

Risk literacy in the CEE region – A representative study

Risk literacy is generally understood to mean the ability to make informed and reflective - ultimately reasonable - decisions regarding the handling of risks.

About the study

Gallup International examined the risk competence in nine countries in Central and Eastern Europe (CEE) on behalf of Vienna Insurance Group (VIG). Between June and July 2023, a representative sample of the population comprising 9,000 people over the age of 18 was surveyed in selected core markets of VIG:

- Bulgaria
- Croatia
- Austria
- Poland
- Romania
- Serbia
- Slovakia
- Czech Republic
- Hungary

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.

The focus of the study was on the risk areas that are relevant to the lives of most people:

- The **health risk** resulting from serious illness
- The risk of being **unable to work** and/or of **occupational disability**
- Risks associated with **housing**, i.e. related to flat or house
- **Liability risks** for self-inflicted accidents or injuries
- The risks of **internet fraud**

Based on the perception of these risks, respondents were asked to give an **estimation of the probability of occurrence** of the problems for them personally and were also asked about the potential **expected costs**. They were then asked about the **measures** they take to manage the risks themselves or to mitigate the resulting loss or damage.

The study also examined the respondents' **knowledge and expectations in relation to the state or social institutions covering loss or damage**, and the **information requirements** in relation to the risks being examined and protection against resulting loss or damage.

Study findings

An analysis of the findings reveals dramatic risk literacy deficits and widespread misapprehensions in all countries regarding financial protection provided by state and social institutions.

On average, around two-thirds of the population are **not fully aware of these risks**. Seven out of ten respondents also believe that the risk scenarios outlined would never happen to them. Assuming the scenarios were to come to fruition, however, they estimate that the **potential loss or damage** would be high.

Around 60% of respondents believe that the **state or society** would cover all or part of the costs associated with health risks, being unable to work/occupational disability, and loss or damage to a residential property. Some 40% even believe that the costs for losses associated with internet fraud would also be covered, and almost one in two believes that personal liability risks can also be passed on. The **higher** the estimated potential **loss or damage**, the **greater** the expectation that the **state and society** will intervene.

The population is labouring under a **dangerous misapprehension** here, since in most cases this is nowhere near close to the reality of the situation.

Expectations and wishes **with regard to the state and/or society covering** the loss or damage arising from the risks are even higher: Around 9 out of 10 respondents want the costs of health risks and being unable to work to be covered by society; 80% want society as a whole to cover the costs of loss of or damage to a residential property; and considerably more than half even think that the state and society should also cover the costs associated with internet fraud and personal liability.

When asked about the **measures taken** to cover the loss or damage associated with the risks, a third of respondents each stated that they have **insurance** to cover health risks, the risk of being unable to work/occupational disability, and personal liability risks. In terms of risks associated with housing, the figure increased to an average of 45% of the population in the countries being examined. A further 20–30% mentioned **setting aside funds** to cover risks. The dominant behavioural pattern when it comes to risk prevention, however, is **caution**. This is based on the assumption that: If I'm careful it won't happen to me. Moreover, one in five people has **taken no measures at all**.

Asked about the reasons why **no measures have been taken**, just over a third of respondents cited **costs** and one in five cited a **fatalistic attitude** ("I can't do anything anyway") and **avoidance**.

That said, a clear majority of those surveyed are most likely **aware** of the **gaps in their knowledge** when it comes to risk, given that one in two people expressed a desire for **more professional information and advice** about personal risks and options for financial protection. Roughly the same number would be **willing** to make a certain **financial contribution** to protect themselves against loss or damage.

These findings indicate a need for action in order to counteract the significant risk literacy deficits among the population.

Risk-behaviour typologies

Any actions to improve risk literacy must take account of people's differing approaches when it comes to managing risk. The study therefore used socio-demographic and psychological characteristics to develop a behavioural typology for risk.

Essentially, the population can be divided into **four types**:

- **28% are uncertain:** They are often compulsive in respect of difficult emotions and try to control everything in relation to risks; they 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.
- **12% are highly anxious:** They tend towards avoidance and overreaction, often responding impulsively; although they have more risk awareness than average, their risk management strategies are not particularly effective.
- **27% are rational:** They are calm and unconcerned, 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 quite effective because they also have a solid knowledge of financial matters.
- **33% are repressors:** They are masters at suppressing tough emotions. They believe they always have everything firmly under control. They achieve success by consistently avoiding stressful situations. Their risk management strategies are sometimes effective in the short term, but in the long term they lead to problems. Essentially, they understand a bit about financial matters but due to their psychological disposition it is difficult or impossible to engage them on this level.

Conclusion

- Risk literacy among the population in the CEE region requires significant improvement.
- The widespread misconceptions and unrealistic expectations about passing on the loss and damage associated with personal risks to the state and society must be curbed — they are a clear obstacle to improving risk literacy.
- Seven out of ten respondents do not have effective individual risk management strategies in place, due to a lack of risk literacy and/or their emotional and psychological predispositions.
- Any actions taken to improve risk literacy must take account of the different risk typologies among the population.