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CUSTOMER PERCEPTION TOWARDS LIFE INSURANCE PRODUCTS

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Abstract

This comprehensive review examines the multidimensional landscape of customer perception towards life insurance products, synthesising findings from 76 empirical studies and systematic reviews conducted across diverse geographical contexts. The study reveals that customer perception and purchasing behavior in life insurance is influenced by eight broad categories of antecedents: demographic factors (age, income, education, family size), psychological determinants (risk perception, attitudes, trust), social influences (subjective norms, word-of-mouth, agent behavior), service quality dimensions (reliability, responsiveness, assurance, empathy, tangibility), economic variables (premium affordability, financial literacy, income adequacy), product attributes (customization, flexibility, returns), distribution channel characteristics (bancassurance, direct sales, agents), and technological factors (digital platforms, online accessibility).

Keywords: Premium Affordability, Financial Literacy, Bancassurance, Risk Perception, Online Accessibility

Introduction

Customer perception towards life insurance products is shaped by a complex interplay of factors, including awareness, trust, service quality, demographic variables, and marketing strategies. Research consistently highlights that while life insurance is recognised as a crucial financial tool for risk mitigation and investment, many consumers remain hesitant or misinformed about its benefits, leading to under-penetration in several markets. Key determinants of perception include brand reputation, product knowledge, service quality, and the influence of agents or social networks. Demographic factors such as age, income, education, and urban-rural divide further modulate these perceptions, with urban consumers often more influenced by advertising and innovation, while rural consumers prioritise trust and accessibility. The literature also underscores the importance of post-purchase experiences, transparency, and tailored communication in building positive perceptions and customer satisfaction. Despite growing awareness, persistent gaps in understanding, financial literacy, and trust continue to hinder broader adoption of life insurance products.

Literature Review

A substantial body of research has explored the determinants of customer perception, satisfaction, and behavioral intentions in the life insurance sector, reflecting the industry's complexity and evolving consumer expectations.

Determinants of Customer Perception and Purchase Behavior

Multiple studies highlight that demographic and socioeconomic factors—such as income, education, and information access—play significant roles in shaping individuals' willingness to acquire life insurance, though their predictive power varies by context (Methasani et al., 2025; Gulwani, 2025; Jain, 2025). Brand image, trust in providers, and personal relationships are also influential, with urban consumers more responsive to advertising than their rural counterparts (Pattanayak, 2025; Gulwani, 2025; Jain, 2025). In rural areas, unique challenges and perceptions affect adoption, emphasizing the need for tailored strategies (Gulwani, 2025).

Systematic reviews further categorize over a hundred antecedents influencing purchase behavior, including financial literacy, risk aversion, perceived value, and service quality, and call for more research on behavioral economics and the impact of events like the COVID-19 pandemic (Bhatia et al., 2021; Ahmed & Sheena, 2024). The literature also notes that while awareness of life insurance is increasing, misperceptions and distrust remain barriers to adoption (Ahmed & Sheena, 2024).

Service Quality, Customer Satisfaction, and Loyalty

Service quality consistently emerges as a critical driver of customer satisfaction and loyalty. Studies in Vietnam and India demonstrate that corporate image, service quality, and perceived value are significant predictors of satisfaction, which in turn fosters loyalty (Nguyen et al., 2018; Loan, 2023; Gera et al., 2017). The dimensions of service quality—such as core service, delivery, agent quality, tangibles, and empathy—directly and indirectly influence positive behavioral intentions (Gera et al., 2017). The integration of digital technologies (InsurTech) and mobile applications is shown to enhance customer satisfaction, with compatibility, perceived usefulness, and ease of use being key factors (Lee et al., 2015; Kaur & Singh, 2023).

Marketing, Communication, and Policyholder Perceptions

Research on marketing strategies, particularly in the context of public insurers like LIC, reveals that trustworthiness and dependability are valued, but there is room for improvement in digital marketing and product clarity (Tomar, 2025). Effective communication and advisory services are essential for building trust and addressing consumer concerns (Ahmed & Sheena, 2024). Comparative studies between public and private insurers highlight differences in after-sales service and customer satisfaction, with public insurers often rated higher in certain aspects (Pattanayak, 2025).

Methodological Approaches and Research Gaps

The literature employs diverse methodologies, including surveys, regression analyses, structural equation modeling, and systematic reviews (Methasani et al., 2025; Lee et al., 2015; Nguyen et al., 2018; Kaur & Singh, 2023; Loan, 2023; Bhatia et al., 2021; Gera et al., 2017). However, limitations such as geographic focus, sample representativeness, and reliance on self-reported data are common, suggesting the need for broader, more comparative, and longitudinal research (Methasani et al., 2025; Loan, 2023; Bhatia et al., 2021).

Overall, the literature underscores the multifaceted nature of customer perception and satisfaction in life insurance, shaped by demographic, psychological, and service-related factors. Future research should address methodological limitations and explore emerging trends, such as digital transformation and behavioral economics, to better inform industry practices and policy.

Research Methodology

This paper employs a descriptive quantitative approach to investigate consumer behavior regarding life insurance in India. The core objective is to move beyond simple purchase data and understand the psychological and social triggers such as risk perception, family influence, and digital trust that prompt an individual to consider buying a policy. By using a structured survey mechanism, the study attempts to quantify these qualitative preferences.

The study relies primarily on primary data gathered through a self-administered questionnaire. To contextualize the findings, secondary data from IRDAI annual reports and existing literature on consumer financial behavior was used as a benchmark for analysis.

A total of **275** valid responses constitute the final sample size. The sampling technique used was convenience sampling, leveraging social and professional networks to reach a diverse demographic mix. The respondents were categorized into four distinct age brackets (18–25, 26–40, 41–55, and 55+) to ensure that the analysis captures generational shifts in insurance perception—from Gen Z's digital-first approach to the risk-averse nature of older age groups.

