BRIDGING ETHICAL GAPS IN LIFE INSURANCE: EVALUATING INDUSTRY STANDARDS AND CONSUMER AWARENESS

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ABSTRACT
The life insurance sector is essential for providing people and families financial stability, especially during emergencies. The industry is frequently chastised for moral failings, including opaque policy language, dishonest advertising tactics, and a lack of initiatives to inform customers of their rights and obligations. In addition to eroding consumer confidence, these problems pose serious obstacles to fair access and well-informed decision-making. With an emphasis on significant areas where standards are not met, this study critically analyzes the ethical flaws in the life insurance sector, challenges in bridging the ethical gap, point out structural problems, and uses real-world examples to emphasize the difficulties that consumers encounter. This study used both the primary and secondary data with the sample size of 360 respondents. Percentage analysis, ANOVA and t-test were used for analyzing the data.

KEYWORDS: Life Insurance, Ethical Gaps, Consumer Awareness, Industry Standard, Transparency

1. INTRODUCTION

In order to maintain financial security and assist with long-term financial planning, life insurance is essential. In addition to providing financial support during unanticipated circumstances like the death of a breadwinner, it serves as a safety net, assisting people and families in reaching significant life milestones like retirement planning and school funding. The foundation of prudent financial planning is life insurance, which reduces uncertainty and fosters dependents' financial resilience. Nonetheless, there are difficulties in the life insurance sector. Consumer trust may be weakened by ethical issues such as a lack of openness, restricted accessibility for disadvantaged groups, and a lack of emphasis on informed consent. Many policyholders find it difficult to comprehend intricate policy terms or run into sales tactics that put their needs last in favor of profit.

The industry may better correspond with its objective of providing equitable financial security by improving industry procedures, encouraging openness and fairness, and educating consumers. The study emphasizes the value of easily accessible and knowledgeable decision-making with the goal of establishing a more moral and customer-focused life insurance market. Consumer protection ensures the rights and interests of policyholders are safeguarded throughout their insurance journey. A critical aspect is the right to receive clear, comprehensive information about policy terms, premiums, and exclusions. Fair practices prevent predatory sales tactics and include cooling-off periods that allow policy cancellations without penalties. Accessibility and affordability are promoted through diverse product designs and government-sponsored schemes for low-income populations. Grievance redressal mechanisms, supported by regulators and ombudsman services, provide avenues for resolving disputes. Additionally, financial literacy and public awareness campaigns help consumers understand the significance of life insurance and make informed decisions about their policies.

2. Objectives of the study:

- ❖ Explore the level of consumer understanding regarding life insurance policies, including common misconceptions and barriers to informed decision-making.
- ❖ Investigate the impact of ethical shortcomings on consumer trust, financial security, and the overall reputation of the life insurance sector.
- ❖ Develop actionable recommendations to enhance transparency, accountability, and fairness within the industry.

3. LITERATURE REVIEW:

Sahu et al. (2009) The study identified six significant elements that influence judgments about life insurance coverage. These elements include customer loyalty, service quality, procedure simplicity, satisfaction levels, brand recognition, and the company's relationship with its clients. The study provides valuable insights into the factors influencing consumer choices and actions in the life insurance industry. This study used a sample size of 150 participants to investigate the factors influencing consumer purchase behavior, investment patterns in life insurance services, and differences in attitudes between male and female customers. Pooja (2014) emphasizes their growing importance in the context of technological improvements and globalization, especially in the financial services sector. The study focuses on the Indian life insurance market, highlighting the importance of skill-development programs and the need for a trained labor force to sustain long-term economic expansion. The study proves that education and skills are crucial for social and economic advancement, particularly in the quickly evolving technological and global environments. Pooja also emphasizes the link between the financial services sector's capacity to provide long-term economic growth and having a skilled workforce. Through focused skill development, the study aims to close talent shortages in the life insurance sector. Stanisław WieteskaIn (2018) study emphasizes the critical

