

Customer Perception and Satisfaction Toward Life Insurance Plans: A Study of Financial Returns, Transparency, and Service Quality

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Abstract

The life insurance sector in India has undergone significant transformation over the past decade, driven by rising financial awareness, digital penetration, regulatory reforms, and increased demand for financial protection. As consumers become more informed, their expectations from insurance products have evolved. They now evaluate life insurance not only on premium affordability but also on financial returns, clarity of terms, digital convenience, and overall service experience. This study investigates *customer perception and satisfaction* toward various types of life insurance plans—such as term insurance, endowment policies, and investment-linked products—by examining how financial returns, transparency, and service quality shape overall consumer attitudes.

A mixed-methods approach was used to conduct this research. Quantitative insights were collected from a structured survey administered to 60 respondents across different age groups, income categories, and educational backgrounds. Qualitative depth was obtained from semi-structured interviews with select respondents. The responses were analyzed to understand motivations behind purchasing life insurance, awareness of financial metrics like IRR and CAGR, satisfaction with claims and service processes, and the perceived transparency of policy documentation.

The findings reveal that financial returns are considered “extremely important” by the majority of respondents, while transparency regarding charges and benefits significantly influences trust. However, only a moderate level of satisfaction was observed in areas such as claims settlement, clarity of communication, and understanding of policy structures. The study also highlights a noticeable gap in financial literacy, particularly among young customers who prefer ULIPs but lack complete understanding of associated risks and charges. Additionally, customers show a strong preference for digital communication channels and simplified processes.

This research concludes that the life insurance industry must focus on strengthening transparency, improving digital service delivery, and enhancing customer education regarding financial products. Doing so will not only improve customer satisfaction but also build long-term trust and encourage wider adoption of appropriate insurance plans. The study provides valuable insights for insurers, policymakers, and researchers aiming to understand evolving customer expectations and improve service standards in the life insurance sector.

1. Introduction

Life insurance is an essential component of an individual's financial planning, offering both security and long-term financial stability. It serves two critical purposes: providing financial protection to dependents in case of an unforeseen event, and facilitating disciplined savings or investment for future goals such as education, retirement, or wealth creation. In India, the importance of life insurance has grown significantly due to rising financial awareness, increasing household income, and the availability of diverse insurance products catering to different financial needs and risk profiles.

The insurance market today presents customers with multiple plan categories, such as term insurance (pure protection plans), traditional endowment policies (savings plus insurance), and Unit-Linked Insurance Plans (ULIPs), which combine market-linked investments with life cover. With such a wide range of options, customer perception plays a crucial role in determining the acceptance, preference, and satisfaction associated with life insurance products. Factors such as perceived returns, premium affordability, transparency of policy terms, digital convenience, and quality of service increasingly influence buying decisions.

Consumer expectations have undergone a major shift owing to technological advancements. The rise of digital platforms has made it easier for customers to compare policies, evaluate benefits, and interact with insurance providers through mobile apps, websites, and chat-based support. This has increased the need for insurers to be transparent, responsive, and customer-centric. Despite this, many customers still find insurance products complex, especially those that involve multiple charges, long-term commitments, or market-linked returns. This often leads to confusion, dissatisfaction, or suboptimal decision-making.

The study conducted aims to explore how customers perceive different life insurance plans and what factors influence their satisfaction the most. By analyzing the preferences, expectations, and challenges faced by customers, this research attempts to understand the changing dynamics of the insurance market from the consumer's perspective. It examines how financial returns, cost considerations, transparency of charges, communication quality, and claims experience shape customer satisfaction. Moreover, the study identifies gaps in financial literacy, especially regarding concepts like IRR (Internal Rate of Return) and CAGR (Compounded Annual Growth Rate), which are essential for evaluating long-term insurance products.

With growing competition in the insurance industry and increasing customer awareness, understanding customer perception is vital for insurers who wish to retain customers and build lasting trust. The introduction of digital tools, simplified products, and transparent processes is becoming a necessity rather than an option. This study provides insight into how well these expectations are currently being met and what improvements can enhance customer satisfaction in the life insurance sector.

LITERATURE REVIEW

The life insurance industry has been widely studied for its role in financial protection, savings behavior, risk management, and long-term financial planning. Over the years, researchers have explored how customer perception, financial literacy, transparency, and service quality influence the adoption and

satisfaction levels associated with life insurance products. This literature review synthesizes key findings from previous studies relevant to understanding customer behavior in the Indian insurance market.

