# EXPLORING THE MINDSET AND CHOICES OF MOTOR INSURANCE BUYERS IN ALBANIA

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**Abstract**

*In Albania, the motor insurance sector represents a critical component of the country's non-life insurance market, which is predominantly focused on mandatory insurance products. This focus is evident as compulsory insurance accounts for 61.06% of the market, overshadowing voluntary insurance, which comprises 38.94%. This study explores the mindset and choices of motor insurance buyers in Albania, exploring the factors that influence their decisions and the*

*implications for the insurance industry. The study identifies a gender-specific trend, where women are more likely to purchase voluntary insurance, indicating potential differences in risk perception and insurance preferences between genders. Non-life insurance is a critical tool for ensuring financial stability. It provides protection against unexpected events, offers peace of mind, and is an integral part of financial planning. The fact that 35.2% of surveyed individuals recognize its importance highlights how essential it is in helping people manage their finances and prepare for the future. Trust plays a big role in why recommendations are so powerful. Recommendations from friends are a significant factor in choosing an insurance company, as evidenced by the 36.1% influence rate. They provide trusted, personal insights that can simplify complex decisions. Understanding these dynamics, the research seeks to provide insights that can inform strategies for insurers to better cater to the needs and preferences of Albanian consumers.*

*Keywords: Motor insurance, mandatory insurance, voluntary insurance, risk perception, financial stability, Albanian insurance market*

## INTRODUCTION

This study aims to delve into the mindset and choices of motor insurance buyers in Albania, exploring the factors that influence their decisions and the implications for the insurance industry. By understanding these dynamics, the study seeks to provide insights that can inform strategies for insurers to better cater to the needs and preferences of Albanian consumers. The Albanian insurance market continues to focus primarily on Non-Life insurance, which leads the sector in both contract count and premium volume. Currently, the Insurance sector in Albania consists of 12 insurance companies, of which 4 are companies licensed to practice life insurance business and 8 companies licensed to practice non-life insurance business. Analyzing the insurance market through the lens of its classification into mandatory and voluntary insurance reveals that the gross written premiums for voluntary insurance account for 38.94% of the overall market, whereas those for mandatory insurance represent 61.06%. This classification highlights a significant predominance of compulsory insurance within the market framework, serving as a crucial indicator for the nation's insurance policies.

In the figures 1 and 2, the study provides an overview of the non-life insurance industry in Albania, with a distinct focus on mandatory insurance, particularly regarding gross written premiums and claims paid out.

