A Systematic Review of Factors Influencing Life Insurance Purchase Decision

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Abstract

Purpose: The purpose of this paper is to study and describe several factors influencing purchase decisions of life insurance products through the review of research articles and research theses. It also includes the classification of these variables into different categories. The study includes a wide range of factors that can be considered as influencing variables while making a life insurance purchase decision.

Design/ methodology/approach – The research papers are analysed on the bases of searching the keywords related to factors influencing Life insurance purchase decisions in various published journals, working papers, and some other Ph.D. theses. These papers have been collected over the years. These articles are segregated into personal, social, psychological, demographic, social, cultural, functionality factors, and many more.

Practical implications – The practical implication of the research is that companies, policymakers, and issuers of life insurance can watch out for investors' interests under psychological and behavioral factors before issuing new policies into the market. Under the Social Implication, investors can recognize several factors from functionality and other areas to make sound investment decisions and can also minimize their risk.

Originality/ value – The essence of this paper is the identification of a wide range of factors and the literature related to them. The study is based on both, the literature on factors influencing life insurance decisions. This paper does not only focus on identifying the factors but also on understanding how these factors can influence the process of decision-making. Thus, this paper generated interest in the readers to find different categories of factors and their influence in making a worthy purchase decision.

Keywords – Life Insurance, Purchase decisions, Investment decisions, customers, factors.

I.   Introduction

Due to significant economic reforms that have affected practically every sector, the Indian economy has undergone change over the past ten years. The financial services industry's most important business is insurance. The Life Insurance Corporation of India (LIC) is a financial intermediary that makes significant premium investments and mobilizes people's savings. The risks of both actual death and financial loss are covered by life insurance. Living in an urban jungle carries a risk of mortality and injury from both natural and unintentional sources. One instrument for covering these risks or losses is life insurance. These days, it offers excellent protection as well as an investment potential. According to *Islam et al. (2021),* the insurance sector remains crucial to a nation's financial and economic progress.

The desire on the part of insurance firms to protect consumers and financial institutions from financial dangers raises the demand for people to spend more money and accumulate more assets. A service that is abstract, complex, and revolves around uncertain future benefits is life insurance. Customers are more likely to answer in accordance with their need for life insurance due to the inherent ambiguity and uncertainty in the product. *(Andy CW, 2008).*

As a result, even if India's GDP is growing, the country's life insurance penetration and density are declining. This raises the study question, "What factors influence customers' decisions to purchase life insurance in India?" The worldwide recession that began in 2007 and the subsequent reduction in demand resulted in the fact that life insurance penetration did not recover, even though India's GDP grew significantly during this time. *Shukla (2018).*

The reasons for the low penetration of Life insurance in India are identified as; General assumptions, wrong mindset, lack of awareness, poor word of mouth, income level etc… to overcome these problems and to increase the penetration rate some measures can be taken as, to promote consumer information and product awareness, bancassurance, proper training and finally by understanding the actual reasons behind low purchase of Life insurance products. *(K. Kumar 2021)*

Having identified that purchase decision is the major reason for the low penetration rate in the Life insurance sector, Now the study proceeds with understanding different factors affecting or influencing the buying decision of Life Insurance products. Many factors influence the buying decision of life insurance mainly Behavioural and rational factors, demographic factors, service-related factors, and many more.

Thus, as researchers we desire to find a list of those factors and understand how one can make use of them before making their life insurance purchase decision. The next part of the paper displays different literature reviews and research theses referred to collect the list of these factors.

II.   Objectives
- To point out the factors an investor should consider while making a life insurance purchase decision.
  - To understand consumers' life insurance purchase behaviour.

III.   Literature review

(B. Sharmila 2012), this study aimed to determine the consumers' response regarding life insurance products and services in terms of 16 variables. This study identified the factors based on OPINION OF CONSUMERS ON SEARCH, EXPERIENCE AND CREDENCE ATTRIBUTES, Loyalty, Persistency, Features Exhibited, benefits received, withdrawal of policy, conduct of business, and best business practices.

(P. SRIDEVI 2012), The study contains the four-dimensional factors that influence the policyholders in the selection of policy. It consists of 35 items that were related to Product attributes, Product services, Product information, and Risk coverage aspects. It helps to find out the Policyholder's behavioural relationship among the various dimensions as stated above.

