A STUDY ON BUYING BEHAVIOUR OF EMPLOYERS FOR GROUP LIFE AND HEALTH INSURANCES IN TURKEY

by

Deniz Ipek

B.S. in I.E., Bogazici University, 1987

Submitted to the Institute for Graduate Studies in Social Sciences in Partial Fulfillment of the Requirements for the Degree of

Master of Arts

in

Business Administration

Bogazici University Library

39001100311144

Bogazici University

1990

BU ÇALIŞMAMDA BENİ YÖNLENDİREN, HER KONUDA YARDIMCI OLAN SAYIN HOCAM ESER BORAK'A, DİKKATLİ GÖZLEMLERİYLE EN İYİYE YÖNELTEN SAYIN MUZAFFER BODUR'A, DEĞİŞİK BAKIŞ AÇISIYLA KONUYU RENKLENDİREN SAYIN DENİZ GÖKÇE'YE, EŞİME, AİLEME, ARAŞTIRMAYA KATILAN TÜM ŞİRKET YÖNETİCİLERİNE SONSUZ TEŞEKKÜRLERİMLE

A STUDY ON BUYING BEHAVIOUR OF EMPLOYERS FOR GROUP LIFE AND HEALTH INSURANCES IN TURKEY

In this thesis, the buying behaviour of employers for group life and health insurances in Turkey, the factors affecting buying behaviour and order of importances for employers, the employers' preferences in choosing their insurance companies (whether local or multinational), additional coverages they would like to have and the problems associated with the current group insurance products/companies have been investigated.

The research is exploratory in nature and extensive preliminary work has been done on the subject matter.

The employers who have purchased group life and/or health insurance formed the sample of the study. In general, it is found out that employers consider themselves as socially obliged to make the employees feel secure. This is the most important reason for purchasing this employee benefit because of lack of nationwide social welfare programs in Turkey and Social Insurance Institutions's insufficient medical services.

The study includes literature review and the field study which is conducted through a questionnaire. The interpretation of data is conducted through computer analysis and implications for insurance companies are presented.

TÜRKİYE'DE GRUP HAYAT VE SAĞLIK SİGORTALARI İÇİN İŞVERENLERİN SATINALMA DAVRANIŞLARI ÜZERİNE BİR ÇALIŞMA

Bu tezde, Türkiye'de işverenlerin grup hayat ve sağlık sigortaları için satınalma davranışları, bunları etkileyen faktörler ve önem sırası, sigorta şirketlerini seçerken işverenlerin tercihleri (Türk sigorta şirketleri veya çokuluslu sigorta şirketleri), işverenlerin istediği ek teminatlar ve mevcut grup sigorta ürünleri/şirketler ile ilgili problemleri araştırılmıştır.

Bu çalışma, tetkik amaçlı olup ilgili konu üzerinde geniş bir ön çalışma yapılmıştır.

Grup hayat ve/veya sağlık sigortası satın almış olan işverenler, bu çalışmanın örneğini teşkil ettiler. Genelde, işverenler, personelin kendisini güven içinde hissetmesini sağlamaktan sosyal olarak kendilerinin sorumlu olduklarını düşünmektedirler. Bu, Türkiye'de sosyal refah programlarının eksikliği ve Sosyal Sigortalar Kurumu'nun yetersiz sağlık hizmetlerinden dolayı, grup hayat ve/veya sağlık sigortasının satın alınmasındaki en önemli sebeptir.

Bu çalışma daha önce yapılmış olan incelemeleri ve bir anket kullanılarak yapılan saha araştırmasını içermektedir. Verilerin yorumu bilgisayar analizi ile yapılmıştır. Ayrıca, bu çalışmada sigorta şirketleri öneriler sunulmaktadır.

TABLE OF CONTENTS

L I S T O F F I G U R E S

L I S T O F T A B L E S

I. INTRODUCTION

This study aims at understanding and explaining buying behaviour of employers for group life and health insurances in Turkey. For this purpose, the researcher has made an extensive study about concept of group insurances and group life and health insurances. Initially, this employee benefit is presented and explained, developments in the United States and Turkey are discussed and then a research is conducted among employers who have actually purchased group life and/or health insurance for their employees. The research points are factors affecting buying behaviour and order of importances for employers, the employers' preferences in terms of the insurance provider, additional insurance coverages the insureds would like to have and problems with current plans and providers to which solutions are suggested by the researcher for further development of these insurance products.

The development of group life and health insurances in Turkey is seen in early 1980's and a rapid improvement in terms of both demand and new products introduced, has been observed in late 1980's. Insurance companies like Sark Sigorta, Bati Sigorta, Halk Sigorta, Anadolu Sigorta, Alico have introduced, as group insurance products, simple basic medical plans with internal limits, hospital-surgical expense coverage and hospital confinement policies to the market. Simple basic medical plans with internal limits cover

doctor's visits, prescribed drugs, room and board, diagnostic, X-ray expenses, surgical benefits, maternity benefits, dental benefits. Every benefit has an internal limit for each medical service received during the insurance period except dental benefit which is expressed as a yearly total amount. There are no limits for the number of medical services received, e.g. number of doctor's visits, and also there are no yearly maximum benefit amounts. With hospital confinement insurance, an insured is entitled to receive a specified flat amount for each day of hospitalization where the benefit period is the whole year.

Currently, group life and health insurance is one of the main focus of interest of both insurance companies and employers. For insurance companies, this type of insurance is a door opener to individual life and disability insurance sales (Turell, 1988), and as for employers, there are various factors that affect buying behaviour some of which can be stated as, this employee benefit is a tool to attract and retain employees and to be competitive with area and industry standards (Albrecht, 1987), (Buckley, 1980) ; to increase efficiency and productivity of employees; a social obligation to make the employee feel secure (Albrecht, 1987); to promote the feeling that the employer cares about his employees and the premiums of which are income tax deductible.

1.1 The Concept and Purpose of Group Insurances

As a country becomes more industrialized, the demand for insurance products to company and industry groups increases. Employees form into unions and associations and force the employers to include employee benefits like group life and health coverage in their employment package (Boag, 1985).

The first modern group insurance plan was requested in 1910 by Montgomery Ward and Company. The company decided that its employees needed life insurance, disability insurance and retirement income and requested insurance companies that the coverage be issued without requiring each employee to undergo a physical examination. Montgomery Ward's proposal was rejected by most of the insurance companies, however, the concept of group insurance has been accepted within two years by a few insurance companies and the first group insurance was actually issued to Pantasote Leather Company of New Jersey in 1911 (CIGNA, 1988).

Group insurance is a means to provide insurance coverage to a defined group of people in an efficient and cheaper way under a single insurance contract called a master contract. The administration is simpler than that of individual contracts and the insurer gains a spread of risks that is the number of sick people will be balanced out by the healthy people among the working population as a whole (Vaughan, 1982).

The master group insurance contract is between the insurance company and the group policyholder who usually is the employer or other party that purchases the contract.

Under a group insurance contract insured individuals are not allowed to determine their coverage amounts, rather, to prevent anti-selection the group insurance policyholder selects the coverage amounts which is specified on the contract. Anti-selection means adverse selection : an insured individual who is in poor health and unable to get individual coverage would most probably select a higher benefit amount than a healthy member.

Group insurance premiums are normally paid by the policyholder. In this case, the plan is called noncontributory. However, the policyholder may collect a portion or all of the premiums from the insured individuals. This type of plan is called a contributory plan. In such a case the employer is responsible for the collection of premiums from the insureds. An efficient salary deduction method may be used for collection of premiums.

1.2 Group Underwriting

In order for a group to be eligible for insurance coverage, it must have been formed for some other purpose than just to obtain group insurance (CIGNA, 1988). The groups generally considered eligible are

(a) single-employer groups : these groups consist of the employees of a single employer. In this type of group, employer is the group insurance policyholder and the employees are the insured members.

(b) multiple-employer groups : these groups consist of the employees of two or more employers. Multiple employer groups include

Taft-Hartley Groups, they are formed by one or more employers in the same or related industries as the result of bargaining agreements with one or more unions. The employers and unions appoint a trustee who is the group policyholder and handles the group's funds.

Multiple Employer Trusts (METs), they are formed when several small employers band together and provide group insurance benefits for their employees. In most cases, these small employers belong to the same or related industry. The employer appoint a trustee who is the group policyholder and handles the group's funds.

Voluntary Trade Associations, they are formed by several employers in the same industry who are members of a trade association. The trade association is the group policyholder and handles the group's funds.

(c) labor union groups : these groups consist of the members of a specific labor union which is the policyholder and is responsible for handling the group's funds.

(d) affinity groups : these groups consist of the members of specific organizations which is the policyholder and usually handles the group's funds. Some examples of these groups are professional organizations such as those consisting of the doctors, engineers or lawyers.

(e) debtor-creditor groups : these groups consist primarily of persons who have borrowed funds from a lending institution, such as a bank.

The group's size has a strong impact on the underwriters ability to predict the group's probable loss rate based on the group's characteristics. In general, the larger the group, the more likely that the group will experience a loss rate close to the average rate predicted. When group insurance plans were first introduced, only groups with at least 50 members were eligible for coverage. However, maintaining such a minimum size requirement prevented many small firms from obtaining group insurance coverage. Over the years this requirement is relaxed and currently groups with fewer than 10 members are covered by insurers. The reasons for setting minimums are that,it reduces the effect of anti-selection by spreading the risk over a greater number of good, average and poor risks. All small groups together do produce the normal spread of risk, and it spreads the expense over a greater number of people, thus lowering the cost per insured person.

There must be a sufficient number of new members entering the group to replace those who leave the group and consequently, to keep the group size stable and to keep the age distribution of the group stable. If new members are not added to the group, then the premium rate for the group would increase because of the group's increasing age.

The group's activities are also important to assess the risk involved. A group is assigned a risk classification standard, substandard or declined based on the group's normal activities. If the group's activities are not expected to contribute to a greater than average loss rate among its members, then the group is classified as a standard risk. Most employer-employee and association groups qualify as standard risks like the groups in finance, insurance and real estate business. A group whose activities are expected to lead to a higher-than-average loss rate among its members is classified as a substandard risk and is charged a higher premium rate than is a group classified as a standard risk. For example, a group consisting of coal miners may be classified as a substandard risk because of the hazards in mining. If the group's normal activities are extremely dangerous, some insurance companies will decline the group for coverage. For example, many insurers would decline for group life insurance coverage a group consisting entirely of race car drivers (Morton and Long, 1988).

1.3 How a Group Contract Operates

As a general rule, all members of an insured group are eligible for coverage when a group insurance plan is established. The percentage of group members who will participate depends on whether the group insurance plan is noncontributory or contributory. In noncontributory plans 100 percent participation is expected. However, an employer/policyholder may define eligible employees as those employees in a specified class. These classes must be defined by requirements related to conditions of employment, such as salary, occupation or length of employment (CIGNA, 1988). For example, many employers establish the requirement of full-time employment. Such employers make group insurance benefits available to full-time employees, thereby excluding part-time workers from the class of eligible employees. However, a list that is not based on some recognizable distinction among employees as to conditions of employment is not a valid description of a class.

In contrast to noncontributory plans, contributory group insurance plans need not cover all the eligible members of the group. Since contributory plans require each participating group member to pay a portion of the premium, some group members may not wish to enroll in the plan. Therefore, although all eligible members of the group must be offered the group insurance coverage, 100 percent participation is not required. In order to minimize antiselection, most insurers require that 75 percent of the

eligible employees in a contributory plan participate in the group insurance plan in order for the group to retain its eligibility for coverage (Swiss Reinsurance, 1988). Without this requirement, the insurance company could not rely on the group underwriting process because of the likelihood that an unusually high percentage of group members might be individuals who could not obtain individual coverage because they could not provide evidence of insurability.

Employer-employee group insurance plans may contain an "actively at work requirement" which states that an employee must be actively at work rather than ill or on leave on the day the plan takes effect in order for that employee to be eligible for coverage. Otherwise, the employee becomes eligible to enroll in the plan on the day he or she returns to work. In a contributory plan, an eligible employee who declines coverage at the time the plan is established or who drops out of the plan must submit satisfactory evidence of insurability in order to be allowed to join the plan at a later date.

After a group insurance plan has been established, new members joining the group must meet certain requirements before they are eligible for coverage. Many employers establish a waiting period which is a period of time that must pass after a new employee is hired before the new employee is eligible to enroll in the group plan and which usually extends from one to six months. If the plan is noncontributory, the new employee will be automatically

covered at the end of the waiting period. In contributory plans, the waiting period is followed by an eligibility period. The eligibility period usually extends for 31 days and during this time a new employee may first apply for group insurance coverage. The new employee must submit evidence of insurability if he or she decides to enroll in the contributory plan after the eligibility period.

