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Original Research Article

Investigating Policyholders' Perception Towards Insurance: Evidence From Structural Equation Modeling

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Abstract

Purpose: Within the burgeoning insurance market of the Kathmandu Valley, this study aims to investigate the perceptions of policyholders regarding insurance. It seeks to understand the factors influencing policyholders and propose solutions to the challenges faced in the insurance industry.

Methodology: This study employs a cross-sectional survey methodology, utilizing non-probability sampling, and specifically purposive sampling, to collect data from the insurance policyholders of Kathmandu Valley. Structured questions were used to elicit responses from a sample of 403 participants. For data analysis both descriptive and inference statistics were used.

Findings and Conclusion: Findings of the study reveal that policyholders perceive insurance policies as essential safeguards against financial risks. However, several challenges, including policy misunderstanding, claim denials, and policy complexity, were identified. Through structural equation modeling, significant relationships between Customer Loyalty and Transparency with policyholders' perceptions was observed.

Implications: The study contribute to enhance policyholders' understanding and perception of insurance, thereby fostering trust and satisfaction in the insurance industry.

1. Introduction

Insurance serves as a financial safety net, shielding individuals, families, and businesses from unexpected occurrences such as accidents, illnesses, natural disasters, and the loss of a primary income provider (Bajpai & Mazhar, 2022; David, 2015). This risk management tool enables people to transfer potential financial burdens to insurers which in turn reduces their overall exposure to risks and encourages them to undertake various other activities confidently. Additionally, insurance ensures economic stability; it acts as a safety net when things go wrong financially and supports investment, entrepreneurship and general growth (Bhuiyan et al., 2020). Insurance promotes societal good by preventing poverty and inclusive actions that help with the recovery from fiscal setbacks. Nonetheless, some biases may affect decisions about purchasing policies even if they ensure industry compliance and making customers opinions on products less positive or willing spend well for enough coverage (Mhlanga, 2022). Besides that insurance is imperative for maintaining economic stability. It acts as a cushion against unexpected financial crises and supports investment, entrepreneurship and overall growth. Insurance alleviates poverty and fosters social inclusion by helping people recover from financial losses (Deganis et al., 2021). Even though it guarantees industry compliance with the law, some prejudices can affect individuals' judgment on purchasing insurance policies, affecting their perception of product offerings and willingness to pay a sufficient premium (Jahnert et al., 2022). Hence this study insurance is important as it contributes to social welfare, ensures legal and regulatory compliance, and fosters innovation and adaptation within the insurance industry. Understanding insurance is crucial for individuals, businesses, policymakers, and society as a whole to navigate uncertainties and promote financial well-being.

Existing literature provides valuable insights into the perception of policyholders and determinants of policyholders' perception towards insurance in various contexts. Public perception of insurance is multifaceted. Gaikwad and Vibhute (2013) found that some people perceive insurance as a costly product with complex terms, leading them to question its value. Conversely, others acknowledge the peace of mind and financial security it offers during emergencies, as highlighted in Insureds' Perception towards Insurance Services (Maltby et al., 2023). Distrust towards insurance companies due to perceived claim avoidance can also be a factor, potentially stemming from past experiences or negative media portrayals (Olalekan & Rasheed, 2009).). Xu et al. (2018) further emphasizes that socioeconomic background and cultural attitudes towards risk significantly influence these perceptions. For instance, individuals with lower socioeconomic backgrounds may prioritize affordability over comprehensiveness, leading to under-insurance. Similarly, the study in Singh and Lall (2011) highlights that limited awareness about available insurance products can also contribute to under-insurance. This underlines the need for improved communication and education within the insurance industry to bridge the knowledge gap and ensure people make informed decisions.

Research by Holtan (2007) emphasizes the need to analyze exogenous factors influencing risk perception among insurance policyholders, such as political-legal and market fluctuations. Similarly, Ridic et al. (2012) and Yazdanpanah et al. (2013) explore the effectiveness of information sharing by insurance companies and propose indices for measuring customer satisfaction with insurance services. However, there is a lack of research specifically examining policyholders' attitudes towards insurance in the Kathmandu Valley, Nepal, and its unique socio-cultural and economic dynamics. Hence, this study aims to fill this gap by conducting a comprehensive analysis of policyholders' attitudes towards insurance in the Kathmandu Valley. By employing structural equation modeling (SEM), the research seeks to identify the factors influencing policyholders' perception towards insurance. Furthermore, the study endeavors to uncover the challenges faced by insurers in understanding policyholders' perceptions and proposes strategies to enhance customer satisfaction and loyalty. In addition to the cited literature, further research by Sarmad et al. (2020) highlights the importance of customer satisfaction and attitudes towards insurance companies. Their study conducted in Malaysia emphasizes the need to understand how customer perception and attitude influence investment decisions in insurance companies. Moreover, Raman (2016) emphasizes the importance of providing excellent customer service and developing effective marketing strategies to retain existing customers in the competitive insurance market of India. These studies underscore the significance of understanding customer attitudes and perceptions in shaping the success and sustainability of insurance businesses.

