above all, to life experience and practical experience with insurance and other financial products. The conclusion is that young people enter life without knowledge of insurance – life insurance and non-life insurance.

### **More conclusions and recommendations**

Among the reasons for the low insurance penetration of insurance companies among young people is misunderstanding and poor awareness of life insurance and products offered. The voluntary character of life insurance in Bulgaria is an excellent opportunity for insurance protection and an alternative for a way to save or invest, but only for those who know the types of life insurance and the brick advantages. Poor knowledge of life insurance products, combined with increased interest in them, can potentially create problems for both insured and insurance companies themselves.

Young people start families, start entrepreneurship, work in the civil service, become teachers, farmers, pharmacists, doctors or choose another profession, but there are always life goals in their lives, accompanied by dreams and fears that can be compensated, protected or financially secured through life insurance. Insured young people have a wide choice of type of life insurance that meets their individual needs: risky, savings and investment life insurance. In addition to the insurance protection and the accumulated profitability, the additional benefit of obtaining tax relief for contributions paid on personal life insurance in a calendar year, allowing for an individual tax effect.

On the other hand, this possibility can be treated as state support to all those who have decided to take out life insurance themselves and plan their financial future better.

The dynamic growth of premium income in life-threatening life in 2021, which is a relatively rare situation for the Bulgarian market, is an indication of increased consumer interest. The increase in premium income in investment life insurance as of August 2021 reached 140 %. Young people are more at risk - because they have a longer horizon for loss compensation. The trend framework for IT services companies (Boneva, 2018) includes the development of appropriate software for the conclusion, maintenance and servicing of life insurance contracts, as already possible in motor insurance and more recently in property insurance. The recommendation for insurance education is to define a form (insurance class, "Young Insurer" activity, compulsory student practices of the type – student in the specialty "Accounting and Control" to participate in a compulsory student practice in "Life Insurance", a student in the specialty "Health Management" to participate in a student practice in "Life Insurance" and others with a basic author's view, the specialty does not coincide with compulsory student experience, thus all students, for example in economics, who do not study in-depth insurance will be able to obtain advanced knowledge of life insurance products and a practical view of their sales process and liquidation. Insurance practice is in its best opportunity nationally or regionally, to prepare a strategy to manage the insurance interest of young people with specific events, activities and activities.

### **CONCLUSIONS**

The continuous study of the current benefits of life insurance for young people is essential for making improvements in understanding, choosing insurance protection and life insurance satisfaction in general. These same young people today will imperceptibly enter the white-haired years of retirement age and be able to pass on their useful experience to future generations.

The addition of young entrepreneurs to life insurance is the natural way to continue to develop the insurance industry. Their professional affiliation to life insurance will be credible and genuine when they themselves are users of life insurance protection.

### **REFERENCES**

Boneva, M. (2018). Challenges Related to the Digital Transformation of Business companies. 6-th International Conference Innovation Management, Entrepreneurship and Sustainability (IMES 2018), Prague, pp.101-114.

Insurance Code, <https://www.lex.bg/bg/laws/ldoc/2136717797>, accessed on 18.12.2021  
Financial Supervision Commission, <https://www.fsc.bg/bg/pazari/zastrahovaten-pazar/statistika/zhivotozastrahovane/2020/>, accessed on 18.12.2021

With nearly 30,000 people in Bulgaria who are neither studying nor working, One in six young people in the EU falls into a category, Labour Market, Eurostat, [https://www.capital.bg/politika\\_i\\_ikonomika/pazar-natruda/2021/07/14/4232696\\_s\\_blizo\\_30\\_hil\\_sa\\_se\\_uvelichili\\_mladite\\_hora\\_v/](https://www.capital.bg/politika_i_ikonomika/pazar-natruda/2021/07/14/4232696_s_blizo_30_hil_sa_se_uvelichili_mladite_hora_v/), accessed on 15.12.2021

Law for the taxation of personal income, effective from 01.01.2007, Published SN iss. 95 of 24.11.2006, Last Addition SN iss. 14 of 17.02.2021, <https://www.lex.bg/laws/ldoc/2135538631>, accessed on 18.12.2021

Association of Bulgarian Insurers, <http://abz.bg>, accessed on 18.12.2021

Financial Supervision Commission, <https://www.fsc.bg/bg/pazari/zastrahovaten-pazar/statistika/zhivotozastrahovane/2021/>, accessed on 18.12.2021