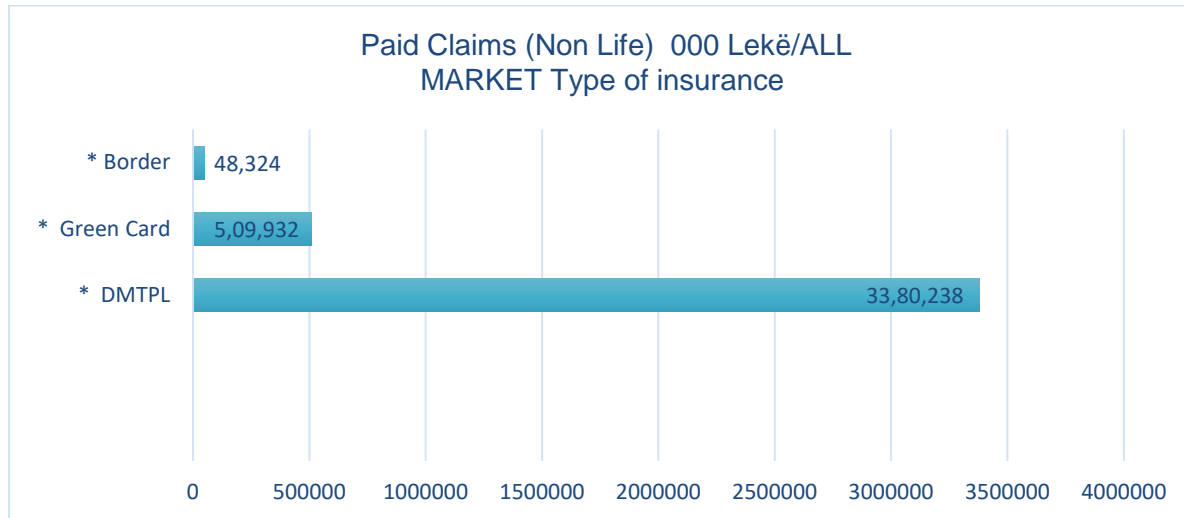Figure 1. Gross written premiums (Non Life) 2023, Albania
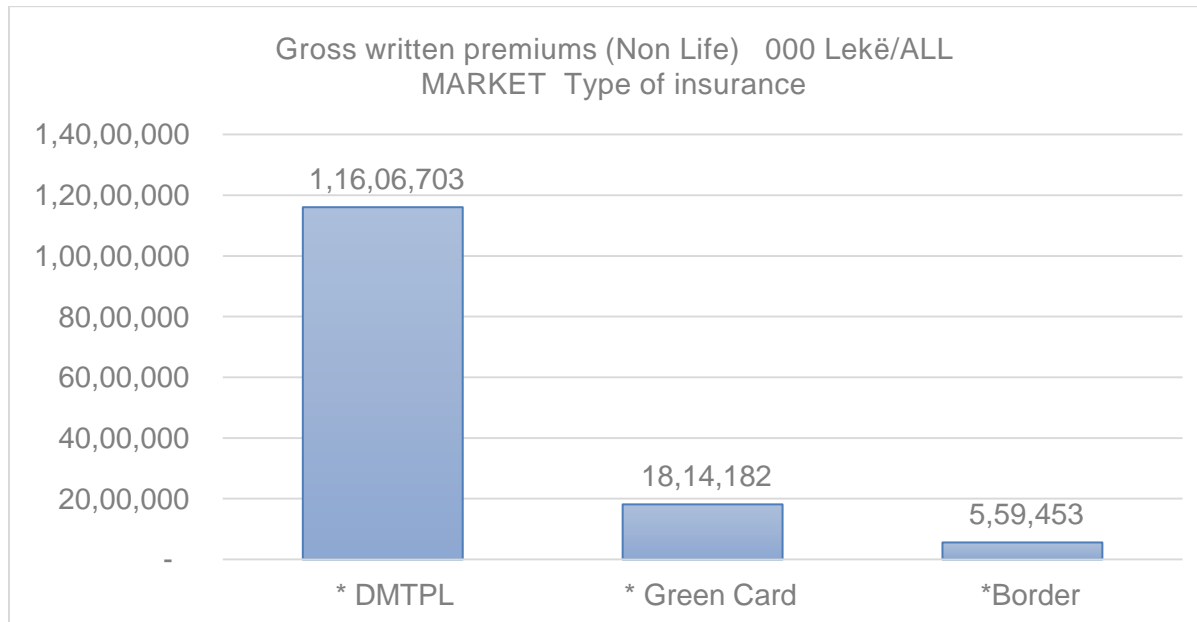


*Source: Albanian Financial Supervision Authority, 2023.*

DMTPL refers to the compulsory insurance required for motor vehicles functioning in Albania. This category makes the largest contribution among the three, which is anticipated as the majority of insured vehicles belong to this group. Green Card Insurance provides coverage for vehicles that are traveling across international borders, usually within nations that are members of the Green Card system. The reduced premium suggests a limited market for this insurance, probably because there are fewer vehicles venturing overseas. Border Insurance applies to vehicles that briefly cross into Albania from other nations without valid DMTPL insurance. This segment constitutes a small portion, as it is aimed at a limited audience— foreign vehicles that are temporarily in Albania.

The DMTPL (Compulsory Motor Insurance) product recorded an increase of 8.20% in the volume of gross written premiums, which was also accompanied by an increase in the number of contracts of 9.21% compared to the previous year. The Green Card product, which provides coverage for travelers abroad, also showed an increase in the volume of gross written premiums of 1.16%, while the number of contracts increased significantly by 38.10% compared to 2022. Also, border insurance scored a moderate increase of 1.11% in the volume of gross written premiums, with an increase in the number of contracts of 11.58%.

Table 2. Paid Claims (Non Life) 2023, Albania

**Paid Claims (Non Life)  000 Lekë/ALL**
**MARKET Type of insurance**

| Type | Value |
|------|-------|
| * Border | 48,324 |
| * Green Card | 5,09,932 |
| * DMTPL | 33,80,238 |

*Source: Albanian Financial Supervision Authority, 2023.*

DMTPL (Domestic Motor Third-Party Liability) accounts for the majority of claims settled, indicating that most of the compensation awarded to accident victims or for damages pertains to domestic roadway incidents. The claims data for Green Card suggests that a reasonable number of incidents involve vehicles covered by this category while operating in foreign nations. It seems probable that accidents overseas occur less frequently than those within the country. The comparatively low number of compensated claims for Border Insurance in this region implies that there are fewer incidents with foreign vehicles occurring in Albania.

