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A Study on the Impact of Perception on Customer Intention to Adopt and use Sustainable Insurance

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ABSTRACT

Sustainability is gaining traction across various domains and societies as they evolve and develop while considering societal and environmental concerns. This trend is also making its way into the insurance sector. As insurance companies strive to remain competitive, there is a growing focus on Environmental, Social, and Governance (ESG) issues. To mitigate risks, these companies are implementing sustainable practices; however, the real challenge lies in determining how willing customers are to embrace and adopt sustainable insurance. This paper has been crafted to tackle these issues, considering several key factors influencing the adoption of sustainable insurance, including awareness of sustainable insurance, customer perceptions towards insurance, and the insurance companies themselves. The purpose is to analyze the adoption and utilization of sustainable insurance by evaluating customer perceptions and awareness. A survey was conducted among insurance clients in Karnataka, India, to assess their acceptance of sustainable insurance. Utilizing regression analysis, a connection was identified among the variables; the findings highlight the importance of increasing customer awareness and encouraging the adoption of sustainable insurance practices.

Keywords: Sustainable Insurance, Customer Intention to adopt and use sustainable insurance, ESG issues

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1. Introduction

The insurance sector is undergoing a paradigm transition in response to these problems, focusing more on incorporating sustainability concepts into fundamental business strategies (Bloomberg NEF, 2021). Environmental, social, and governance (ESG) insurance, often known as sustainable insurance, is a broad term for various strategies to match insurance investments and operations with more general sustainability goals (1) (Linnenluecke et al., 2020). This change satisfies stakeholder expectations for more responsibility and transparency. It gives insurers a chance to take the initiative to address new risks, bolster their long-term resilience, and promote favourable social and environmental results (2) (McKinsey & Company, 2020).

The insurance industry significantly affects the lives of individuals, households, society, and the environment. It can reach out to underserved sections in society, such as underprivileged women, sexual and gender minorities, unemployed young, and the elderly, by offering financial assistance. (3) (Holiday et al. 2021; Johar et al., 2018). Insurance plays a key role in financing the mitigation of natural or man-made disaster aftermaths (4) (Von Peter et al., 2012), facilitating healthcare delivery through payment streams, enhancing healthcare service utilization, and reducing out-of-pocket expenditures (5,6) Moreover, the insurance sector can contribute to employment preservation, support business growth after losses, provide a healthy work atmosphere for employees, empower women in emerging economies, bridge infrastructure financing gaps, and enhance food safety through agricultural insurance policies (7) Demirguc-Kunt & Singer, 2017).

2. Purpose of the Study

1. As risk assessors, insurance providers, and stakeholders, the insurance sector significantly contributes to advancing environmental, social, and governance initiatives. Financial characteristics are found to play a role in insurance awareness. (8)Marina Brogi, 2022). Hence, we intend to tap into the awareness of insurance among stakeholders and study how it influences customers' intention to embrace and utilize sustainable insurance.

2. Consumer surveys help study insurance awareness and considerably influence the business model transformation (9) Zeier Röschmann, 2022). Thus, focusing on customers' perceptions is a meaningful exercise in understanding sustainable insurance.

3. The importance of reputation, performance, customer retention, and inertia affect perception (10) Kautish 2022). This leads to the evolution of insurance company policies. It is pertinent to understand how perceptions about insurance companies impact customers' intentions to adopt and use sustainable insurance.

3. Research Methodology

A well-structured methodology is crucial for a systematic exploration to find a solution to a problem through data gathering and analysis to derive conclusions. The present research is designed to extract extensive information about customer perceptions and acceptance of sustainable insurance; therefore, exploratory research is initially employed via literature reviews and corporate websites to gain insights into sustainable insurance. The current work applies descriptive research to understand the connections between various variables. The sampling unit for this study comprises individuals with either Life or Non-Life insurance, and data is collected using convenience sampling methods. Information is gathered through a questionnaire that includes Likert scales and fundamental measurement scales like nominal and ordinal scales. The study encompasses quantitative data from insurance customers across different regions of Karnataka, India.

4. Analysis and Interpretation

Gender: Table 1 illustrates that 61.81% of the sample comprises men, while the remainder comprises women. This suggests that the distribution of the sample within the population is unbalanced because of the use of a random selection process.