(Jothi, 2012), This research helps in determining consumers' attitudes toward buying life insurance products and understanding their purchase and repurchase intentions. Considering that, knowledge and information about life insurance play a major role in deciding on the purchase of a life insurance product, a brief discussion on the impact of various sources of information has been laid down.

(Cristian Buzatu 2013), the study analysed the action of behavioural factors on the decisions regarding insurance against certain events. It is concluded that people's decisions in general, and insurance decisions, in particular, are subject to the influence of many factors like; risk perception influence, lack of information or

submission of false information, biases, and patterns of behaviour, leading to a behaviour that is not always rational.

(Ms Kavita Mahajan 2013), This research paper will help to determine the attributes that influence the consumer decision-making process while opting for insurance depending upon its flexibility, reliability of brand, liquidity, and many other features. The major factors playing a role in developing consumer's perception of Life Insurance Policies are Consumer Loyalty, Service Quality, Ease of Procedures, Satisfaction Level, Company Image, and Company-Client Relationship.

(Neha Sharma 2014), a study of investor decision-making in the selection of life insurance schemes was undertaken and it was identified that there are five factors; Product Quality and Brand Image, Service Quality, Customer Friendliness, Brand Loyalty, and Commitment that influence life insurance purchase decision (abc 2019). Among all the five factors 'Brand Loyalty' has been rated lowest among customers while selecting and purchasing life insurance products.

(Ulbinaite, 2014), This paper presents an approach for modelling and analysing how consumers form their purchase decision for insurance services. This model includes various consumers' characteristics such as life quality, exposure to risks, insurance culture and family nest filters, consumers' "intelligence", perception of the need for security, need for insurance, and affordability. Combined, they model the consumers' inclination toward purchasing insurance.

(E. Deepa 2015), the study was conducted to investigate major determinants of consumer behaviour for selecting and buying insurance policies in Visakhapatnam City. The determinants of buying behaviour were identified such as income, economic status, product attributes, agent attributes, and price. The author also identified factors like source of information, need for purchase, feelings, and attitude of customers, intention behind the purchase, complication in decision making, and knowledge and planning to purchase life insurance.

(P Rajavardhan Reddy 2015), this research was conducted to study customer perception and attitude towards life insurance products in rural markets and the factors considered for the analyses were, the company from which policy is purchased, type of policy, number of policies purchased, source of information, and source of getting the policy that influence customer perception and attitude towards life insurance products. Other factors considered were, savings, benefits, security, budget, trust, information, and risk. The identified factors were categorized under, the perception dimension, attitude dimension, awareness level dimension, and purchase intention dimension.

(Mr. V.R. Satya Kumar Kolla 2017), study focuses on many issues to understand customer interests and considerations towards purchasing insurance plans. The perceptions and satisfaction levels of the insurance policyholders were considered major factors in the study and more than fifteen factors were also discussed in the research work.

(Kaur, 2017), This research thesis evaluates the life insurance demand determinants considering 3 main variables; economic, socio-demographic, and institutional. The author has considered 13 factors of these variables to evaluate how demand for life insurance is determined.

(Upendra Nath Shukla 2018), has undertaken a study to understand the interest level and purchase intention of life insurance in India. It was found that occupation and age are the most significant demographic factors in promoting life insurance in India. Tax savings is the most significant purchase motive. Whereas income level and residential status (rural/urban) are not significant demographic factors stimulating the purchase of life insurance.

(Jaideepsingh H. Jetawat 2018), the present study aimed to understand in detail the factors affecting and influencing on purchase decision of life insurance among customers. Numerous factors have been taken into consideration. An attempt was made to investigate the role of various demographic variables on buying behaviour among life insurance-purchasing decisions of customers. The study helped in understanding the consumer buying decision process, thereby answering the questions of 'why' and 'how' a customer buys life insurance products and services. Product attractiveness was found most important factor for increasing insurance penetration.

(Ms. Shilpa Sampathkumar 2019), this research is an attempt to study prominent factors that influence life insurance investment by urban women to protect the family's financial future, where they are led to this investment avenue by referrals from friends/ relatives/ colleagues and insurance agents. It was further noted that the varied reasons for insurance investment by women were; life insurance as a reliable investment option, number of dependents, to avail tax benefits and also an expectation to earn good returns, to cover the risk of exposure to disability and critical illness and also to cover the financial loss arising out of the risk of premature death.