importance of consumer rights protection in a market economy, particularly within the insurance sector. The author highlights the inherent vulnerabilities of policyholders, who are often the weaker party in their interactions with professional insurance companies. The study focuses on identifying unfair market practices, such as the imposition of abusive clauses in insurance contracts, and examines the consequences of such practices for consumers. The study suggests that regulatory authorities should implement and enforce clear guidelines to prevent the use of abusive clauses. Additionally, increased transparency in contract terms and improved consumer education could empower policyholders to make informed decisions and better understand their rights within the insurance market. Masud, et al. (2021). Their findings show that, without distinguishing between family types like Wang (2019 did), households' purchasing inclination influences life insurance purchase behavior. Furthermore, the authors encourage life insurance company executives to focus their product marketing efforts on consumer purchases. Tobing et al.(2022) this study analyze the critical role of trust in the financial sector, with a specific focus on Indonesia's life insurance industry. The authors contextualize their research by referencing the 1998 economic crisis, which highlighted vulnerabilities in Indonesia's financial systems and underscored the need for robust consumer protection frameworks. Despite the industry's long-term economic significance, the penetration of life insurance in Indonesia has remained low over the past decade, largely due to challenges related to consumer trust and protection. The study identifies the critical role of need-based selling and trust-building in addressing consumer protection challenges. Need-based selling involves tailoring insurance products to meet the specific needs of consumers, which can significantly enhance trust and satisfaction. The authors argue that building trust through transparent and reliable practices is essential for the long-term growth of the life insurance sector. Wang (2022) analyzes life insurance demand in relation to family portfolio holdings in a dynamic context. Based on the author's findings, household portfolios have a higher influence on life insurance decisions than life occurrences. Furthermore, the households with more financial assets allocated to bonds, forsake life insurance coverage considerably. The study highlights that households with a larger allocation of financial assets to bonds tend to forgo life insurance coverage. This suggests that individuals who prioritize safer, more stable investments might perceive life insurance as less necessary, as their bond portfolios may already offer a degree of financial security. Sudha and Prerna (2023) explore these themes, emphasizing the dynamics of consumer decision-making and the diversity of perceptions regarding insurance policies and schemes. The study underscores the importance of understanding consumer awareness levels and their implications for both policy selection and industry advancement. Analysis suggests that tailored communication strategies and targeted education initiatives are necessary to address these diverse perceptions. This study examined government-backed insurance schemes and their role in promoting consumer awareness. The insights provided offer practical implications for stakeholders in the insurance sector. By recognizing the diversity in consumer perceptions and the barriers to awareness, insurers can design more inclusive and effective strategies to engage potential policyholders. Additionally,

collaborations between insurers and government bodies can further enhance awareness and accessibility, ultimately fostering a more resilient insurance ecosystem. Ramapriya,et, al. (2024**).** Consumer awareness has a significant impact on insurance decision-making. The study delves further into this topic, concentrating on consumers' comprehension and perceptions of HDFC Life Insurance's life insurance products. The research employs a mixed-methods approach, which bridges qualitative and quantitative procedures and allows for a more comprehensive understanding of the topic. The qualitative component of the study focuses on consumer viewpoints through interviews, questionnaires, and feedback analysis. This study suggests that to raise awareness of HDFC's LIC products, advertisements should be conducted on a regular basis, and premiums should be affordable. Dildar Khan Jadoon, et,al(2024). Investigates the interplay between ethical sales behavior, customer trust, and loyalty within Pakistan's life insurance sector, providing valuable insights into fostering long-term customer relationships. The study delves into the dual dimensions of customer trust: trust in the sales agent and trust in the company. Both forms of trust are shown to have a mutually reinforcing relationship that significantly influences customer loyalty. The study's findings emphasize the tangible benefits of ethical sales practices, providing actionable insights for life insurance companies. By identifying key drivers of customer loyalty, the research suggests that companies should incorporate ethics-focused training programs and integrate ethical conduct into performance evaluations for sales agents. These measures can cultivate a corporate culture that prioritizes ethical behavior, ultimately driving long-term customer loyalty and brand reputation.

4. METHODOLOGY:

The research utilized secondary data, collecting information through a structured questionnaire administered to life insurance policyholders in Sivagangai District, representing various demographic segments. A convenience sampling approach was employed, resulting in a total sample size of 360 respondents. A specially designed questionnaire was developed to align with the study's objectives. Data analysis was conducted using techniques such as percentage analysis, correlation analysis, and ANOVA to derive meaningful insights.

5. Challenges in Bridging Ethical Gaps

Despite the existence of industry standards and consumer protections, challenges persist in bridging ethical gaps. Many policyholders lack awareness of their rights and the details of their policies, leading to disputes or unclaimed benefits. Inconsistent enforcement of regulatory frameworks and the complexity of insurance products create opportunities for unethical practices. Addressing these challenges requires strengthening industry standards, ensuring rigorous enforcement, and prioritizing consumer education. By focusing on these areas, the life insurance industry can build a fair and trustworthy environment for all stakeholders. The establishment of industry norms and consumer protections, there are still ethical loopholes in the life insurance sector. These gaps are mostly the

result of policyholders' lack of understanding and variations in regulatory compliance. Key factors causing ethical gaps include: Lack of Policyholder Awareness: Many policyholders are unaware of their rights or the intricacies of their insurance plans. This lack of awareness might result in arguments and unclaimed benefits. The complexities of insurance products frequently make it difficult for consumers to completely understand the terms and conditions, leaving them open to potential abuse. This lack of awareness might result in arguments and unclaimed benefits. The complexities of insurance products frequently make it difficult for consumers to completely understand the terms and conditions, leaving them open to potential abuse.

