

# **FACTORS INFLUENCING HOUSEHOLDS' DEMAND FOR LIFE INSURANCE**

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## **ABSTRACT**

This thesis aims to examine both the type and amount of life insurance purchased by households. To this end, comprehensive models of households' demand for life insurance were developed, which included demographic variables, economic and assets, and psychographic variables. The effects of these factors on either term or cash value life insurance purchased by households were examined separately.

The data was obtained from the 2004 Survey of Consumer Finances. The Heckman two-step selection model was used for the data analysis in order to investigate two different household life insurance purchasing behaviors: the type of life insurance purchased and the amount of life insurance purchased.

This study provides three contributions. First, the results proved that most of assets categories associate with the purchase of life insurance by households. Second, using Heckman two-stage selection model is supported in this study because factors influenced the probability of owning life insurance and the amount life insurance held were different. Finally, the fact that variables associated with the demand for term life insurance and the demand for cash value life insurance were different support the view that term life and cash value life insurance should be examined separately.