

A Study On Insurance Awareness And Its Relationship With Preference And Purchase Decision Among Policyholders In Chennai .

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ABSTRACT

In the rapidly growing insurance sector, enhancing policyholders' awareness and influencing their purchase decision has become a major concern for insurance providers. Awareness of insurance products plays a crucial role in shaping consumers' preferences, which ultimately determine their purchase decisions. This study examines the relationship between awareness towards insurance products, preference towards insurance products, and purchase decision among policyholders in Chennai. The study considers awareness of life insurance and health insurance as independent variables, preference based on premium affordability and risk coverage as mediating variables, and purchase intention and renewal decision as outcome variables. Primary data were collected from policyholders using a structured questionnaire. Descriptive statistics, Pearson correlation, and regression analyses were employed to examine the proposed relationships. The results reveal that insurance awareness significantly influences preference, which in turn has a positive impact on purchase decision. The study highlights the importance of improving insurance awareness to strengthen customer preference and purchase behavior.

Keywords: Insurance Awareness, Preference, Purchase Decision, Life Insurance, Health Insurance, Policyholders, Chennai.

I.INTRODUCTION

The insurance sector plays a vital role in providing financial protection against uncertainties related to life, health, and income. With increasing competition and product diversification, insurance companies face significant challenges in attracting and retaining policyholders. Despite the availability of various insurance products, many consumers lack adequate awareness regarding policy features, benefits, and coverage, which affects their preference and purchase decisions.

Awareness towards insurance products enables consumers to understand the importance of insurance and evaluate different policy options effectively. Preference reflects consumers' favorable attitude toward specific insurance products and acts as an important link between awareness and purchase decision. In the insurance context, purchase decision represents the final outcome of the consumer decision-making process, including policy purchase and renewal.

Although insurance awareness has gained increasing attention in recent years, empirical studies examining the combined relationship between awareness, preference, and purchase decision among policyholders in Chennai remain limited. This study attempts to bridge this gap by analyzing how awareness towards insurance products influences preference and how preference, in turn, affects purchase decision.

Awareness of Life Insurance

Awareness of life insurance refers to policyholders' understanding of life insurance policies, their benefits, and long-term financial protection. Life insurance provides financial security to individuals and their dependents against risks such as death and income loss. Higher awareness helps consumers recognize life insurance as a financial planning tool rather than merely a risk cover. Policyholders who are aware of life insurance products are more likely to develop favorable preferences and make informed purchase decisions (Kotler & Keller, 2016).

Awareness of Health Insurance

Awareness of health insurance refers to consumers' knowledge of medical coverage, hospitalization benefits, and healthcare-related financial protection. Health insurance helps individuals manage unexpected medical expenses and reduces financial burden during health emergencies. Increased awareness of health insurance policies enhances consumers' confidence in managing healthcare risks and encourages proactive insurance adoption (Outreville, 2013).

Preference Based on Premium Affordability

Premium affordability refers to consumers' preference for insurance policies that offer adequate coverage at reasonable and affordable premium rates. Premium cost is a major factor influencing insurance preference, particularly among middle-income consumers. Policies with affordable premiums are more likely to be preferred, as they align with consumers' financial capacity and perceived value (Zeithaml, 1988).

Preference Based on Risk Coverage

Risk coverage refers to the extent of protection offered by insurance policies against unforeseen events. Consumers generally prefer insurance products that provide comprehensive risk coverage, as it enhances financial security and peace of mind. Preference for higher risk coverage reflects consumers' desire for long-term protection and stability (Bodie, Kane & Marcus, 2014).

Purchase Intention

Purchase intention refers to the likelihood that consumers plan to purchase or upgrade insurance policies in the future. Favorable preference developed through awareness significantly strengthens purchase intention. Consumers with higher awareness and strong preference are more inclined to purchase insurance products that meet their needs (Fishbein & Ajzen, 1975).

Renewal Decision

Renewal decision refers to policyholders' willingness to continue existing insurance policies. Renewal behavior is influenced by satisfaction, trust, and preference formed through awareness and experience. Policyholders with positive preference are more likely to renew their insurance policies and maintain long-term relationships with insurers (Oliver, 1999).