The total claims disbursed for motor insurance showed a rise of 7.81% when compared to the corresponding period of the previous year.

**LITERATURE REVIEW**

In the field of non-life insurance, motor insurance holds a significant position in financial operations, standing out as the leading segment of the industry, particularly in developing nations Dragos, Mare, Mureșan, & Purcel (2022). The increasing rivalry among motor insurance providers fosters market advancement, particularly concerning service quality and customer communication Malakauskienė, Lakštutienė, & Witkowska (2022).  In the research conducted by Treerattanapun (2011), it was observed that in various nations, particularly in emerging markets, distinct categories of non-life insurance offerings prevail, such as DMTPL auto insurance. Based on the research conducted by Borda and Jędrzychowska (2012), a majority of participants tend to opt for the most well-known motor insurance packages when making their purchases. Regarding distribution methods, the findings reveal that traditional channels, such as insurance

agents and employees, are the most prevalent. Meanwhile, interest in contemporary sales approaches, particularly online and via telephone, is primarily seen among the younger demographic. Stroe and Iliescu (2013) investigated the disparities between genders in risk-taking behavior and their views on insurance. It indicates that women might typically demonstrate a lower tendency for risk-seeking when compared to men, which in turn affects their choices regarding insurance. This gender-specific variation in risk perception and decision-making is analyzed in conjunction with other behavioral influences, including intuition and emotions, which also play a role in shaping consumer preferences. Brandão & Afonso (2022) underscored the essential importance of behavioral economics in grasping and enhancing the auto insurance sector, indicating that a more profound understanding of biases and heuristics can facilitate more knowledgeable and efficient decision-making among all stakeholders involved. An important insight is that elements of demographics, including age, marital situation, and gender, affect the propensity for risk-taking. The research highlights that younger people, single individuals, and males are typically more predisposed to engage in risky behavior. van Huyssteen and Rudansky-Kloppers (2023) examined factors influencing consumers' motor vehicle insurance purchase decisions in South Africa. Psychological characteristics, encompassing motivation and personality, are recognized as intrinsic elements influencing consumer behavior. Aspects like family earnings, educational levels, and age are of substantial significance too. Channels of communication are equally crucial. The research reveals that sponsored social media initiatives, influencer agents, and tailored messages effectively engage and convince consumers. Moriah, Vermet, and Charpentier (2023) investigated strategies for assessing and reducing biases in the pricing of motor insurance. The research highlights the significance of adhering to regulatory standards, which require fair premiums across various demographics and circumstances. This is especially pertinent regarding age-related premiums and the handling of severe illnesses or disabilities, which are becoming new factors for assessing equity. Moreover, the research stresses the necessity for insurers to uphold consistency and effectiveness while implementing more equitable pricing practices. The study of Cohen (2005) offers numerous valuable insights into the adverse selection dynamics within the automobile insurance sector, utilizing an extensive dataset from an insurer based in Israel. A key discovery is the influence of driving experience on the relationship between coverage and accidents. This relationship is notably present among new clients with three or more years of driving experience, suggesting that these individuals may have gained private information regarding their driving habits over time. In contrast, this relationship is nonexistent among new clients with fewer than three years of driving experience, who have had limited chances to understand their level of risk. found that, on the Israeli motor insurance market, new customers

with more than three years of driving experience and choosing low deductibles for motor insurance are associated with more accidents and higher losses for the insurer. In Brazil, the automobile insurance sector demonstrates low concentration, reflecting a competitive landscape where market shares are evenly spread among companies. Peres, Maldonado, and Candido (2022) studied the characteristics of automobile insurance demand, include price sensitivity, evidenced by a calculated short-run elasticity of -0.47 and a long-run elasticity of -1.33, which signifies that consumers react to price changes over time. The key conclusion in the paper of Hosein (2022) was that by using historical data to estimate the potential risk associated with a new policy, insurers can set premiums that more accurately reflect the expected claims, thereby optimizing their pricing strategy.

