

Insurance Mis-selling and Policyholder Outcomes: Examining the Effects on Satisfaction and Consumer Trust

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INTRODUCTION

Insurance is an important component of the financial services sector, providing individuals and households with financial protection against uncertain future events. However, insurance products are often complex, involving terms related to coverage, exclusions, premiums, charges, maturity benefits and claims. As a result, consumers frequently depend on insurance agents and other intermediaries to understand and select appropriate policies. This information asymmetry can create opportunities for inappropriate or misleading sales practices, commonly referred to as insurance mis-selling.

Insurance mis-selling may involve incomplete disclosure, misleading information, concealment of important policy conditions, aggressive sales practices, or recommending products that do not adequately match the consumer's needs. In the Indian insurance market, such practices have attracted considerable attention because they can result not only in financial losses but also in dissatisfaction and declining confidence among policyholders. Anagol, Cole, and Sarkar (2017), for example, found evidence of substantial consumer losses associated with mis-selling in India's life insurance market, highlighting the wider economic consequences of inappropriate insurance recommendations.

The consequences of mis-selling extend beyond the immediate financial transaction. Policyholder satisfaction may decline when consumers discover that the actual features or benefits of a policy differ from what they expected at the time of purchase. Inadequate explanation of exclusions, charges, risks, or policy conditions can create a gap between customer expectations and actual experiences. Thus, transparency and suitability in the selling process are important determinants of the policyholder's overall evaluation of the insurance product and service.

Another important consequence is consumer trust. Insurance is fundamentally a trust-based financial service because consumers pay premiums in the present with the expectation that the insurer will provide protection or financial benefits in the future. Ramaswami et al. (2019), in their study of life insurance decision-making in India, demonstrated the importance of trust in the relationship between consumers and insurance providers. Mis-selling can weaken this relationship when policyholders perceive that information was withheld, promises were exaggerated, or products were unsuitable for their needs. The issue is also closely associated with consumers' ability to understand insurance products. Lin, Bruhn, and William (2019) argue that general financial literacy does not necessarily imply adequate insurance literacy, as insurance products require consumers to understand specialised concepts and conditions. This highlights the importance of clear communication and responsible selling practices, particularly where consumers may have limited ability to independently evaluate complex insurance products.

Although previous studies have examined insurance mis-selling, financial losses, agent behaviour, insurance literacy and consumer trust, there remains scope for

greater empirical examination of how perceived mis-selling affects policyholder outcomes. In particular, examining satisfaction and trust together provides a consumer-centric perspective on the consequences of inappropriate selling practices.

Against this background, the present study empirically examines the relationship between perceived insurance mis-selling practices, policyholder satisfaction and consumer trust. The study focuses on consumers' perceptions regarding the clarity of information provided, disclosure of charges and conditions, pressure to purchase, suitability of the recommended product, and consistency between promised and actual policy benefits. By examining these relationships, the study seeks to contribute to the growing literature on responsible insurance distribution and consumer protection.

The findings are expected to provide useful implications for insurance companies, intermediaries and regulators by highlighting the importance of transparent communication, suitable product recommendations and ethical selling practices. Ultimately, strengthening these practices can contribute to greater policyholder satisfaction and help build sustainable consumer trust in the insurance sector.

2. LITERATURE REVIEW

2.1 Insurance Mis-selling and Unethical Selling Practices

Insurance mis-selling has increasingly attracted attention because of the information imbalance between consumers and insurance providers or intermediaries. Insurance products are often complex, and consumers may depend heavily on agents to interpret product features, risks and benefits. This dependence can create opportunities for inappropriate recommendations, incomplete disclosure and sales practices that prioritise short-term sales objectives over customer suitability.