This study's contributions lie in its comprehensive analysis of policyholders' attitudes towards insurance in the Kathmandu Valley, offering valuable insights to insurers and policymakers for developing tailored strategies to enhance customer satisfaction and loyalty. By bridging the gap in existing literature and utilizing advanced methodologies, this research aims to drive positive changes in the Nepalese insurance industry, ultimately benefiting both insurers and policyholders.

2. Methodology

Conceptual Framework : Several theories including the Protection Motivation Theory (Rogers, 1975), Theory of Planned Behavior (Ajzen, 1991), Customer Satisfaction Theory (Fornell et al, 1996, Expectancy Theory (Vroom, 1964), and Social Influence Theory (Kelman, 1958) were reviewed in this study. The study specifically employs the Theory of Planned Behavior to understand the advantages and disadvantages of insurance from the perspective of policyholders. This theory emphasizes that stronger intentions to engage in healthy behavior increase the likelihood of actual performance, acknowledging external factors and restrictions that may hinder intended actions. To overcome barriers to positive behavior, implementers must scrutinize the beliefs influencing subjective norms, intentions, and the actual behavior traditionally performed.

This study explains the ethical decision-making faced by financial services agents, specifically the disclosure of information related to a product, encompassing both the agent's commission and the product's quality. The recognition of this issue as an ethical decision within the life insurance industry was highlighted in a survey of industry professionals (Kurland, 1995). The study incorporates a model for measuring policyholder engagement, emphasizing customer loyalty, transparency, promptness, and satisfaction, with a particular focus on Jung and Yi's model of Online Loyalty Programs in the Satisfaction-Loyalty Relation. A conceptual model is developed based on previous theoretical analyses, utilizing an expanded version of the Stimulus-Organism-Response (S-O-R) theory. In this model, loyalty programs serve as the independent variable, customer satisfaction as the mediating variable, and customer loyalty as the dependent variable, creating a comprehensive framework to explore the intricate dynamics of ethical decision-making in the financial services domain.

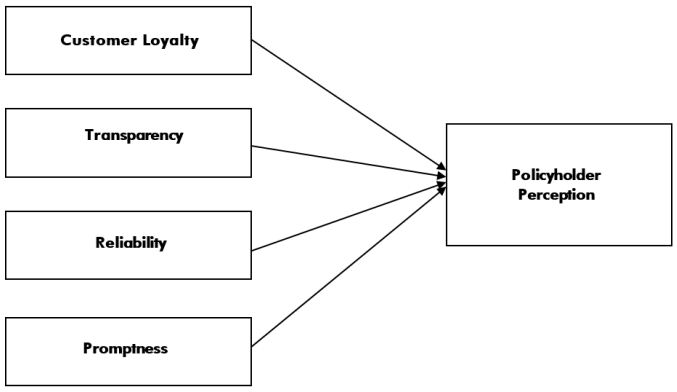

Figure 1: Conceptual Framework

Source: Adapted and Modified from Risal et al. (2022)

Customer Loyalty: The correlation between customer loyalty and policyholders' attitudes toward insurance appears to be insubstantial, indicating that the extent of loyalty demonstrated by a customer does not markedly affect how policyholders perceive their insurance interactions (Guillén et al., 2012). This suggests that factors other than loyalty may exert a more influential influence on how policyholders assess their insurance experience, and loyalty alone may not serve as a robust predictor of their overall satisfaction or dissatisfaction with the insurance services rendered (Minta, 2018). The research inquiry seeks to investigate and establish the existence and strength of this association, emphasizing the importance of cultivating customer loyalty as a strategic approach for enhancing overall policyholder satisfaction in the insurance sector (Nguyen et al., 2018).

H1: Policyholders Perception is significantly associated with customer loyalty towards insurance.