(Maia, 2020), This research was conducted to examine the process of the intention to purchase life insurance. The researcher showcased that life insurance buying behaviour was influenced by purchase intention, attitudes, financial insight, and product accessibility. Moreover, it was recognized the higher weight of financial literacy and product accessibility in life insurance buying behaviour.

(Tikoria, 2021), This paper presents a systematic review of existing research to understand the purchase behaviour of consumers for life insurance products. The review aggregates 136 unique antecedents derived from 76 relevant articles and classifies them into eight broad categories. Further, the reasons for obtaining a positive or negative effect of a particular antecedent on life insurance purchase decisions or outcomes are also fully explored.

(Kumaran, 2021), this research aims to determine a reason for opting an insurance and customer buying behaviour and their expectations. The major factors considered in the study include perception about the life insurance of an individual, money-back guarantee, easy access to agents, low premium, risk coverage, knowledge of policy, investment advice, convincing approach, handling of documents, and safety.

(Bagde, 2021), This paper aims to study bias which has a significant influence on decision making while investing in insurance. The author found that emotions arising out of fear and risk have a significant influence on the decision-making process. These emotions are called behavioural biases and come under the domain of behavioural finance. Behavioural bias can also be a factor that influences insurance buying decisions.

(Hasna Rizki Mardhiana1, 2022), This study provides us with the findings that attitude, subjective norms, purchase intention, and implementation intention as factors that significantly influence the life insurance purchase decisions.

IV.   Methodology

A review of the literature has been used as the basis of the research. Although the extensive literature review could not be carried out because of the limit of various constraints, a considerable number of literatures have been reviewed. The keywords used for searching the papers were Life insurance investment decisions, and purchase decision as the purpose was to identify the factors influencing life insurance purchase decisions. The search results included papers incorporating several factors and then those papers were further divided based on different categories. Several methodologies are used by the researchers to review the existing literature, to collect some primary data for the study, or to conduct empirical and restricted surveys to get the desired results.

V.   Description of the factors

We present a thorough summary of the research on the variables influencing life insurance purchasing decisions with the aid of the accompanying table. The research approach employed by the researchers in their study is displayed in the table below.

Author	Factors identified		Statistical tools used

B. Sharmila	Variables
	1. Search, Experience, and credence attributes
	  Awareness
	  Advertisement
	  Performance
	  Assured return
	  regular Income
	  Agent's recommendations
	  Tax benefits
	  Speed of decision
	  Service behaviour
	  Appealing facilities
	  Product Features
	  Transparency
	  Bonus
	  Technology
	  Competence
	  Corporate Image
	2. Loyalty
	  Service quality
	  Sales staff
	  Efficiency
	  Corporate Image
	  Pre-purchase service
	  Post-purchase service
	  Size of operations
	3. Persistency
	  Switching barriers
	  Relationship
	  Switching cost
	  Affinity with agent
	4. Features Exhibited
	  Product Features
	  Feedback
	  Quick delivery
	  Product Advice
	  Simple payment
	  Convenience
	  Technology
	  Post-purchase
	  Complete Information
	  Wide range
	  Facilities
	  Quality
		5. Withdrawal of policy
		  Cumbersome Procedure Policy and Claim
		  Persuasion
		  Poor sales quality
		  Better Terms
		  Wide choice
		6. Benefits received
		  Convenience
		  Reliability
		  Quality service
		  Terms of sales
		  Terms of payment
		  Lower premium
		  Service delivery
		  Flexibility
		7. Conduct of business
		  Given personal Information
		  Offer unique and novel products
		  High premium
		  Give complete information
		  Others copy personal information
		  Purchase of unnecessary policies
		  Get money's worth
		  Personal information kept confidential
		  Disclaimer's evade responsibility
		  Emotionally Exploited
		  Safe payment
		  Exaggerated information
		  Satisfied with money spent
		  Honesty
		  Lots of offers
		  Good quality
		8. Business Practices
		  Government Regulation
		  Good regulatory mechanism
		  International best practices
		  Consumer education
		  Fair business practices
		  Public confidence
			One sample t-test
			Factor analysis
			k-mean cluster analysis
			Multiple regression