Anagol, Cole, and Sarkar (2017) provided important evidence from the Indian life insurance market, demonstrating that commission-driven incentives can influence the advice provided by insurance agents and may result in substantial consumer losses. Their findings highlight the importance of aligning intermediary incentives with consumer interests. Similarly, Shetty and Basri (2021), based on a survey of 825 life insurance agents in India, found that competitive intensity, product complexity and excessive supervisory pressure were associated with financial mis-selling. Their findings suggest that mis-selling is influenced not only by individual salesperson behaviour but also by the organisational and market environment.

These studies indicate that insurance mis-selling is a multidimensional issue involving incentives, organisational pressure, product complexity and the quality of information communicated to consumers. Therefore, examining mis-selling from the policyholder's perspective is important for understanding its consequences beyond the sales process itself.

2.2 Mis-selling and Policyholder Satisfaction

Customer satisfaction in insurance is strongly influenced by the extent to which the product and service meet consumers' expectations. Unlike many tangible products, insurance involves an expectation of future protection, making accurate information at the time of purchase particularly important. When policyholders subsequently discover that the coverage, charges, exclusions or benefits differ from what they understood during the sales process, dissatisfaction may arise.

Mis-selling can therefore create a gap between expected and experienced value. Inappropriate recommendations may initially lead to a successful sale, but the resulting dissatisfaction can become evident when consumers examine policy documents more carefully, make premium payments, surrender policies or attempt to claim benefits. This suggests that sales performance alone may not be an adequate indicator of successful insurance distribution; the longer-term satisfaction of policyholders should also be considered.

The Indian context makes this relationship particularly relevant because insurance agents continue to play an important role in explaining and selling products. Ramaswami et al. (2019), in their study of 813 life insurance policyholders in India, found that information sharing and the quality of interactions between agents and customers significantly influenced insurance decision-making. Their findings emphasised the importance of responsible and relational selling practices in improving consumer outcomes.

2.3 Mis-selling and Consumer Trust

Trust represents another important outcome of the insurance selling process. Policyholders enter into a relationship in which they make financial commitments in the present in return for promised protection or benefits in the future. Consequently, consumers need confidence that insurers and their representatives will provide accurate information and act in accordance with their interests.

Ramaswami et al. (2019) found that trust played an important role in the relationship between relational selling behaviour and life insurance decision-making in India. In particular, disclosure of policy information, agent–customer interaction and personal rapport contributed to consumer decision-making through trust. The study consequently suggested that responsible selling and honest disclosure can help strengthen consumer relationships.

From this perspective, mis-selling may have consequences beyond a single inappropriate purchase. If policyholders perceive that an agent has concealed important information, exaggerated benefits or recommended an unsuitable product, their confidence in the insurer and the broader insurance sector may be affected. Thus, trust provides an important consumer-level dimension through which the consequences of mis-selling can be examined.

2.4 Insurance Literacy and Consumer Vulnerability

The ability of consumers to understand insurance products is closely related to the quality of insurance decisions. Lin, Bruhn, and William (2019) distinguish insurance literacy from general financial literacy and argue that financial knowledge alone does not necessarily provide consumers with sufficient ability to understand and apply insurance-related information. Their findings indicate that specialised insurance education can improve insurance literacy and reduce vulnerability to certain decision-making biases.

Similarly, research on personal insurance decision-making has identified insurance literacy as an important factor influencing consumers' ability to make appropriate insurance decisions. These findings are particularly relevant to mis-selling because consumers with limited understanding may rely more heavily on intermediaries and may find it difficult to independently evaluate whether a recommended policy is suitable for their financial needs.

However, insurance literacy should not automatically be treated as a measure of financial literacy. The distinction is important because a consumer may possess general financial knowledge while still having limited understanding of insurance-specific concepts. This reinforces the need for transparent communication by insurers and intermediaries.

2.5 Research Gap

The existing literature provides valuable insights into the causes of insurance mis-selling, particularly the influence of sales incentives, organisational pressure, product complexity and intermediary behaviour. Other studies have examined insurance literacy and the role of trust in consumer decision-making. However, much of the existing research has focused either on the determinants of mis-selling from the perspective of insurance agents or on the factors influencing insurance purchase decisions.

