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Presenting a model to examine the formation of habits in purchasing life insurance policies in Iran

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Abstract

The aim of this study is to present a model to investigate habit formation in purchasing life insurance in Iran. The present study is applicable in terms of its purpose, and descriptive in terms of its nature and method. The statistical population of it includes all the activists in the insurance industry in Iran. The method and sample size in determining the appropriate degree of the proposed model was also carried out by the available sampling method with 35 experts. The collection tool in this study includes a researcher-made questionnaire derived from the qualitative method, which includes 4 areas of economic factors, non-economic factors, factors affecting customer withdrawal, and long-term factors affecting life insurance demand. SPSS software was used to analyze the findings, and structural equations and LISREL software were used to fit the model. The research findings showed that the statistical value of the previous year's insurance demand variable was measured significantly, so it can be stated that the hypothesis of habit formation in purchasing life insurance using the conditional variance heteroscedasticity multivariate autoregression approach has a significant effect. In addition, other variables have a direct and significant relationship with life insurance demand.

Keywords:
Insurance,
life insurance,
economic factors,
insurance growth rate,
life expectancy

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Extended Abstract

Introduction

The three institutions of banks, insurance, and stock exchanges are of particular importance in providing financial resources for investments. The insurance industry is one of the most important pillars of the economic development of countries. By reviewing the contribution of the insurance industry in the economy of developed countries, it can be seen that insurance has a greater and more significant role and importance compared to other services (Babaei, 2020). The role of the insurance industry in financial markets appears in three ways. First, the effect that this industry can exert on other financial markets, which is usually used as a support to reduce investment risk. Its second role is to collect and provide financial resources using insurance operations, and finally, the role of the insurance industry in indirect or direct investment. Direct investment of the insurance industry in the country's economic activities is its most important role. In the role of risk coverage, insurance companies act like a cooperative fund. In other words, they act to pay for the losses incurred from the collected resources. But in the role of financial inputs, insurance acts as a capital supply fund that seeks to maximize profits like an economic enterprise (Haris et al., 2019). For this reason, it is tried to maintain an appropriate combination of insurance types in order to achieve the goals. One type of insurance policy that is significantly attractive in the composition of the insurance sales portfolio is life insurance. In selling life insurance, insurance companies use the funds of policyholders that they have in the form of technical reserves as a profitable asset and invest in appropriate economic activities. The features of this insurance policy such as low loss ratio, long-term commitments, and short-term and continuous resource provision, have made insurance companies advocate this type of insurance, unlike third-party and medical insurance. For this reason, the factors that affect its sales are of interest to insurance companies. In addition to economic variables, these factors also include non-economic ones. In fact, insurance companies are interested in developing their activities in this area by being aware of the decision-making model of life insurance buyers (Moore & Young, 2020.)
Studying the effect of each of these factors will play a key role in developing life insurance sales for insurance companies. Recognizing this issue, sellers should think about developing the insurance network by understanding the psychological issues of policyholders as life insurance buyers. The development of the insurance industry, especially life insurance, as mentioned at the beginning, will play a significant role in the economic development of the country. Therefore, the researcher is trying to address the question: what is the appropriate model for examining the formation of the habit of buying life insurance in Iran?

Theoretical Framework

Life Insurance

Insurance is a contract that transfers an imminent risk that may occur to an individual's property, activity, or life to the insurance company in order to compensate for the material loss caused by the risk (Karimi & Zaghian, 2020). Life insurance is one of the most important fields of personal insurance. Legally, life insurance is a contract under which the insurer undertakes, in return for receiving a premium, to pay an amount (capital or annuity) to the policyholder or a third party designated by him in the event of the insured's death or survival at a certain time (Ahmadi et al., 2021).
Amari Allahyari et al., (2024) examined the relationships between service quality dimensions and the intention to purchase life insurance policies. The results obtained show that service quality plays a vital role in increasing customer satisfaction and improving organizational performance. The findings show that life insurance representatives with problem-solving and helpfulness skills can increase customers' willingness to purchase life insurance products.

This research emphasizes that high service quality is a key competitive advantage in the life insurance market and must be aligned with organizational goals.
Li et al., (2021) examined the demand for non-life insurance under habit formation by presenting a dynamic model for the optimal consumption of non-life insurance according to past weighted average consumption. In their study, habit is divided into two types: internal and external. Internal habit is influenced by the discussion of risk aversion, and external habit is influenced by the discussion of false comparison to others and the comparison of different investment options, including stocks.

Research Methodology

The present study is applicable in terms of purpose, and descriptive in terms of nature and method. The statistical population of the present study includes all activists in the insurance industry in Iran. The method and sample size in determining the appropriate degree of the proposed model were also carried out as a available sampling method for 35 experts. The collection tool in this study includes a researcher-made questionnaire derived from a qualitative method, which includes 4 areas of economic factors, non-economic factors, factors affecting customer withdrawal, and long-term factors affecting life insurance demand.

Research Findings

SPSS software was used to analyze the findings and the model was fitted using structural equations and LISREL software. The research findings showed that the statistical value of the previous year's insurance demand variable was significantly measured, so it can be stated that the hypothesis of habit formation in life insurance purchase using the conditional variance heteroscedasticity multivariate autoregression approach has a significant effect. In addition, other variables have a direct and significant relationship with life insurance demand.

Conclusion

The present study was conducted with the aim of providing a model to investigate habit formation in life insurance purchase in Iran. The results of this study are consistent with the results of Amari Allahyari et al., (2024), Li et al., (2021), Ahmadi et al., (2021), Ghasemi Aghdami et al., (2021), Karimi & Zaghian (2020), Abdolsalam (2021), and Tan et al., (2018). Amari Allahyari et al., (2024) showed that service quality plays a vital role in increasing customer satisfaction and improving organizational performance. The findings show that life insurance representatives with problem-solving and helpfulness skills can increase customers' willingness to purchase life insurance products. This study emphasizes that high service quality is a key competitive advantage in the life insurance market and should be aligned with organizational goals.
Based on the present study, the following suggestions are made:
•Reforming the organizational structure of the investment unit.
•Reforming the regulations related to the investment limit of life financial resources.
•Using experimental advertising by insurance companies in order to confirm the habit formation hypothesis.
•Insurance companies can design optimal strategies in line with customer demand for life insurance by measuring factors related to monitoring and controlling the organization's internal processes and employing expert personnel at different levels.