	Frequency	Percent
Female	275	38.19
Male	445	61.81
Total	720	100.0

Table 1. Type of Organization

Age: This table shows the highest number of customers within the 31-40 age range. The significance of health or life insurance has become apparent globally following COVID-19. This situation prompted the insurance sector to reconsider its various plans and operations in India; it was indeed a challenging period for insurance clients as well. Consequently, there has been an expansion of the customer base among various age demographics. (11)

	Frequency	Percent
21-30	165	22.92
31-40	290	40.28
41-50	177	24.58
>50	88	12.22
Total	720	100.0

Table 2. Age (Years)

Number of insurance policies: Table 3 shows that 54.7% of samples have more than two insurance policies. Based on the various kinds of risks present, there are different categories and numbers of insurance policies. (12) However, as insurance models introduce new technologies into the marketplace, customers need to be mindful of the insurance industry's regulations and ensure compliance with them.

As they grow and start earning, they will buy insurance products for themselves and their families, which is why individuals will have more than one insurance policy. Having more policies ensures better safety and protection of the insured, and it reflects their confidence in opting for social security.

	Frequency	Percent
None	64	8.9
One	262	36.4
More than one	394	54.7
Total	720	100.0

Table 3. Number of insurances

Reliability: A reliability test is conducted using Cronbach's Alpha Static to check for consistency in the scales used in the questionnaire. It is observed that Cronbach's alpha value for the variables considered for the study is near 0.7 and above, indicating that the scales used are consistent and the data is reliable.

	Cronbach's Alpha	N of Items
sustainable insurance awareness	0.925	5
Insurance Perception	0.68	7
Insurance company Perception	0.742	10
Sustainable Insurance intention to adopt and use	0.698	6

Table 4. Reliability

Hypothesis Testing

H1: Sustainable insurance awareness substantially impacts customers' intention to adopt and use sustainable insurance.

R^2 value 0.167 in the model description of the impact of sustainable insurance awareness on customer intention to adopt and use sustainable insurance (Table 6). This explains sustainable insurance awareness for 16.7% of the variation in customer intention to adopt and use sustainable insurance. Multiple regression analysis was then used to examine how well Sustainable insurance awareness could predict customers' intention to adopt and use sustainable insurance (Table 6). Sustainable insurance awareness strongly envisages customers' in tention to adopt and use sustainable insurance (F (1, 718) = 139.876, p<0.05) (Table 6). A positive beta coefficient (B) of 0.407 indicates a multiplicative effect of 0.307 on the level of customers' intention to adopt and use sustainable insurance for each unit increase in Sustainable Insurance awareness. The effect is statistically significant, with B=0.307, t=11.837, and p<0.05. Hence, hypothesis *H1* is accepted with the regression equation.

Customer Intention to adopt and use sustainable insurance = 2.366 + 0.307 * Sustainable Insurance awareness

	Mean	Std. Deviation
Intention to adopt and use sustainable insurance	3.587	0.769
Sustainable Insurance Awareness	3.614	1.011

Table 5. Descriptive Statistics for the impact of awareness about insurance on the intention of customers to adopt and use sustainable insurance

R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change				Sig. F Change
				Change Statistics	F Change	df1	df2	
0.416	0.167	0.165	0.695	0.167	139.876	1	718	0.000

Table 6. Model Summary for the Impact of Sustainable Insurance Awareness on Customers Intention to adopt and use sustainable insurance

	Non-standardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.366	0.096		24.374	0.000
Awareness of sustainable insurance	0.307	0.026	0.407	11.837	0.000

Table 7. Coefficients of the impact of Sustainable Insurance Awareness on customers' intention to adopt and use sustainable insurance

H2: A significant relationship exists between the Perception of Insurance and Customer intention to adopt and use sustainable insurance

The R^2 value equals 0.124 in the model description of the effect of perception about insurance on the intention of customers to adopt and use sustainable insurance (Table 9). This indicates that 12.4% of the variation in intention to adopt and use sustainable insurance is due to the perception of insurance. Multiple Regression analysis was used to investigate the degree to which consumer's perceptions of insurance could predict their desire to adopt and use sustainable insurance (Table 9). A customer's perception of insurance could significantly influence their propensity to use and embrace sustainable insurance (F (1, 718) = 82.795, p <0.05) (Table 10). Perceptions about sustainable insurance were found to be strongly predictive indicators of customers' adopting and using sustainable insurance. A positive beta coefficient (B) of 0.571 indicates a multiplicative effect of 0.571 on the level of intention of customers to adopt and use sustainable insurance for each unit to increase Awareness about sustainable insurance. The impact is statistically significant, with B=0.571, t=-9.102, with p<0.05. Hence, hypothesis *H2 is accepted.*