Inconsistent Enforcement: The inconsistent implementation of regulatory frameworks allows for immoral behaviour. When restrictions are not consistently enforced, some insurance companies may engage in consumer unfriendly activities

6. Industry Standards in Life Insurance

Standards within the life insurance industry play a vital role in fostering trust and maintaining ethical operations. These standards regulate aspects such as product development, sales approaches, risk assessment, claims handling, and customer service. Regulatory requirements ensure insurers obtain proper licensing, uphold solvency, and offer clear and transparent disclosures regarding policy terms .and conditions. Fair practices in underwriting and timely claims processing are integral to standardized procedures, while ethical marketing emphasizes recommending policies suited to the consumer's needs and prohibiting deceptive representations. Mechanisms for addressing consumer grievances are established under the supervision of regulatory bodies. Globally, entities like the International Association of Insurance Supervisors provide a framework for consistent practices in risk management and governance, enhancing fairness across international markets.

Industry standards in the life insurance market are intended to foster confidence and ensure ethical operations. These standards are comprehensive, covering a range of critical business tasks.
 - ➢ Product development is regulated to guarantee fair policies that suit consumer wants.
 - ➢ Standardized sales tactics promote openness and prevent misleading practices.
 - ➢ Strict risk assessment rules assure fair underwriting.
 - ➢ Procedures control claims management, ensuring fair and fast processing.
 - ➢ Customer service standards offer adequate help and information for policyholders.
 - ➢ Claims handling is governed by procedures that ensure timely and fair processing.
 - ➢ Customer service is also an area where standards ensure that policyholders receive appropriate assistance and information.

> ➢ Regulatory standards ensure insurance carriers receive correct licensure, maintain financial soundness, and give clear disclosures about policy terms and conditions. These standards are critical to sustaining the market's integrity.
> ➢ These guidelines prioritize fair processes, particularly in underwriting and claim handling1. Ethical marketing is also important, with a focus on promoting policies that are appropriate for the consumer's needs and forbidding misleading statements.
> ➢ Regulatory bodies oversee mechanisms for handling consumer complaints. This oversight ensures that disputes are settled fairly and firms are held accountable.
> ➢ Global frameworks, such as those supplied by the foreign Association of Insurance Supervisors (IAIS), aim to establish consistent risk management and governance methods across foreign markets, hence improving fairness.

Despite these norms, issues exist, particularly in terms of policyholder knowledge and regulatory enforcement. Many policyholders are unaware of their rights and the specifics of their policies. Inconsistent enforcement of regulatory frameworks, as well as the complexity of insurance products, might create chances for unethical behavior. Addressing these challenges necessitates raising industry standards, guaranteeing strict enforcement, and emphasizing consumer education.

7. ANALYSIS AND DISCUSSION:

Table: 7.1. Demographic Profile of the Respondents:

Demographic Profile	Options	No of Respondents	Percentage
Age	under 25	39	10.8
	25-34	75	20.8
	35-44	105	29.2
	45-54	120	33.3
	55 and above	21	5.8
	Total	360	100
Gender	Male	195	54.2
	Female	165	45.8
	Others	-	-
	Total	360	100

Marital Status	Married	234	65.0
	Unmarried	120	33.3
	Divorced	6	1.6
	Total	360	100
Education Level	Under Graduation	105	29.2
	Post Graduation	123	34.2
	Doctorate	54	15.0
	Professional Course	78	21.7
	Others	-	-
	Total	360	100
Occupation	Employed	132	36.7
	Self- Employed	90	25.0
	Unemployed	63	17.5
	Retired people	75	20.8
	Total	360	100
Annual Income	Below Rs.20,000	66	18.3
	Rs.20,001 to Rs.50,000	114	31.7
	Rs.50,001 to Rs.1,00,000	120	33.3
	Rs.1,00,001 and Above	60	16.7
	Total	360	100

(Source: Primary Data)

Interpretation:
According to the demographic profile analysis, the majority of life insurance policyholders (62.5%) are between the ages of 35 and 54, with men (54.2%) outnumbering women (45.8%). The majority of respondents are married (65%), showing that people with family responsibilities are more likely to purchase life insurance. Higher education corresponds with financial planning awareness, as evidenced by the dominance of postgraduates (34.2%) and undergraduates (29.2%). In terms of occupation, the majority are working (36.7%) and self-employed (25%), with 20.8% retired,

highlighting the significance of post-retirement financial stability the income distribution reveals that the largest segment (33.3%) comes between the Rs.50,001-Rs.1,00,000 range, followed closely by those earning Rs.20,001-Rs.50,000 (31.7%), demonstrating that middle-income groups are the principal buyers of life insurance. This analysis highlights that life insurance is predominantly favoured by financially stable, middle-aged, and educated individuals, particularly those with family obligations.

