15 September 2023

Everyday risks: International study reveals low risk literacy among the population

Gallup International examined the risk competence in nine countries in Central and Eastern Europe (CEE) on behalf of Vienna Insurance Group (VIG). The representative study reveals significant risk literacy deficits and widespread misapprehensions regarding financial protection provided by state and social institutions.

- Around two-thirds of the population have little to no awareness of the health, work, housing, liability, and cyber risks that were surveyed in the study
- Seven out of ten respondents do not believe that the risks are likely to become a reality, despite judging potential loss/damage to be high
- Around two-thirds believe that the public authorities would intervene in the event of health risks and occupational disability, with 60% believing this to be the case in the event of loss of or damage to residential property

Risk literacy as social sustainability commitment
The representative study conducted in June and July 2023 surveyed a total of 9,000 people aged 18 and older in selected core markets of Vienna Insurance Group: Austria, Bulgaria, the Czech Republic, Croatia, Hungary, Poland, Romania, Serbia, and Slovakia. The focus was on the respondents' perception of the most common risks in everyday life, the probability of such risks becoming a reality, the potential impact, and the measures taken to address the risks. This market study forms the basis for VIG's targeted activities aimed at increasing risk literacy in the CEE region, and thus contributing to social sustainability.

"People only protect themselves from risks if they are aware of topics such as prevention and risk coverage. As part of our VIG 25 sustainability programme, we have defined increasing risk literacy as a key focus of our social sustainability goals. In collaboration with our Group companies, our aim is to contribute to an increase in risk literacy over the coming years", explains Hartwig Löger, CEO of Vienna Insurance Group.

Taking the business model as basis, the **VIG 25 sustainability programme**, which has been adopted throughout the Group, has defined six spheres of impact. Three of these areas (investment, underwriting and operations) focus on environmental issues and the other three (employees, customers and society) focus on social topics. Through its commitment to increasing risk literacy, VIG Group is tackling important social matters for which to date there has been little in the way of validated findings. As part of its new sustainability programme, VIG has also revised its Group-wide climate change strategy, which has been in force since May 2019, replacing it with two new documents: "Responsible Investment" and "Responsible Insurance".

Significant catch-up demand for risk literacy
The study* had the following focus areas: the risks of serious illness, being unable to work, risks associated with housing, liability risks for self-inflicted accident or injury, and internet fraud. Respondents were also asked about the probability of the risks becoming a reality, the potential costs involved, and measures taken to proactively manage these risks or limit the resulting loss or damage. *"Risk literacy generally refers to the ability to make informed and reflective - ultimately reasonable - decisions regarding the handling of risks. The findings of the study reveal a significant need for*

increasing risk literacy in all of the countries examined. The majority of people have not yet seriously tackled the main risks encountered in modern life — despite judging the resulting potential financial loss to be considerable", says Michael Nitsche, Executive Vice President of Gallup International, summarising the key findings.

Caution prevails
The findings of the representative study indicate that prevention is the most common measure taken to safeguard against potential risks, based on the assumption that: "If I'm careful it won't happen to me". A third of the respondents each said they had insurance to cover health risks, occupational disability and personal liability. On average, 45% of the population has insurance for risks associated with housing. Between 20% and 30% have set aside funds to account for such risks and apparently assume that this is sufficient. One in five has not taken any measures at all, among others, due to the costs involved, respectively avoidance.

Calling on the state
One striking finding of the study is that a significant proportion of respondents believed that loss and damage would be covered at least in part by the state or by society. Two-thirds of those surveyed, for instance, believed that the public authorities would step in in the event of health risks and occupational disability, with 60% believing this to be the case in the event of loss of or damage to residential property. Around 40% even expect this to be true of loss stemming from internet fraud, and almost half believe that personal liability is also covered by the state. The expectation that the state or society will assume the costs increases the greater the probable loss or damage. Around 90% of respondents would like to see the costs associated with health risks and being unable to work covered by society as a whole, and 80% would like this to be the case for risks associated with housing. Significantly more than half of respondents believe that this approach should also apply for costs associated with Internet fraud and personal liability.

More advice wanted
A significant proportion of those surveyed are most likely aware of the gaps in their knowledge when it comes to risk. More than one in two would like more information and advice from professional bodies. Roughly the same number would be willing to make a financial contribution to protect themselves against loss or damage. *"We see it as our responsibility to meet this desire for information and advice, independently of whether a sale is likely, providing explanations and raising awareness"*, says Hartwig Löger.

Four risk typologies
The study used socio-demographic and psychological characteristics to develop a risk-behaviour typology that makes a distinction between four different risk types: the repressors, the uncertain, the rational and the highly anxious.

- At **33%**, the **repressors** account for the biggest proportion of people. They believe they always have everything firmly under control. They suppress tough emotions and consistently avoid stressful situations. Essentially, they have an understanding of finance but due to their personalities it is difficult or impossible to engage them on this level.
- The **uncertain** represent **28%** of people. These are the people who are often compulsive in respect of difficult emotions; they try to control their risks. The uncertain therefore have a very high level of risk awareness, but they lack the competence to tackle the risk financially. Their risk management strategies are therefore only selectively effective.
- The **rational** account for **27%**: They are calm, and confident that they can take matters into their own hands. They actively seek solutions to problems. Although they have a low level of risk awareness and are more likely to take risks, their risk management strategies are particularly effective, partly because they have a solid knowledge of financial matters.
- At **12%**, the **highly anxious** account for the lowest proportion. They tend to overreact, often responding impulsively; although they have more risk awareness than average, their risk management strategies are not particularly effective.

These differences in risk typology must be taken into account by any activities to improve risk literacy. To summarise, seven out of ten respondents are unable to tackle risks in any meaningful way due to a lack of risk literacy and psychological barriers.

Lack of risk literacy correlates with lack of financial knowledge
Parallels can be drawn between the findings in relation to the lack of risk awareness and the currently heavily discussed topic of lacking financial knowledge: The study reveals that 80% of 18–29 year olds and 70% of those over 30 have limited or moderate financial knowledge. The study therefore demonstrates that there is a need for education and information in this area.
"We believe that the education system has an important role to play in relation to both of these areas. Schools do not impart financial knowledge or teach risk literacy. Educational institutions and financial services partners need to pool their respective competencies and take action together. VIG Group will definitely be implementing initiatives to increase risk literacy among the population — this is a key social sustainability focus for us", says Hartwig Löger.

**In order to ensure that all relevant population groups are included in the representative sample, a "mixed-mode approach" was selected for the survey, combining online interviews with telephone interviews.*

Vienna Insurance Group (VIG) is the leading insurance group in the entire Central and Eastern European (CEE) region. More than 50 insurance companies and pension funds in 30 countries form a Group with a long-standing tradition, strong brands and close customer relations. Around 29,000 employees in the VIG take care of the day-to-day needs of around 28 million customers. VIG shares have been listed on the Vienna Stock Exchange since 1994, on the Prague Stock Exchange since 2008 and on the Budapest Stock Exchange since 2022. The VIG Group has an A+ rating with stable outlook by the internationally recognised rating agency Standard & Poor's. VIG cooperates closely with the Erste Group, the largest retail bank in Central and Eastern Europe.

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