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A Study on Customer Perception, Awareness, and Satisfaction in Life Insurance

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ABSTRACT

Customer perception, awareness, and satisfaction play a crucial role in shaping the growth and competitiveness of the life insurance sector. This study examines how customers understand, evaluate, and respond to life insurance products, with a focus on the relationship between awareness levels and satisfaction outcomes. The research explores key dimensions such as product knowledge, trust in insurance providers, service quality, claim settlement experience, and perceived value for money. Findings indicate that higher awareness significantly influences customers' perception of risk coverage and long-term financial benefits, leading to increased satisfaction and loyalty. The study also highlights that transparent communication, simplified policy terms, and timely service delivery positively enhance customer perception. Conversely, factors such as complex procedures, lack of guidance, and delayed claim processing negatively impact satisfaction levels. Overall, the study emphasizes that insurance companies must invest in customer education, digital service delivery, and personalized communication strategies to strengthen awareness and improve perception. Enhancing these factors ultimately contributes to higher satisfaction, improved retention, and sustained growth in the life insurance industry.

Keywords: Customer Perception, Awareness, Customer Satisfaction, Life Insurance Services, Financial Literacy

INTRODUCTION

The life insurance sector plays a vital role in the economic and social development of any nation by providing financial security, risk coverage, and long-term savings opportunities to individuals and families. As societies expand, incomes rise, and financial literacy improves, life insurance has increasingly become an essential component of financial planning. However, the true success of life insurance companies depends not only on the variety of products they offer but also on how customers perceive these products, how aware they are of policy features, and the level of satisfaction they derive from insurance services. In a competitive and highly regulated market, understanding customer perception, awareness, and satisfaction is crucial for insurers striving to retain existing customers and attract new ones.

Customer perception refers to the overall impression customers develop about life insurance services and products, based on their interactions, experiences, and information available to them. These perceptions are shaped by several factors such as service quality, brand reputation, transparency in communication, claim settlement efficiency, agent behavior, and digital service accessibility. Positive customer perception leads to trust, a key element in the insurance sector, where customers invest long-term premiums in exchange for future security. In contrast, negative perceptions—whether due to miscommunication, delayed claims, hidden charges, or complex processes—can significantly damage customer trust and willingness to engage with insurers.

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Awareness forms another fundamental pillar of life insurance adoption. It refers to the level of knowledge customers possess about different insurance products, policy terms, premium structures, risks covered, exclusions, claim procedures, and benefits. Higher awareness enables customers to make informed decisions, select suitable plans, and properly evaluate the cost-benefit features of life insurance. However, in many developing economies, awareness remains low due to limited financial literacy, lack of consumer education, and complex product documentation. When customers misunderstand policy terms or lack clarity about coverage, their expectations may not align with actual policy benefits, resulting in dissatisfaction later. Therefore, customer awareness directly influences both perception and satisfaction, making it a critical area of focus for insurers.

Satisfaction represents the degree to which customers feel their expectations have been met or exceeded by the products and services provided by the insurer. In the life insurance industry, satisfaction is influenced by multiple elements: ease of purchasing a policy, clarity of information provided helpfulness of agents, fairness in pricing, timely premium reminders, digital service quality, and above all, the ease and speed of claim settlement. A satisfied customer is more likely to renew policies, purchase additional products, and recommend the company to others. Conversely, dissatisfied customers often discontinue policies, switch insurers, and share negative experiences that may affect the company’s reputation. As competition in the insurance sector intensifies—driven by technological innovation, new entrants, and increasing customer expectations—maintaining high levels of satisfaction is essential for long-term business sustainability.

The importance of studying customer perception, awareness, and satisfaction in the life insurance sector has grown significantly in recent years. Technological advancements have reshaped how customers interact with insurers. Digital platforms, mobile apps, online claim settlements, and chat-based customer support have increased customer expectations for convenience and transparency. At the same time, the rise of social media and online reviews has strengthened customer voice, meaning that negative experiences can spread rapidly and influence public perception. As a result, insurance companies must continuously evaluate how customers perceive their services, how aware they are of policy features, and how satisfied they feel throughout the insurance lifecycle—from purchasing a policy to receiving claim benefits.