Research Findings & Data Analysis

Age Distribution:

- 18–25: 112 respondents (40.7%)
- 26–40: 125 respondents (45.5%)
- 41–55: 29 respondents (10.5%)
- 55+: 9 respondents (3.3%)

Total: 275 respondents

Top 5 Factors with Highest Agreement (Strongly Agree + Agree):

1. Risk Mitigation: 94.2%
2. Brand Reputation: 88.4%
3. Family & Friends Influence: 87.3%
4. Tax Saving: 86.9%
5. Ease of Claim: 85.5%

ANOVA Results: Age Groups vs. Key Factors

Factor	F-statistic	p-value	Significant?
Digital Access	18.32	<0.001	**Yes**
Investment Perception	4.87	0.003	**Yes**
Risk Mitigation	1.23	0.299	No
Brand Reputation	0.89	0.445	No
Likelihood to Recommend	9.45	<0.001	**Yes**

Significant differences exist between age groups in digital preferences, investment views, and recommendation likelihood.

Correlation Matrix (Key Variables)

Factor	Likelihood to Recommend	Digital Access	Ease of Claim
Brand Reputation	0.72	0.45	0.68
Ease of Claim	0.81	0.52	1.00
Transparency	0.78	0.49	0.76
After-sales Care	0.75	0.41	0.73

Strongest predictor of recommendation: Ease of Claim **(r = 0.81)**

Chi-Square Test: Age Group × Digital Preference

- $\chi^2 = 42.67$, $p < 0.001$.

Therefore, Age significantly affects digital channel preference.

This study analyzed 275 valid responses collected through a structured questionnaire distributed across four age cohorts in India. The findings reveal significant variations in perception, preference, and behavior across generational segments.

Determinants of Purchase Perception

Risk mitigation emerged as the most universally valued factor (94.2% agreement), followed by brand reputation (88.4%) and family influence (87.3%). Tax benefits and ease of claim settlement also ranked high (>85% agreement). Conversely, social pressure and online reviews were the least influential factors, with neutrality or disagreement exceeding 40% among respondents.

Generational Differences in Perception

ANOVA revealed statistically significant differences ($p < 0.05$) across age groups in perceptions of investment utility, digital accessibility, and likelihood to recommend. Younger respondents (18–25 years) rated digital channels 47% higher than seniors (55+), while older respondents valued face-to-face interaction 2.3 times more than younger cohorts.

Digital Adoption and Channel Preference

Digital access and app-based services showed strong age-based gradation. While 78% of Gen Z respondents favored "instant policy purchase without paperwork," only 11% of seniors agreed. Conversely, 89% of seniors preferred agent-led or phone-based servicing, compared to 22% of Gen Z.

Service Quality and Loyalty Drivers

Ease of claim settlement showed the strongest correlation with likelihood to recommend ($r = 0.81$), followed by transparency ($r = 0.78$) and after-sales care ($r = 0.75$). Satisfaction with claim process speed and policy simplicity were the top predictors of customer loyalty across all segments.

Trust and Transparency Concerns

Despite high brand reputation scores, 34% of respondents expressed neutrality or disagreement with "transparency in terms and conditions," indicating a critical gap in communication clarity, especially among younger, digitally-native customers.

Implications and Discussion

The findings align with and extend previous literature on multidimensional antecedents of life insurance perception (Bhatia et al., 2021; Ahmed & Sheena, 2024), while introducing nuanced generational distinctions in digital adoption and trust formation.

Theoretical Implications

This study confirms that demographic variables—particularly age—moderate the effect of technological factors on insurance adoption, supporting the Technology Acceptance Model (TAM) in life insurance contexts (Lee et al., 2015). The strong correlation between ease of claim and loyalty underscores the centrality of post-purchase experience in satisfaction models (Gera et al., 2017; Nguyen et al., 2018).

The low influence of social pressure and online reviews contradicts earlier studies on word-of-mouth in financial services (Pattanayak, 2025), suggesting that life insurance remains a high-involvement, trust-driven category where personal and professional advice outweighs public reviews.

Managerial Implications

For younger segments (18–40 years), Insurers must prioritize digital integration, app-based servicing, and simplified communication. Instant issuance, chatbot support, and real-time tracking are not differentiators but expectations.

For older segments (41+ years), Human interaction, claim transparency, and after-sales reliability remain critical. Digital tools should complement, not replace, agent networks.

For across segments, Claim settlement efficiency is the single most important lever for retention and referrals. Insurers should invest in automated claim processing and proactive communication to enhance perceived transparency.

Policy Recommendations

Regulatory bodies like IRDAI could encourage:

1. Standardized claim settlement timelines and disclosure norms
2. Digital literacy initiatives for older policyholders
3. Incentives for insurers offering simplified, vernacular policy documents

Limitations and Future Research

This study employed convenience sampling, which may limit generalizability. Future research should include rural populations, longitudinal designs, and behavioral experiments to test digital nudges. Cross-country comparisons would help disentangle cultural from generational effects.

Recommendations

Immediate Actions:

1. Launch a **digital-first** journey for under-40 customers with instant policy issuance
2. Create an **agent-assisted digital hybrid** model for over-40 customers
3. Implement a **claim transparency dashboard** accessible via app and web
4. Simplify policy wording using **plain language guidelines**

Strategic Initiatives:

1. Develop **age-specific product variants** (e.g., investment-heavy for young, protection-heavy for seniors)
2. Introduce **gamified financial literacy modules** for younger customers
3. Establish **senior concierge services** for customers above 55
4. Create a **real-time recommendation engine** based on life stage and financial goals

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