When a group insurance policy is first issued, the insurance company must establish an appropriate premium rate for the coverage. To calculate group insurance premium rates, the insurer considers the expected rate of mortality or morbidity among group members and the expected expenses that will be incurred in administrating the plan. Group insurers usually use experience rating when determining group insurance premium rates which is the process of using the group's prior years claim experience when calculating the group's premium rate. Experience rating is used to establish a group's initial premium rate if the group has previously been insured, and a group's renewal premium rates (Boag, 1985). The degree to which insurers apply experience rating depends on :

(a) the type of coverage, health insurance coverage is characterized by more frequent claims per person than is life insurance coverage and the same individual is likely to submit many health insurance claims over the period of coverage. However, once a claim is paid under a group life insurance plan, that individual will not submit additional

claims. Therefore, group health insurance premium rates are affected by experience rating to a greater degree than are group life insurance premium rates.

(b) the size of the group, group size affects the quantity of claim experience available and the reliability of that experience. For group life insurance plans, experience rating is fully applied only to groups of at least several hundred employees. For group health insurance policies, the insurer will assign a sustantial degree of credibility even to the experience of relatively small groups.

At the end of each policy year, a portion of the insurance premium may be refunded to the group policyholder. These refunds are called dividends, or experience refunds. The amount of premium refund is determined on the basis of the insurer's evaluation of group's experience. If the group is large enough, the evaluation is based on that group's experience alone. If the group is small, the evaluation is based on the experience of that group and similar small groups. The refund is based primarily on the group's claim experience and the expenses which the insurer incurred in administrating the plan. All premium refunds are payable to the group policyholder even if the plan is contributory. If the amount of refund exceeds the portion of premium paid by the policyholder, then the excess must be used for the benefits of the individual participants in the plan.

Administration expenses for group insurance coverage are lower than individual coverage. For example, underwriting and policy issue costs are generally lower for group insurance because often the group as a whole is underwritten rather than each individual member and one master policy, rather than many individual policies, is issued. Expenses are also lower because the group master policyholder often handles many of the clerical duties that an individual must perform for individual insurance. The premium rate for coverage under a group policy reflects these lower costs.

The administration of group life insurance plans is primarily a matter of record keeping. Some of the necessary records include the name of each plan participant, the amount of insurance on each participant, and the name of each beneficiary. Information regarding the composition of the group is reported monthly to the insurer.

In Turkey, there are no " percent participation " requirements in neither contributory nor non-contributory plans, " actively at work " requirement and requirements like waiting period, eligibility period for new members.

Experience rating method is not applied in the Turkish insurance industry to calculate a group's premium rate , and experience refunds to the policyholders are not allowed (1).

(1) Insurance Supervisory Law No. 3379, Article 25.

In this section, the main purpose of the study, the concept and application of group insurances has been explained. Essentially, a defined group of people is provided insurance coverage in an efficient and cheaper way under a single insurance contract. The eligibility aspects of a group are its type, size, activities and whether there are any new entrants to the group or not. In a group insurance contract, certain requirements, e.g. percentage participation requirement, are set to avoid anti-selection. Insurance premiums are calculated based on estimated amount of claims and expenses of administrating the plan. In the next section, the researcher will explain group life and health insurances, providers in Turkey and in the United States and the planned general health insurance system in Turkey which is called SAG-KUR.

II. THEORETICAL BACKGROUND OF THE STUDY

In the first section, the researcher has explained the purpose of this study, the concept and application of group insurances. In this section, group life and health insurances, providers in Turkey and in the United States will be discussed. A very recent development in Turkish health insurance system -SAG-KUR- which is planned as a general health insurance system compulsory for an estimated 20 million people not covered by the social security system, will also be explained.

2.1 Group Life Insurance

In terms of coverage amounts, group life insurance is the fastest growing line of life insurance in North America (Morton and Long, 1988). Type of coverages available under group life insurances are yearly renewable term insurance plans (YRT), group survivor income plans, group accidental death and dismemberment plans and group permanent life insurance plans. Group accidental death and dismemberment plans may be issued as additions to group life insurance coverages (Swiss Reinsurance, 1988). This research study aims at determining buying behaviour of employers for group life and health coverages available in the Turkish insurance industry, and thus, the researcher will concentrate only on YRT plans and group accidental death and dismemberment plans.

2.1.1 Group Term Insurance

Group term is temporary life insurance coverage which pays the death benefit in case of death from any cause, that is accident, sickness or even suicide (Boag, 1985). The individual is covered only while he or she is a member of the group. The main objectives of Group Term Life Insurance are to pay final debts and to provide a temporary income replacement. This insurance provides employees with basic life insurance coverage without requiring evidence of insurability and perhaps this is the main advantage of this type of insurance. The evidence of insurability may be a statement from the applicant stating his physical condition, a medical examination or doctor's statement may be required. For employees who are poor insurance risks, this coverage may be their sole insurance (CIGNA, 1988).

In the United States, an employee can receive up to $ 50,000 of noncontributory group term coverage without paying income tax on the premiums the employer pays for coverage. The employer usually may deduct from the company's taxable income the amount of premiums paid for group term insurance on each employee. Many consider such tax benefits to be the primary reason employer-employee group life insurance policies in this country are generally written on a YRT plan (Morton and Long, 1988). In Turkey, employees can deduct premiums they pay for their life insurance coverage from their taxable income up to the amounts equal to the premiums they pay for Social Insurance Institution or Emekli

Sandigi (Income Tax Law Number 193 revised by Law Number 3239, effective as of January 1,1986 ; Articles 63 and 89).

2.1.2 Accidental Death and Dismemberment Plans

Accidental death and dismemberment benefits may be included as part of a group life policy, as part of group health policy, or may be issued under a separate group contract. The cost of these benefits are considerably low and this is why they are attractive to employer-employee groups. When the accidental death benefit is added to group term life insurance plan, the death benefit is doubled if loss is due to an accident. Accidental death and dismemberment policies are usually purchased by travel groups, automobile clubs, or transportation companies such as railroads and airlines.

2.2 Group Life Insurance Provisions

Group life insurance has been regulated by National Association of Insurance Commissioners (NAIC) in 1917 in the United States and has been revised and updated several times since then (Morton and Long, 1988).

In Turkey, Life Insurance General Conditions prepared by Ministry of Industry and Trade are valid for group life insurance policies. Provisions of group life insurance policies regulated by NAIC ,that differ from the Turkish general conditions are as follows :

(a) conversion of group life insurance : this clause gives an insured group member who is terminating group membership the

right to convert group insurance coverage in force to an individual plan of insurance without presenting evidence of insurability. The insurer must issue the individual policy if both the application for conversion and the payment of the first premium are made within 31 days of termination of group membership and the master policy is in force on the date of conversion. The individual life insurance policy purchased as a conversion may have a face value of any amount up to the amount of insurance the certificate holder received under the group plan. Premium rates for these individual policies are based on the insurance company's ordinary individual premium rates for someone of the insured person's attained age. The conversion provision also states that if the certificate holder should die during the 31 day conversion period, the proceeds will be paid whether or not the application for conversion has been made.

(b) participation requirements : this clause states that if the number of insured members drops below a specified minimum or if the percentage of participants in a contributory plan falls below 75 percent, then the insurer has the right to cancel the group policy.

(c) incontestability : this provision in a group master policy states that the group master policy is incontestable after two years from the date of issue. The incontestability provision also allows an insurance company to contest an individual group member's coverage, without contesting the group policy itself, within two years of the date of that

group member's application.

(d) settlement options : the beneficiary of a group life insurance policy usually receives the proceeds of that policy in a lump sum. However, sometimes optional modes of settlement are also available. The policy may grant the right to choose a settlement option to the insured person and/or to the beneficiary.

2.3 Group Life Premiums

Premium rates for group life insurance are based on mortality and expense factors for each particular group. In Turkey, premiums are calculated based on the technical average age of the group loaded by expense factors. Technical average age is calculated by taking weighted average of each individual's death probability from the mortality table used, by his or her life insurance coverage. The age that corresponds to this average probability of death is the group's technical average age. Death probabilities are discounted by interest factors which is nine percent, in general, in Turkey. Therefore, the net premium rate is found by the death probability of the group discounted by interest factors. Then, the net premium is loaded by expense factors - production, administration, collection- to calculate the gross premium charged to the specific group. The technical average age of the group is assumed to be constant for a maximum of three years. The three standard mortality tables used in Turkey are Commissioners Standard Ordinary (CSO)

1953-1958, Swiss Mortality (SM) 1948-1953, German Mortality Table (ADST) 1949-1951, (See Appendix I). Unfortunately, a Turkish mortality table which will reflect the correct premium rates for the Turkish society has not been developed yet.

In most countries, insurers use a blend of experience rating and standard group insurance mortality tables to calculate initial and renewal premiums depending on the group's size and previous claims experience. Further, if the group is small, it is pooled when the experience rating process is used (Morton and Long, 1988), (Buckley, 1980).

2.4 Group Health Insurance

Most people cannot afford to pay the full costs of their medical treatment when they become seriously ill and a loss of income when they are physically unable to work. The two types of health insurance coverages are

(a) medical expense coverage which provides benefits for the treatment of sickness or injury;

(b) disability income coverage which provides income benefits when the insured is unable to work because of sickness or injury.

2.4.1 Medical Expense Coverage

The commonly available medical expense coverages are

(a) hospital-surgical expense coverage : such policies cover hospital charges for room and board and hospital services, surgeon's and phsycian's fees during a hospital stay, specified outpatient expenses, extended care services such as convalascent or nursing home costs all of which are subject to certain limitations and exclusions like purchasing medicines and drugs unless those medicines are given during a hospital stay or while obtaining outpatient surgery, employing private nurses, obtaining routine dental treatments, oral surgery, eye examinations, corrective lenses unless such expenses are incurred as the result of an accidental injury. In addition, some hospital-surgical expense policies specifically exclude benefits to cover normal maternity care costs. In policies that contain exclusions relating to maternity coverage, such exclusions do not apply to medical expenses caused by complications of pregnancy. Further, coverage for normal maternity care costs is usually available under such policies for an extra premium. In Turkey, this coverage is available from only American Life Insurance Company.

(b) major medical coverage : major medical coverage is designed to meet the need for economic protection for medical expenses that result from major illnesses or injuries requiring expensive or long-term care. Major medical coverage

provides benefits for the same types of medical expenses that are covered by hospital-surgical expense policies. In addition, it provides the costs incurred for receiving outpatient treatment, employing private nurses, renting or purchasing treatment equipment and medical supplies and purchasing prescribed medicines. Major medical policies generally provide either a high maximum benefit amount, such as $100,000 or $1,000,000 or specify an unlimited maximum benefit amount. The maximum benefit amount available under a major medical policy usually applies to each covered sickness or injury rather than to each covered expense, although the policy may specify a maximum benefit amount per day for hospital room and board charges. Some major medical policies specify a lifetime maximum benefit amount with the coverage expiring once the insured has received the amount in benefits. This coverage is not provided by insurers in Turkey, rather, insurance companies like Sark Sigorta, Bati Sigorta, Halk Sigorta provides simple basic medical plans with internal limits for each service received, i.e. doctor's visits, prescribed drugs, room and board, diagnostic, X-ray expenses, surgical benefits, maternity benefits, dental benefits.

(c) hospital confinement coverage : this coverage consists of a predetermined flat benefit amount for each day an insured is hospitalized. The policyholder elects the amount of the policy's daily benefit subject to the minimum and maximum amounts set by the insurer. The maximum benefit period

allowed under such policies is commonly a set period between three months and one year in length. The policy also specifies whether the insurer will pay benefits beginning on the first day the insurer is hospitalized or whether the insurer will start to pay benefits only after the insured has been hospitalized for a specified period, such as three or five days. Although the benefit amont payable under hospital confinement policies does not vary in accordance with the expenses an insured incurs, many such policies specify that the benefit amount will vary according to the type of facility in which the insured is confined. Such policies typically provide a higher benefit amount -such as twice the normal daily benefit amount- when the insured is confined in an intensive care unit or cardiac care unit, and a smaller benefit amount -such as half the normal daily benefit amount- when the insured is confined in a convalascent or nursing care facility. In Turkey, a less sophisticated version of this coverage is available through insurance companies like Anadolu Sigorta and Basak Sigorta.

(d) specified expense coverage : this coverage most commonly include dread disease coverage like cancer, dental expense coverage, prescription drug coverage and vision care coverage which are specified in the policy. Most forms of specified expense coverage including dental expense coverage, prescription drug coverage and vision care coverage are usually available through group insurance contracts. However, dread disease coverage is generally offered only through

individual policies. (Morton and Long, 1988). In Turkey, this coverage is not provided by insurers.

2.4.2 Disability Income Coverage

Disability income coverage provides a specified income benefit when an insured person becomes unable to work because of an illness or accidental injury. In Turkey, disability income coverage is provided only when the insured person becomes unable to work because of an accidental injury. Such policies are intended to provide protection from the financial losses that result from a person's inability to work while disabled. The insured person's disability must meet the policy's definition of total disability in order for the insured to receive the income benefit. The usual definition of total disability is that, at the start of disability insureds are considered totally disabled if their disability prevents them from performing the essential duties of their regular occupations. However, at the end of a specified period after the disability has begun, usually two years, insureds are considered totally disabled only if their disabilities prevent them from working at any occupation for which they are reasonably fitted by education, training or experience. Some insurers have further liberalized the definition of total disability. According to this definition, an insured is totally disabled if the insured is unable to perform the essential duties of his or her own previous occupation.

