

Psychological Factors for Assessing Consumer Perception in the Insurance Market

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ABSTRACT

The present research aims to investigate possible relationships between psychological factors - coping mechanisms used by customers of insurance companies, respectively stressors associated with unpredictable risks - and changes in attitudes towards the market and insurance products in Romania, with the possibility of expansion and to the economic specifics of other states. In addition, the present study proposes the introduction as a mechanism of influence on the perception of insurance and temporal perspectives characteristic of individuals, according to the 6 typologies structured in the theory of temporal perspective. Zimbardo. This approach is particularly important, in order to determine a change in managerial perspective on the part of insurance companies, in the sense of completing the actuarial calculations currently used, by introducing personalized mechanisms for classifying the types of clients and establishing the level of risk. to cover the products offered.

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Introduction

Economics and psychology share many common interests in knowing how people make decisions in their daily lives. Although the primary interest was identical, namely human actions and their motivations, these two disciplines approached different ways of research. “Psychologists have used laboratory experiments, survey questionnaires, and a series of naturalistic observations to develop an empirical knowledge base.” rational, objective and predictive, of the results obtained. An element of connection between the concerns of the two sciences is the behavior of the consumer [1]. Starting from a series of surveys on public expectations, perceptions, motivations and intentions, the foundations of modern principles of consumer theory were laid, by indicating the first mechanisms for predicting and guiding trade policies according to measurable psychological characteristics. The insurance market is one of the economic fields in which the mix of economic and psychological information finds a direct and immediate utility [2]. If from the perspective of insurance companies, or providers of insurance products and services, the correlation of social and financial elements with those of a psychological nature is a key element in assessing the degree of risk (and predictability of the potential amount of damage) , for each category of customers; for individuals, buyers and final consumers, purchasing an insurance policy is an important means of reducing stress about potential unpredictable risks that can affect their lives and property.

Materials and Methods

The present research is a qualitative study, which aims to identify ways in which psychological stressors, coping strategies and time perspective, can be used as mechanisms for analyzing the perception and attitude towards insurance. They can be used both in the evaluation of people who have insurance policies and those who are not familiar with this field, respectively do not purchase such products and services.

Insurance Market

“The insurance sector is an important part of the EU financial sector. It manages assets valued at about two thirds of the EU’s annual gross domestic product (GDP). The entry of insurance companies into difficulty could disrupt financial sector operations and negatively affect the real economy and consumer welfare”[3].

The global market has recently been subject to a restrictive economic climate that directly affects the profitability and solvency of insurers, and increases the likelihood of revaluation of risk premiums (spreads), which can lead to a sharp rise in interest rates. The tariff risk is even higher for companies that offer long-term guaranteed tariffs, for which the asset-liability imbalances are accentuated during this period [4].

As general trends, “the share of global direct insurance premiums is forecast to rise to 34% by 2029. In 2018, levels of global direct premiums of \$ 5.193 billion, or 6.1% of gross domestic product, were reached. (GDP), the highest so far. Although this is a record high, growth slowed in the following period due to contractions in the markets of China, Europe and Latin America. As a disruptive

factor, technological developments will put increasing pressure on the practice of lowering tariffs [5].

Insurance Risk

The central element of the insurance field is risk, which depending on the specific type of insurance refers to losses related to life and health, or to losses and destruction of goods and values. From a psychological perspective, it is a very important stressor, able to affect the person in the short and long term alike.

Theorizing, a first condition for concluding an insurance policy is that “the occurrence of the event for which the insurance is concluded is possible”, therefore, to be a necessity; a second condition refers to the fact that “the event must be accidental” so it is unpredictable and impossible to control. Thus, two direct psychological characteristics are distinguished, namely the need, or motivation and unpredictability, or lack of control, aimed in relation to the level of stress perceived in the present study. Regarding the decision to purchase insurance, current studies reveal a decrease in the importance of cost-benefit analyzes, to the detriment of psychological factors such as anxiety relief, purchasing preferences, social factors, previously overlooked in the analysis [6]. The attractiveness of the offer, here intervening the major factor of promotion and publicity, but also indirect psychological associations, such as receptivity to the message sent, or subjective framing in categories of need, specific to personal frames of reference, are also elements of new research in the field [7-8].

Psychological Factors Proposed for Assessing the Attitude Towards Insurance

A definition of the function of insurance provides that “in exchange for premiums received from individuals or legal entities, companies offer them a service, namely the obligation to take over the negative effects of the occurrence of a particular event or complex of events.” At the same time, regarding the execution of an acquisition, a chain of sub-moments with potential stressor can be identified “starting from the awareness of the need, at the moment of the plan, then of the decision and until the moment of the actual acquisition [6].