II. REVIEW OF LITERATURE

Kotler and Keller (2016) explain that consumer awareness plays a vital role in shaping attitudes and purchase decisions. They state that informed consumers are more likely to develop favorable preferences and make rational buying decisions. Outreville (2013) highlights that awareness of insurance products significantly influences consumers' willingness to purchase insurance. He emphasizes that lack of awareness is a major barrier to insurance adoption, particularly in developing markets.

Zeithaml (1988) states that price affordability strongly influences consumer preference and perceived value. He explains that consumers prefer products that offer maximum benefits at affordable costs, which directly affects purchase decisions. Bodie, Kane, and Marcus (2014) explain that risk protection is a fundamental objective of insurance. They argue that consumers prefer insurance products that provide comprehensive coverage and reduce financial uncertainty.

Fishbein and Ajzen (2012) state that purchase intention is a strong predictor of actual buying behavior. They explain that attitudes and preferences significantly influence consumers' intention to purchase products.

Oliver (2011) explains that satisfaction and preference play a crucial role in repeat purchase and renewal decisions. He states that satisfied consumers are more likely to continue using the same product and recommend it to others.

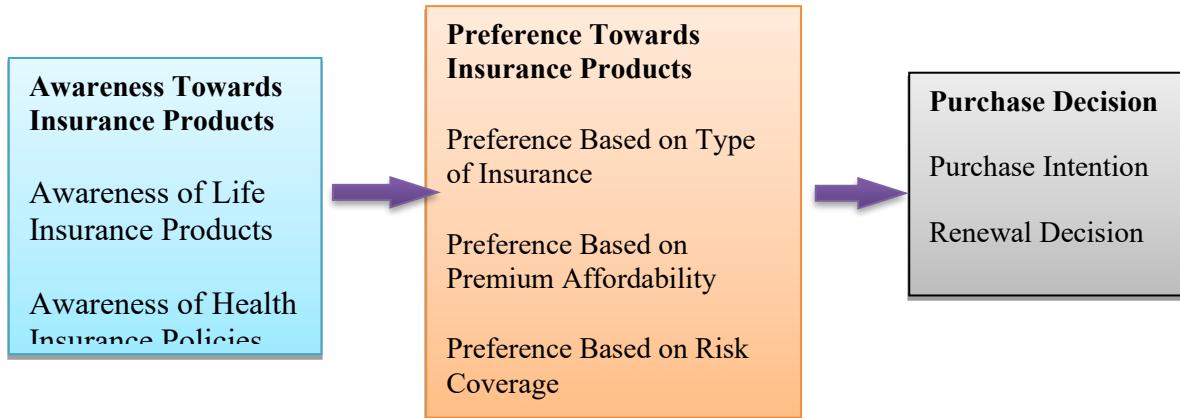
Background of the Study

Insurance awareness has gained increasing importance in recent years as consumers face rising financial risks related to life and health. In urban areas like Chennai, policyholders are exposed to a wide range of insurance products offered by both public and private insurers. However, many consumers lack adequate understanding of policy features, benefits, and coverage, which affects their preference and purchase decisions. Factors such as premium affordability and risk coverage play a crucial role in shaping preference, which ultimately influences purchase intention and renewal decision. Hence, the present study focuses on examining the relationship between insurance awareness, preference, and purchase decision among policyholders in Chennai.

Research Problem

Despite the growth of the insurance sector, many policyholders face difficulties in selecting suitable insurance products due to inadequate awareness and understanding. Although preference plays a mediating role between awareness and purchase decision, limited empirical studies have examined this relationship in the context of insurance. Existing studies have largely focused on awareness or purchase behavior independently, leaving limited evidence on the combined influence of awareness and preference on purchase decision. Therefore, the research problem of this study is to examine the relationship between awareness towards insurance products, preference towards insurance products, and purchase decision among policyholders in Chennai.