A different type of disability income coverage which is called income protection insurance has become popular among the upper-income professionals since the late 1970s. The definition specifies that an insured is disabled if that person suffers an income loss caused by the disability.

The benefit amounts available through disability income coverage are lower than the individual's regular earnings when not disabled. If an insured could receive as much as his or her previous regular income before he became disabled, then he would have no incentive to return to work. Insurers usually apply the income benefit formula which expresses the disability income benefit amount as a percentage of the insured's pre-disability earnings. For example, the formula may specify that the insured will receive a disability income benefit amount equal to 75 percent of the insured's pre-disability earnings (Morton and Long, 1988).

2.5 Health Insurance Providers in Turkey and in the United States

In Turkey, health insurance is provided through private insurance companies, Social Insurance Institution (SSK) and BAG-KUR. In 1989, health insurance premium collected and expenses paid through various health insurance institutions in Turkey is shown in Table 2.1.

Table 2.1

Health Insurance Premium Collected and Expenses Paid in 1989

Institution	Health Insurance Premium Collected (Billion TL)	Expenses Paid (Billion TL)
S.S.K	1,579	878
Emekli Sandigi	-	640
BAG-KUR	174.2	147.2

Source : Ministry of Health, A Study on Health Insurance, 1990.

The application of Social Insurance Institution (SSK) in Turkey has started in 1946 with the work injury and occupational disease insurance and maternity insurance established by Law No. 4772. This was followed by the establishment of old age insurance in 1950 and sickness insurance in 1951. Old age insurance was replaced by the disability, old age and death insurances.

With Law No. 506 which is presently in effect, the requirement for a minimum number of employed persons has been abolished. However, it has been decided to extend the scope to establishments with less than four people employed within municipal boundaries of cities and towns and establishments with less than eight people employed in other places after the necessary health and other organizations have been set up.

BOĞAZİÇİ ÜNİVERSİTESİ KÜTÜPHANESİ

The most important aspect of the Social Insurance Law No. 506 is that it entitles all people who are employed by an act of service to benefit from social insurance except agricultural workers, self-employed and people contributing to a pension fund established by Law.

Social Insurance Law entitles the contributors for the following benefits :

(a) work injury and occupational disease coverage : this coverage provides benefits to insureds who suffer physical or mental disability as a result of work injury or occupational disease. These benefits include medical treatment, disability income and funeral expenses.

(b) disability income : it entitles the insured person to receive disability income.

(c) old age insurance : it entitles the insured person who has paid contributions for a specified period and has attained a specified age to an old age pension. People whose length of service is less than a specified period receive a lump-sum payment upon retirement.

(d) medical care and maternity insurance : it provides medical expense coverage and maternity insurance to insured employees and their dependents.

(e) death insurance : it entitles the dependents of an insured person to receive survivors' pension or lump-sum payment and funeral expenses.

BAG-KUR scheme covers the self-employed who are not covered by Social Insurance Law. It entitles the contributors to the following benefits :

(a) disability insurance : an insured person who has lost at least two-thirds of his working capacity is entitled to receive disability income.

(b) old-age insurance : an insured who has completed a specified period of service receives a lump-sum or an old-age pension.

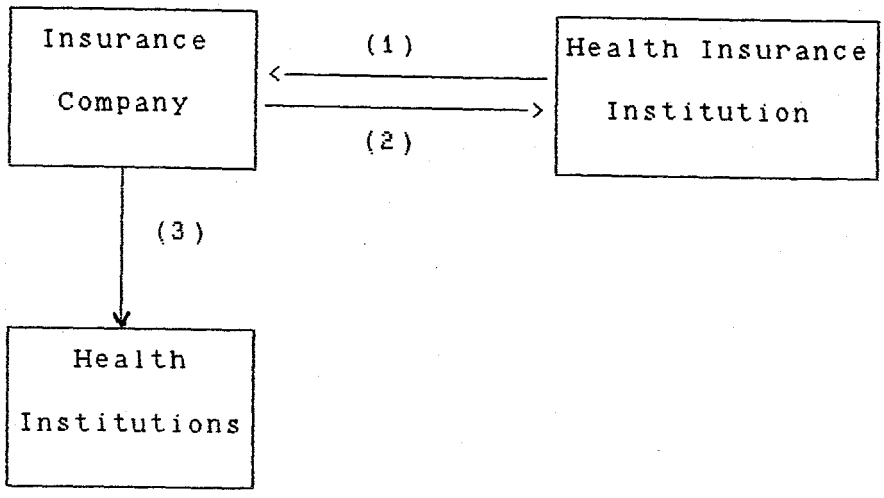
(c) medical insurance : it includes medical expenses on examinations, diagnosis, treatment and hospitalization at health institutions.

(d) death insurance : it includes a lump-sum payment or pension annuity and funeral expenses payable to dependents of insured (Statistical Yearbook of Turkey, 1987).

A very recent development is the establishment of a general health insurance system called SAG-KUR which shall be compulsory for an estimated 20 million people who are not covered by social security system. A health insurance institution shall be established accordingly. The relationship between insurance providers, health insurance institution and health care providers are shown in Figure 2.1.

Figure 2.1

Planned SAG-KUR System



where,

(1) health insurance institution determines rates and conditions;

(2) insurance providers send insureds' list to health insurance institution and collects the premiums directly from them;

(3) payment of claims is made directly to health care providers.

In the United States, health insurance coverage may be provided through private insurance companies, government programs, Blue Cross/Blue Shield plans, health maintenance

organizations (HMOs) and self-insured groups. Approximately 60 percent of the American population is covered by the nations commercial life and health insurers. This figure does not incude the group coverage issued by the Blues (Beavan, 1983). The manner in which health insurance benefits provided varies substantially according to the coverage terms specified by the provider. However, the types of benefits provided by each kind of coverage remain fairly constant regardless of the source of coverage.

2.5.1 Blue Cross / Blue Shield Plans

Approximately 90 Blue Cross and Blue Shield plans operate throughout various locations in the United States to provide medical expense coverage to individuals and groups.

Each Blue Cross and Blue Shield plan operates in a specific geographic region and offers medical expense coverage only to residents of that region. The national Blue Cross and Blue Shield Association coordinates the regional plans, which are referred to as member plans, by addressing various administrative concerns, but each regional plan operates autonomously. Thus, each Blue Cross and Blue Shield plan establishes its own benefit level and premium rates, and each regional plan is governed by its own board of directors. People and organizations who purchase Blue Cross and/or Blue Shield plans are referred to as "subscribers" to the plans.

Blue Cross plans provide hospital care benefits to their subscribers essentially on a "service-type" basis. Each plan specifies for the insured the services that will be covered rather than the maximum benefit amounts payable for each specified service. In most cases, Blue Cross plans cover hospital services, including the expenses of room and board as well as the cost of using the hospital's other facilities.

Most of the hospitals within a Blue Cross plan's region have contracts with the Blue Cross unit. In the contract, each hospital agrees to accept predetermined payment amounts from Blue Cross in return for the hospital's services. The Blue Cross plan pays participating health care providers directly. If the hospital or other health care facility providing the service is not a participating Blue Cross member, Blue Cross will pay only a specified percentage of that nonmember facility's fees, and the subscriber must pay the difference.

Because each Blue Cross plan operates only in a specific geographic area, subscribers who move out of the area served by their Blue Cross plan cannot continue their membership. However, each Blue Cross plan permits individual Blue Cross subscribers who move into an area serviced by a different Blue Cross plan to transfer their coverage to the Blue Cross plan in the new area. The plan in the new area cannot exclude benefits for the subscriber's pre-existing conditions, unless those conditions were excluded from coverage in the subscriber's previous plan.

Blue Cross group insurance plans include a conversion provision which states that a participant in a Blue Cross plan who leaves the group has the right to subscribe to an individual Blue Cross plan without submitting proof of insurability. The provision further states that the individual plan cannot exclude from coverage pre-existing conditions that were not excluded under the group plan. The cost for an individual Blue Cross plan, however, usually is considerably higher than the cost to an individual for membership in a group plan.

Blue Shield plan provide medical and surgical expense benefits to their subscribers. Blue Shield plans are available on both a group and individual basis, and conversion provisions are provided.

There are two types of Blue Shield plan commonly available. Under the terms of one type of plan, the subscriber chooses any physician or surgeon he or she wishes to use for a medical service. The Blue Shield plan pays the physician's fee according to a schedule prescribed in the plan; the subscriber pays the difference between the scheduled fee and the amount charged by the physician. Under the terms of the other type of the Blue Shield plan, the subscriber is required to use a physician who is a participating member of the plan in order for the plan to cover the full fee for the physician's service.

In some locations, the Blue Cross and Blue Shield plans have combined, while in other locations the Blue Cross and Blue Shield plans are operated independently of each other.

In many localities, Blue Cross and Blue Shield organizations also offer major medical plans to both group and individual subscribers. These major medical plans usually offer extended coverage to subscribers who are already covered by basic Blue Cross and Blue Shield plans. The coverage provided under these major medical plans includes benefits for ambulance service, prescription drugs, home health care, nursing home care, and other services and supplies not covered under the basic Blue Cross and Blue Shield plans, as well as physicians' fees that are higher than those covered in the basic plans (Morton and Long, 1988).

2.5.2 Health Maintenance Organizations

Health maintenance organizations (HMOs) are relatively new form of health care delivery. An HMO provides a form of prepaid health care to subscribing members of the plan. Individuals and groups who subscribe to the HMO by paying dues are entitled to use the medical services and facilities of the HMO's participating physicians and hospitals. In some HMOs the subscribing member pays no charge for using these services other than the membership dues. In other HMOs, the subscribing member is charged a nominal amount, such as $3 or

$5, each time he or she uses the services of the HMO facility or a participating physician. A subscribing member of the HMO also receives hospital care in participating hospitals. Depending on the provisions of the plan, this hospital care may be provided free of charge, or the subscribing member may be required to pay a percentage of the hospital charges.

Each HMO operates in a specific region, and benefits vary among the various HMOs. All HMOs encourage members to practice preventive health care by providing benefits for regular physical examinations and other preventive care, as well as benefits for the treatment for mild ailments, such as colds and flu. In contrast, most private insurance companies and most Blue Cross and Blue Shield plans exclude physical examinations and preventive care from coverage under both their individual and group plans.

Health maintenance organizations can be organized and operated in various ways. The two most common are the Group Practice Model (GPM) and Individual Practice Association (IPA). Under the Group Practice Model structure, pyhsicians in the HMO share the use of a central HMO facility, including the equipment and the support personnel of the facility. Subscribing members of the HMO visit this central facility to receive care. The physicians in the facility may be full-time employees, part-time employees, or owner employees of the HMO.

Under the Individual Practice Association structure, the participating physicians maintain separate private offices and members in the HMO chooses a physician from a list of participating physicians. The subscribing member then receives care in the physician's office. Participating physicians in an IPA are generally paid on either a fee schedule basis or a capitation basis. Under a fee schedule basis, the physician receives a predetermined amount from the HMO for each service the physician provides to an HMO subscriber. Under a capitation basis, the physician receives a flat amount each year for providing care to HMO subscribers; this amount is based on the number of subscribers who select that physician, rather than on the specific services that the physician provides for each subscriber.

An HMO can be operated on a nonprofit or a profit-making basis, and many types of organizations can establish HMOs. Private insurance companies own and operate many HMOs, while other HMOs are owned by hospitals, physicians and consumer groups. The number of HMOs in the United States has increased rapidly in recent years. In 1971, there were only 33 HMOs in operation, by June 1986, this number reached 626, (Morton and Long, 1988).