A brief analysis of the links between the above-mentioned factors, the topic of this study, the coping mechanisms associated with the insurance market, reveals both its theoretical role and direct applicability consisting in identifying practical means to improve the relationship between insurance companies and buyers or consumers.

Perceived Stress

A first factor aimed at completing the insurance client’s profile is the perceived stress. It can be described as a way of general adaptation used by the person as a response mechanism to aggressions from the living environment, and can include manifestations such as alertness, tension, coercion, force, stress.

The level of stress influences not only the process of purchasing insurance policies, namely the time of actual purchase and the subsequent perception of the usefulness, applicability and benefits of the acquired service, but also the whole process of prior information and awareness of risks and dangers that can affect life [9]. or the goods of the individual, being an active and adaptive process of responding to external and internal challenges.

According to the most used conceptual analysis, we can say that stress can intervene in the process of purchasing and using an

insurance policy, during three stages. In the first stage of primary assessment, the individual receives the factors of danger and threat itself (for himself or for others). The secondary assessment provides awareness of a potential response and the choice of the best option to deal with the threat. In the last phase, the coping represents the execution of the respective answer, with the purpose of limiting or eliminating the negative effects. Although these processes are often described in a linear manner, the evidence suggests that the response phases invoked may be interspersed depending on the person’s situational disposition [10].

Regarding the attitude towards the insurance market and its related products, it is recommended to include in research the differentiation between stress typologies: general vs. situational (as an undifferentiated manifestation, affecting the individual over extended periods of time - or as a manifestation specific to a specific situation, with short-term effects), respectively adaptive vs. disadaptive (according to the forms of eustress - as a special state of energization, validated by certain specific endocrine reactions and characterized by processes of activation of the individual reaction - and distress, which involves negative reactions, sometimes accompanied by negative effects on human health) [11].

Coping Strategies

Interest in the processes by which people cope with stress is constantly growing due to the negative effects it can induce directly and indirectly on personal decisions. Coping is the second psychological factor proposed to analyze the mechanisms of perception of the insurance market.

It can be defined as the totality of adaptive mechanisms used by the individual to cope with stressors. A differentiation of the coping mechanisms involved in stressful transitional processes, such as exams, transactions, acquisitions, can provide information on the coping mechanisms used to deal with the specific situation in which different people find themselves. Coping strategies are the responses, cognitive or behavioral, used primarily by a person [12]. Regarding the behavior and attitude towards insurance, we recommend the inclusion in research of the differentiation between the types of coping: reactive, anticipatory, preventive and proactive, as it appears from the Proactive Theory of Coping; this emphasizes how each type of coping is used independently to limit, or eliminate, the negative effects of stressful events. According to a temporal axis (past - future) and an axis of certainty of the event (certain - uncertain), we can make the following characterizations: reactive coping (stressors with effects produced in the past, but which affect the individual and now), anticipatory coping (imminent stressors in the near future), preventive coping, (uncertain stressors), proactive coping (uncertain and general stressors) [13].

The Temporal Perspective

The psychological perspective of time, as a factor influencing consumer perception, is a novelty in economic studies.

The contemporary perspective of time aims at the importance of establishing and pursuing perspective goals, started in the present and oriented towards the future, as a primary motivational force for people. Following a process of reduction, conservation and focus of limited resources, by focusing on a priority direction of action, influenced by the relationship of the individual to one of the three dimensions of the element of time (past, present, future) [14]. Regarding the insurance market, the influence of the time factor can be treated as a predetermining element of

individual cognitions and behaviors, starting from the construction of expectations with the results and reaching the anticipation of the risks and consequences of one's actions. Among the six temporal perspectives, with beneficial action potential we can enumerate: the positive past, the future and the transcendental future; while the negative past, present hedonism, and present fatalism, indicate rather negative behaviors and perceptions and disagree with the role of insurance. A balanced reporting to the temporal element will lead to a long-term behavioral stability and to ways of evaluation and reaction adapted according to the specifics of the different risk situations or threats [15].

Discussion

paper indicates the theoretical reports that formed the basis of the choice of the targeted factors, but also the main characteristics identified by the authors as specific operationalization elements for the insurance market. The main motivation of the approach is given by the extremely limited and restrictive character of the ways in which the actuarial calculations allow the current classification of the clients in certain risk categories. The adoption of decisions according to models such as the ranking of needs, as having as main criterion the financial availability are refuted by theories such as cognitive assessment [16]. Perspectives of decision and perception, effect-response type, or as mechanisms of conditioned learning, are refuted by numerous studies, the influences of psychological nature being more and more often recognized [17-18]. The main limitation of the present analysis is given by the lack of comprehension of a wider number of psychological determinants that could intervene on the perception regarding the insurance field. These could include, among others, motivation, reporting to the context, influence from other individuals and groups.

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