Transparency: The hypothesis explains that there is a positive correlation between increased transparency and a more favorable policyholder perception of insurance. It suggests that as insurance providers enhance the transparency of their operations, policies, and communication practices, policyholders are more likely to perceive the company positively (Sivasamy et al., 2017). Transparency in the insurance industry encompasses clear and accessible information about policy terms, conditions, and coverage details, as well as openness in communication regarding pricing structures and potential risks. The hypothesis is grounded in the belief that when policyholders feel well-informed and have a clear understanding of their insurance arrangements, they are more likely to trust the insurer (Risal et al., 2022). Transparency contributes to a positive overall perception, as policyholders feel more confident in the fairness and reliability of the insurance provider. The research inquiry aims to empirically examine and validate this proposed correlation, emphasizing the significance of transparency as a key factor in shaping policyholder attitudes and fostering a positive image of the insurance industry (Malinowska, 2016).

H2: Policyholders Perception is significantly associated with transparency towards insurance.

Promptness: The correlation between promptness and policyholder perception suggests that timely service is a key driver in shaping the overall satisfaction and trustworthiness associated with an insurance provider (Yusuf & Ajemunigbohun, 2015). An insurance company consistently demonstrates promptness in various facets of its operations, such as promptly addressing inquiries, expeditiously processing claims without undue delays, and swiftly resolving issues, it sends a powerful message to policyholders. This message underscores the insurance company's commitment to valuing the time and concerns of its policyholders, ultimately contributing to the cultivation of a positive and trusting relationship (Fu & Juan, 2017). Insurance providers are prompted to invest in operational excellence and efficient customer service practices, ensuring that policyholders not only receive timely responses but also perceive the company as a dependable partner in safeguarding their interests. In conclusion, a commitment to prompt service delivery (Leekaaga, 2018).

H3: Policyholders Perception is significantly associated with promptness towards insurance.

Reliability: Reliability encompasses the consistent delivery of promised services, adherence to policy terms, and a steadfast commitment to meeting policyholder needs. The notion is grounded in the belief that policyholders who experience reliability in their interactions with an insurance provider are more likely to form positive perceptions of the company (Fumagalli et al., 2004). This reliability could manifest in the prompt and accurate processing of claims, consistent communication regarding policy details, and a steadfast commitment to delivering on the terms outlined in insurance agreements. A reliable insurance provider instills confidence in policyholders, fostering trust and contributing to an overall positive perception of the company (Niromandfam et al., 2020). The research inquiry seeks to empirically explore and substantiate this correlation, underscoring the pivotal role of reliability in shaping policyholder attitudes and bolstering the reputation of insurance companies (Dikko, 2016).

H4: Policyholders Perception is significantly associated with reliability towards insurance.

The research variable has been chosen and outlined (table) as following:

Table 1: Variable Table

Constructs	Indicators	Variables	Details
Policyholder Perception (K. Sharma, 2016)	PHP1	Choice	Made a good choice to do an insurance.
	PHP2	Finance	Insurance helped financially when needed.
	PHP3	Expectation	Insurance policy meet my expectation.
	PHP4	Benefit	Insurance provided with many benefits.
	PHP5	Satisfaction	As policyholder, I'm satisfied with the all the policy.

Customer Loyalty (Ansari, 2012)	CL1	Service	I believe Insurance Company performs the service in first instance.
	CL2	Settlement	I believe Insurance Companies settle Customers & claims without any delay.
	CL3	Guidance	I am under Guidance or help provided by at the time of taking policy of your Insurance Company.
	CL4	Claim	I know the Claim settlement amount by my Insurance Company.
	CL5	Goodwill	I am clear about the Goodwill of Insurance Company.
Transparency (Leekaaga, 2018)	T1	Timeline	I believe Insurance Company provides the services as promised.
	T2	Hidden clause	I believe insurance company provides the hidden clause clear to the customers.
	T3	Terms & Conditions	I am clear about terms of insurance policies issued by insurance company.
	T4	Renewal	I know the insurance company reminds you to renew the policy.
	T5	Claimed amount	I believe insurance company provides all claimed amount.
Relaibility (Niromandfam et al., 2020)	R1	Employees Commitment	I believe Employees and agents attitude of my insurance company guides me in claim settlement.
	R2	Competitive price	I believe insurance company has competitive price of their products and services.
	R3	Policy effectiveness	I believe every policy are correct and effective.
	R4	Claim Settlement	I believe the insurance company provides all the details during the claim settlement.
	R5	Moral Support	I am aware about the moral support by the employees and agents of Insurance company.
Promptness (Leekaaga, 2018)	P1	Equipment & Technology	I believe Insurance Companies has modern equipment and technology.
	P2	Physical Facilities	I believe the physical facilities of your Insurance Companies are visually appealing.
	P3	Time	I believe the insurance company provides the claim amount at time.
	P4	Records	I believe Insurance Company insists on error free records (i.e. issuing error-free bills, statements, receipts, etc.
	P5	Ability	I believe the company has ability to pay.