2.5.3 Self-Insured Groups

Many employers are taking an active role in providing health insurance benefits by choosing to partially or fully self-insure, or self-fund the medical expense or disability income coverage they provide for their employees. In a partially self-insured plan, the employer is financially responsible for a certain level of claims, and the risk for claims above that level is transferred to a traditional insurer. In a fully self-insured plan, the entire risk of financing the health insurance benefits is carried by the employer, and a traditional insurance provider is not used. In either type of plan, plan administration may be conducted by a third party, such as an insurance company or some other organization, who is under contract to the employer. The operations of self-insured medical expense coverage and self-insured disability income coverage is as follows :

(a) medical expense coverage : medical expense coverage provided through individual employers is essentially the same as the group coverage provided by private insurance companies, although individual employers are not required to provide certain benefits that group insurers must provide. Currently most large employers, such as employers with over 500 employees, self-insure some or all of their medical expense coverage, as do many other groups such as labor unions and fraternal societies. Several funding and administrative arrangements are used by self-insured groups, and these arrangements vary concerning the degree of risk and

responsibility for plan administration that the employer assumes:

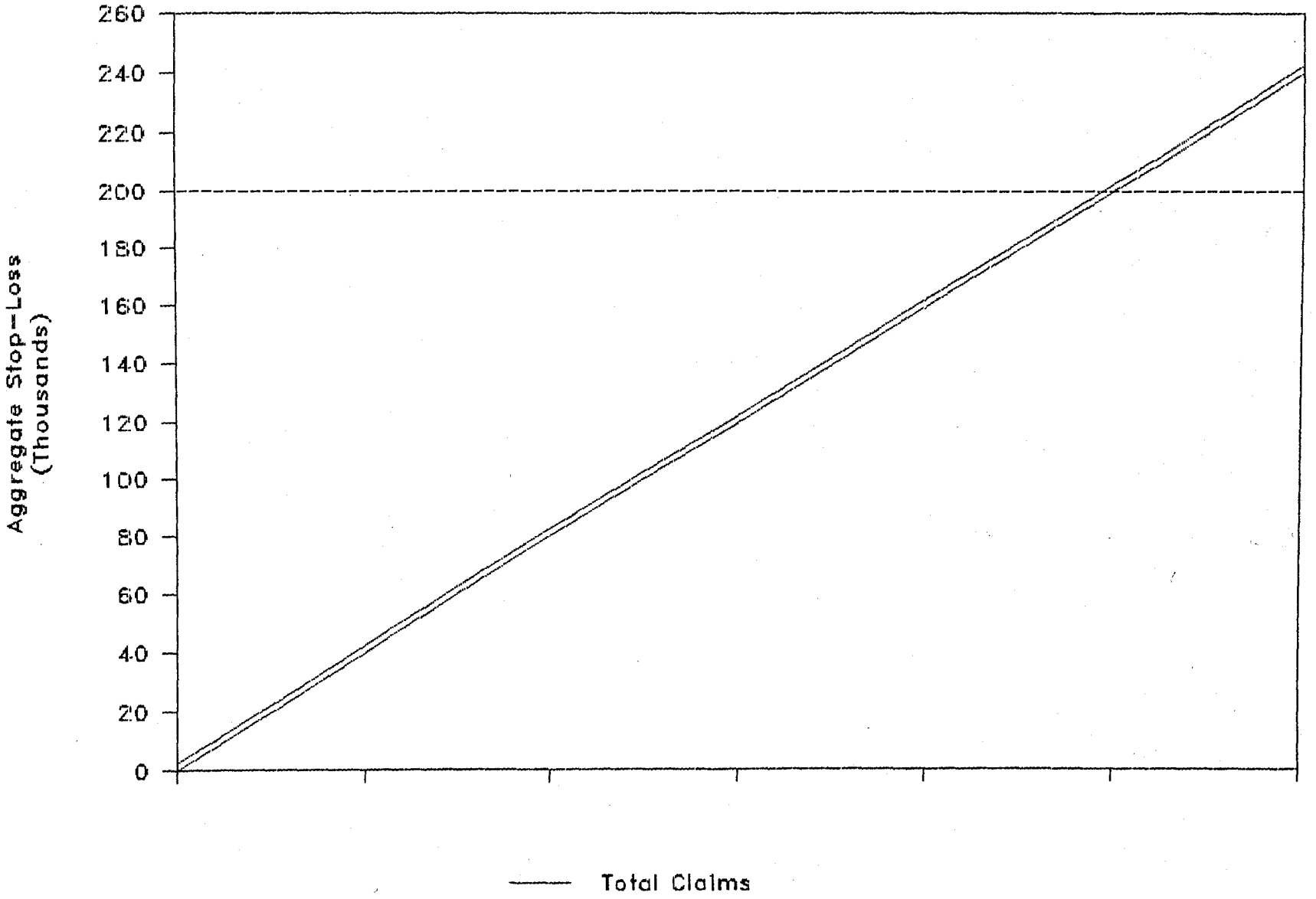
Total self-insurance : an employer who chooses to totally self-insure medical expense coverage assumes the entire risk of financing health insurance claims and may retain full responsibility for administrating the health insurance plan. The employer is also responsible for processing and verifying claims, although an employer may hire an outside firm to perform such administrative functions. Generally, total self-insurance is used by very large employers, such as those employers with more than 5,000 employees.

Administrative Services Only (ASO) : using an Administrative Services Only contract, an employer hires an outside firm to administer the health insurance program, but the employer retains the full risk of financing the benefits. Commercial insurance companies, Blue Cross organizations, and other third-party administrators (TPAs) offer ASO contracts to employers. By purchasing an ASO contract, the employer is relieved of the responsibility for processing claims, but not the responsibility for funding the benefits. To fund the benefits, the employer deposits the amount needed to pay claims into a bank account, and the plan administrator makes claim payments using the funds in that account.

Stop-loss coverage : employers who wish to limit their potential liability under self-insured health insurance plans can purchase stop-loss coverage that provides benefits if the employer experiences an unexpectedly high level of claims. The most commonly purchased form of stop-loss coverage is aggregate stop-loss coverage (See Figure 2.2), which provides benefits if the total benefits paid by the employer exceed a certain limit. Some employers also purchase individual stop-loss coverage (See Figure 2.3), which provides benefits paid by the employer on behalf of an individual insured exceed a certain amount. Stop-loss coverage is available from private insurance companies and is usually sold to employers in connection with an ASO contract (Turell, 1988).

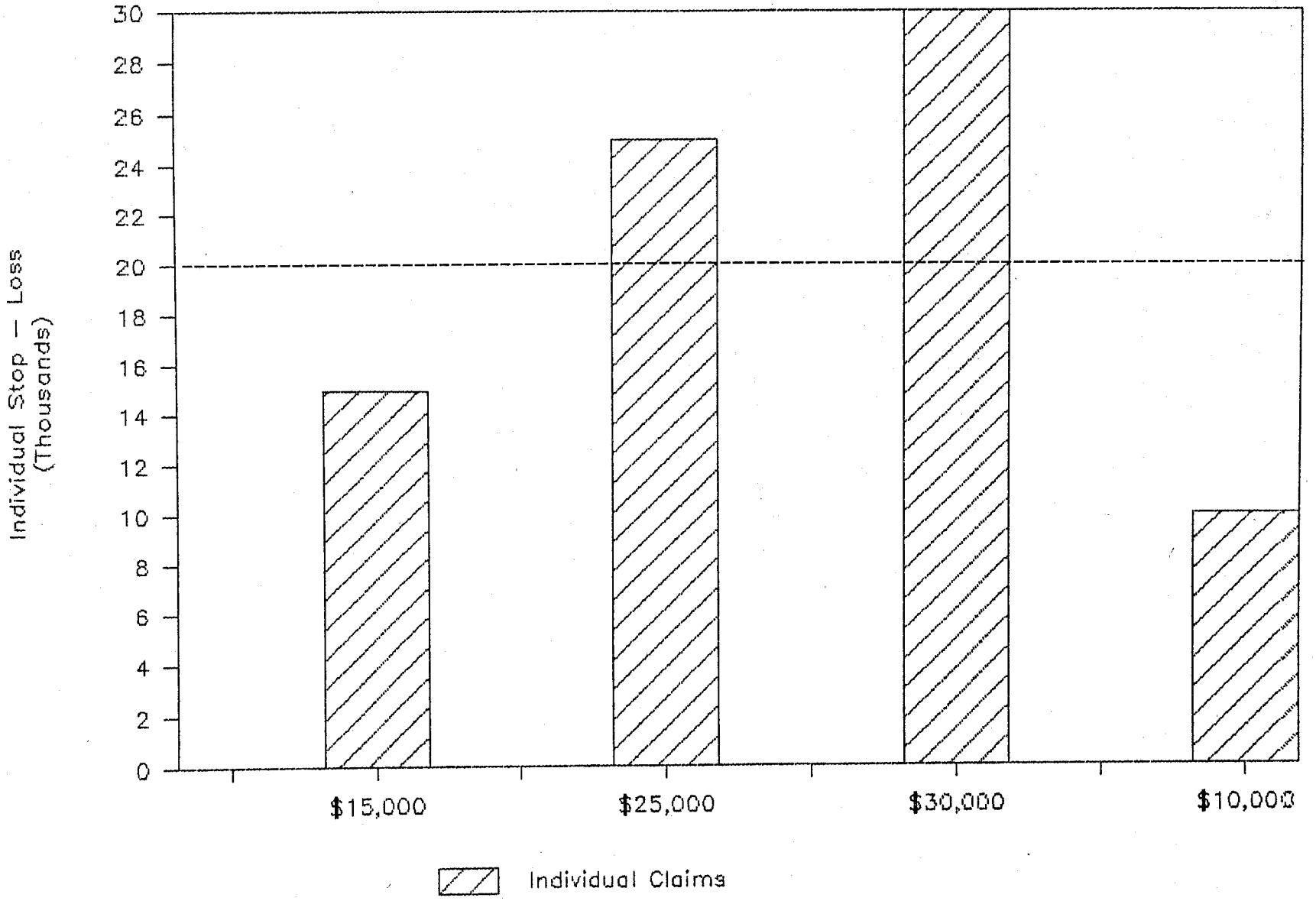
Minimum premium plans (MPPs) : a minimum premium plan is a health insurance policy which is partially self-funded by an employer, but which is fully administered by another firm, most often an insurance company. The insurance company pays the majority of the claims received under the plan using funds that the employer has deposited into a special account. Remaining claims are paid from the insurer's funds. Using this arrangement, the premium that the insurer charges for the coverage can be greatly reduced, since about 90 per cent of the claims are paid using the employer's funds (Albrecht, 1987).

Figure 2.2 Aggregate Stop-Loss Coverage



Source : Turell, Insurance Sales, 1988

Figure2.3 Individual Stop—Loss Coverage



Source : Turell, Insurance Sales, 1988

(b) disability income coverage : disability income coverage provided on a self-insurance basis is usually limited to short-term disability income coverage and takes the form of a salary continuation plan. A salary continuation plan is funded and administered entirely by the employer, who establishes the plan's benefit levels and eligibility requirements. Such plans are noncontributory, and benefits payable to employees are usually considered taxable income.

Many salary continuation plans cover full time employees who have been with the firm for at least a specified length of time, usually one to three months. Often, such plans exclude union employees who are covered under a separate insurance plan obtained as the result of a collective bargaining agreement. Salary continuation plans generally provide 100 percent of the insured employees salary, beginning on the first day of the employees abscence due to sickness or disability.

Salary continuation plans use various methods to determine the length of time during which benefits will be paid. Many salary continuation plans specify the number of days that an employee can be absent each year and receive full pay. Alternatively, the length of time during which full benefits are payable can be established in accordance with the employees length of service. Further, some plans reduce the benefit amount payable after the employee has been absent for a specified period and the length of this period often depends on the length of time the employee has been with the

firm (Morton and Long, 1988).

2.5.4 Government Health Insurance

Almost 40 percent of expenditures for personal health care in the United States are made on behalf of individuals by government medical expense programs. The four programs provided by the United States government are as follows :

(a) workers' compensation : this coverage provides benefits to employees and their dependents if the employees suffer job-related injury, disease or death. Workers' Compensation benefits include medical care and disability income, as well as a lump-sum death benefit.

(b) social security disability income : workers who are under age 65 and who have paid a specified amount of Social Security tax for a specified period are eligible to receive Social Security Disability Income (SSDI) payments if they become disabled.

(c) medicare : it is a program that provides medical expense coverage to certain classes of persons as specified by Congress. The Medicare program provides hospital expense coverage and supplementary medical-surgical coverage.

(d) medicaid : it provides for the payment of hospital and medical care expenses incurred by persons who earn less than a specified amount.

In summary, in Turkey, health insurance is provided through private insurance companies, Social Insurance Institution (SSK) and BAG-KUR. However, there is still an estimated 20 million people who are not covered by social security system and while establishing a social welfare program, it is important to increase the quality of the present systems as well as increasing the number and variety of health care providers. In the United States, health insurance coverage may be provided through private insurance companies, government programs, Blue Cross/Blue Shield plans, health maintenance organizations and self-insured groups.

In this section, group life and health insurances, providers in Turkey and in the United States are explained. In the next section, the researcher will explain and discuss the research points and findings of the research. These will be factors affecting buying behaviour of employers for group life and health insurances in Turkey, order of importances of the factors for the employers, the employers' preferences in terms of the insurance provider, additional insurance coverages the insureds would like to have and the problems of the insureds.

III. RESEARCH DESIGN AND METHODOLOGY OF THE STUDY

The main purpose of this study is to understand and explain buying behaviour of employers for group life and health insurance in Turkey. The factors affecting buying behaviour and their order of importance for employers, the employers' preferences, that is, whether they prefer to get their group life and health insurance plan from a local or a multinational insurance company, additional coverages they would like to have are studied. The policyholders' problems with their current plans and insurance providers have been determined and the researcher has proposed solutions to these problems and implications are made for insurance companies for further development of group insurances.

There are no information on similar research issues and, thus, extensive exploratory work has been done on the subject matter.

Group life and health insurance has recently become a popular employee benefit among employers in Turkey. There are various factors that affect employers' buying behaviour. Some of these factors are :

(a) attract and retain employees and to be competitive with area and industry standards. This variable is measured by the average of questions 6,11,12,13 of the questionnaire.

(b) increase efficiency and productivity of employees. This variable is measured by the average of questions 7,14 of the

questionnaire.

(c) a social obligation to make the employees feel secure. This variable is measured by the average of questions 8,15 of the questionnaire.

(d) promote the feeling that the employer cares about his employees. This variable is measured by the average of questions 9,16 of the questionnaire.