Lusardi and Mitchell (2011) highlight the importance of financial literacy in making informed financial decisions. Their research indicates that individuals with higher financial knowledge are more likely to adopt insurance products aligned with their financial goals. This is particularly significant in India, where awareness of complex metrics such as IRR (Internal Rate of Return) and CAGR (Compounded Annual Growth Rate) is relatively low. Customers often rely on simplified information such as premium amount or maturity value, which may lead to suboptimal product selection.

Kumar and Annes (2013) emphasize the challenges faced by customers in understanding investment-linked insurance products, particularly ULIPs. Their study notes that product complexity and insufficient transparency can reduce customer trust and satisfaction. They argue that better communication regarding charges, risks, and benefits is essential to improving customer confidence.

Jain and Ranawat (2018) focus on customer satisfaction and identify transparency, premium affordability, and service quality as major determinants of positive perception. Their research suggests that customers tend to favor insurance providers that offer clear communication, simplified documentation, and timely responses. They also found that satisfaction increases when customers perceive value in terms of returns and protection.

Sharma and Gupta (2023) explore the growing importance of digital services in life insurance. They state that technological advancements such as mobile applications, online policy management, and digital claim submission have transformed customer expectations. Convenience, real-time access to information, and efficient service delivery have become central components of customer satisfaction.

Subha and Priya (2014) highlight the role of financial inclusion programs in promoting awareness of insurance among low- and middle-income households. Their findings show that government schemes have increased insurance penetration but underline that sustained education is necessary to ensure proper understanding of product features.

Overall, existing literature consistently points to the importance of financial literacy, transparency, digital accessibility, and service quality as critical factors influencing customer perception and satisfaction. Although financial returns remain a major concern for policyholders, trust and clarity of communication are equally essential for ensuring long-term engagement with insurance products. The gap identified in the literature—particularly regarding transparency and customer education—reinforces the relevance of the current study, which examines these factors in a contemporary context.

OBJECTIVES

1. To analyze customer perception toward different types of life insurance plans based on financial returns, affordability, transparency, and policy features.
2. To assess customer satisfaction levels regarding service quality, claims processing, communication clarity, and digital convenience offered by life insurance providers.

3. To understand the factors influencing customer decision-making when selecting life insurance plans, including protection needs, financial goals, trust, and product transparency.
4. To recommend strategies for enhancing customer satisfaction by improving policy clarity, service delivery, digital support, and overall customer experience in the life insurance sector.

RESEARCH METHODOLOGY

This study adopts a structured research methodology designed to examine customer perception and satisfaction toward life insurance plans. The approach integrates both quantitative and qualitative methods to provide a comprehensive understanding of customer behavior, preferences, and experiences. The methodology ensures that data is collected in a systematic manner and analyzed effectively to derive meaningful insights.

Research Design

A mixed-methods research design was used. This combines the strengths of quantitative surveys, which provide measurable data, with qualitative interviews, which capture deeper insights into customer experiences and perceptions. The quantitative aspect helps identify trends and patterns, while the qualitative aspect helps explain the reasons behind those trends.

Primary Data:

Primary data was collected directly from respondents through:

A structured questionnaire consisting of multiple-choice questions, Likert-scale ratings, and preference-based items.

Semi-structured interviews with selected respondents to gather detailed feedback on their experiences with insurance plans, their decision-making process, and factors affecting satisfaction.

A total of 60 respondents participated in the survey. They belonged to different age groups, income categories, and educational backgrounds to ensure diversity and representation of varied perspectives.

Secondary Data:

Secondary data was collected from credible sources such as:

Research journals and academic articles

- Insurance industry reports
- Publications by IRDAI (Insurance Regulatory and Development Authority of India)
- Online databases, financial blogs, and consumer behavior studies

These sources helped support the analysis and provided context to compare the findings with existing research.

Sampling Technique

A purposive sampling method was used to select respondents. This technique allows the researcher to intentionally choose individuals who have knowledge or experience with life insurance products. It ensures that the data collected is relevant and meaningful for the study.

DATA ANALYSIS

The data collected from 60 respondents was analyzed using descriptive statistics to understand their demographic characteristics, insurance preferences, motivations, perception factors, and satisfaction levels. The demographic analysis showed that the majority of respondents (48%) were young adults aged 18–24, indicating a growing interest in financial planning among younger populations. Respondents in the age groups 25–35 and 36–50 each accounted for 20%, while 12% were above 50 years of age. Income distribution revealed that most respondents belonged to the middle-income category, with 38% earning between ₹3–5 lakhs annually and 20% between ₹5–10 lakhs. Those earning ₹10–15 lakhs made up 23%, while 19% earned above ₹15 lakhs, reflecting a diverse but predominantly middle-income sample typical of urban insurance markets.