Study Area, Population and Sample Size

The study area used for the current study is Kathmandu Valley. Kathmandu, Lalitpur and Bhaktapur are the three main cities. Kathmandu Valley was selected as study areas because it boasts a dense population, with over 2.5 million residents. Given its significant population density and economic activity, it serves as a representative microcosm for studying various socio-economic phenomena, including insurance perceptions. The target population for this study comprises customers of banks residing in Kathmandu Valley. Non-probability sampling was chosen as the preferred sampling method due to the unknown population size. Within non-probability sampling, purposive sampling was employed (Sharma, 2017). The study's sample size was determined using Cochran's formula, which accounts for a 5% level of significance. The prevalence of customers using the brand's social media page was estimated at 50%, with a corresponding non-user rate of 50%. The permissible margin of error was set at 5%. The calculation yielded a sample size of approximately 403 respondents. To mitigate non-response error, an additional 5% of the sample size, approximately 19 respondents, was included, resulting in a final recommended sample size of 403 (Oribhabor & Anyanwu, 2019).

Data collection and analysis: Data collection involved the administration of a structured questionnaire facilitated through KoboTool Box. Visits to various banks facilitated the data collection process. The data collection period spanned from September 14, 2023, to November 24, 2023. Furthermore, the survey was conducted with the voluntary agreement of the respondents. Data

analysis in this study employs both descriptive and inferential methods, including structural equation modeling (SEM). Microsoft Excel and Smart PLS are utilized for data analysis, Descriptive analysis encompasses the examination of behavioral patterns, environmental events, and the integration of descriptive and functional analysis of the target respondents (Burmeister and Aitken, 2012). This includes evaluating socio-demographics, behavioral indices, benefits of emotional advertising, and managerial solutions. On the other hand, inferential statistics involves gathering numerical data as a sample of a population, analyzing it, and drawing conclusions with associated uncertainties (Setyadi, 2021). PLS-SEM was utilized in this study. It is because PLS-SEM is known for its robustness in handling non-normal data distributions. By utilizing PLS-SEM, the concerns related to data distributional assumptions can be mitigated and ensure the reliability of their findings (Guenther et al., 2023).

4. Results

Socio Demographic Characteristics

Table 2: Socio-Demographic Characteristics

Title	Category	Number	Percentage
Age	25-34	204	50.5
	18-24	94	23.27
	35-44	64	15.84
	45-54	32	7.92
	55 & above	10	2.48
Gender	Male	216	53.47
	Female	188	46.53
District	Kathmandu	167	41.34
	Lalitpur	187	46.29
	Bhaktapur	50	12.38
Educational Level	Up to Bachelors	219	54.21
	Master's and above	105	25.99
	Up to Intermediate / +2	68	16.83
	Below SLC or Equivalent	12	2.97
Profession	Private Sector	262	64.85
	Industrial Sector	42	10.4
	Self- Employed	36	8.91
	Other	28	6.93

The survey involved 403 respondents, with a slightly higher percentage of males (53.47%) compared to females (46.53%). This distribution suggests a more balanced gender ratio in the insurance business in Nepal compared to a previous study by Barratt in 2014, which found a significant gender gap with only 15% female respondents. In terms of age groups, most respondents fell within the (25-34) range (50.05%), followed by 18-24-year-olds (23.27%), 35-44-year-olds (15.84%), 45-54-year-olds (7.92%), and those 55 and above (2.48%). In terms of education, half of the respondents had bachelor's level education (54.21%), while 25.99% had master's level education. Geographically, most respondents were from Lalitpur District (46.29%), followed by Kathmandu District (41.34%), and Bhaktapur District (12.38%). Regarding employment status, the majority worked in the private sector (64.85%), followed by the industrial sector (10.4%), self-employed individuals (8.91%), and others (6.93%).