	Reputation Size and level of operations		
P. Sridevi	Agent Motivation Colleagues Motivation Friends and relatives Drive Advertising Family member Familiarity Habit of Savings Company Scheme Image of Company Type of Policy		Chi-square test, ANOVA, Factor analysis, Henry Garrett's Ranking Method, and Structural Equation Modelling
A. Lenin Jothi	Repurchase Intention of customers Mode of Purchase Customers' Attitude on Agents' Interest Knowledge and information about life insurance		t-test
Cristian Buzatua	Psychological and social factors Risk perception Mode of decision-making Adversity against loss Influence of Emotions Biases Information availability Social norms Financial Culture and History.		
Ms Kavita Mahajan	Perceived Risk Risk of standardisation Risk and Information.		Descriptive research
Neha Sharma	Satisfaction level Service Reminder Timely security Perceived advantage Awareness Responsibility	Comparison with other schemes Benchmark Policies Repeat purchase from the same company Benefits Purchase	Factor Analysis One-way ANOVA

	Needs Reliability Investment Decision		
Aurelija Ulbinaite	Consumer's contact with risk and uncertainty complexity of insurance services Consumer fraud in insurance consumers' purchasing power Inclination towards Purchasing Insurance	Influence of Communication Networks Comparison and evaluation of insurance services and products Influence of external factors Perception of usefulness and affordability.	Descriptive research

E. Deepa	Factors Influencing Policyholders in Selecting the Life Insurance Policy
	  Influenced by Someone at the decision
	  Employer's suggestion
	  Influenced by family members
	  Friend's suggestion
	  Insurance agent's advice
	  Influence of an advertisement
	Sources of information on Life insurance advantage
	  Life Insurance Agent information
	  Relatives, Friends words
	  Insurance company emails, Messages, Phone
	  Advertisements in Magazines, Newspapers, Print Media, etc.
	  Internet
	  Information during Seminar at office and others
	  TV or Radio programmes
	Intention behind the purchasing the insurance product
	  Insurance cover
	  Savings for Children's education and Marriage etc.
	  Income Tax benefit
	  Savings for Old age, Pension
	  Agent's recommendation
	  Recommendations from Friends/Relatives
	  Housing Loan Cover
	Complications in the decision to buying life insurance
	  What type of Insurance to buy
	  On the Sum assured
	  Life insurance company
	  Understanding the policy details, benefit
		Need for Purchase of LIC policy
		  To provide with some extra money at the time of retirement
		  To provide dear ones with some extra money at the time of retirement
		  To provide with some extra money in case of emergency (illness, accident)
		  To avoid incurring unnecessary costs of insurance future
		  To invest/save money to maintain the same lifestyle
		  To provide death protection for family members in case of any untoward incident
		  To provide financial support to the spouse
		  To save tax
		
		Feelings and attitudes of LIC Customer
		  Premium gives me adequate coverage
		  Secure after buying adequate insurance
		  Insurance is better than investment in the stock market
		  Premium instalments are affordable
		  Guaranteed fund value
		  The policy will grant a loan facility
		  Flexible investment option plans are risky
		Knowledge and Planning for Life Insurance
		
		  Decided how to invest savings
		  Know the life insurance requirement
		  Calculated required savings for retired life – pension
		  Calculated the cost of son/daughter`s education
			Chi-Square

P. Rajavardhana Reddy	Factor structure for Perception dimension	Factor structure of Attitude dimension	Chi-square ANOVA Structural Equation Model
	Savings Insurance is a savings instrument Insurance is a good investment tool Insurance offers tax benefit Protection to life Product is flexible **Benefits** Easy settlements Insurance offers future survival benefits High rate of returns **Security** Insurance provides family security Insurance provides risk coverage **Factor structure of customer awareness levels dimension** **Marketing Activity** Advertisements presented by insurance company Company brand image Features life insurance policies Benefits associated with the policy **Process** Terms and conditions of the policy Administrative fee charged by the company Online payment options Documents required to claim the policies The process required to take the policy	**Budget** Insurance products is not expensive Insurance easy to buy The product is suitable for my budget **Trust** Insurance firms maintain successful customer relations Insurance is easy to claim on time Insurance firms are easy to trust Insurance agents are easy to trust Agent gives truthful advice on investment **Risk** Insurance provides an opportunity to earn returns on premiums in the future Good recovery if risk occurs Insurance services as a basis for credit for investment Buying insurance is good value for money Insurance reduces risk **Factor structure for customer purchase intention dimension** **Future Purchase** I would like to purchase the same policy in the future I purchase further policies from the same company I suggest friends /family to buy the same policy from the same company I plan to buy another policy only after the maturity of the existing policy **Motivation to purchase** I would like to buy policies from known agents only The premium of the policy affects my repeat purchasing behaviour After-sales service affects my willingness to repeat purchasing behaviour My family motivates my insurance purchasing a lot.	