Life insurance companies today face several challenges related to customer perception and awareness. Many customers still rely heavily on agents to guide their decisions, and the quality of service provided by agents can significantly influence perception. Instances of mis-selling where policies are sold without fully disclosing term has historically affected customer trust. Moreover, complex policy documents, lengthy claim processes, and unclear communication remain major barriers to customer satisfaction. To overcome these challenges, insurers need to simplify policy terms, enhance transparency, and invest in customer education through awareness campaigns, financial literacy programs, and digital learning tools. The ability of insurers to educate customers effectively can enhance awareness, leading to better decision-making and improved satisfaction.

Another factor shaping customer perception and satisfaction is claim settlement. Since life insurance is a long-term contract, the true value of a policy is realized only at the time of claim settlement. An insurer with a high claim settlement ratio, minimal documentation requirements, and prompt settlement processes creates a strong positive impression in the minds of customers. On the other hand, delays, rejections, or lack of clarity during the claim settlement stage can severely damage customer trust. Therefore, claim-related experiences significantly influence not only satisfaction but also customer loyalty and word-of-mouth referrals.

The demographic composition of customers also affects perception and awareness. Younger customers, especially millennial and Gen Z, prefer digital interactions, quick information, and flexible policy features. In contrast, older customers may rely more on personal interaction and traditional communication methods. Understanding these diverse customer segments helps insurers design personalized strategies for enhancing awareness and satisfaction. Additionally, income level, education, occupation, and urban-rural differences play a role in shaping perception and awareness. For example, urban customers often have higher financial literacy and access to information, whereas rural customers may depend more on intermediaries and government-sponsored schemes.

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Government regulations and policies also influence customer awareness and satisfaction in the life insurance industry. Regulatory bodies frequently introduce guidelines aimed at protecting policyholders, ensuring transparency, and preventing unfair practices. Public awareness campaigns initiated by government agencies and NGOs further contribute to educating people about the importance of life insurance. These measures help customers make informed decisions, thereby improving satisfaction and trust.

This study attempts to explore and analyze these interconnected concepts—customer perception, awareness, and satisfaction—in the life insurance sector. It aims to understand how customers interpret insurance products, how much they know about policies before purchasing them, and how satisfied they feel with the services they receive. By examining these aspects, the study seeks to provide insights into customer expectations, service gaps, and areas for improvement. The findings will help insurers refine their marketing strategies, enhance service quality, develop customer-centric products, and strengthen overall customer relationships.

REVIEW OF LITERATURE

Méndez-Aparicio, M. D. (2020). This paper reviews determinants of the digital customer experience in private insurance and links perceived digital quality to customer satisfaction and loyalty. It synthesizes empirical studies and proposes that expectations matter but perceived digital quality drives the real experience — with implications for co-creation, design and retention strategies. It's useful when comparing life v/s non-life because it discusses touch points (policy purchase, claims, servicing) common to both lines and how digital quality changes perceived value.

Eckert, C., Neunsinger, C., & Osterrieder, K. (2022) A broad literature review (106 items) that maps digital applications (AI, big data, blockchain, IoT, cloud) to four insurance customer touchpoints (contract conclusion, modifications, claim event, further contacts). The authors synthesize evidence on how digitalization reshapes satisfaction management and provide actionable strategic measures — highly relevant for comparative studies of life v/s non-life because it highlights different operational levers for each line.

Hakim, L. (2025) A recent systematic review of sentiment-analysis approaches applied to insurance (NLP methods, datasets, applications to customer feedback and claims). It summarizes techniques used to extract customer perceptions from unstructured text and discusses gaps (domain-specific lexicons, dataset scarcity). Valuable for researchers comparing perceived satisfaction across life and non-life insurance using text analytics.

Kase, B. F., et al. (2025) A 2025 systematic review and meta-analysis (health insurance context) that examines beneficiary satisfaction and links satisfaction with knowledge/awareness, availability of services and claims handling. Although focused on health insurance, its methods and findings about awareness → satisfaction pathways are transferable when contrasting life vs non-life product classes. It's helpful for methodology and for evidence on awareness as a predictor of satisfaction.