Comparatively less attention has been given to examining the relationship between perceived mis-selling and its direct consequences for policyholders, particularly satisfaction and consumer trust considered together.

The present study addresses this gap by adopting a policyholder-centric approach. Rather than examining mis-selling solely as a regulatory or agent-level problem, the study examines whether consumers' perceptions of mis-selling practices are associated with their satisfaction and trust in insurance companies. This approach provides a more direct understanding of the consumer consequences of inappropriate or insufficiently transparent insurance selling practices.

Accordingly, the present study contributes to the literature by empirically examining insurance mis-selling as an

antecedent of policyholder outcomes, with particular emphasis on satisfaction and consumer trust.

3. CONCEPTUAL BACKGROUND

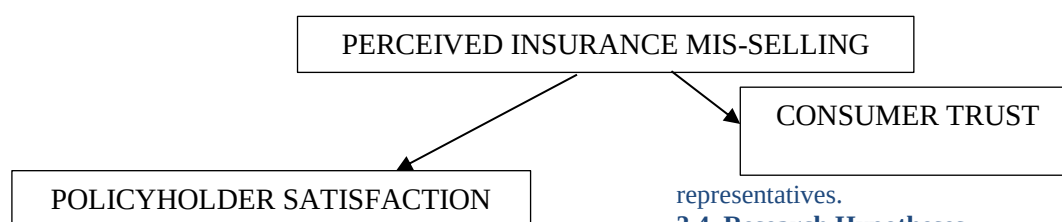
The present study examines insurance mis-selling from a policyholder-centric perspective. Insurance products are often complex and consumers may depend on agents and other intermediaries for information regarding policy features, charges, exclusions, risks and benefits. Where information is incomplete, misleading, unsuitable or communicated under undue sales pressure, consumers may perceive the selling process as mis-selling. Such experiences may influence how policyholders evaluate their insurance experience and their confidence in the insurance company.

3

1. Variables in the Conceptual Framework

Variable	Role	Conceptual Meaning
Perceived Insurance Mis-selling Practices	Independent Variable	Policyholders' perception that insurance products were sold through inadequate disclosure, pressure, unsuitable recommendations, hidden terms/charges, or a mismatch between promised and actual policy benefits.
Policyholder Satisfaction	Dependent Variable	The extent to which the policyholder feels satisfied with the insurance product and the overall experience associated with its purchase and service.
Consumer Trust	Dependent Variable	The degree of confidence policyholders have in the insurance company and its representatives to provide accurate information and act reliably in relation to the policy.

3.2. Proposed Conceptual Model



3.3. Explanation of the Framework

Relationship 1 – Mis-selling and Policyholder Satisfaction: The framework proposes that perceived mis-selling practices are associated with policyholder satisfaction. When consumers believe that important information was not adequately disclosed, the policy was unsuitable, or the benefits communicated during the sale did not correspond with the actual policy, their satisfaction with the insurance product and service may decline. **Relationship 2 – Mis-selling and Consumer Trust:** The framework also proposes that perceived mis-selling practices are associated with consumer trust. Because insurance involves a continuing relationship between the policyholder and insurer, misleading or inadequate selling practices may weaken confidence in the insurer and its

representatives.

3.4. Research Hypotheses

H01: There is no significant relationship between perceived insurance mis-selling practices and policyholder satisfaction.

H02: There is no significant relationship between perceived insurance mis-selling practices and consumer trust in insurance companies.

3.5. Rationale for the Proposed Framework

The framework is designed to match the constructs measured in the study questionnaire. It focuses on two consumer outcomes—satisfaction and trust—because both represent important dimensions of the policyholder–insurer relationship. Financial literacy has not been included as a separate construct because the questionnaire does not contain a dedicated financial-literacy measurement scale. This avoids making a theoretical or

statistical claim that cannot be directly supported by the collected data.