CONCEPTUAL FRAMEWORK



OBJECTIVES OF THE STUDY

- To assess the policyholders' opinion about insurance awareness dimensions such as awareness of life insurance and awareness of health insurance among policyholders in Chennai.
- To analyze the relationship between insurance awareness factors and preference towards insurance products such as premium affordability and risk coverage among policyholders in Chennai.
- To examine the influence of insurance awareness dimensions on preference towards insurance products among policyholders in Chennai.
- To analyze the relationship between preference towards insurance products and purchase decision of insurance products such as purchase intention and renewal decision among policyholders in Chennai.

HYPOTHESES OF THE STUDY

H1: Policyholders' opinion towards insurance awareness, preference, and purchase decision is significantly varied among the sample.

H2: There is a significant relationship between insurance awareness dimensions (awareness of life insurance and awareness of health insurance) and preference towards insurance products (premium affordability and risk coverage) among policyholders in Chennai.

H3: There is a significant relationship between preference towards insurance products (premium affordability and risk coverage) and purchase decision of insurance products (purchase intention and renewal decision) among policyholders in Chennai.

III. RESEARCH METHODOLOGY

Type of Research

The present study adopts a descriptive and analytical research design to examine policyholders' perceptions towards insurance awareness dimensions and to analyze their influence on preference and purchase decision of insurance products. Descriptive research is appropriate for this study as it enables a systematic description of policyholders' opinions, attitudes, and awareness levels. The analytical component helps in examining the relationships and influence among awareness, preference, and purchase decision variables, thereby providing empirical evidence for the proposed conceptual framework.

Population of the Study

The population of the study consists of policyholders residing in Chennai who have subscribed to life insurance and health insurance policies offered by public and private insurance companies. Policyholders belonging to different demographic categories such as age, occupation, income level, and educational background were considered to ensure diversity in responses and to capture varied perceptions towards insurance products.

Sample Size and Sampling Technique

A sample size of 60 respondents was selected for the study using the convenience sampling technique. This technique was adopted due to time constraints and ease of access to respondents. Policyholders who were readily available and willing to participate during the data collection period were included in the sample. Although convenience sampling limits generalization, it is widely used in exploratory and perception-based studies where the primary objective is to analyze relationships among variables.

Study Variables

The study consists of the following variables:

- **Independent Variables:**

- Awareness of Life Insurance
- Awareness of Health Insurance

- **Mediating Variables:**

- Preference Based on Premium Affordability
- Preference Based on Risk Coverage

- **Outcome Variables:**

- Purchase Intention
- Renewal Decision

- These variables were selected based on an extensive review of literature and aligned with the objectives and hypotheses of the study.

Data Collection Method

The study is based on primary data, which were collected through the survey method. Data were collected by personally administering the questionnaire to policyholders in the selected areas of Chennai. The survey method was adopted as it enables the collection of first-hand information directly from respondents and facilitates accurate measurement of perceptions related to insurance awareness, preference, and purchase decision.

Research Tool

A structured questionnaire was used as the research instrument for data collection. The questionnaire was designed based on previous empirical studies and theoretical frameworks related to consumer awareness and purchase behavior. It consisted of closed-ended statements measured using a five-point Likert scale ranging from Strongly Disagree (1) to Strongly Agree (5). The questionnaire was divided into sections covering demographic details, insurance awareness, preference towards insurance products, and purchase decision. This structure ensured systematic data collection and consistency in responses.

Statistical Tools

Appropriate statistical tools were employed to analyze the collected data.

Descriptive statistics such as mean and standard deviation were used to assess the overall level of awareness, preference, and purchase decision among policyholders.

Correlation analysis was applied to examine the relationship between insurance awareness variables and preference, as well as between preference and purchase decision variables.

IV. Result and Discussion

Table 1: Policyholders' Opinion towards Insurance Awareness, Preference and Purchase Decision Variables

Study Variables	Mean	SD	t-value	p-value
Awareness of Life Insurance	4.06	0.60	16.94	0.001
Awareness of Health Insurance	4.12	0.57		
Preference based on Premium Affordability	3.98	0.64		
Preference based on Risk Coverage	4.04	0.59		
Purchase Intention	4.01	0.61		
Renewal Decision	4.08	0.58		

Interpretation

The above table presents policyholders' opinions towards insurance awareness, preference, and purchase decision variables measured using a five-point Likert scale. The mean values range from 3.98 to 4.12, indicating a high level of agreement among policyholders regarding the insurance-related variables considered in the study.

