

The Effective Factors on Demand for Car Insurance by Pasargad Insurance in Shiraz

*Seyed Zia Aldin Kiaalhoseini**

*Hossein Aghazadeh***

*Syedeh Razieh Banihashemi****

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Abstract

The insurance market generally involves adverse selection and moral hazards due to its asymmetric information, which imposes serious limitations to estimate demand for insurance. Applying probit model with a sample included of 15707 clients of Pasargad Insurance Company, this study aims to estimate effects of eight variables on demand for car insurance in Shiraz. The variables are classified into three parts; client characteristics including income, age and education, car characteristics including its price, its model (year), the way to finance its purchase as well as car accidents data and finally contract characteristic including only car insurance discounts. The results show that all of coefficients are statistically significant at the level of %1 except its model (year). According to this model, the elasticities of car insurance discounts, age, price, education, the way of finance to purchase, income and car accident data are respectively: 21.01, -12.27, 7.15, 1.77, 0.59, 0.45 and 0.11, which indicate that these variables are very important in this regard. As it is obvious, all variables except age have direct effect on demand for car insurance.

Keywords: car insurance, probit model, demand elasticity, Pasargad Insurance Company, Shiraz.

JEL Classification: D41, D82, G22, M2.

* Assistant Professor, Department of Economics, Mofid University, Qom, Iran.

Email: Zkiaalhoseini@Gmail.com

** Graduate of Economic Sciences, Mofid University, Qom, Iran.

Email: Hossein.aghaza66@Gmail.com

*** Graduate of Economic Sciences, Shiraz Azad University.

Email: Banihashemi1431@yahoo.com



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