(e) the fact that premiums are income tax deductible. This variable is measured by the average of questions 10,17,18 of the questionnaire.

The researcher has spent two months to collect data for this research and the study is cross-sectional in nature.

3.1 Population and Sample

The population for this study is all the employers who purchased group life and/or health insurance from insurance providers in Turkey. Since, the researcher did not have access to such an existing list of employers and this type of insurance is in its infancy stage, it is assumed that, mostly multinational companies have purchased this insurance as part of their worldwide company policies. Thus, 44 multinational companies have been determined from the foreign capital companies list prepared in 1989 by Association for Foreign Capital (YASED) according to convenience in terms of accessibility. These companies have been contacted directly and questionnaires have been administered personally to

personnel or accounting/finance managers of 38 companies. Therefore, the population has been reached directly without any sampling.

3.2 Data Collection Methods

A questionnaire consisting of 32 items has been prepared in English and in Turkish, (See Appendix II). Pilot study has been conducted. The questionnaire consists of nominal, ordinal and 4-point interval scale questions. There are open-ended questions as well as closed questions to let the participants respond in anyway they choose.

3.3 Variables and Measures

The 32 item questionnaire has four personal information items such as age, education, gender, job status and five items about the company such as number of personnel, sector, years in business, type of company, business conducted (locally, abroad or both). These are measured by single items. The five factors that affect buying behaviour is measured by :

(a) ordinal scale items to determine the percentage of participants who consider the first factor as most important, the second factor as most important and so on;

(b) 4-point Likert-type scale where "1" means extremely important and "4" means very unimportant.

3.4 Analysis Methods and Results

Statistical Language for Micro-Computers (SLM) program is used in the analysis of data and frequency distributions, means, standard deviations, chi-square statistics are obtained by the Frequencies, Condescriptive and Crosstabs commands.

3.4.1 Frequencies

63.2 percent of the respondents fell into 30-39 age category, (See Table 3.1).

68.4 percent of the respondents had college-university degree, (See Table 3.1).

47.4 percent of the respondents were females and 52.6 percent were males, (See Table 3.1).

47.4 percent of the companies who purchased group life and/or health insurance had 25 to 99 personnel, (See Table 3.2).

73.7 percent of the companies were in the service sector (trade, tourism, banking and etc.), (See Table 3.2).

47.4 percent of the companies were in the business for 15 or more years, (See Table 3.2).

84.2 percent of the companies were established as corporation, (See Table 3.2).

Table 3.1

Respondent Characteristics

a) Age of Employers	n	%
29 and below	4	10.5
30-39	24	63.2
40-49	6	15.8
50-59	4	10.5
Over 59	-	-

b) Education	n	%
High School	6	15.8
College-University	26	68.4
Other	6	15.8

c) Gender	n	%
Female	18	47.4
Male	20	52.6

In 84.2 percent of the companies, business was conducted both locally and abroad, (See Table 3.2).

Looking at the importance means for factors that affect buying behaviour, 42.1 percent of the time " social obligation to make the employees feel secure " was considered as the most important reason for purchasing group life and health insurance followed by " attract and retain employees and to be competitive with area and industry standards ", " increase efficiency and productivity of employees ", " promote the feeling that the employer cares about his employees " as most important reasons with 26.3, 15.8, 15.8 percent, respectively. None of the respondents considered " income tax deduction " as the most important reason for purchasing group life and health insurance, (See Table 3.3).

3.4.2 Condescriptive

The degree of importances of the first four variables are reasonably high with means 2.000, 2.158, 1.737, 1.737 on a 4-point scale where "1" means extremely important and "4" means very unimportant, (See Table 3.4). The spread of " social obligation to make the employees feel secure " is more than that for " attract and retain employees and to be competitive with area and industry standards ", " increase efficiency and productivity of employees ", " promote the feeling that the employer cares about his employees ".

Table 3.2

Company Characteristics

a) Number of personnel	n	%
Less than 10	2	5.3
10-24	4	10.5
25-99	18	47.4
100-499	8	21.1
500 or more	6	15.8

b) Sector	n	%
Manufacturing	8	21.1
Agriculture	-	-
Services	28	73.7
Other	2	5.3

c) Years in Business	n	%
Less than 1	2	5.3
1-4	10	26.3
5-9	6	15.8
10-14	2	5.3
15 or more	18	47.4

d) Type of Company	n	%
Corporation	32	84.2
Limited	-	-
Common Partnership	-	-
Government Enterprise	-	-
Branch Office	6	15.8

e) Business Conducted	n	%
Locally	6	15.8
Abroad	-	-
Both Locally and Abroad	32	84.2

Table 3.3

Ranking of Importance of Factors That Affect Buying Behaviour

Factors	n	%
Attract and retain employees and to be competitive with area and industry standards	10	26.3
Increase efficiency and productivity of employees	6	15.8
Social obligation to make the employees feel secure	16	42.1
Promote the feeling that the employer cares about his employees	6	15.8
Premiums are income tax deductible	-	-

Table 3.4

Importance Means for Factors That Affect Buying Behaviour

Factors	$\bar{X}$	s
Attract and retain employees and to be competitive with area and industry standards	2.000	0.324
Increase efficiency and productivity of employees	2.158	0.245
Social obligation to make the employees feel secure	1.737	0.523
Promote the feeling that the employer cares about his employees	1.737	0.307
Premiums are income tax deductible	3.053	0.159

The degree of importance of " income tax deduction "is low with a mean of 3.053 and there is very little variance in the degree of importance with 0.159. However, a few employers think that income tax deduction is an important reason (minimum 2.000) for purchasing group life and/or health insurance. Since many employers think that this factor is very unimportant (maximum 4.000), the researcher can conclude that only a few employers must have considered this reason as important because the mean is fairly high.

3.4.3 Crosstabs

The following relationships are observed between the stated company characteristics and the reasons to purchase group life and health insurances :

(a) sector and " attract and retain employees and to be competitive with area and industry standards. The chi-square value which is 14.3370 with 4 degrees of freedom has a significance level of 0.007. This is below the accepted level of significance (p=0.05), (See Table 3.5). Hence, there is a relationship between the two variables. 15.8 and 52.6 percent of employers who found it extremely important and important, respectively, to attract and retain employees and to be competitive with area and industry standards were in the service sector. Thus, employers in the service sector want to attract and retain employees more than other sectors and this is one of the reasons why they include fringe benefits like group life and health insurances in their employment

packages.

(b) number of personnel and " promote the feeling that the employer cares about his employees ". The chi-square value which is 32.2824 with 8 degrees of freedom has a significance level which is less than 0.001. This is below the accepted level of significance (p=0.05), (See Table 3.6). Hence, there is a relationship between the two variables. 79 percent of employers who found it extremely important and important to promote the feeling that they care about their employees had 25 and more employers. Thus, as the number of personnel of a company increases above 25, the employer wants to promote the feeling that he cares about his employees by including fringe benefits like group life and health insurances in the employment package.

(c) number of personnel and " income tax deduction ". The chi-square value which is 49.0833 with 8 degrees of freedom has a significance level which is less than 0.001. This is below the accepted level of significance (p=0.05), (See Table 3.7). Hence, there is a relationship between the two variables. All the employers who rated tax advantage as an important reason to purchase group life and health insurances had 500 or more employees. Thus, for large employers, such as those employers with more than 500 employees, tax advantage is an important reason to purchase group life and health insurances.

Table 3.5 Relationship Between Sector and " Attract and Retain Employees "

- - - - - - - - - - - - - - - - C R O S S T A B S - - - - - - - - - - - - - - - -

VAR19 SECTOR BY VAR101 ATTRACT AND RETAIN

- -

VAR19	COUNT / ROW PCT / COL PCT / TOT PCT	VAR101: Extremely Important 1	Important 2	Unimp. 3	ROW TOTAL
Manufacturing	1	0	6	2	8
		0.0	75.0	25.0	21.1
		0.0	23.1	33.3	
		0.0	15.8	5.3	
Services	3	6	20	2	28
		21.4	71.4	7.1	73.7
		100.0	76.9	33.3	
		15.8	52.6	5.3	
Other	4	0	0	2	2
		0.0	0.0	100.0	5.3
		0.0	0.0	33.3	
		0.0	0.0	5.3	
	COLUMN TOTAL	6	26	6	38
		15.8	68.4	15.8	100.0

CHI SQUARE = 14.3370 WITH 4 DEGREES OF FREEDOM.
NUMBER OF MISSING OBSERVATIONS = 0

6 CELLS USED OF A MAXIMUM OF 226 CELLS FOR THIS RUN.
38395 BYTES OF MEMORY FREE.

Table 3.6 Relationship Between Number of Personnel and " Promote Employer "

- - - - - - - - - - - - - - - C R O S S T A B S - - - - - - - - - - - - - - -

VAR18 NUMBER OF PERSONNEL BY VAR104 PROMOTE EMPLOYER

- -

VAR18	VAR104 Extremely Important 1	Important 2	Unimp. 3	ROW TOTAL
1 Less than 10	2	0	0	2
	100.0	0.0	0.0	5.3
	16.7	0.0	0.0	
	5.3	0.0	0.0	
2 10 - 24	4	0	0	4
	100.0	0.0	0.0	10.5
	33.3	0.0	0.0	
	10.5	0.0	0.0	
3 25 - 99	0	16	2	18
	0.0	88.9	11.1	47.4
	0.0	66.7	100.0	
	0.0	42.1	5.3	
4 100 - 499	6	2	0	8
	75.0	25.0	0.0	21.1
	50.0	8.3	0.0	
	15.8	5.3	0.0	
5 500 or more	0	6	0	6
	0.0	100.0	0.0	15.8
	0.0	25.0	0.0	
	0.0	15.8	0.0	
COLUMN TOTAL	12	24	2	38
	31.6	63.2	5.3	100.0

CHI SQUARE = 32.2824 WITH 8 DEGREES OF FREEDOM.
NUMBER OF MISSING OBSERVATIONS = 0

7 CELLS USED OF A MAXIMUM OF 226 CELLS FOR THIS RUN.
38623 BYTES OF MEMORY FREE.

Table 3.7 Relationship Between Number of Personnel and " Tax Deduction

- - - - - - - - - - - - - - - C R O S S T A B S - - - - - - - - - - - - -

VAR18 NUMBER OF PERSONNEL BY VAR105 TAX DEDUCTION

- -

VAR18	COUNT / ROW PCT / COL PCT / TOT PCT	VAR105 Important 2	Unimp. 3	Very Unimp. 4	ROW TOTAL
Less than 10	1	0	2	0	2
		0.0	100.0	0.0	5.3
		0.0	6.3	0.0	
		0.0	5.3	0.0	
10 - 24	2	0	0	4	4
		0.0	0.0	100.0	10.5
		0.0	0.0	100.0	
		0.0	0.0	10.5	
25 - 99	3	0	18	0	18
		0.0	100.0	0.0	47.4
		0.0	56.3	0.0	
		0.0	47.4	0.0	
100 - 499	4	0	8	0	8
		0.0	100.0	0.0	21.1
		0.0	25.0	0.0	
		0.0	21.1	0.0	
500 or more	5	2	4	0	6
		33.3	66.7	0.0	15.8
		100.0	12.5	0.0	
		5.3	10.5	0.0	
	COLUMN TOTAL	2	32	4	38
		5.3	84.2	10.5	100.0

CHI SQUARE = 49.0833 WITH 8 DEGREES OF FREEDOM.
NUMBER OF MISSING OBSERVATIONS = 0

6 CELLS USED OF A MAXIMUM OF 226 CELLS FOR THIS RUN.
38723 BYTES OF MEMORY FREE.

Significances should be evaluated with care because of expected frequency less than five problem.

3.4.4 Other Findings

Fifty-three percent of the companies were indifferent in whether they get their coverages from a local or a multinational insurance company.

Thirty-two percent of the companies preferred multinational insurance providers whereas 15 percent preferred local companies.

The companies interviewed stated that they would like to have specified expense coverages such as dental expense coverage, vision care coverage and dread disease coverage like cancer as additional coverages to their current insurance plans.

The companies have three basic problems about their insurance plans :

(1) high premiums;

(2) advance payment of medical expenses by the insureds;

(3) lack of marketing facilities and competition.

The solutions to eliminate these problems will be set forth by the researcher in the next section.

IV. CONCLUSIONS AND IMPLICATIONS

In this section, conclusions of the study will be stated and implications will be discussed.

4.1 Interpretation of the Findings

In this study, it is found out that among the proposed five reasons to purchase group life and/or health insurance, its being considered as a social obligation to make the employees feel secure, is regarded as the most important reason for purchasing this employee benefit due to lack of nationwide social welfare programs in Turkey and inadequacy of Social Insurance Institution (SSK) in providing required and expected services.

Many employers think that tax advantage for these type of insurances are very unimportant and a few consider this as an important factor that affected their buying behaviour. Thus, the degree of importance of this factor as a reason to purchase group life and/or health insurance is low.

Fifty-three percent of the companies were indifferent in whether they get their coverages from a local or a multinational insurance company stating that,

(a) image and reliability of the insurance provider;

(b) better terms and conditions of coverage

are much more important than whether the insurance company is

local or multinational.