Among the insurance awareness variables, awareness of health insurance (4.12) records the highest mean score, followed by awareness of life insurance (4.06). This indicates that policyholders in Chennai are relatively more aware of health insurance products compared to life insurance policies, reflecting growing concern towards healthcare-related financial protection.

With regard to the preference variables, preference based on risk coverage (4.04) shows a higher mean value than preference based on premium affordability (3.98). This suggests that policyholders place greater importance on comprehensive risk coverage while selecting insurance products, though premium affordability also remains an important consideration.

In terms of purchase decision variables, renewal decision (4.08) records a higher mean value compared to purchase intention (4.01), indicating that policyholders are more inclined to continue with existing insurance policies rather than frequently switching or purchasing new ones.

The standard deviation values range between 0.57 and 0.64, indicating a reasonable level of consistency in policyholders' responses. The calculated t-value of 16.94 is significant at the 0.001 level, confirming that policyholders' opinions towards insurance awareness, preference, and purchase decision variables are statistically significant.

Overall, the results indicate that policyholders hold a positive opinion towards insurance awareness, preference, and purchase decision factors. Hence, the hypothesis related to policyholders' opinion towards the study variables is accepted.

Table 2: Relationship between Insurance Awareness and Preference

Insurance Awareness Variables	Preference Variables	r-value	p-value
Awareness of Life Insurance	Preference based on Premium Affordability	0.628	0.001
Awareness of Life Insurance	Preference based on Risk Coverage	0.654	0.001
Awareness of Health Insurance	Preference based on Premium Affordability	0.671	0.001
Awareness of Health Insurance	Preference based on Risk Coverage	0.702	0.001

Interpretation

Table 2 presents the relationship between insurance awareness variables and preference towards insurance products among policyholders in Chennai. The Pearson correlation analysis was employed to examine the strength and direction of the relationship between awareness and preference variables.

The results reveal that awareness of life insurance has a positive and significant relationship with preference based on premium affordability ($r = 0.628, p < 0.001$) and preference based on risk coverage ($r = 0.654, p < 0.001$). This indicates that policyholders who possess higher awareness of life insurance policies tend to show stronger preference towards affordable premium options and comprehensive risk coverage.

Similarly, awareness of health insurance shows a stronger positive and significant relationship with preference based on premium affordability ($r = 0.671, p < 0.001$) and preference based on risk coverage ($r = 0.702, p < 0.001$). This suggests that increased awareness of health insurance benefits enhances policyholders' preference towards insurance products that provide better coverage at reasonable premium costs.

Among the relationships examined, awareness of health insurance and preference based on risk coverage records the highest correlation value ($r = 0.702$), indicating that health insurance awareness plays a crucial role in shaping preference for risk protection.

Since all the correlation values are positive and statistically significant at the 0.005 level, the hypothesis stating that there is a significant relationship between insurance awareness and preference towards insurance products is accepted.

Table 3: Relationship between Preference and Purchase Decision of Insurance Products

Preference Variables	Purchase Decision Variables	r-value	p-value
Preference based on Premium Affordability	Purchase Intention	0.662	0.001
Preference based on Premium Affordability	Renewal Decision	0.638	0.001
Preference based on Risk Coverage	Purchase Intention	0.689	0.001
Preference based on Risk Coverage	Renewal Decision	0.721	0.001

Interpretation

Table 3 shows the relationship between preference towards insurance products and purchase decision of insurance products among policyholders in Chennai. Pearson correlation analysis was used to examine the association between preference variables and purchase decision variables.

The results indicate that preference based on premium affordability has a positive and significant relationship with purchase intention ($r = 0.662, p < 0.001$) and renewal decision ($r = 0.638, p < 0.001$). This implies that policyholders who prefer insurance products with affordable premium amounts are more likely to intend to purchase insurance policies and continue renewing their existing policies.