## METHODOLOGY

This paper evaluates using specific information obtained from the questionnaire done in Albania. It describes just one segment of the extensive research drawn from our questionnaire. Consequently, the analysis in this section is limited to individuals who have obtained motor insurance (108 respondents) out of a total of 289 participants. Descriptive statistics play a crucial role in examining the foundational data sourced from the survey respondents. This methodological framework is imperative for encapsulating and clarifying the data, thereby providing a thorough overview of the demographic and behavioral characteristics of the individuals involved. The use of descriptive statistics serves to clarify the demographic details of the respondents, featuring variables like gender, age, marital situation, educational background, and financial earnings. The information collected is examined thoroughly to reveal patterns and trends related to consumer behavior, particularly concentrating on the motivations for acquiring non-life insurance. Through the implementation of descriptive statistics, the research effectively highlights the prominent characteristics and trends evident within the sample population. This methodological approach aids in the identification of significant patterns, including the dominant role of compulsory insurance within the market and the demographic factors that affect insurance selection.

## RESULTS

**Analysis of types of purchased motor insurance products**

The analysis in this section is confined to the individuals who acquired motor insurance (108 respondents) from the total of 289 participants. Within the Albanian context, the provisions of motor insurance can be categorized into two primary classifications: obligatory and voluntary. A considerable fraction (approximately 29.6%) of individuals possessing DMTPL (Domestic

Motor Third-Party Liability) insurance additionally select supplementary international coverage (Green Card). The incidence of border insurance is comparatively rare (approximately 7.4%), which suggests a constrained demand, potentially attributable to a diminished frequency of border crossings or a preference for Green Card policies. Furthermore, a notable percentage (20.4%) of consumers have acquired voluntary insurance, which offers enhanced protection, such as comprehensive (Casco) insurance, safeguarding against theft, damage to the insured vehicle, or natural calamities. This analysis elucidates that although obligatory DMTPL insurance prevails, a significant segment of consumers actively seeks to augment their coverage through voluntary or international insurance offerings. In the cohort of individuals participating in voluntary insurance schemes, the findings of the survey reveal a predominant presence of female participants. This observation implies that women exhibit a more substantial representation among those selecting voluntary motor insurance, indicating a potential for either greater involvement or divergent preferences relative to their male counterparts regarding supplementary vehicle coverage alternatives beyond the obligatory DMTPL insurance.

**Demographic profile for mandatory motor third-party liability insurance**

Upon examining the data concerning involvement, it becomes apparent that 69.4% of respondents identified as female, while males constituted a mere 30.6%. The age cohort of 18–39 years constitutes the largest demographic segment among the respondents. A predominant majority (54.6%) of the respondents reported being married. An impressive total of 97% of the respondents asserted that they possess a higher education qualification. The private sector made up the majority of participants at 39.8%, with the public sector not far off at 38.9%. A large 44% of participants shared that their personal income is positioned within the spectrum of ALL 60,001 to ALL 150,000, and almost 29% claimed their income falls into the ALL 34,001 to ALL 60,000 range.

**Information about non life insurance**

According to the empirical findings derived from the survey focusing on motor insurance, a substantial proportion of respondents (approximately 86.1%) indicated possessing knowledge regarding non-life insurance. The findings showcase a distinct gender imbalance, revealing that (32.3%) are marked as male and (67.7%) are marked as female. In contrast, (13.9%) of the participants have reported a lack of information pertaining to non-life insurance. This data may elucidate the divergent perspectives towards insurance products across various demographic segments.

**Factors Influencing the Choice of Insurance Company (%)**

The participants were allowed to select more than one factor. This flexibility enabled a more comprehensive understanding of their preferences and priorities.

Table 1. Factors Influencing the Choice of Insurance Company (%)

|  | Answer | Percent |
|---|---|---|
| 1. | Insurance conditions were better | 34.3% |
| 2. | I trust the insurance company | 25% |
| 3. | Favorable claims settlement solution: | 4.6% |
| 4. | Premium (the price paid) | 18.5% |
| 5. | Recommendation from friends | 36.1% |
| 6. | Recommendation from the agent | 8.3% |

Consumer decision-making is influenced by an interplay of trust, perceived value, and social endorsements, underscoring the imperative for insurance providers to cultivate affirmative experiences and uphold transparency. Individuals place a premium on advantageous policy conditions, thereby accentuating the necessity for coverage that is both comprehensive and unequivocal. Trust is a pivotal element, propelled by both reputation and customer interactions. Although pricing is significant, it is subordinate to trust and coverage, suggesting that consumers endeavor to achieve an equilibrium between cost and perceived value. Social influence markedly affects decision-making, with oral communication functioning as a potent catalyst. Professional advice retains its significance; however, it is secondary to personal recommendations. While integral, the management of claims initially plays a lesser role, yet it can have implications for long-term satisfaction and customer retention.