Thirty-two percent of the companies preferred multinational insurance providers. The reasons can be stated as,

(a) multinatinal insurance providers are considered as being more flexible;

(b) they are consired to have competitive advantage in case of overseas treatment;

(c) they have some ownership relations with their clients.

Finally, 15 percent of the companies preferred local companies reasoning that insurance industry in Turkey should be supported to reach a certain level of development and sophistication.

The companies interviewed stated that they would like to have specified expense coverages as additional coverages to their current insurance plans. These include dental expense coverage, vision care coverage and dread disease coverage like cancer.

4.2 Problems of the Insureds and Implications for Insurance Companies

During interviews, the researcher has observed that companies and insured individuals have some basic problems originating from their insurance plans. Below, these problems are explained, solutions are suggested and implications are

made for insurance companies for further developing the present products marketed.

4.2.1 High Premiums

In general, companies complain that health insurance premiums are high compared to coverages provided. This is why most companies in banking and finance business are totally self-insured. These companies assume the entire risk of financing health insurance claims and retain full responsibility for administrating their health insurance plans. However, administrative burden of claims and the fact that until very recently there were no outside firms performing administrative functions - now ALICO has started to offer such a service - some companies had no other alternative than just to obtain their health insurance plans from private insurance companies.

There are various funding methods that will save the group policyholders money and improve their cash flows (Albrecht, 1987). Some to consider are :

(a) premium holidays : this method is available if the employer is fairly large and his experience has been good. Then, the group policyholder may not pay premiums for a certain period of months.

(b) retropremiums : it is a retrospective-rating arrangement which involves bargaining with the insurance company for lower premiums for the coming year, adding a clause to the

contract stating that if the employer has a bad year, he will reimburse the insurance company for an additional 10 to 15 percent of the gross premium. If the business has a good year, it will benefit from the lower cash outlay and the chance to use the unpaid premium throughout the year.

(c) delayed grace : this method involves delaying premium payments and establishing a loan with the insurance carrier at a stated interest rate. Essentially, the employer is not paying the insurance premiums for the first 60 to 90 days and is paying interest on that money to the insurance carrier. The employer can use the money for other purposes.

(d) third-party administrators : a TPA, in general, provides stop-loss coverage and claims service for the employer. A good TPA offers the employer improved cash flow control. Essentially, this is a cost-plus, uninsured plan. The employer pays for stop-loss insurance, administrative fees and claims. The insurance and administrative fees are fixed, the claims cost varies month to month. The employer has use of his money during the time that the claims are being processed and before payment. If he has a good year, he will not have to pay the excess money he would have paid on a fully insured basis.

(e) minimum premium plans : these plans are similar to TPAs in that there is stop-loss insurance and another party handles administration and claims. A minimum premium plan adds the visibility and protection of an insurance carrier.

Furthermore, if the employer goes bankrupt, the insurance carrier is normally responsible for paying claims.

However, before recommending a TPA or minimum premium plan, the previous experience of the client should be looked at. If he usually has good experience, and a reasonably young work force, the insurance provider could save the employer a considerable amount of money by selecting one of these funding methods.

Having a plan with deductibles and coinsurance is also a way of saving money for the policyholders. The portion that the insured must pay before the insurance company will make any benefit payments is called the deductible amount. The deductible is applied throughout the life of the policy on the basis of a specified deductible period. The most commonly specified deductible period is one year, in which case the deductible is often called a calendar year deductible and applies to any medical expenses incurred by the insured during any one calendar year (Morton and Long,1988).

A medical expense policy that covers all the members of a family will often include a family deductible in addition to the calendar year deductible. Most family deductibles specify that once a stated deductible amount has been satisfied individually by a certain number of family members, usually two or three family members, then the remaining family members will not be required to satisfy any deductible in that year. Other family deductibles specify

that once the family has incurred a specified flat amount in nonreimbursed medical expenses, then no further deductibles will be imposed, regardless of the number of family members who have incurred those initial expenses.

The inclusion of a deductible amount in health insurance policies enables an insurance company or other provider of such coverage to charge less for the coverage than would be possible if no deductible were included, since the inclusion of a deductible relieves the provider from processing and paying claims for the relatively minor medical expenses that would be less than the amount of the deductible. In general, the higher the deductible amount, the lower the cost of otherwise equivalent health expense coverage.

In major medical plans, the deductibles may range from $100 to $1,000 or higher. Family deductibles are also commonly included in comprehensive major medical policies that cover families.

Most major medical policies require that the insured pay a specified percentage of all the eligible medical expenses, in excess of the deductible, which he or she incurs as a result of a sickness or injury. This method of expense participation is called coinsurance. A typical coinsurance provision requires that the insured pay a portion, such as 20 percent, of the eligible expenses incurred; the policy benefits will be applied to the remaining percentage, such as

80 percent, of the eligible expenses incurred, up to the maximum benefit amount.

Most major medical policies limit the amount of money the insured must pay under the coinsurance provision by including a stop-loss provision. The stop-loss provision specifies that the policy will cover 100 percent of the insured´s eligible medical expenses after the insured has incurred a specified amount of out-of-pocket expenses - such as $1,000 - under the coinsurance feature. For a family covered, the stop-loss provision usually specifies that once any two family members have individually reached the stop-loss limit, then all deductibles and coinsurance requirements are waived for all other family members (Morton and Long, 1988).

A healthcare plan with deductibles and coinsurance does two things :

(1) it automatically reduces the employer´s cost, saving as much as 20 percent when compared to a first-dollar healthcare plan.

(2) healthcare use goes down. The employee and his family use healthcare less when they are responsible for the first $100 or $300 of family expenses and, perhaps, 20 percent of the next $2,000 to $3,000 (Albrecht, 1987).

There are also other methods to suggest the employer to save him money on group insurances. These are :

(a) preadmission and presurgical hospital admission certification programs : this option requires an employee obtain certification for non-emergency admission to a hospital and/or for surgery. Precertification tends to eliminate hospital admissions on weekends and other unnecessary days of admission. It may save six percent of premium cost.

(b) continued stay review : under this provision, an employees hospital stay is automatically monitored by the insurer, who must give authorization before the stay can be extended.

(c) second surgical opinion : this can be done on either a voluntary or mandatory basis. Voluntary second opinion options don't save much money, but mandatory second opinions do save money and unnecessary surgery.

(d) hospital bill audits : there are firms that do a professional job auditing hospital bills. They can save remarkable amounts of money. However, this is not yet an alternative, since there are no such firms providing this service in Turkey at the moment.

(e) flexible benefits : employees like cafeteria plans because they have the right to choose how their money is spent for fringe benefits. Cafeteria plans are also valuable

to the employer. They can help control the company's cost for fringe benefits. The employer says he will provide the employee with "X" number of dollars to use for his benefits; he does not say he will provide "X" benefits. It is the employees responsibility to take that money and allocate it to meet his needs. Flexible benefits are successful with corporations that have a large number of young, bright, semiprofessional employees. They are less successful with companies that have unions (Albrecht, 1987).

4.2.2 Advance Payment of Medical Expenses by the Insureds

The general application in Turkey is that, first the insured individual pays his or her medical expenses completely and then submits the bills to the insurance provider. The reimbursement of claims by the insurance provider take one week to one month. The insured individuals complain about this painful process of reimbursement as well as the fact that initially, they pay their expenses completely out-of-pocket.

In order to eliminate these problems, the suggested method to insurance providers by the researcher is to enter into agreement with a Preferred Provider Organization (PPO). A PPO is a group of medical care providers, such as physicians and hospitals, who offer to provide their services at a discount to certain groups. Medical care providers often form PPOs to expand their patient base, especially if the providers are located in areas with many competitors. The

insurance company or any provider of health insurance benefits generally promises the PPO a certain volume of patients and prompt payments in exchange for the fee discounts. Although the health insurance provider who enters into a contract with a PPO does not require that individuals insured under the plan use the PPO, a higher benefit level is usually provided to insureds if they do so. For example, the plan may waive the coinsurance requirement if the insured uses the PPO to receive treatment (Morton and Long, 1988).

4.2.3 Lack of Marketing Facilities and Competition

In Turkey, group insurances are in its infancy stage and there are only a few insurance companies offering employee benefits insurance; consequently, the products offered are limited. Companies complain that they don't have many alternatives to evaluate and that marketing facilities and competition are lacking.

About this problem, some implications can be deduced from the study made by Geoffrey W. Furtney (1984) who compares the group insurance marketplace and companies 10 years ago with today in the United States. Ten years ago :

(a) companies focused on underwriting performance, not marketing issues;

(b) economic pressures were less intense;

(c) groups were written selectively, but few companies made long-term commitments to mass merchandising;

(d) traditional distribution networks were sufficient;

(e) policy automation was in its infancy, and there was no efficient way to handle large groups;

(f) insurance products were less specialized;

(g) insurance carriers were still attempting to leverage their products into markets based on name recognition and record of service.

But the prolonged soft market of the late 1970s and early 1980s has diminished insurers leverage. Insurance products became more like commodities where price was the overriding factor in buying decisions. The marketplace discriminated less between carriers. Loss ratios and expense ratios soared. Today :

(a) insurance price cycles changed;

(b) new technologies and more competitors are introduced;

(c) market discipline have been revived;

(d) insurance carriers are now listening very closely to the marketplace;

(e) the marketplace has forced the attention of both insurance companies and insurance agents to expense management and to marketing techniques that work well with underwriting strategies.

As a conclusion, successful companies and agents will integrate the power of automation with the power of merchandising. In a commodity market, both are necessary. Power of merchandising makes the flow happen where the power of automation makes sure there is a profit. Automation of quote activity and policy issuance dramatically reduces the expense of merchandising to small homogeneous groups of risks. Together automation and merchandising mean an attractive price and individually tailored coverage to the membership.

Peter B. Walker, in his study (1983), states also that companies that win in an evolutionary environment tend to be those that block and tackle better than their competitors rather than developing innovative and distinctive strategies or being the first to make a major commitment to an emerging market. Winners win primarily because they outperform their competitors in three key areas : pricing, expense management, and marketing effectiveness.

The winners are more responsive to changes in medical care costs. The advantages of winners are :

(a) they have a better understanding of underlying loss costs;

(b) they price plans so as to minimize deficits;

(c) they have the marketing muscle to implement price increases.

The winners have more effective control over their expenses. The winners have better automated systems and a more disciplined approach to manpower management than the losers.

The winners are more effective marketers than losers. An indirect measure of marketing effectiveness is a company's responsiveness to what the market wants. The winners capitalize on what the market prefers. A number of factors underlie the winners' marketing effectiveness :

(a) the intrinsic quality of the group representatives and their relationships with producers and consultants;

(b) the prompt service of underwriters and the claims staff;

(c) the quality of systems.

Companies that respond to changes have an opportunity to improve their relative performance to a far greater extent than was possible in previous years. In the coming years, companies that are able to affect the outcome and are ready to serve the marketplace when change eventually comes will gain an important strategic advantage over their competitors.

B I B L I O G R A P H Y

1. Akmut, Ozdemir. Hayat Sigortasi : Teori ve Turkiye'deki Uygulama. Ankara : Sevinc Matbaasi, 1980.

2. Albrecht, G. A., " Make a Commitment to Sell Group Insurance," Life Association News, Vol. 82, No. 9, pp. 131-134, September 1987.

3. Anon, " Tremendous Growth Seen for Group Insurance," National Underwriter, Vol. 87, No.37, pp. 40-41, September 1983.

4. Arseven, Haydar. Sigorta Hukuku. Istanbul : Beta Basim Yayim Dagitim A.S., 1987.

5. Beavan, G. F., " The Future of Group Insurance," National Underwriter, Vol. 87, No. 45, pp. 21,34, November 1983.

6. Boag, K. A., Group Life Insurance. Munich Reinsurance Company Publication, 1985.

7. Buckley, J. E., " The Changing Group Insurance Marketplace," Management Focus, Vol. 27, No. 4, pp. 23-27, July-August 1980.

8. CIGNA Insurance Company. Group Insurance. Philadelphia, 1988.

9. Dwyer, J. D., Life Assurance Salesmanship and Marketing. Cambridge : The Burlington Press Limited, 1981.

10. Faulkner, Ted. Selling Life Assurance. London : Stone & Cox Publications Limited, 1982.

11. Furtney, G. W., " Association Group Insurance : the Race Begins," National Underwriter, Vol. 88, No. 2, pp. 36, 48-49, January 1984.

12. Morton, G. A., Long, D. L., Principles of Life and Health Insurance. U.S.A., 1988.

13. Munich Reinsurance Company. Life Assurance Sales. Munich Reinsurance Company Publication, 1982.

14. Munich Reinsurance Company. Group Life and Pensions Insurance. Munich Reinsurance Company Publications, 1985.

15. Munich Reinsurance Company. Life Reinsurance on Risk Premium Basis. Munich Reinsurance Company Publication, 1985.

16. O'Connor, R. J., " Group Insurance and Small Businesses," National Underwriter, Vol. 87, No. 17, pp. 13,30, April 1983.

17. Prime Ministry State Institute of Statistics. Statistical Yearbook of Turkey. State Institute of Statistics, Printing Division, 1988.

