

The Estimation of Life Insurance Demand Function & its Income Elasticity: 1974-2007

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Abstract

Background and objectives: Nowadays, technological development has made human beings life so complicated and makes his life prone to dangers like being disabled, unemployed or even death. In order to reduce these hazardous effects on human beings life, insurance has shown its effectiveness and acceptance in most countries around the world. Following survey, studies the life insurance demand function and its most effective factors (like annual income, inflation rate, dependency rate, education, and probability of head of household's death) and their demand elastic ties.

Material and Methods: In this survey, time series have been used and by deployment of OLS each and every effective factors on life insurance demand have been studied, so the demand elasticity on each factors have been calculated.

Results: The Survey findings showed that except education, the rest of the data are in the 5% level integrated from the degree one and there is no co-integration between them. After running the model on data, it illuminated that the income elasticity of life insurance demand is 0.112 and the demand elasticity of life insurance to the probability of head of household's death, dependency rate, education and inflation rate are 0.221, 2.24, 0.211 and -1.33 respectively.

Conclusion: There are positive relations between life insurance and gross national production, probability of head of household's death, dependency rate and education. On the other hand, the relation is negative between life insurance demand and inflation rate.

Key Words: Dependency rate, Probability of head of household's death, education, Life insurance

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