

Integration and Efficiency Convergence in European Life Insurance Markets

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ABSTRACT

This study examines the impact of integration on the efficiency of European Union (EU) life insurance markets for the post deregulation period 1998-2007. To assess the effects of deregulation, we first estimate cost and revenue efficiencies by applying the metafrontier data envelopment analysis (DEA) approach, which facilitates efficiency comparisons across countries. In the second stage, we test the degree of inter-country convergence as well as cross sectional dispersion by using panel data models. Our findings show that efficiencies have converged and that the dispersion of mean efficiency scores across countries has been reduced, providing evidence of integration in the EU life insurance market. Results also show the β -convergence and σ -convergence in metatechnology efficiency ratios suggesting that technological discrepancy among the life insurance markets of major EU countries has decreased. We also find that financial market development, legal and governmental systems, as well as competitive intensity affect insurance market performance and integration.

JEL classification: G22, D24, F36

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