18. Rosier, David. A Sales Guide To Life Assurance Underwriting. London : The Eastern Press Ltd., 1982.

19. Smith, G. F., " Group Insurance : a Boon for Agents,"

National Underwriter, Vol. 86, No. 11, pp. 15, 38, March 1982.

20.Swiss Reinsurance Company. Forming a Life Assurance Company. Zurich, 1988.

21.T.C. Saglik Bakanligi. Genel Saglik Sigortasi ile Ilgili Calismalar. Ankara, 1990.

22.Turell, R. L., " Open the Door with Group Insurance," Insurance Sales, Vol. 131, No. 11, pp. 13-16, November 1988.

23.Vaughan, E. J., Fundamentals of Risk and Insurance. University of Iowa Publishing Company, 1982.

24.Walker, P. B., " The Group Insurance Myth Revisited," Best's Review, Vol. 83, No. 11, pp. 28-36, 96-98, March 1983.

A P P E N D I X I

C.S.O. MORTALITY TABLE (1953-1958)

X	Lx	Dx	Qx	Px
0	10,000,000	70,800	0.007080	0.992920
1	9,929,200	17,475	0.001760	0.998240
2	9,911,725	15,066	0.001520	0.998480
3	9,896,659	14,449	0.001460	0.998540
4	9,882,210	13,835	0.001400	0.998600
5	9,868,375	13,322	0.001350	0.998650
6	9,855,053	12,812	0.001300	0.998700
7	9,842,241	12,401	0.001260	0.998740
8	9,829,840	12,091	0.001230	0.998770
9	9,817,749	11,879	0.001210	0.998790
10	9,805,870	11,865	0.001210	0.998790
11	9,794,005	12,047	0.001230	0.998770
12	9,781,958	12,325	0.001260	0.998740
13	9,769,633	12,896	0.001320	0.998680
14	9,756,737	13,562	0.001390	0.998610
15	9,743,175	14,225	0.001460	0.998540
16	9,728,950	14,983	0.001540	0.998460
17	9,713,967	15,737	0.001620	0.998380
18	9,698,230	16,390	0.001690	0.998310
19	9,681,840	16,846	0.001740	0.998260
20	9,664,994	17,300	0.001790	0.998210
21	9,647,694	17,655	0.001830	0.998170
22	9,630,039	17,912	0.001860	0.998140
23	9,612,127	18,167	0.001890	0.998110
24	9,593,960	18,324	0.001910	0.998090
25	9,575,636	18,481	0.001930	0.998070
26	9,557,155	18,732	0.001960	0.998040
27	9,538,423	18,981	0.001990	0.998010
28	9,519,442	19,324	0.002030	0.997970
29	9,500,118	19,760	0.002080	0.997920
30	9,480,358	20,193	0.002130	0.997970
31	9,460,165	20,718	0.002190	0.997810
32	9,439,447	21,239	0.002250	0.997750
33	9,418,208	21,850	0.002320	0.997680
34	9,396,358	22,551	0.002400	0.997600
35	9,373,807	23,528	0.002510	0.997490
36	9,350,279	24,685	0.002640	0.997360
37	9,325,594	26,112	0.002800	0.997200
38	9,299,482	27,991	0.003010	0.996990
39	9,271,491	30,132	0.003250	0.996750
40	9,241,359	32,622	0.003530	0.996470
41	9,208,737	35,362	0.003840	0.996160
42	9,173,375	38,253	0.004170	0.995830
43	9,135,122	41,382	0.004530	0.995470
44	9,093,740	44,741	0.004920	0.995080
45	9,048,999	48,412	0.005350	0.994650
46	9,000,587	52,473	0.005830	0.994170
47	8,948,114	56,910	0.006360	0.993640
48	8,891,204	61,794	0.006950	0.993050

49	8,829,410	67,104	0.007600	0.992400
50	8,762,306	72,902	0.008320	0.991680
51	8,689,404	79,160	0.009110	0.990890
52	8,610,244	85,758	0.009960	0.990040
53	8,524,486	92,832	0.010890	0.989110
54	8,431,654	100,337	0.011900	0.988100
55	8,331,317	108,307	0.013000	0.987000
56	8,223,010	116,849	0.014210	0.985790
57	8,106,161	125,970	0.015540	0.984460
58	7,980,191	135,663	0.017000	0.983000
59	7,844,528	145,830	0.018590	0.981410
60	7,698,698	156,592	0.020340	0.979660
61	7,542,106	167,736	0.022240	0.977760
62	7,374,370	179,271	0.024310	0.975690
63	7,195,099	191,174	0.026570	0.973430
64	7,003,925	203,394	0.029040	0.970960
65	6,800,531	215,917	0.031750	0.968250
66	6,584,614	228,749	0.034740	0.965260
67	6,355,865	241,777	0.038040	0.961960
68	6,114,088	254,835	0.041680	0.958320
69	5,859,253	267,241	0.045610	0.954390
70	5,592,012	278,426	0.049790	0.950210
71	5,313,586	287,731	0.054150	0.945850
72	5,025,855	294,766	0.058650	0.941350
73	4,731,089	299,289	0.063260	0.936740
74	4,431,800	301,894	0.068120	0.931880
75	4,129,906	303,011	0.073370	0.926630
76	3,826,895	303,014	0.079180	0.920820
77	3,523,881	301,997	0.085700	0.914300
78	3,221,884	299,829	0.093060	0.906940
79	2,922,055	295,683	0.101190	0.898810
80	2,626,372	288,848	0.109980	0.890020
81	2,337,524	278,983	0.119350	0.880650
82	2,058,541	265,902	0.129170	0.870830
83	1,792,639	249,858	0.139380	0.860620
84	1,542,781	231,433	0.155982	0.849990
85	1,311,348	211,311	0.161140	0.838860
86	1,100,037	190,108	0.172820	0.827180
87	909,929	168,455	0.185130	0.814870
88	941,474	146,997	0.198250	0.801750
89	594,477	126,303	0.212461	0.787539
90	468,174	106,809	0.228140	0.771860
91	361,365	88,813	0.245771	0.754229
92	272,552	72,480	0.265931	0.734069
93	200,072	57,881	0.289301	0.710699
94	142,191	45,026	0.316659	0.683341
95	97,165	34,128	0.351238	0.648762
96	63,037	25,250	0.400558	0.599442
97	37,787	18,456	0.488422	0.511578
98	19,331	12,916	0.668150	0.331850
99	6,415	6,415	1.000000	0.000000

S.M. MORTALITY TABLE (1948-1953)

X	Lx	Dx	Qx	Px
0	100,000	3,591	0.03591	0.96409
1	96,409	353	0.00366	0.99634
2	96,056	211	0.00220	0.99780
3	95,845	144	0.00150	0.99850
4	95,701	119	0.00124	0.99876
5	95,582	103	0.00108	0.99892
6	95,479	89	0.00093	0.99907
7	95,390	77	0.00081	0.99919
8	95,313	70	0.00073	0.99927
9	95,243	64	0.00067	0.99933
10	95,179	61	0.00064	0.99936
11	96,118	61	0.00064	0.99936
12	95,057	64	0.00067	0.99933
13	94,993	68	0.00072	0.99928
14	94,925	77	0.00081	0.99919
15	94,848	87	0.00092	0.99908
16	94,761	100	0.00106	0.99894
17	94,661	115	0.00122	0.99878
18	94,546	130	0.00138	0.99862
19	94,416	144	0.00152	0.99848
20	94,272	154	0.00163	0.99837
21	94,118	161	0.00171	0.99829
22	93,957	167	0.00178	0.99822
23	93,790	173	0.00184	0.99816
24	93,617	177	0.00189	0.99811
25	93,440	179	0.00192	0.99808
26	93,261	181	0.00194	0.99806
27	93,080	182	0.00195	0.99805
28	92,898	183	0.00197	0.99803
29	92,715	185	0.00199	0.99801
30	92,530	187	0.00202	0.99798
31	92,343	190	0.00206	0.99794
32	92,153	194	0.00210	0.99790
33	91,959	200	0.00217	0.99783
34	91,759	207	0.00226	0.99774
35	91,552	218	0.00238	0.99762
36	91,334	230	0.00252	0.99748
37	91,104	244	0.00268	0.99732
38	90,860	260	0.00286	0.99714
39	90,600	278	0.00307	0.99639
40	90,322	298	0.00330	0.99670
41	90,024	319	0.00354	0.99646
42	89,705	342	0.00381	0.99619
43	89,363	369	0.00413	0.99587
44	88,994	402	0.00452	0.99548
45	88,592	440	.00497	0.99503
46	88,152	482	0.00547	0.99453
47	87,670	529	0.00603	0.99397
48	87,141	581	0.00667	0.99333

49	86,560	640	0.00739	0.99261
50	85,920	705	0.00821	0.99179
51	85,215	777	0.00912	0.99083
52	84,438	853	0.01010	0.98990
53	83,585	932	0.01115	0.98885
54	82,653	1,013	0.01226	0.98774
55	81,640	1,092	0.01338	0.98662
56	80,548	1,170	0.01453	0.98547
57	79,378	1,251	0.01576	0.98424
58	78,127	1,338	0.01712	0.98288
59	76,789	1,434	0.01867	0.98133
60	75,355	1,533	0.02035	0.97965
61	73,822	1,632	0.02211	0.97789
62	72,190	1,737	0.02406	0.97594
63	70,453	1,851	0.02627	0.97373
64	68,602	1,977	0.02882	0.97118
65	66,625	2,111	0.03168	0.96832
66	64,514	2,244	0.03478	0.96522
67	62,270	2,379	0.03820	0.96180
68	59,891	2,515	0.04199	0.95801
69	57,376	2,651	0.04620	0.95380
70	54,725	2,778	0.05076	0.94924
71	51,947	2,889	0.05562	0.94438
72	49,058	2,988	0.06091	0.93909
73	46,070	3,076	0.06677	0.93323
74	42,994	3,151	0.07330	0.92670
75	39,843	3,207	0.08048	0.91952
76	36,636	3,232	0.08822	0.91178
77	33,404	3,226	0.09659	0.90341
78	30,178	3,188	0.10564	0.89436
79	26,990	3,116	0.11544	0.88456
80	23,874	3,001	0.12569	0.87431
81	20,873	2,845	0.13632	0.86368
82	18,028	2,673	0.14828	0.85172
83	15,355	2,477	0.16130	0.83870
84	12,878	2,255	0.17513	0.82487
85	10,623	2,016	0.18949	0.81051
86	8,610	1,757	0.20412	0.79588
87	6,853	1,499	0.21876	0.78124
88	5,354	1,248	0.23314	0.76686
89	4,106	1,018	0.24797	0.75203
90	3,088	813	0.26328	0.73672
91	2,275	635	0.27907	0.72093
92	1,640	484	0.29536	0.70464
93	1,156	361	0.31217	0.68783
94	795	262	0.32951	0.67049
95	533	185	0.34740	0.65260
96	348	127	0.36586	0.63414
97	221	85	0.38490	0.61510
98	136	55	0.40455	0.59545
99	81	34	0.42482	0.57518

A.D.S.T. MORTALITY TABLE (1949-1951)

X	Lx	Dx	Qx	Px
0	100,000	6,177	0.06177	0.93823
1	93,823	390	0.00416	0.99584
2	93,433	230	0.00246	0.99754
3	93,203	181	0.00194	0.99806
4	93,022	142	0.00153	0.99847
5	92,880	112	0.00121	0.99879
6	92,768	95	0.00102	0.99898
7	92,673	87	0.00094	0.99906
8	92,586	73	0.00079	0.99921
9	92,513	69	0.00075	0.99925
10	92,444	65	0.00070	0.99930
11	92,379	64	0.00069	0.99931
12	92,315	65	0.00070	0.99930
13	92,250	72	0.00078	0.99922
14	92,178	81	0.00088	0.99912
15	92,097	96	0.00104	0.99896
16	92,001	109	0.00118	0.99882
17	91,892	125	0.00136	0.99864
18	91,767	142	0.00155	0.99845
19	91,625	159	0.00173	0.99827
20	91,466	172	0.00188	0.99812
21	91,294	181	0.00198	0.99802
22	91,113	189	0.00207	0.99793
23	90,924	194	0.00213	0.99787
24	90,730	199	0.00219	0.99781
25	90,531	202	0.00223	0.99777
26	90,329	204	0.00226	0.99774
27	90,125	203	0.00225	0.99775
28	89,922	202	0.00225	0.99775
29	89,720	202	0.00225	0.99775
30	89,518	204	0.00228	0.99772
31	89,314	210	0.00235	0.99765
32	89,104	217	0.00243	0.99757
33	88,887	225	0.00253	0.99747
34	88,662	234	0.00264	0.99736
35	88,428	244	0.00276	0.99724
36	88,184	254	0.00288	0.99712
37	87,930	264	0.00300	0.99700
38	87,666	275	0.00314	0.99686
39	87,391	289	0.00331	0.99669
40	87,102	307	0.00352	0.99648
41	86,795	327	0.00377	0.99623
42	86,468	348	0.00403	0.99597
43	86,120	374	0.00434	0.99566
44	85,746	404	0.00471	0.99529
45	85,342	440	0.00516	0.99484
46	84,902	485	0.00571	0.99429
47	84,417	534	0.00633	0.99367
48	83,883	589	0.00702	0.99298