Challenges and Managerial Solution on Policyholders Perception: Mass of the respondents (78.71%) reported difficulty in understanding insurance policies. Additionally, a significant portion of respondents mentioned challenges related to the Board of Directors (44.06%), individuals (18.56%), and society (12.13%). Among the recommendations provided, the most frequent suggestion (26.73%) was to implement financial literacy programs and provide guidance to enhance policyholders' understanding and engagement with insurance policies. Consultation with attorneys to increase knowledge about the claims process was the second most common recommendation (18.81%). Other suggestions included legal filing of complaints (15.59%) to mitigate insurance risks and conducting coverage gap assessment programs (8.91%) to address policyholder concerns. These findings underscore the importance of educating policyholders and improving access to insurance policies to promote their benefits to individuals, society, and organizations.

Inferential Analysis: Common Method Bias: Following the recommendations of Kock and Lynn (2012) and Dikko (2016), an examination was conducted to assess the potential presence of Common Method Bias by testing for multicollinearity, given that data were gathered from a single source. According to this approach, if the Variance Inflation Factor (VIF) is below 3.3, it indicates that there is no significant bias stemming from the single source of data, as each variable is regressed against a common variable.

Measurement Model Results: The efficiency of a measurement model in accurately capturing the intended construct is assessed through a process known as measurement model assessment, as outlined by Sadidi et al. (2018). In the measurement model, internal consistency reliability, convergent validity, and discriminant validity are assessed to ensure the reliability and validity of the instruments in accordance with the guidelines provided by Edeh et al. (2023).

For internal consistency reliability, Cronbach's alpha (CA) and composite reliability (CR) were measured, with values needing to exceed 0.5 and 0.7, respectively, as suggested by Edeh et al. (2023). Subsequently, convergent validity was assessed using the Average Variance Extracted (AVE) and loading, both of which should surpass 0.5 according to Asghari and Babu (2017). As all CA values exceeded 0.5, CR values exceeded 0.7, and AVE values surpassed 0.5, the criteria for internal consistency reliability and convergent validity were met.

Table 3: Measurement Model Assessment

Items	Factor Loadings	Cronbach's Alpha	Composite Reliability (Rho c)	VIF	AVE
Php1	0.623	0.547	0.562	1.045	0.526
Php3	0.792				
Php5	0.75				
Cl2	0.687	0.729	0.732	1.108	0.553
Cl3	0.694				
Cl4	0.784				
Cl5	0.802				
P1	0.759	0.881	0.986	1.007	0.553
P2	0.701				
P3	0.897				
P4	0.847				
P5	0.82				
R1	0.814	0.855	10146	1.019	0.665
R2	0.931				
R3	0.761				
R5	0.744				
T1	0.7	0.749	0.749	1.087	0.571
T3	0.816				
T4	0.749				
T5	0.754				

To determine the difference between different components in the model and assess discriminant validity, the Fornell-Larcker criterion is currently being (Fornell & Larcker, 1981). However, solely relying on the Fornell and Larcker criterion is not sufficient to test discriminant validity. Therefore, Henseler et al. (2015) recommend examining discriminant validity using the Heterotrait-Monotrait (HTMT) ratio scale and the cross loading method.

Initially, the fornell and larcker criterion was checked and satisfied, as the square roots of all AVEs were found to be larger than the corresponding correlations (Table 5) (Hair et al. 2020). Moving further, discriminant validity is further verified using HTMT based on the estimation of the correlation between the constructs, as suggested by (Kock, 2021).

Table 4: Fornell-Larcker Criterion

	cl	P	php	r	t
cl	0.744				
p	-0.075	0.808			
php	0.464	-0.059	0.726		
r	-0.08	0.623	-0.063	0.815	
t	0.649	-0.049	0.522	-0.057	0.756

Heterotrait-Monotrait (HTMT) values below 0.85 are widely accepted demonstrating discriminant validity (Franke & Sarstedt, 2018). It was observed that all the HTMT ratios are below the threshold value of 0.82 (Table 6), which further confirms the discriminant validity of this study.In the cross-loading analysis, it is expected that the factor loading of each indicator on its assigned construct is higher than the loading on any other construct (Ab Hamid et al., 2017). Table 7 demonstrates that all the items have greater factor loadings on the underlying constructs to which they belong than on any other construct (Risher & Sarstedt, 2019). Additionally, there are no issues with cross-loading as the cross-loading values of the items are less than 0.7 with other constructs (Hair et al. 2020).