3.6 Expected Contribution

The proposed framework shifts the focus from treating insurance mis-selling solely as a regulatory or sales-practice issue to examining its consequences for policyholders. By testing its relationship with satisfaction and trust, the study can provide evidence relevant to insurers, intermediaries and regulators seeking to improve transparency, suitability and consumer-oriented insurance distribution.

4. RESEARCH METHODOLOGY

4.1 Research Design

The present study adopts a quantitative, cross-sectional and analytical research design to examine the relationship between perceived insurance mis-selling practices and policyholder outcomes. The study focuses specifically on two outcomes: policyholder satisfaction and consumer trust. A quantitative approach was considered appropriate because the study aims to measure respondents' perceptions through structured questionnaire items and statistically examine the relationships among the identified variables.

The cross-sectional design was adopted as the data were collected from respondents at a single point in time. The analytical component of the study enables the researcher to examine whether perceived insurance mis-selling practices are significantly associated with policyholder satisfaction and consumer trust.

4.2 Population and Sample

The population of the study comprises individuals who have experience with insurance products and can provide an informed assessment of the insurance purchase and service experience.

A total of 160 valid responses were obtained through the structured questionnaire and considered for the empirical analysis. The respondents represent policyholders/consumers with experience of purchasing or holding insurance products.

4.3 Sampling Technique

The study employed a non-probability sampling approach, wherein respondents who met the requirements of the study and were willing to participate were approached for data collection. The approach was considered suitable because the study sought to obtain responses from individuals having relevant experience with insurance products.

The use of non-probability sampling should be considered while interpreting the findings, particularly with respect to the generalisation of results beyond the study sample.

4.4 Data Collection

The study is primarily based on primary data collected through a structured questionnaire. The questionnaire was designed to capture respondents' perceptions regarding insurance selling practices and their subsequent evaluation of the insurance relationship.

The questionnaire included questions relating to respondents' demographic characteristics as well as statements measuring perceived insurance mis-selling

practices, policyholder satisfaction and consumer trust. Responses to the construct-related statements were obtained using a Likert-type response scale, enabling the perceptions of respondents to be quantified for statistical analysis.

4.5 Research Instrument

A structured questionnaire was used as the principal research instrument. The instrument was organised into two broad components.

The first component collected demographic and background information from respondents. The second component consisted of statements designed to measure the major constructs of the study.

The Perceived Insurance Mis-selling Practices construct captures respondents' perceptions regarding the transparency and suitability of the insurance selling process. The items cover aspects such as clarity of information, disclosure of charges and conditions, sales pressure, suitability of the recommended policy, and consistency between promised and actual policy benefits. The Policyholder Satisfaction construct measures respondents' overall satisfaction with their insurance product and associated experience.

The Consumer Trust construct measures respondents' confidence in the insurance company and its representatives, particularly with respect to reliability, transparency and fulfilment of commitments.

4.6 Measurement of Variables

The study considers perceived insurance mis-selling practices as the independent variable, while policyholder satisfaction and consumer trust are treated as dependent variables.

For the analysis, individual questionnaire items representing each construct will be examined for their internal consistency. Where positively worded items are used to measure the absence of mis-selling, appropriate reverse coding will be undertaken before constructing the composite measure. This ensures that the direction of all items is consistent and that a higher composite score represents a comparable underlying construct.

Composite scores will subsequently be calculated for each construct using the validated questionnaire items.

4.7 Reliability of the Research Instrument

The internal consistency of the measurement scales will be assessed using Cronbach's Alpha. Reliability analysis is important because the study uses multiple questionnaire items to measure each underlying construct.

Cronbach's Alpha will be calculated separately for the mis-selling, policyholder satisfaction and consumer trust scales. A coefficient of 0.70 or above will generally be considered acceptable for established constructs, although the interpretation will also consider the number of items and the exploratory nature of the study.