Similarly, preference based on risk coverage shows a stronger positive and significant relationship with purchase intention ($r = 0.689, p < 0.001$) and renewal decision ($r = 0.721, p < 0.001$). This indicates that policyholders who prioritize comprehensive risk coverage demonstrate a higher tendency to purchase insurance products and renew their policies.

Among all the relationships examined, the association between preference based on risk coverage and renewal decision records the highest correlation value ($r = 0.721$), highlighting the importance of adequate risk protection in influencing long-term purchase behavior among policyholders.

Since all the correlation values are positive and statistically significant at the 0.005 level, the hypothesis stating that there is a significant relationship between preference towards insurance products and purchase decision of insurance products is accepted.

Findings

1. The study reveals that policyholders in Chennai exhibit a high level of awareness regarding insurance products, particularly life insurance and health insurance. The mean values indicate that respondents are relatively well-informed about the basic features and benefits of insurance policies.
2. Among the insurance awareness variables, awareness of health insurance records a higher mean score compared to awareness of life insurance, indicating increasing concern among policyholders towards health-related financial protection.
3. With regard to preference towards insurance products, policyholders show a stronger preference for risk coverage compared to premium affordability. This indicates that comprehensive protection is considered more important than cost alone while selecting insurance products.
4. The correlation analysis reveals a positive and significant relationship between insurance awareness variables and preference towards insurance products. Higher awareness of life and health insurance leads to stronger preference based on premium affordability and risk coverage.
5. The findings further indicate a strong and significant relationship between preference towards insurance products and purchase decision variables such as purchase intention and renewal decision. Policyholders with favorable preference are more likely to purchase and renew insurance policies.
6. Among the preference variables, preference based on risk coverage shows a stronger association with purchase decision, particularly with renewal decision, highlighting the importance of adequate risk protection in long-term insurance behavior.

7. Overall, the study confirms that preference towards insurance products acts as a crucial link between awareness and purchase decision, emphasizing the importance of educating policyholders to improve informed decision-making.

Suggestions

1. Insurance companies should strengthen awareness programs by providing clear and simple information about life and health insurance products through digital platforms, seminars, and customer education campaigns to improve policyholders' understanding.
2. Insurers should focus on enhancing health insurance awareness, as policyholders show relatively higher concern towards health-related financial protection. Clear communication about coverage, benefits, and exclusions can further strengthen preference.
3. Since policyholders exhibit a stronger preference towards risk coverage, insurance companies should design products with comprehensive coverage options that address major risks faced by consumers.
4. Insurance providers should ensure that premium structures remain affordable and transparent, as premium affordability continues to influence preference and purchase intention among policyholders.
5. Customer communication strategies should emphasize how insurance products balance risk protection and cost efficiency, thereby aligning with policyholders' preferences and improving purchase intention and renewal behavior.
6. Insurance companies should improve post-purchase support and service quality to encourage renewal decisions and strengthen long-term relationships with policyholders.

Conclusion

The present study examined the relationship between insurance awareness, preference, and purchase decision among policyholders in Chennai. The findings reveal that policyholders possess a relatively high level of awareness regarding life insurance and health insurance products. Insurance awareness significantly influences preference towards insurance products, particularly in terms of premium affordability and risk coverage.

The study further confirms that preference towards insurance products has a strong and positive relationship with purchase decision variables such as purchase intention and renewal decision. Policyholders who demonstrate favorable preference are more likely to purchase insurance products and continue renewing their policies. Among the preference factors, risk coverage emerges as a critical consideration influencing long-term purchase behavior.

The study highlights the importance of enhancing insurance awareness to strengthen customer preference and improve purchase decisions. By focusing on customer education, transparent communication, and comprehensive risk coverage, insurance companies can improve insurance adoption and policy renewal rates. The findings provide valuable insights for insurers and policymakers to design customer-centric strategies that promote informed insurance decisions and sustainable growth in the insurance sector.

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