



Chapter

## On Life Insurance Choice: Identifying Key Determinants in Andhra Pradesh

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### ABSTRACT

In the backdrop of a sluggish growth of life insurance consumption in the state of Andhra Pradesh, this paper sets out to explore the economic, socio-cultural and demographic influences that govern a typical consumer's choice to buy life insurance. Using primary survey data on 600 households from across three coastal districts, this study employs a set of logistic regressions to discern the determinants and explanations that are both general as well as specific to the region and districts under study. Among other things, results show that the decision to buy life insurance is a positive function of income but then this effect is subject to the income-group in question. In case of districts with high-income disparities like Visakhapatnam, low-income groups have a negative tendency to go for insurance and life insurance acquisition is only a feature of high-income earning individuals. Uncertain but high-income earning businessmen show greater odds of buying insurance intimating how demand for life insurance is not just a function of income, but also of risk-tolerance. Results convey that children are more dominantly viewed as potential human capital, more so in the rural centres, so much so that they substitute for market insurance altogether. Also, life insurance consumption is more a feature of the urban centres, reverberating the need to diversify the market to suit the needs and risks of the rural population.