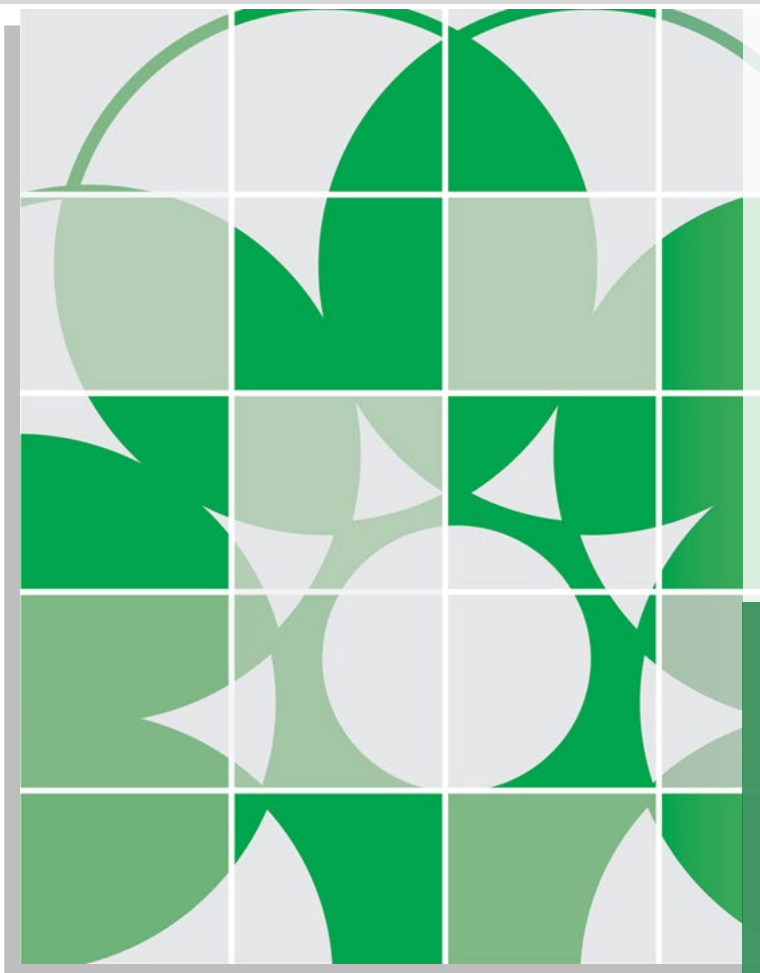


**ASSOCIATION OF
BULGARIAN INSURERS**

**NATIONALLY REPRESENTATIVE SURVEY OF ABI
“ATTITUDES TOWARDS INSURANCE AND INSURANCE LITERACY” 2020**

ANALYTICAL VIEW



insurers

ANALYTICAL VIEW OF THE DATA

About the survey “Attitudes towards insurance and insurance literacy”

➤ Objective

The ABI survey “Attitudes towards Insurance and Insurance Literacy” aims to examine the attitudes of Bulgarians towards insurance, familiarity with and use of insurance products, consumer behaviour and the level of insurance literacy. Such a study, in terms of subject matter and scale, has not been done before in the country. It is intended to be of significant value in the design and implementation of initiatives to improve public attitudes towards insurance, its promotion and the general improvement of insurance consumer culture, as well as the creation of long-term communication, business and marketing strategies.

➤ Method

A nationally representative survey based on a sample of 1,000 people aged 18-65, conducted by means of the direct semi-standardised face-to-face interview method, between 29.02 - 06.03.2020.

➤ Thematic scope of the questionnaire

It includes 28 questions divided into two main parts. The first part explores topics such as value system, level of trust in the sector, familiarity with and use of insurance products, consumer motivation for choice and purchase, information channels, problems related to insurance use, persisting beliefs/attitudes about insurance, etc. The second part, consisting of 9 questions, is a test measuring basic knowledge in the field of insurance. The first question is a self-assessment of the level of knowledge and the remaining questions test the objective level of knowledge of basic terms and products.

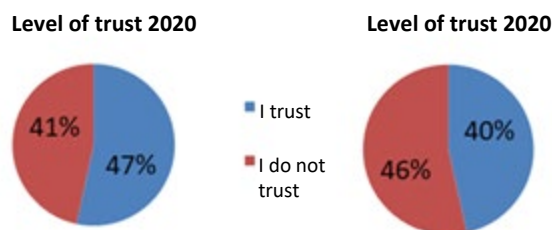
Key highlights and conclusions from the interpretation of the data in the ABI analysis

A review of the results highlights several key trends and trends in consumer attitudes. There has been an increase in confidence in the insurance sector, as well as a relatively high level of understanding of the benefits of insurance. However, there are persisting negative beliefs about insurance that do not realistically reflect the practical experiences of consumers. A number of gaps in informed consumer choice also emerge, suggesting the need for more proactive educational action in this area..