49	83,294	646	0.00775	0.99225
50	82,648	703	0.00850	0.99150
51	81,945	759	0.00926	0.99074
52	81,186	815	0.01004	0.98996
53	80,371	874	0.01087	0.98913
54	79,497	935	0.01176	0.98824
55	78,562	1,002	0.01275	0.98725
56	77,560	1,070	0.01379	0.98621
57	76,490	1,138	0.01488	0.98512
58	75,352	1,211	0.01607	0.98393
59	74,141	1,289	0.01739	0.98261
60	72,852	1,378	0.01891	0.98109
61	71,474	1,471	0.02058	0.97942
62	70,003	1,566	0.02237	0.97763
63	68,437	1,665	0.02433	0.97567
64	66,772	1,773	0.02655	0.97345
65	64,999	1,889	0.02906	0.97094
66	63,110	2,006	0.03178	0.96822
67	61,104	2,119	0.03468	0.96532
68	58,985	2,234	0.03788	0.96212
69	56,751	2,357	0.04154	0.95846
70	54,394	2,491	0.04570	0.95421
71	51,903	2,625	0.05058	0.94942
72	49,278	2,749	0.05579	0.94421
73	46,529	2,863	0.06154	0.93846
74	43,666	2,966	0.06793	0.93207
75	40,700	3,056	0.07508	0.92492
76	37,644	3,120	0.08289	0.91711
77	34,524	3,152	0.09129	0.90871
78	31,372	3,150	0.10042	0.89958
79	28,222	3,116	0.11040	0.88960
80	25,106	3,047	0.12137	0.87863
81	22,059	2,941	0.13331	0.86669
82	19,118	2,794	0.14613	0.85387
83	16,324	2,609	0.15985	0.84015
84	13,715	2,394	0.17452	0.82548
85	11,321	2,153	0.19015	0.80985
86	9,168	1,894	0.20662	0.79338
87	7,274	1,619	0.22261	0.77739
88	5,655	1,361	0.24070	0.75930
89	4,294	1,119	0.26061	0.73939
90	3,175	897	0.28256	0.71744
91	2,278	689	0.30229	0.69771
92	1,589	507	0.31880	0.68120
93	1,082	363	0.33531	0.66469
94	719	253	0.35183	0.64817
95	466	172	0.36834	0.63166
96	294	113	0.38485	0.61515
97	181	73	0.40436	0.59864
98	108	45	0.41788	0.58212
99	63	27	0.43439	0.56561

where,

X : Age.
Lx : Number of living people in age X.
Dx : Number of death in age X.
Qx : Probability of death in age X.
Px : Probability of living in age X, (Akmut, 1980).

A P P E N D I X II

Q U E S T I O N N A I R E

Boğaziçi Üniversitesi
Sosyal Bilimler Enstitüsü
İşletme Yüksek Lisans Programı
Bebek/İSTANBUL

Sayın Yönetici,

Bu anket, Türkiye'de Grup Hayat ve Sağlık (GHS) Sigortası için işverenin satın alma davranışını incelemek üzere hazırlanmıştır. Bu bir akademik çalışma olup yukarıda belirtilen konudaki yüksek lisans tezi için yapılmaktadır. Geçmiş tecrübelerinize dayanarak vereceğiniz bilgiler, Türkiye'de işverenlerin neden GHS sigortası satın aldığının temel göstergesi olacaktır. Bu sebeple, sorulara samimi ve dürüst yanıtlar vermenizi rica ediyoruz.

Cevaplarınız gizli tutulacak, sayılar, isimler ve anketler hiçbir şahsa verilmeyecektir.

Bilgiler değerlendirildikten sonra sonuçların özeti adresinize postalanacaktır.

Bize ayırdığınız vakit ve yardımlarınız için teşekkür ederiz.

Saygılarımızla,

GHS sigortası almanıza etki eden aşağıdaki beş faktörü sizin için önem derecesine göre sıralayınız. En önemli faktöre 1, ikinci en önemliye 2, vb gibi, her faktöre 1,2,3,4,5 sayılarından birini veriniz.

Faktörler	Önem Sırası
GHS sigortası almanın sebepleri :	
1. Sektör standartlarına göre cazip olmak ve personelin kalıcılığını sağlamak.	
2. Personelin üretim ve verimliliğini arttırmak.	
3. Personele kendilerini güven içinde hissettirmenin, işveren tarafından sosyal sorumluluk ve mecburiyet olarak düşünülmesi.	
4. işverenin personeline değer verdiğini göstermek istemesi.	
5. Primlerin gelir vergisinden muaf olması.	

Aşağıdaki beş faktörün sizin için önem derecesini karşısındaki cevaplardan birini yuvarlak içine alarak belirtiniz.

	Çok Önemli 1	Önemli 2	Önemsiz 3	Çok Önemsiz 4
GHS sigortası almanın sebepleri :				
1. Sektör standartlarına göre cazip olmak ve personelin kalıcılığını sağlamak.	1	2	3	4
2. Personelin üretim ve verimliliğini arttırmak.	1	2	3	4
3. Personele kendilerini güven içinde hissettirmenin, işveren tarafından sosyal sorumluluk ve mecburiyet olarak düşünülmesi.	1	2	3	4
4. işverenin personeline değer verdiğini göstermek istemesi.	1	2	3	4
5. Primlerin gelir vergisinden muaf olması.	1	2	3	4

Aşağıdaki sorularda geçmiş tecrübelerinizi gözönüne alarak sizin için en uygun cevabı yuvarlak içine alınız.

	Kuvvetle Katılıyorum 1	Katılıyorum 2	Katılmıyorum 3	Kuvvetle Katılmıyorum 4
11. GHS sigortaları şirketten ayrılma oranının kontrol altında tutulmasına yardımcı olur.	1	2	3	4
12. GHS sigortaları personelin kalıcılığını sağlamak için gereklidir.	1	2	3	4
13. GHS sigortaları personelin şirkete bağlılığını arttırır.	1	2	3	4
14. GHS sigortaları üretim ve verimliliğin arttırılmasına yardımcı olur.	1	2	3	4
15. Personelin kendisini güven içinde hissetmesini sağlamak işverenin sosyal sorumluluğudur.	1	2	3	4
16. İşverenin personeline değer verdiğini göstermesi gerekmektedir.	1	2	3	4
17. GHS sigortası satın alma kararları genellikle yıl sonunda yüksek karlara ulaşıldıktan sonra verilir.	1	2	3	4
18. GHS sigortalarının gelir vergisinden muaf olmaması durumunda işveren bu sigortayı satın almayı düşünmez.	1	2	3	4

19. GHS sigortası almanızı etkileyen diğer faktörler nelerdir ?

20. GHS sigortanızı bir Türk sigorta şirketinden mi, yoksa çokuluslu bir sigorta şirketinden mi temin etmeyi düşünürsünüz ve neden ?

21. GHS sigortanıza ne gibi ek teminatların dahil olmasını istersiniz ?

22. GHS sigortaları hakkında genel düşünceniz nedir ?

23. GHS sigortalarının Türkiye'de gelişmesi için önerileriniz nelerdir ?

Sizin Hakkınızda : Aşağıdaki sorularda uygun cevapları yuvarlak içine alınız.

24. Yaşınız
    1. 29 ve altı
    2. 30-39
    3. 40-49
    4. 50-59
    5. 59 un üstü

25. Eğitim Durumunuz
    1. Orta Öğretim
    2. Üniversite
    3. Diğer (belirtiniz)

26. Cinsiyetiniz
    1. Kadın
    2. Erkek

27. Ünvanınız : .....

Şirket Hakkında : Aşağıdaki sorularda uygun cevapları yuvarlak içine alınız.

28. Personel Sayısı
    1. 10 dan az
    2. 10-24
    3. 25-99
    4. 100-499
    5. 500 veya daha fazla

29. Faaliyet Alanı
    1. Üretim
    2. Tarım
    3. Hizmet (ticaret, turim,bankacılık, vb.)
    4. Diğer (belirtiniz)

30. Şirket kaç yıldır faaliyette bulunuyor?
    1. 1 yıldan az
    2. 1-4
    3. 5-9
    4. 10-14
    5. 15 veya daha fazla

31. Şirket Türü
    1. Anonim Şirket
    2. Limited
    3. Ortaklık
    4. KİT
    5. Yabanci Bir Sirketin Turkiye Subesi

32. Faaliyetler
    1. Türkiye içersinde
    2. Yurtdışında
    3. Hem Türkiye'de hem de yurtdışında yürütülüyor.

Sorularımızın GHS sigortası satın almanız hakkında belirtmek istediğiniz tüm hususları içermediğini biliyoruz. Aşağıda yapacağınız diğer tamamlayıcı yorumlarınız için teşekkür ederiz.

Bize ayırdığınız zaman ve yardımlarınız için teşekkür ederiz.

Boğaziçi University
Institute of Social Sciences
Department of Business Administration
Bebek/İSTANBUL

Dear Participant,

This questionnaire is designed to study buying behaviour of employers for group life and health insurances (GLH) in Turkey. This is an academic field study conducted for the master thesis on the mentioned subject. The information you provide based on your experience will be the basic indicator of why employers are purchasing GLH insurance and so we ask you to respond to the questions frankly and honestly.

Your answers will be kept strictly confidential. The numbers, names and questionnaires will not be made available to anybody.

A summary of the results will be mailed to you after the data are analyzed.

Thank you very much for your time and cooperation. We greatly appreciate your help in finalizing this research endeavour.

Yours Sincerely,

Rank the following five factors for purchasing GLH insurance in terms of how important they are for you. You should rank the most important item as 1, the second most important as 2, and so on, until you have given each of the five items a rank of 1,2,3,4,5.

Factors	Ranking of Importance
The reasons for purchasing GLH insurance :	
1. Attract and retain employees and to be competitive with area and industry standards.	
2. Increase efficiency and productivity of the employees.	
3. Social obligation to make the employees feel secure.	
4. Promote the feeling that the employer cares about his employees.	
5. Premiums are income tax deductible	

Indicate the extent to which the following five factors are important to you by circling the number of the scale against each item that reflects your sentiment.

	Extremely Important 1	Important 2	Unimportant 3	Very Unimportant 4
The reasons for purchasing GLH insurance :				
6. Attract and retain employees and to be competitive with area and industry standards	1	2	3	4
7. Increase efficiency and productivity of the employees.	1	2	3	4
8. Social obligation to make the employees feel secure	1	2	3	4
9. Promote the feeling that the employer cares about his employees	1	2	3	4
10. Premiums are income tax deductible	1	2	3	4

The questions below provide descriptions about your decisions to purchase GLH insurance. Think in terms of your experience and decisions and circle the most appropriate response for you.

	Strongly Agree 1	Agree 2	Disagree 3	Strongly Disagree 4
11. GLH insurance helps control the turnover rates.	1	2	3	4
12. GLH insurance is necessary to attract and retain employees.	1	2	3	4
13. GLH insurance develops a sense of loyalty.	1	2	3	4
14. GLH insurance helps increase efficiency and productivity of employees	1	2	3	4
15. It is the employer's social obligation to make the employee feel secure.	1	2	3	4
16. Employers should promote the feeling that they care about their employees.	1	2	3	4
17. Decisions to purchase GLH insurance are usually made at the end of the year after realizing high profits.	1	2	3	4
18. The employer would not consider the purchase of GLH insurance if it was not income tax deductible.	1	2	3	4
19. Other factors that affect your decision to purchase GLH insurance:				

20. Would you prefer to get your GLH insurance plan from a local or a multinational insurance company and why ?

21. What type of additional coverages would you like to have with your group insurance plan ?

22. What is your personal idea about GLH insurances ?

23. What do you suggest for the development of GLH insurances in Turkey ?

About Yourself : Please circle the numbers representing appropriate responses for the following items.

24. Your Age (Years)
    1. 29 and below
    2. 30-39
    3. 40-49
    4. 50-59
    5. Over 59

25. Your Highest Completed Level of Education
    1. High School
    2. College-University Degree
    3. Other (specify)

26. Your Sex
    1. Female
    2. Male

27. Job Status : .....

About The Company : Please circle the numbers representing appropriate responses for the following items.

28. Number of Personnel
    1. Less than 10
    2. 10-24
    3. 25-99
    4. 100-499
    5. 500 or more

29. Sector
    1. Manufacturing
    2. Agriculture
    3. Services (trade, tourism,banking, and etc.)
    4. Other (specify)

30. Years In Business
    1. Less than 1
    2. 1-4
    3. 5-9
    4. 10-14
    5. 15 or more

31. Type of Company
    1. Corporation
    2. Limited
    3. Common Partnership
    4. Government Enterprise
    5. Branch Office

32. Business Conducted
    1. Locally
    2. Abroad
    3. Both locally and abroad.

We know that our questions have not allowed you to report some things you may want to say about purchase of GLH insurances. Your additional comments will be appreciated.

We sincerely appreciate your time and cooperation. Please check to make sure that you have not skipped any questions, and then return the questionnaire.

Thank You