**Reasons for Holding Non-Life Insurance**

The data provides a nuanced comprehension of the motivations for obtaining non-life insurance, as participants are given the chance to recognize several contributing elements. It appears that numerous interconnected aspects affect the insurance decision-making process.

Table 2. Reasons for Holding Non-Life Insurance

|  | Answer | Percent |
|---|---|---|
| 1. | Compensation for damages to maintain the same financial position. | 35.2% |
| 2. | Because they are legally mandatory. | 75.9% |
| 3. | Providing assurance for compensation at the moment the event occurs. | 32.4% |
| 4. | Because they are a powerful source of funds for investments and capital accumulation. | 0.9% |
| 5. | The contract has a preventive effect against loss. | 8.3% |

A considerable fraction of the surveyed individuals (35.2%) underscores the critical significance of non-life insurance as a mechanism for ensuring financial stability. This observation elucidates a fundamental role of insurance—serving as a protective framework that enables individuals to recuperate from unforeseen financial setbacks without compromising their overall economic well-being. The focus on preserving the same financial standing suggests a risk-averse mentality that is prevalent among consumers. An overwhelming majority (75.9%) of respondents identify legal mandates as a principal motivation for procuring non-life insurance. This statistic accentuates the influence of regulatory structures in shaping consumer conduct. Obligations surrounding insurance, particularly in domains such as automobile and property coverage, compel individuals to interact with insurance offerings. This dependence on legal requirements implies that, while adherence is a critical consideration, it may not wholly represent the perceived significance of non-life insurance within the consumer landscape. The concept of ensuring timely compensation is vital for 32.4% of the participants. This indicates an acknowledgment of the unpredictability associated with life events and the necessity for prompt financial support following adverse occurrences. The comprehension that insurance can facilitate an expedient recovery trajectory reinforces its status as an essential financial planning instrument. Merely 0.9% of participants regard non-life insurance as a potential source for investment and capital accumulation. This minimal proportion suggests a possible deficiency in awareness concerning the broader financial advantages associated with certain insurance products. Although insurance is predominantly perceived as a protective device, this data implies that a considerable number of consumers do not recognize its potential as a financial asset that could enhance wealth accumulation strategies. The preventative characteristic of insurance, acknowledged by 8.3% of respondents, underscores a significant yet frequently underestimated dimension of non-life insurance. This preventative influence can be interpreted within two frameworks: risk management and behavioral modification. By possessing insurance, individuals may be more predisposed to adopt safer behaviors, thereby diminishing the probability of incidents that could result in claims. Nevertheless, the relatively modest percentage indicates that additional education regarding the proactive benefits of insurance is warranted.

## CONCLUSION

This paper provides key insights into consumer behavior, preferences, and motivations related to motor and non-life insurance in Albania. The findings reveal the dominance of obligatory motor insurance but also highlight that a significant portion of consumers actively seek additional coverage through voluntary policies, such as Casco insurance. This indicates

that while compliance with legal mandates remains a primary driver, a notable segment of consumers prioritizes enhanced protection. The demographic profile reveals that women are more represented in voluntary motor insurance, suggesting gender differences in insurance preferences and behaviors. Younger consumers, primarily those aged 18–39, constitute the largest cohort purchasing motor insurance. With most respondents reporting higher education and middle-income levels, it appears that education and financial standing influence the propensity to engage with insurance products. The significant representation from both the private and public sectors further reflects the broad relevance of motor insurance across employment types. Consumer awareness of non-life insurance is relatively high (86.1%), but notable gender disparities persist, with more women reporting familiarity with these products. This gender imbalance may imply varying risk perceptions and financial priorities between men and women, warranting further investigation. A key observation is that legal obligations play a pivotal role in driving insurance purchases, with 75.9% of participants citing regulatory mandates as a primary reason for holding non-life insurance. When choosing insurance providers, favorable conditions, trust, and recommendations from social networks were prioritized over pricing and claims management, underscoring the importance of reputation, customer experience, and social influence in shaping consumer decisions. While affordability matters, consumers aim to strike a balance between cost and perceived value. The influence of friends and agents, along with personal experiences, highlights the importance of interpersonal connections in guiding insurance choices.The primary motivations for holding non-life insurance align with a risk-averse mentality, focusing on financial stability, timely compensation, and compliance with legal requirements. However, only 0.9% view insurance as a tool for investment and capital accumulation, indicating a limited awareness of insurance products as financial assets. Similarly, the modest 8.3% recognition of insurance's preventive role suggests an opportunity for insurers to educate consumers on the proactive benefits of insurance, including risk management.

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