Part 1: Attitudes, awareness, consumption

✓ Positive trend in the level of confidence in the insurance sector

In terms of confidence, insurance companies rank behind banks, but with a significant lead over other financial institutions. There is a preponderance of people who declare that they trust insurers (47%) over those who declare distrust (41%). There is also a positive preponderance with regard to banks (more significant compared to insurers). For other financial institutions the ratio is in favour of distrust. The result can be described as positive for the insurance sector, especially taking into account its evolution over time. 10 years ago, although insurers were again behind banks in terms of trust, the ratio was reversed: 40% of people declared trust in the insurance sector and 46% - distrust, according to data from the 2010 World Bank Financial Literacy Survey.

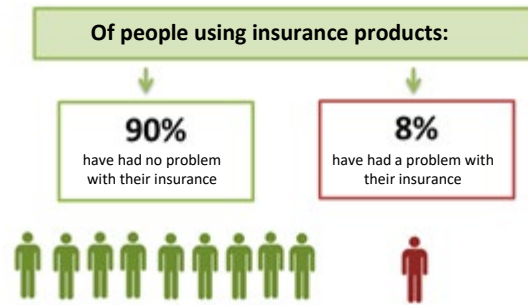


✓ Another positive trend is that people understand the benefits of insurance to a greater extent. However, they are overwhelmingly taking out insurance policies out of obligation.

For 76% of people, insurance is a type of security. 68% believe that insurance protects against future unforeseen costs. 58% do not consider insurance as an unnecessary expense. However, a larger proportion take out insurance out of obligation - 59%. 37% do so of their own volition. The only group with an inverse proportion in favour of taking out insurance voluntarily are those with higher education. Interestingly, every second person (53%) believes that people do not understand insurance and therefore do not take out their own insurance policies.

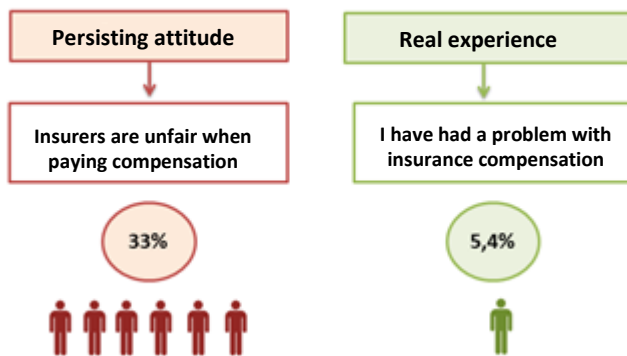
✓ Despite the positive trends, there is a deep imbalance between actual consumer experience and persistent negative attitudes towards insurance.

Particularly telling is the result that 90% of those using insurance products have not had any problems with their insurance, only 8% declared one. However, despite the overwhelmingly positive experience, the level of confidence remains lower. The comparison of results given below illustrates this imbalance.



For 5.4%, the problem with their insurance was related to a disagreement about the amount of the benefit or a refusal to pay it. Paradoxically, at the same time, 33% of respondents felt that insurers were not fair when it came to paying claims - 6 times more than those who actually had a problem.

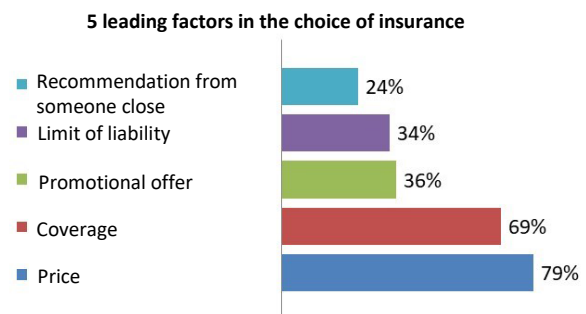
Another problem identified was related to informed decision-making when purchasing insurance. 5% of respondents stated that they had a problem with their insurance that was generally related to being informed about the terms of the product (e.g. the product not including what they expected; were given incomplete/misleading information when purchasing). This data, when compared with other questions in the survey, clearly indicates the presence of gaps in informed choice and therefore a need for educational intervention in this regard, as well as perhaps a problem in the distribution process of insurance products.