Items that adversely affect the reliability of a construct may be examined further; however, items will not be removed solely to improve the coefficient without considering their theoretical relevance.

4.8 Validity of the Measures

The questionnaire items were developed to capture

dimensions relevant to insurance mis-selling, policyholder satisfaction and consumer trust. Content validity is addressed through the alignment of questionnaire items with the constructs identified from the existing literature.

The empirical analysis will further examine the behaviour of the measurement items through reliability and correlation analysis. Where appropriate, additional validity assessment may be considered depending on the requirements of the statistical model and journal.

4.9 Statistical Techniques

The collected data will be analysed using appropriate statistical techniques. The analysis will proceed in stages. Descriptive statistics will first be used to summarise the demographic characteristics of respondents and the distribution of responses to the major variables.

Reliability analysis using Cronbach's Alpha will then be conducted to assess the internal consistency of the measurement scales.

Correlation analysis will be used to examine the direction and strength of the association between perceived insurance mis-selling practices, policyholder satisfaction and consumer trust.

Regression analysis will subsequently be employed to determine whether perceived insurance mis-selling practices significantly predict policyholder satisfaction and consumer trust. The regression models will provide estimates of the direction, magnitude and statistical significance of the relationships.

Where demographic comparisons are theoretically relevant and the assumptions of the respective tests are satisfied, independent-samples t-tests and/or one-way ANOVA may also be employed to examine differences in perceptions across demographic groups.

The statistical significance level will generally be set at 5% ($p < 0.05$).

4.10 Hypothesis Testing

The study tests the following hypotheses:

H01: There is no significant relationship between perceived insurance mis-selling practices and policyholder satisfaction.

H02: There is no significant relationship between perceived insurance mis-selling practices and consumer trust in insurance companies.

The null hypotheses will be evaluated using the results of correlation and regression analysis. A p-value below the selected significance level of 0.05 will provide evidence against the respective null hypothesis.

4.11 Ethical Considerations

Participation in the study was voluntary. Respondents were asked to provide information for academic research purposes, and the responses were treated as research data. The analysis is presented in aggregate form and does not seek to identify individual respondents.

4.12 Methodological Limitation

The use of a non-probability sample and cross-sectional data limits the extent to which causal relationships can be established or the findings generalised to the entire population of insurance policyholders. Accordingly, the findings should primarily be interpreted as evidence of relationships and associations within the study sample rather than as definitive causal effects.

5. STATISTICAL DATA ANALYSIS AND HYPOTHESIS TESTING

This section presents the statistical analysis and interpretation of the primary data collected from 160 respondents to examine the relationship between insurance mis-selling practices, policyholder satisfaction, and consumer trust. The analysis focuses on two hypotheses concerning the association between mis-selling practices and policyholder satisfaction, and the influence of mis-selling practices on consumer trust in insurance companies. The collected data were examined using descriptive and inferential statistical techniques, including reliability analysis, correlation, and regression analysis. These techniques were employed to assess the consistency of the measurement scales, identify relationships among the variables, and evaluate the proposed hypotheses. The findings provide an empirical basis for understanding how insurance selling practices are associated with policyholders' perceptions, satisfaction, and trust.

5.1. Reliability analysis

Scale/items	Cronbach's alpha	Interpretation
Mis-selling items B1–B8, with positive items reverse-coded to align direction	0.025	Not acceptable; mixed-item scale should not be used as a single composite
Positive transparency/suitability items B1, B2, B3, B5, B8	0.958	High internal consistency; conceptually reflects transparency/suitability, not mis-selling itself
Negative-selling-practice items B4, B6, B7	0.925	High internal consistency; used as the provisional mis-selling predictor
Policyholder satisfaction C1–C5	0.965	High internal consistency
Consumer trust D1–D5	0.953	High internal consistency

The aligned eight-item mis-selling scale has Cronbach's alpha of approximately 0.025, indicating that it cannot be treated as one reliable scale in its current form. The unaligned eight-item alpha is high (approximately 0.948), but that value is misleading because the items point in opposite conceptual directions. The positive items

measure whether selling was transparent and suitable, while B4, B6 and B7 measure negative selling practices. For the hypothesis tests below, the predictor is therefore the mean of B4, B6 and B7 only. This is a provisional, narrower operationalisation and should be clearly disclosed.