Table 5: HTMT Results

	CI	p	php	r
cl				
p	0.094			
php	0.723	0.085		
r	0.107	0.754	0.071	
t	0.874	0.061	0.813	0.072

Structural Model

The passage discusses structural models, which are visual or conceptual frameworks depicting the relationships between different parts of a system. It highlights the use of Partial Least Squares Structural Equation Modeling (PLS-SEM) for analyzing these relationships, particularly in fields like marketing and social sciences due to its ability to handle complex models with small sample sizes. Additionally, it mentions a methodological approach involving re-sample bootstrapping to evaluate the structural model, alongside a critique of relying solely on p-values for hypothesis significance by incorporating other criteria like confidence intervals and effect sizes. As, the bootstrapping is performed with the resampling of 10,000, there is no requirement to ensure normality. Moreover, the analysis confirmed that the VIF was below 3.3 (see table 3), indicating that there is no issue of multicollinearity.

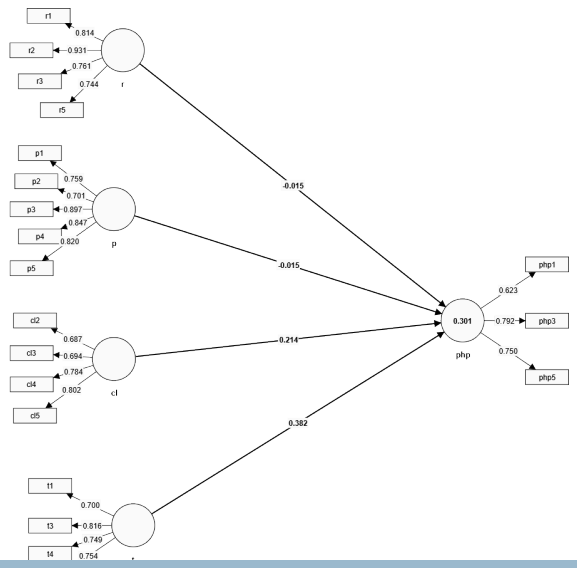

Figure 1: Conceptual Framework

Figure 15 shows the summary of the criterions which have been used to test Path Analysis

ependent variable Policyholders Perception (PHP), Customer Loyalty, Reliability (R) and Transparency (T) are independent variables. In this model, the beta coefficient between CL and PHP is 0.214 which means that when CL changes by 1 unit PHP changes by 0.214 unit. The beta coefficient between P and PHP is -0.015 which means that when PHP changes by unit 1 unit PHP changes by -0.015 unit. The beta coefficient between R and PHP is -0.015 which means that when R changes by 1-unit BI changes by -0.015 unit. Additionally, the R^2 for T is 0.382 which means that 38.2% of variation in PHP is explained by Reliability, Customer Loyalty, and Promptness.

Hypotheses Testing

Hypothesis testing is defined as statistical tools used to make inferences or draw conclusions about a population based on a sample of data. It includes formulating hypothesis and testing the relationship between variables.

Table 6: Hypothesis Testing

	Beta	SD	t values	P value	LL 2.5%	UL 97.5%	Result
H1: cl -> php	0.214	0.076	2.798	0.005	0.066	0.361	Supported
H2: p ->php	-0.015	0.079	0.195	0.854	-0.125	0.187	Not Supported
H3: r ->php	-0.015	0.072	0.201	0.841	-0.0127	0.173	Not Supported
H4: t ->hp	0.382	0.083	4.585	0	0.205	0.533	Supported

Table 11 shows the result of hypothesis testing which shows some of the hypotheses are supported, indicating that there is significant relationship between the dependent and independent variables. The hypothesis in which the β-coefficient lies within the lower limit and upper limit confidence interval are accepted. In this study, H1 & H4 are accepted as its β-values lies within the LL and UL coefficient. This means customer loyalty & transparency has a significant relationship with Policyholders Perception.

5. Discussion

The main objective of this study is to examine policyholders' perceptions of insurance within the Kathmandu Valley. The research aims to demonstrate how policyholders' perceptions contribute to understanding insurance and its role in mitigating financial risks. Specifically, the study seeks to define the factors influencing policyholders' perceptions of insurance, identify challenges and obstacles to effective implementation, and evaluate managerial strategies to enhance policyholders' understanding and perception of insurance. Moreover, this study examined policyholder's perception towards insurance using Customer Loyalty, Promptness, Transparency, and Reliability as independent variable.