✓ **Price is a leading factor in choosing insurance which can be problematic insofar as it can lead to inappropriate choices and, as a result, consumer dissatisfaction**

For 79% of the users of insurance products, the price of insurance is the leading factor in the choice of a specific policy. For 36% of them - it is the benefits of promotional conditions. This result is understandable due to normal consumer price sensitivity. Nevertheless, it also demonstrates the need for increased insurance awareness and deeper product knowledge, given the link between price and policy terms, level of cover and amounts insured. When searching for the lowest price, people may purchase a policy whose terms and conditions do not fully meet their needs, or expectations, and as a result may be disappointed in the event of an insured event.

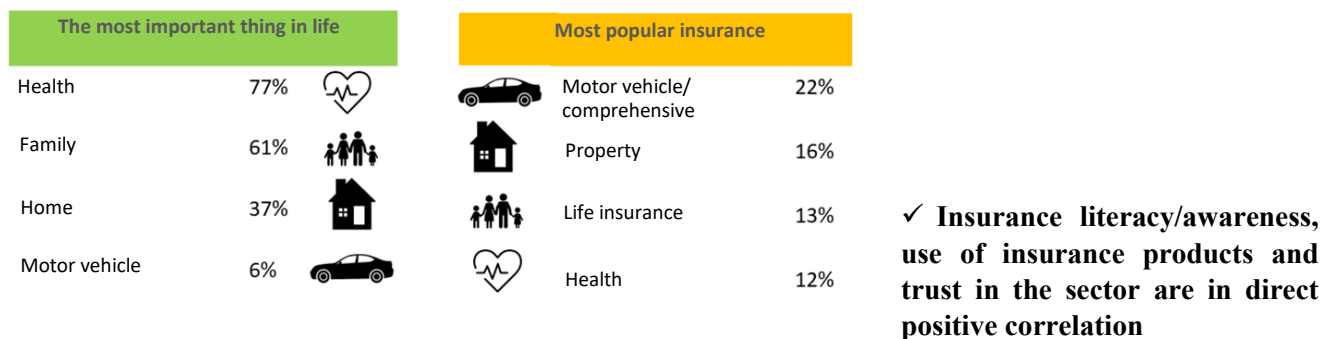
It is interesting to note that, despite the relatively low prices of insurance products in Bulgaria, people perceive them as expensive. This can probably be seen as a disincentive to purchase. 52% of respondents do not think that insurance is affordable, while 46% of people think that it is expensive and therefore cannot afford it. (Inverse proportions are reported for the social/demographic groups commented above).



✓ **The most commonly used insurance products are car insurance, followed by property insurance**

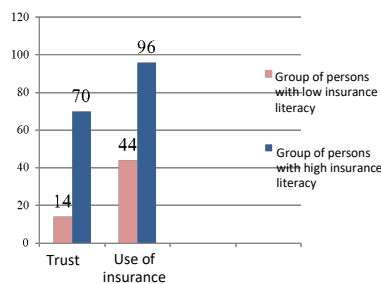
As expected, in first place among insurance products is third-party motor vehicle liability insurance - 63% of people have had or currently have such a policy. Even with this compulsory policy, there are significant differences in the level of use of the product across demographic groups, which can reach up to 30-40%. Comprehensive motor vehicle insurance ranks second with 22%, followed by property insurance - 16%, life insurance - 13%. Health insurance has been taken up by 12% of the respondents, the same proportion of people with foreign travel Medical Insurance.

A curious comparison can be made between the most common types of insurance and things which people define as the most valuable in life. In the survey question, people ranked health, family, and children, followed by home, as most valuable to them, and put their cars last. The exact opposite order is the case for the ranking of most common insurance policies. In first place is motor vehicle insurance with health insurance coming in fourth place.



Analysis of the data based on demographic profile shows significant differences in attitudes, consumer behaviour and knowledge across groups, reaching 30-40%. The social groups who score high on the insurance literacy test (part 2 of the survey) also demonstrate high levels of trust in the sector and companies, and demonstrate the highest use of insurance products. The reverse is also true. As expected, the best “achievers” are the groups of people with higher education, high income (over BGN 1500), and those employed in senior professional positions (managers/entrepreneurs). These groups are less likely to base their assessments on negative persisting beliefs and more on actual experience.

There is a revealing comparison. Among the group of people with high insurance literacy, the trust in insurers is 70%, and as many as 96% of people declare that they use or have used at least one insurance product. In the group with lower insurance literacy, the data is quite different - only 14% trust insurers and less than half (44%) use or have used at least one insurance product.