Huque, R., et al. (2025) A recent article (2025) synthesizing qualitative and quantitative evidence on key drivers of satisfaction with health insurance (customer service, claims). It emphasizes claims and customer service as the strongest predictors of satisfaction — a relevant comparison point when studying non-life (where claims are frequent: motor, property) vs life (claims are rarer but higher impact). The paper also outlines policy implications for insurer transparency and service design.

Horváth & Partners. (2021) described an industry study that surveys thousands of customers to assess customer experience in insurance (2021). It reports how tailored product recommendation and claims handling affect perceived suitability and satisfaction across product lines. While not a peer-reviewed paper, it's useful for up-to-date empirical benchmarking and for distinguishing perception/awareness drivers between life and non-life lines.

Financial Conduct Authority thematic review (2024) A regulatory thematic review (UK Financial Conduct Authority) and coverage by Reuters (2024) showing that insurers must demonstrate value and transparency — the report highlights weaknesses in product governance and value delivery. Regulatory reviews (and press

ISSN 2278-2540 | DOI: 10.51583/IJLTEMAS | Volume XV, Issue VIII, August 2026

summaries) are essential when studying customer perception because they affect awareness and trust in both life and non-life markets. Use for context on how governance influences customer satisfaction.

An ANZIIF journal review (2024) that lists five major trends shaping customer expectations (digital personalization, omni-channel service, data use, faster claims, product transparency). This practitioner review is handy for mapping contemporary perception/awareness trends and for comparing how life v/s non-life insurers are adapting to customer expectations.

JIER (2024) A 2024 paper focused on non-life insurers (JIER) that discusses customer segmentation, risk profiling and sustainability implications for non-life insurers, with an extended review of how perception and trust affect product uptake and retention. Useful for comparative insights because it places operational differences (frequent small claims v/s rare large claims) front and center when interpreting satisfaction measures.

Hoang, T. T., et al. (2024) empirical review of life insurance service quality and customer satisfaction (case studies in Hanoi plus broader literature synthesis). It identifies service speed, claim clarity and policy understanding as central to life-policyholder satisfaction and calls for awareness programs and simpler procedures — directly relevant when comparing awareness & perception between life and non-life customers.

Research Problem

Despite the growing importance of life insurance in financial planning, customer awareness regarding key insurance elements remains inconsistent and inadequate. While most customers are aware of basic product types, their understanding of crucial aspects such as policy features, premium structures, and especially claim procedures is significantly low. This lack of awareness can lead to poor decision-making, dissatisfaction, and difficulties during claim settlement. The wide gaps in awareness indicate ineffective communication by insurers and limited customer engagement with policy information. Therefore, it becomes essential to examine the extent of customer awareness across different dimensions of life insurance and identify areas requiring improved education and transparency.

Research Objectives

The following are the objectives for the study:

1. To assess the level of customer awareness regarding life insurance products and policy features.
2. To analyze customer perception towards service quality, transparency, and trustworthiness of life insurance companies.
3. To evaluate the factors influencing customer satisfaction in the life insurance sector.
4. To identify gaps in customer expectations and suggest measures for improving awareness, perception, and satisfaction.

Research Design

The study adopts a descriptive–analytical research design, utilizing quantitative survey methods supported by statistical analysis to explore customer perception, awareness, and satisfaction within the life insurance sector. The target population includes individuals aged 18 and above, comprising both existing policyholders and potential customers in urban and semi-urban regions. A total sample of 160 respondents was chosen, considered sufficient for conducting multivariate analyses while remaining practical within available resources. A stratified purposive sampling method was applied to ensure adequate representation across various groups, including age categories (18–30, 31–45, and 46+), gender, and policyholder status. Participants included in the study are adults who currently hold life insurance policies or have actively considered purchasing one in the past two years. Data collection was carried out through a structured questionnaire divided into sections on

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demographic details, awareness, perception, satisfaction, and claim-related experience. Key constructs such as Perception and Satisfaction were assessed using multi-item scales based on 5-point Likert measurements. To maximize coverage, data was gathered through a combination of face-to-face interviews, printed survey forms, and an online questionnaire, with informed consent obtained from all respondents.

LIMITATIONS

Use of purposive stratified sampling may limit the **generalizability** of findings to the entire population of policyholders. Self-reported data may be subject to **social desirability or recall bias**. Resource constraints limit sample size to 160; very small effect sizes may not be detected.