The study reveals that the main obstacles faced by policyholders in the Kathmandu Valley is regarding their understanding of insurance as they face difficulty in comprehending insurance policies and has limited awareness of resolution platforms. Managerial solutions proposed by policyholders to address these challenges include enhancing financial literacy, consulting with attorneys for claim procedures, and proactively filing complaints. These strategies underscore the importance of education and proactive engagement in improving policyholders' perception of insurance.

In the study, there are altogether 4 hypotheses out of 4 hypotheses i.e. H1 & H4 are significant. To establish and test the correlation between the variables, the reliability and validity test was employed. Similarly, in this study, measurement and structural analysis were done to develop and assess the link between the variables using a structural equation model. The threshold at which p-values indicate a statistically significant has a comparison between p-values just below 0.05 (Lakens, 2015). Hypothesis 1, has been accepted indicating that there is significant relationship between, Customer Loyalty & Policyholders Perception. (Nguyen et al., 2018) also concluded there is significant relationship between, Customer Loyalty & Policyholders Perception. (Malinowska, 2016) also concluded that there is significant relationship between Customer Loyalty & Policyholders Perception.

Hypothesis 4 was not accepted indicating that there is no significant relationship between performance expectancy and behavioral intention. (Anjali Jacob, 2018) concluded that there is significant relationship between Transparency and Customer Loyalty & Policyholders Perception which contradicts this research. Hypotheses 2 was also not accepted indicating that there is no significant relationship between promptness and Policyholders Perception. But (Gangil & Vishnoi, 2020) concluded that there is significant relationship between Promptness & Policyholders Perception. Hypothesis 3 was not accepted indicating that there is no significant relationship between reliability and policyholders' perception. To (K. Sharma, 2016) concluded that there is significant relationship between trust in bank and behavioral intention.

Conclusion

aimed at addressing challenges in the insurance process can lead to improved transparency, smoother claims processing, and better overall service, ultimately benefiting policyholders by enhancing their understanding and perception of insurance.

The primal purpose of this research is finding out the policyholders' perceptions of insurance in Kathmandu Valley. It explores how these perceptions contribute to understanding insurance and managing financial risks. Research objectives include defining factors that influence the policy holders' perceptions, identifying challenges and barriers, and possible solutions.

1. Insurance challenges

The study reveals that generally, most insureds view insurance as an important instrument in minimizing any possible financial harm. However, during their interaction with insurance companies, there are many difficulties that may arise including misunderstandings on policy terms and conditions, denial of claims by insurers as well as difficulties in selling or understanding policies by clients themselves among others.

2. Possible Solutions

The study suggests some measures for overcoming these problems which are: claims validation; assistance from lawyers when necessary; and possibility to lodge complaints about insurers so that people become more knowledgeable about it all.

3. Influence of Customer Loyalty and Transparency

Findings from the study have shown a strong nexus between customer loyalty, Transparency, and policyholders' perception of insurance. This implies that clients who show higher levels of personal commitment and confidence tend to possess more affirmative views about insurance products as well as services. In conclusion, the research recognizes the necessity for insurance industry to adjust its systems in line with changing requirements by policyholders. Therefore, improved transparency, communication and technological integration should be embraced by insurers through customer-focused approaches that ensure insurers remain relevant and effective in meeting expectations of policyholders into the future. These results are important for policyholders because this analysis highlights how insurance company need to foster Transparency and loyalty with its client. The client who maintains a good relationship with his or her insurer is likely to go through a good experience throughout their journey in insurance hence receiving better support from their company. Moreover, the

proposed solutions

Suggestion

Regarding the study on policyholders' perceptions towards insurance, several limitations require attention. The sample size and demographics may not fully represent the diverse range of policyholders, potentially limiting the generalizability of findings. Methodologies like surveys or interviews could introduce biases inherent in self-reporting and might not capture the full complexity of subjective experiences. Despite these limitations, the findings offer valuable insights, emphasizing the need for cautious interpretation and future research to address these constraints and broaden understanding. Furthermore, policyholders face challenges such as denial of claims, policy misunderstandings, coverage gaps, policy complexities, and fraud. These issues often stem from challenges in policyholder perceptions towards insurance, including responsibilities of policymakers, boards of directors, and individuals. Mitigating these challenges can involve measures like maintaining rigorous claim verification, seeking legal counsel, and lodging complaints to alleviate policyholder grievances.

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