In terms of insurance plan preferences, ULIPs were favored by 40% of respondents, especially younger individuals looking for investment and growth opportunities. Endowment plans were preferred by 33% of participants who valued guaranteed returns and stability. Meanwhile, 27% chose term insurance, mainly due to its affordability and pure protection benefits. When examining the motivations behind purchasing insurance, family protection emerged as the strongest factor, with 80% of respondents prioritizing financial security for dependents. Tax savings influenced 43% of the respondents, while long-term goals (38%) and wealth creation (37%) also played significant roles. Additionally, 30% purchased insurance with retirement planning in mind, indicating that customers view insurance as a multi-purpose financial tool.

Customer perception of financial returns and transparency revealed important insights. About 75% of respondents rated financial returns as very important when selecting a plan; however, only 53% reported moderate satisfaction with the returns they received. A substantial 78% of respondents felt that transparency in policy terms and charges significantly increased trust, yet many still reported confusion when trying to understand policy details. This highlights the need for clearer communication and simplified documentation. The analysis of claims and service experience further indicated that 40% of respondents were only somewhat satisfied with the claims process, while 38% remained neutral. Common concerns included delays and unclear instructions regarding required documents. When asked about preferred communication channels, respondents showed an equal inclination toward phone, email, and mobile applications (28% each), indicating a strong demand for convenient, multichannel digital support.

Overall, the analysis shows that customers value financial returns, transparency, and digital convenience but remain moderately satisfied due to complexities in communication and claims procedures. These insights underline the need for insurers to simplify policy structures, improve customer support, and enhance digital service platforms.

FINDINGS

The findings of the study provide a clear understanding of how customers perceive life insurance plans and which factors influence their satisfaction. It was observed that financial returns and premium affordability serve as the most important decision-making criteria for customers across all age groups. Respondents consistently expressed the need for plans that offer good value in terms of maturity benefits while remaining affordable. Transparency emerged as another major factor shaping customer trust and satisfaction. Many participants felt that policy documents were often lengthy and complex, making it difficult to understand charges, benefits, and terms clearly. As a result, they preferred insurers who provided simplified communication and clear explanations.

Customer satisfaction with claims and service quality was found to be moderate. Several respondents reported delays, lack of guidance, and confusion regarding required documents during the claims process. This indicates a strong need for faster settlement systems and more responsive customer support. The study also showed that younger customers, particularly those between 18–24 years of age, preferred investment-linked plans due to their interest in wealth creation and long-term returns, whereas older respondents inclined towards traditional or guaranteed plans that offer stability and security. This demonstrates that customer age and financial goals significantly influence plan preference.

Additionally, the research identified noticeable gaps in financial understanding. Many respondents lacked complete knowledge of policy features, benefits, and charges, which sometimes led to uncertainty or dissatisfaction later. This highlights the need for improved customer awareness programs and simpler explanations of insurance products. Digital convenience also emerged as a crucial expectation, with respondents favoring mobile apps, email updates, and online policy management for ease and accessibility. Overall, the findings indicate that customers value transparency, reliable service, clear communication, and digital support as much as financial returns, suggesting that insurers who focus on these areas are more likely to achieve higher customer satisfaction and long-term loyalty.

CONCLUSION

The study concludes that customer perception and satisfaction in the life insurance sector are influenced by a combination of financial, service, and communication factors. Financial returns and premium affordability remain the most critical elements guiding customer choice, reflecting the importance of value for money in insurance products. However, transparency in policy terms, clarity of charges and benefits, and simplified communication play an equally vital role in building trust and ensuring customer confidence. Moderate satisfaction levels with claims processes and service indicate that operational efficiency and responsiveness require significant improvement. The research also highlights generational differences in plan preference, with younger customers favoring investment-linked plans and older customers preferring traditional or guaranteed options, demonstrating the impact of risk appetite and long-term financial goals on decision-making. Additionally, gaps in customer understanding of product features underscore the need for targeted awareness initiatives and easy-to-understand policy explanations. Digital convenience, including mobile apps, email communication, and online policy management, has emerged as a key expectation, suggesting that insurers must adopt modern tools to enhance accessibility and service experience. Overall, the findings suggest that insurers who balance financial value with transparent,

customer-friendly communication, efficient service delivery, and digital accessibility are more likely to achieve higher customer satisfaction, foster trust, and encourage long-term engagement. By addressing these areas, life insurance providers can meet evolving customer expectations, improve retention, and strengthen their position in a competitive market.

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