Significance of the Study

This research provides insights for insurance companies to understand and address customer expectations, improve policyholder engagement, and tailor marketing and service strategies. It will also help regulators and policymakers design more effective financial literacy and insurance outreach programs.

ANALYSIS/DISCUSSION

Section A: Demographics variable

Variable	Parameter	Frequency	Percentage
Gender	Male	110	68.75
	Female	50	31.25
Age	18-30	45	28.12
	31-45	65	40.62
	46-above	50	31.26
Education	upto 10th	20	12.50
	Upto Inter	35	21.87
	Upto Degree	65	40.62
	Degree above	40	25.00
Occupation	Private	120	75.00
	Govt. Employee	40	25.00
Income	upto 2 Lakhs	45	28.12
	Upto 5 Lakhs	90	56.25
	More than 5 Lakhs	25	15.63
Urban		129	80.62
Rural		31	19.38

The sample includes a majority of males (68.75%) compared to females (31.25%), indicating a skew towards male respondents. Age groups are fairly distributed, with the largest group being 31-45 years (40.62%), followed by 46 and above (31.26%) and 18-30 years (28.12%). This shows a middle-aged dominance in the sample. Most respondents have educational qualifications up to a degree level (40.62%), followed by those with education above degree level (25%) and up to intermediate (21.87%), with the lowest group having education up to 10th grade (12.5%). The majority are employed in the sector (75%), with a smaller proportion as government employees (25%). Income distribution shows most earning up to 5 lakhs (56.25%), with 28.12% earning up to 2 lakhs, and 15.63% earning more than 5 lakhs, indicating a concentration in the lower-middle income range, the Significant majority live in urban areas (80.62%) while only 19.38% reside in rural areas.

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Section B: Awareness — knowledge of product types, policy features, premiums, exclusions, claim procedur

Awareness	Parameter	Frequency	Percentage
product types	Yes	135	84.37
	No	25	15.63
policy features	Yes	75	46.87
	No	85	53.13
Premiums	Yes	55	34.37
	No	105	65.63
Claime procedure	yes	25	15.62
	No	135	84.38

A large majority of the respondents (over **84%**) are aware of different insurance product types. This indicates that customers generally have good exposure to basic insurance offerings such as term insurance, endowment plans, ULIPs, money-back policies, etc. High awareness suggests that marketing efforts, digital advertisements, and agent communication have effectively reached the customers. Less than half of the respondents (**46.87%)** are aware of key policy features such as coverage details, exclusions, riders, maturity benefits, and surrender conditions. The majority (**53.13%)** lack adequate awareness, which may indicate insufficient explanation by agents and limited policy reading by customers. This gap suggests a need for **better customer education** regarding policy terms to avoid misunderstandings at later stages. Awareness about premium calculations and payment structures is low. Only **34.37%** know about premium components, modes of payment, or premium influencing factors (age, sum assured, policy term, etc.). A considerable **65.63%** are unaware, indicating that customers largely rely on agents and do not actively verify premium details. This lack of awareness may cause confusion regarding premium changes or lapses. This is the **least-known** aspect among all variables. Only **15.62%** of respondents are aware of the correct claim process—required documents, time limits, settlement stages, and claim intimation procedures. A striking **84.38%** have no awareness, which may lead to significant difficulties during claim settlement.

Section C: Perception (perceived service quality, transparency, trust, agent competence)

Customer Perception	SD	D	N	A	SA
Life insurance is essential for financial security	08	07	5	20	120
Life insurance provides good long-term investment returns	16	09	20	35	80
Insurance companies clearly communicate product details	09	12	82	18	39
Premiums charged by insurance companies are reasonable	14	16	93	25	12
I feel confident while making decisions related to insurance	11	02	63	51	33
Agents provide unbiased and honest information	07	27	41	56	29

N=160

1. **Financial Security:** Strongly positive perception; 87.5% agree that life insurance is essential for financial security, making it the primary reason for adoption.

2. **Investment Returns:** Majority (71.88%) believe life insurance provides good long-term returns, though 15.63% disagree, reflecting some skepticism.