5.2. Descriptive statistics

Construct	N	Mean	SD	Min	Max
Negative selling-practices subscale (B4, B6, B7)	160	4.106	0.983	1.00	5.00
Policyholder satisfaction (C1–C5)	160	4.376	0.739	1.00	5.00
Consumer trust (D1–D5)	160	4.320	0.769	1.00	5.00

The mean score for negative selling practices is 4.106 (SD=0.983), while satisfaction is 4.376 (SD=0.739) and trust is 4.320 (SD=0.769). The relatively high means and concentration toward agreement suggest possible ceiling

effects and/or acquiescence/response-style bias. This is particularly important because respondents tended to agree with both positive statements about transparent selling and negative statements about mis-selling.

5.3. Correlation analysis

Variables	Pearson r	p	Spearman rho	p	Direction
Negative selling practices ↔ Satisfaction	0.688	< .001	0.796	< .001	Positive association
Negative selling practices ↔ Trust	0.730	< .001	0.809	< .001	Positive association

The three-item negative-selling-practices score is positively correlated with satisfaction (Pearson $r=.688$, $p<.001$; Spearman $\rho=.796$, $p<.001$) and trust (Pearson $r=.730$, $p<.001$; Spearman $\rho=.809$, $p<.001$). These are statistically significant positive associations, but their direction is contrary to the usual theoretical expectation that more perceived mis-selling would correspond with

lower satisfaction and trust. The results must not be interpreted as evidence that mis-selling improves satisfaction or trust. The unexpected direction, combined with the mixed-item reliability failure and high agreement across contradictory statements, raises concerns about measurement validity, response bias, or respondent interpretation.

5.4. Regression analysis

Dependent variable	N	B	t	p	R ²	Adj. R ²	F (1,158)	95% CI for B
Policyholder satisfaction	160	0.517	11.908	< .001	0.473	0.470	141.80	0.431 to 0.603
Consumer trust	160	0.571	13.425	< .001	0.533	0.530	180.22	0.487 to 0.655

Model 1: Negative selling practices statistically predict satisfaction in this simple bivariate regression, $B=0.517$, $t(158)=11.908$, $p<.001$, $R^2=0.473$. The model explains approximately 47.3% of the sample variance in satisfaction. The unstandardised slope is positive, not negative.

Model 2: Negative selling practices statistically predict trust, $B=0.571$, $t(158)=13.425$, $p<.001$, $R^2=0.533$. The model explains approximately 53.3% of the sample variance in trust. Again, the estimated slope is positive, contrary to the expected theoretical direction. These are unadjusted, one-predictor regressions and do

not establish causation. The p-values are very small, but statistical significance does not remedy problems in construct validity or sample response patterns. Given the observed skewness and high scores, results should be treated as exploratory pending further measurement checks.

5.5. Hypothesis testing and decisions

Hypothesis 1

H01: There is no significant relationship between perceived insurance mis-selling practices and policyholder satisfaction.

Statistical result: Pearson $r=0.688$, $p<.001$; regression $B=0.517$, $t(158)=11.908$, $R^2=0.473$. Decision under the provisional three-item measure: reject H01 at the 5% significance level. The data show a statistically significant positive association.

Interpretation caution: the positive direction is inconsistent with the usual expectation that mis-selling reduces satisfaction. Because the eight-item scale is not reliable when conceptually aligned, the result should not be presented as proof that mis-selling increases satisfaction. It is evidence of an unexpected association in this sample and requires validation.