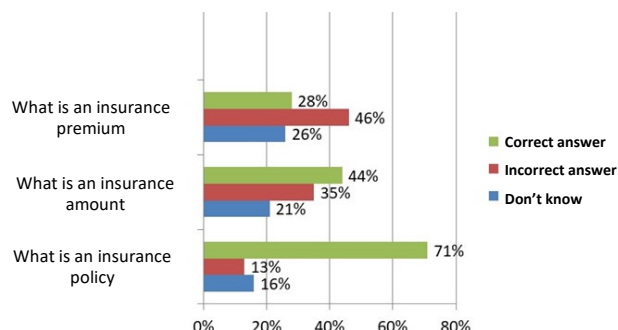
The group of active young people is understandably of interest. The survey provides a comparison of the two groups in this category: 18-24 year-olds and 25-34 year-olds. The first group (18-24) overwhelmingly rate their insurance literacy as none or low (65%). Only 27% of the first group consider themselves to have an average level, while for the second group (25-34) this proportion is already 50%. A comparison of the results of the two groups with regard to trust in insurers is revealing - 34% of the first group say they trust insurers, while for the second group this share rises to 56%. Quite expectedly,

there are significant differences in terms of the use of insurance products in favour of the second group. Although both groups comprise “young people,” the results show significant differences between them. This is due to a number of factors including lifestyle and in particular their experience with insurance and others. It is evident that young people enter life without any knowledge of insurance. They take out insurance policies due to experience and life necessity.

Part II: Insurance Literacy

One of the objectives of the survey is to provide objective information on the level of insurance knowledge among Bulgarians. By means of a series of questions, the survey establishes familiarity with basic concepts and basic products in insurance.

The results generally confirm that insurance literacy is unsatisfactory, with sharp differences between different social groups. On average, across all questions, 53% of responses were correct. Particularly significant differences were observed in the level of the following indicators: “level of education”; “personal income” and “social status/occupation.” For example, the average proportion of correct answers for those with higher/semi-higher education is 65%, while that for those with primary/initial education is 29%. For the latter group, the share of answers “don't know/can't judge” is particularly significant - 46%. Another group that demonstrates a low knowledge of insurance is that of young people - 18-24 years old. Part of the reason is probably the lack of life and therefore practical experience, as well as lack of training in financial matters.

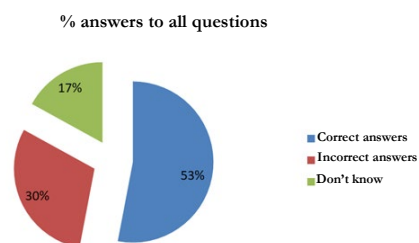


✓ Subjective assessment of the level of insurance literacy

The majority of people - 76% - rate their level of insurance knowledge as low (34%) or average (42%). Only 7% consider their level to be high and 13% say they have no knowledge. As expected, significant differences are reported across social groups. For example, 70% of those with tertiary/post-secondary education rate their knowledge as average or high, while this proportion for those with primary education is 14%. Their self-assessment overlaps significantly with the objective level of knowledge

✓ Objective level of knowledge about insurance

On average across all questions, 53% of answers were correct. The data shows clear gaps in information, even the most popular terms in insurance are unfamiliar to a significant number of people.



The concept of “insurance premiums” causes significant difficulty to people. Only 28% of those who gave the correct answer said it was the cost of insurance. 29% consider it to be the amount they will receive as compensation. Another 17% think it is the bonus the insurer will receive for good performance. 26% do not know or cannot decide.

-Less than half (44%) give the correct answer that this is the maximum amount the insurer can pay under the insurance. For one in three, “sum insured” means the cost of the insurance. As many as 21% do not know what this term means.

-There is greater familiarity with the term “insurance policy.” Nearly three-quarters (71%) indicate that it is a contract between the insured and the insurer.

One in five (22%) are not aware that to claim compensation for an event, you must have taken out a policy before the risk/event happened. However, a high proportion of people (65%) know this.

-People are not aware of all the possibilities that life insurance provides. Most associate it with providing for the family in the event of an adverse event with the insured person. The opportunity for regular savings and tax benefits is significantly less well-known. Only 23% of people gave the correct answer combining both options.

- 64% of respondents know that insurance is a product developed only by insurance companies. The remaining percentage of people think that insurance brokers do it too or they are not informed.

Overall, the data shows that there is a significant degree of misunderstanding and low awareness of insurance and insurance products, especially among some social groups. This is also a barrier to a higher level of use of insurance services, informed choice and associated consumer satisfaction.

Part of the toolkit that ABI is using to address the issues outlined is the “Your Insurance IQ” online educational test. In addition to checking and assessing basic insurance knowledge, the test also offers an opportunity to enhance insurance awareness through educational information provided with each question. Some of the questions on the test are identical to those on the ABI national survey, so any user can compare their score to those on the survey. The “Your Insurance IQ” online test is available through the [ABI website](#).