3. **Communication Clarity:** Over half (51.25%) are neutral, showing uncertainty about product details, with only 35.6% agreeing that communication is clear, indicating a need for better information clarity.

ISSN 2278-2540 | DOI: 10.51583/IJLTEMAS | Volume XV, Issue VIII, August 2026

4. **Premium Reasonableness:** Most respondents (58.13%) are neutral on premium fairness, 23.13% agree, and 18.75% disagree, suggesting mixed feelings and potential confusion about premium costs.

5. **Decision Confidence:** Moderate confidence with 52.51% feeling assured in decision-making, but a large neutral group (39.38%) implies reliance on agents due to limited understanding.

6. **Agent Trustworthiness:** Trust in agents is split; 53.13% (agree + strongly agree) trust agents' honesty, while 21.26% disagree, and 25.63% are neutral, revealing varied customer experiences.

The descriptive analysis reveals a strong positive perception of life insurance, particularly regarding its necessity and long-term benefits. Customers generally feel moderately confident in their decision-making and view agents as somewhat reliable. However, there is noticeable uncertainty and neutrality concerning the clarity of product information and the fairness of premium costs. These results highlight the importance of enhancing product education, ensuring transparent communication, providing clear explanations of premium structures, and improving agent training to build greater customer trust.

Section D: Satisfaction — overall satisfaction, renewal intention, perceived value for money, claim experience

Customer Satisfaction	**SD**	**D**	**N**	**A**	**SA**
I am satisfied with the service quality of my insurance company	18	07	15	80	45
The claim settlement process is easy and quick.	11	04	90	35	20
Customer support is responsive and helpful	08	10	85	36	21
Premium payment options are convenient.	00	00	06	63	91
Overall, I am satisfied with my insurance company.	11	05	10	51	83

N=160

Customer satisfaction with service quality is high, with 78.1% expressing satisfaction. Satisfaction with the claim settlement process is moderate, as 56.25% remain neutral, likely due to limited personal experience. Customer support also sees a large neutral response (53.1%), though those with experience tend to view it positively. Premium payment options receive very high satisfaction (96.25%), indicating ease and convenience. Overall satisfaction with insurance companies is strong, with 90% satisfied and only 10% dissatisfied, showing companies generally meet customer expectations.

Section E: Claim Experience & Behavioral Intentions

Out of the 160 respondents, only 72 customers reported having an insurance policy, while the remaining participants indicated that they do not have sufficient awareness or understanding of insurance products. Among the 72 policyholders, only a few possess knowledge about the full range of insurance options such as Term Insurance, Endowment Plans, Money Back Policies, ULIPs, and Whole Life Policies. Regarding purchase influence, only 15 respondents (9.38%) made their decision independently, showing that self-driven choices are relatively low. Family influence accounted for 36 respondents (22.50%), but agents played the most dominant role, influencing 87 respondents (54.38%). Media had a minimal impact, influencing just 9 respondents (5.63%), while employers influenced only 3 respondents (1.88%). Among the policyholders, 85% stated that they would recommend insurance to others.

CONCLUSION

In summary, customer perception, awareness, and satisfaction are cornerstone elements that determine the success of life insurance companies. With increasing competition and changing customer expectations, insurers must adopt proactive approaches to educate customers, deliver superior service quality, and build long-term trust. By understanding customer needs, addressing their concerns, and improving service experiences, life insurance companies can enhance satisfaction, drive customer loyalty, and achieve sustainable

ISSN 2278-2540 | DOI: 10.51583/IJLTEMAS | Volume XV, Issue VIII, August 2026

growth. This study contributes to understanding these factors and highlights their significance in shaping the future of the life insurance industry. This descriptive analysis highlights a predominantly male, urban, middle-aged sample with moderate education and private sector employment skewed towards lower-middle income levels. Such insights help understand the demographic composition of the studied group and lay the foundation for further statistical or inferential analyses based on these characteristics. **Product awareness is strong**, suggesting effective marketing. **Technical aspects (policy features & premiums) require improvement. Claim procedure awareness is critically low,** posing a major service gap. The analysis clearly shows that insurance agents are the dominant influencers, accounting for more than half of all purchase decisions. Family influence remains meaningful, while self-driven decisions and media influence are comparatively low. Employer influence is minimal.

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