V.R.Satya Kumar Kolla	Money back guarantee Clarity about the policy Premium Protection against financial needs Bonus returns Convenience Transparency Risk coverage	Affordable premium rates Medical benefits Accidental coverage Family security Joint coverage Whole life coverage Child's future purpose Assured returns Retirement benefits Social status	ANOVA Exploratory Factor Analysis Chi-square test Multiple regression
Amanpreet kaur	Economic Factors Income Savings Inflation Interest rate Baking development Price of insurance Institutional Factor Role of life insurance agents	Socio-demographic factors Social security expenditure Education Urbanization Age Dependency ratio Life expectancy ratio Political and legal issues	Multiple regression analysis using ordinary Least square method.
U.N. shukla	Customers purchase intention Tax saving Necessity Motive		Logit regression

J.H. Jetawat	Cultural
	  Culture
	  Subculture
	  Social class
	
	Social Factors
	  Reference groups
	  Family
	  Roles and statutes
		Personal Factors
		  Age and life cycle stage
		  Occupation
		  Economic circumstances
		  Life style
		  Personality and self-concept
		  Psychological Factors
		  Motivation
		  Perception
		  Learning
		  Believes and attitudes
			Correlation
			Multivariate Analysis

Shilpa Sampat Kumar	Need for social empowerment Financial Risk cover Health Facet Risk Appetite Benefits Type of insurance policy		SEM CFA Chi-square ANOVA
Maia	Product Accessibility Subjective Norms Attitude Risk Perception Finance Knowledge Buying intension		Cronbach's alpha EFA KMO Bartlett's test Regression analysis
Ritika Bhatia	Individual Related Family Related Service-related Company related	Finance related Macro environment related Behaviour related Product related	Literature review
Sinduja R	Perception about life insurance A saving tool A tax-saving device A tool to protect our family Company related Factors Moneyback	Qualities of agent Knowledge of policy Investment Advice Convincing approach Handling of documents Safety	Simple percentage analysis Raking Analysis Chi-Square

	Easy access Low premium Risk Coverage			
Hasna Rizki Mardhian	Attitude Attitude of others Perceived behaviour controls Purchase intention Purchase decision Subjective norms			SEM

VI.   Conclusion

We can sum up by saying that choosing to invest in or buy insurance is a difficult choice. There are numerous features, dimensions, and regions to be aware of. The body of literature that has been reviewed thus far demonstrates the complex nature of the decision-making process when purchasing life insurance. When making insurance decisions, a person needs to take all factors into account in order to minimize risk and maximise returns.

As researchers, our goal when starting this work was to highlight the elements that an investor should take into account when deciding on a life insurance purchase and to understand consumers' life insurance purchase behaviour. We can state that the list of factors that have been listed so far is long and the categories are clearly defined. Consumers do behave emotionally and are influenced by the factors thus identified.

With the use of this comprehensive research study, the following categories of influencing factors can be highlighted:

The conduct of insurance companies and agents to satisfy the primary need for safety and security. Self-awareness and the understanding one has about their insurance and the trusted sources of information they rely on. The insurance product offered by an agent exhibits features that match with needs of the buyer. Influence of family and friends. Psychological elements encourage understanding of the need for insurance, followed by influences on motivation, perception, beliefs, and attitude before making a choice. Another category that cannot be overlooked is demographics, such as age, the number of dependents, and income level. Peer pressure and other social influences, such as reference groups, have a bigger influence when making decisions. Biases and other behavioral factors are significant influences on the decision to purchase life insurance.

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