Hypothesis 2

H02: There is no significant relationship between perceived insurance mis-selling practices and consumer trust in insurance companies.

Statistical result: Pearson $r=0.730$, $p<.001$; regression $B=0.571$, $t(158)=13.425$, $R^2=0.533$. Decision under the provisional three-item measure: reject H02 at the 5% significance level. The data show a statistically significant positive association.

Interpretation caution: as with H01, the direction is unexpected and should not be treated as evidence that mis-selling builds trust. The measurement and response-pattern concerns limit substantive interpretation.

6. DISCUSSION OF FINDINGS

The present study examines the relationship between perceived insurance mis-selling practices, policyholder satisfaction, and consumer trust in insurance companies. The findings are discussed in relation to the existing literature and the implications for insurance distribution and consumer protection.

6.1 Mis-selling Practices and Policyholder Satisfaction

The first hypothesis examines whether a significant relationship exists between perceived insurance mis-selling practices and policyholder satisfaction. Preliminary analysis of the three negatively worded practice items indicated a positive and statistically significant correlation with satisfaction ($r = .688$, $p < .001$). However, this result must be interpreted cautiously because the overall eight-item mis-selling scale demonstrated poor internal consistency. Consequently, the relationship cannot yet be considered conclusive evidence of the effect of mis-selling on satisfaction.

Previous research by Anagol et al. (2017) found that life insurance agents in India frequently recommended unsuitable products that generated higher commissions, highlighting the potential conflict between sales incentives and policyholder interests.

Their findings underline the importance of evaluating whether insurance products meet customers' actual needs rather than relying solely on reported satisfaction. The unexpected positive association in the present study may reflect differences in how respondents understood the questionnaire statements, their perceptions of insurance products, or limitations in the measurement of mis-selling. Further verification of the measurement scale is therefore necessary before drawing a firm conclusion about the first hypothesis.

6.2 Mis-selling Practices and Consumer Trust

The second hypothesis investigates whether perceived insurance mis-selling practices are significantly associated with consumer trust in insurance companies. The preliminary analysis indicated a positive correlation between the three-item negative-practice score and consumer trust ($r = .730$, $p < .001$). Although statistically significant, this direction is unexpected and should not be interpreted as evidence that mis-selling increases trust.

One possible explanation is that respondents may distinguish their general trust in an insurance company from their experiences with individual agents or sales interactions. Alternatively, the positive association may arise from response patterns or limitations in the operationalisation of the mis-selling construct. Anagol et al. (2017) demonstrate why the quality and suitability of agents' advice are important considerations in the Indian life insurance market.

The present findings reinforce the need to examine sales practices and consumer perceptions carefully. However, the final conclusion regarding the second hypothesis should be made only after the measurement and coding have been validated.

6.3 Overall Interpretation

Taken together, the preliminary results suggest that the relationships between insurance selling practices, satisfaction, and trust warrant further investigation. The central contribution of the study is its focus on two consumer outcomes—satisfaction and trust—within the context of perceived insurance mis-selling. Nevertheless, the measurement inconsistency identified in the eight-item scale limits the strength of the current conclusions. The results should therefore be treated as preliminary rather than definitive evidence of the relationships under investigation.

7. RECOMMENDATIONS AND IMPLICATIONS

The following recommendations are based on the research objectives, the relevant literature, and the importance of fair insurance distribution. They are practical implications rather than claims that have been directly established by the preliminary statistical results.

7.1 Implications for Insurance Companies

Insurance companies should strengthen customer-centric selling practices by ensuring that products are recommended according to customers' financial needs, risk profiles, affordability, and long-term objectives. Product features, exclusions, premium commitments, surrender conditions, charges, and benefits should be communicated clearly before the policy is purchased.