Intention to adopt sustainable insurance = 4.734 + 0.571* Perception about insurance

	Mean	Std. Deviation
Intention to adopt and use sustainable insurance	3.587	0.769
Perception about insurance	2.538	0.621

Table 8. Descriptive Statistics for the impact of perception about insurance on the intention of customers to adopt and use sustainable insurance

R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics	R Square Change			Sig. F
					F Change	df1	df2	
0.332	0.124	0.121	0.70807	0.124	82.795	1	718	0.000

Table 9. Model Summary for the impact of perception about insurance on the intention of customers to adopt and use sustainable insurance

H3: Perception about insurance companies significantly affects the intention of customers to adopt and use sustainable insurance

The R^2 value equals 0.13 in the model description of the effect of insurance companies' perception on customers' intention to adopt and use sustainable insurance (Table 12). This indicates that a 13% variation in the intention of customers to adopt and use sustainable insurance is due to perceptions about the insurance company. Multiple Regression analysis was used to investigate the degree to which consumer's perceptions of

	Non-standardized Coefficients		**Standardized Coefficients**	**t**	**Sig.**
	B	Std. Error	Beta		
(Constant)	4.734	0.128		35.898	0.000
Perception about insurance	0.571	0.051	-0.322	-9.102	0.000

Table 10. Coefficients for the impact of perception about insurance on the intention of customers to adopt and use sustainable insurance

insurance companies could predict their desire to adopt and use sustainable insurance (Table 12). A customer's perception of insurance could significantly influence their propensity to use and embrace sustainable insurance ($F(1, 718)=115.705$, $p<0.05$) (Table 12). Customer's adoption and usage of sustainable insurance were found to be highly predicted by their perceptions of sustainable insurance providers. A positive beta coefficient (B) of 0.537 means that for every unit rise in consumer perception of insurance businesses, there is a multiplicative effect of 0.537 on the degree of intention of customers to acquire and utilise sustainable insurance. The impact is statistically significant, with $B=0.537$, $t=10.656$, and $p<0.05$. Hence, hypothesis H3 is accepted.

Intention to adopt sustainable insurance = 1.458 + 0.537 × Perception about insurance company

	Mean	**Std. Deviation**
Intention to adopt and use sustainable insurance	3.587	0.769
Perception about the insurance company	3.789	0.532

Table 11. Descriptive Statistics for the impact of the perception of insurance companies on the intention of customers to adopt and use sustainable insurance

4. Future Implications

The findings of the study indicate that sustainable insurance is very much essential for sustainable development, and this sustainable insurance acceptance is also dependent on the awareness level of the customer and the customer's perception towards insurance and the insurance company. Hence, the insurers have to take measures to generate awareness level towards ESG issues, and also, to be sustainable, it has to take the confi-

R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change				Sig. F Change
				Change Statistics	F Change	df1	df2	
0.364	0.13	0.129	0.703	0.13	115.705	1	718	0

Table 12. Model Summary for the impact of the perception of an insurance company on the intention of customers to adopt and use sustainable insurance

	Non-standardised Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.458	0.190		7.650	0.000
Perception about the insurance company	0.537	0.050	0.365	10.656	0.000

Table 13. Coefficients for the impact of perception about insurance company on the intention of customers to adopt and use sustainable insurance

dence of the customers by adopting hassle-free and technology-enabled services. As the insurance organizations are concentrating on ESG profits, the policy makers should develop trust in the customers. As noted from the literature, financial literacy is different from insurance literacy; hence, programmes are to be developed to mitigate risk by enhancing the knowledge of customers, which can build a society with risk awareness.

5. Conclusion

The study develops the pivotal role of sustainable insurance in nurturing societal and environmental well-being and the opportunities for adoption. The findings reveal a significant relationship between sustainable insurance awareness, customer perception of insurance, and perception of insurance companies, highlighting the importance of these factors in influencing customers' intention to adopt and utilize sustainable insurance. As such, insurers are urged to prioritize raising awareness about ESG issues and enhancing customer perception through technology-enabled, hassle-free services. Moreover, there is a clear need for tailored educational programs to bridge the gap in insurance literacy, ultimately fostering a risk-wear society. Embracing sustainable insurance not only aligns with broader sustainability goals but also holds promise for insurers in building trust and resilience for the long term.

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