Insurers should also conduct periodic reviews of sales practices, monitor complaints related to unsuitable recommendations, and evaluate the quality of customer interactions. Employee incentives should encourage appropriate product recommendations and long-term customer relationships rather than focusing exclusively on sales volume or premium collection.

7.2 Implications for Insurance Intermediaries

Insurance agents and intermediaries should provide accurate, balanced, and understandable information about the products they recommend. They should explain both the benefits and limitations of a policy and avoid making unrealistic promises regarding returns, coverage, or claim settlement.

Regular training in product knowledge, ethical selling, suitability assessment, and customer communication can improve the quality of advice. Intermediaries should also maintain appropriate documentation of customer needs and product disclosures to support transparency and accountability.

7.3 Implications for Regulators

The Insurance Regulatory and Development Authority of India (IRDAI) provides a regulatory framework for protecting policyholders' interests, including the IRDAI (Protection of Policyholders' Interests, Operations and Allied Matters of Insurers) Regulations, 2024.

Regulatory and supervisory efforts should continue to emphasise transparent product disclosures, responsible distribution, effective grievance redressal, and accountability for inappropriate sales practices. Insurers' complaint patterns and recurring customer concerns can be used to identify areas requiring closer scrutiny. Consumer awareness initiatives can also help policyholders understand product features, exclusions, and their rights.

7.4 Implications for Policyholders

Policyholders should compare available products and evaluate whether a policy meets their financial requirements before making a purchase. They should carefully review premium payment obligations, exclusions, charges, benefits, surrender conditions, and other important terms.

Customers should request written clarification whenever an agent makes a claim that is unclear or appears inconsistent with the policy document. They should retain copies of proposals, illustrations, policy documents, and relevant communications. Improving awareness of policy terms and complaint-redressal procedures may help consumers make better-informed decisions and identify potentially unsuitable recommendations.

7.5 Implications for Future Research

Future researchers should develop and validate a clear measurement scale that distinguishes negative selling practices—such as pressure selling, inadequate disclosure, and unsuitable recommendations—from positive practices such as transparent communication and appropriate product matching.

Larger and more diverse samples could improve the generalisability of findings. Researchers may also examine whether financial literacy, prior insurance

experience, product type, and the source of policy advice influence the relationship between selling practices, satisfaction, and trust. Such investigations could provide a more comprehensive understanding of consumer experiences in the insurance sector.

8. CONCLUSION

The present study examines perceived insurance mis-selling practices in relation to policyholder satisfaction and consumer trust in insurance companies, using survey responses from 160 respondents. The study focuses on two hypotheses: the relationship between perceived mis-selling and policyholder satisfaction, and the relationship between perceived mis-selling and consumer trust.

The preliminary analysis identified statistically significant positive correlations between a three-item negative-practice score and both satisfaction and trust. However, the overall eight-item mis-selling scale exhibited poor internal consistency. This measurement limitation means that the preliminary findings cannot be interpreted as conclusive evidence that mis-selling improves satisfaction or trust. The results instead highlight the importance of ensuring that the questionnaire items measure the intended construct consistently before making substantive claims.

The study contributes to the discussion of insurance consumer protection by considering satisfaction and trust as distinct outcomes associated with policyholders' perceptions of selling practices. Its practical implications emphasise transparent communication, product suitability, ethical sales incentives, intermediary training, effective grievance redressal, and consumer awareness.

The study has certain limitations. First, the analysis is based on 160 survey responses, which may not represent all insurance policyholders. Second, the use of questionnaire-based, self-reported data may introduce response and perception biases. Third, the measurement inconsistency in the mis-selling scale restricts the interpretation of the relationships. Finally, the cross-sectional research design does not establish causality. Future research should validate the measurement instrument, examine a larger and more representative sample, and investigate additional factors such as financial literacy, insurance experience, and product characteristics. Once the measurement issues have been addressed, the study can provide more reliable evidence regarding the association between insurance selling practices, customer satisfaction, and consumer trust.

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