Table 7.2: ANOVA Confidence in understanding life insurance policy terms with Age of the respondents

(Source: Primary Data – SPSS Output)

Descriptives								
CONFIDENCE IN UNDERSTANDING LIFE INSURANCE POLICY TERMS								
	N	Mean		Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
			Std. Deviation		Lower Bound	Upper Bound		
Under 25	39	1.00	0.000	0.000	1.00	1.00	1	1
25-34	75	1.00	0.000	0.000	1.00	1.00	1	1
35-44	105	2.31	0.577	0.056	2.20	2.43	1	3
55 & above	120	4.03	0.793	0.072	3.88	4.17	3	5
5	21	5.00	0.000	0.000	5.00	5.00	5	5
Total	360	2.63	1.469	0.077	2.47	2.78	1	5

(Source: Primary Data – SPSS Output)

Interpretation:

The ANOVA results indicate a significant difference in how confident different age groups are in understanding life insurance policies. The F statistic (538.576) and its associated significance value (0.000) show that the differences in mean confidence levels across the age groups are statistically significant. The mean confidence level increases with age. The youngest two age groups, 'Under 25' and '25-34,' have the lowest confidence (mean = 1.00). The confidence is higher in the '35-44' age group (mean=2.31), and highest in the '55 & above' (mean=4.03) and '5' (mean=5.00) groups. The '5' age group seems to have the highest confidence level, with all members of the group reporting the

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maximum confidence score of However, the source does not specify what age this group represents.

Table 7.3 Correlation Relationship between confidence in understanding life insurance policy terms with frequency of reviewing policy document.

Correlations		CONFIDENCE IN UNDERSTANDING LIFE INSURANCE POLICY TERMS	REVIEWING POLICY DOCUMENT
CONFIDENCE IN UNDERSTANDING LIFE INSURANCE POLICY TERMS	Pearson Correlation	1	.939**
	Sig. (2-tailed)		.000
	Sum of Squares and Cross-products	774.375	405.750
	Covariance	2.157	1.130
	N	360	360
REVIEWING POLICY DOCUMENT	Pearson Correlation	.939**	1
	Sig. (2-tailed)	.000	
	Sum of Squares and Cross-products	405.750	241.100
	Covariance	1.130	.672
	N	360	360
**. Correlation is significant at the 0.01 level (2-tailed).			

(Source: Primary Data – SPSS Output)

Interpretation:

The correlation analysis shows a strong positive relationship between an individual's confidence in understanding their life insurance policy and how often they review their policy documents. A Pearson correlation coefficient of .939, significant at the 0.01 level, indicates a very strong positive correlation between these two factors. This means that as people review their policy documents more frequently, their confidence in understanding the policy terms also increases, and vice versa. The correlation is statistically significant. The significance level (p-value) is .000, which indicates that the observed correlation is very unlikely to have occurred by chance.

8. RECOMMENDATION:

❖ Conduct targeted awareness campaigns for different demographics.
❖ Use digital channels (social media, webinars, interactive websites) for education.

- ❖ Simplify policy explanations to enhance consumer understanding.
- ❖ Integrate insurance education into financial literacy programs.
- ❖ Ensure transparent policy disclosures with complete information.
- ❖ Prevent misleading sales tactics and high-pressure selling.
- ❖ Require mandatory compliance reports on claims, grievances, and performance.
- ❖ Standardize insurance terms to ensure uniformity and clarity.
- ❖ Implement strict timelines for dispute resolution and claim settlements.
- ❖ Set up independent consumer forums for fair dispute resolution.

9. CONCLUSION:

The life insurance industry is essential to protect people and families financial security and stability. Consumer trust can be damaged by unethical practices and industry flaws, such as opaque policies, deceptive sales practices, and a lack of transparency. Fair access and informed decision-making are severely hampered by these issues. Given the vulnerabilities of policyholders, there is a critical need for improved consumer protection in the life insurance sector. The results of the study show that decisions about insurance are significantly influenced by customer awareness. Developing customized tactics for interacting with potential policyholders requires an understanding of consumer views. According to the study, middle-aged, educated, and financially secure people—especially those with family responsibilities—are the ones who want life insurance the most. The frequency of policy document reviews is positively correlated with an individual's confidence in their ability to comprehend their life insurance policy. According to the study, as people age, their confidence in their ability to comprehend life insurance policy grows. The life insurance market can become more moral, equitable, and customer-focused by tackling these problems with enhanced industry standards, more stringent regulatory enforcement, and an emphasis on consumer education. In the end, the long-term expansion and stability of the life insurance industry will depend on building trust and defending consumer rights.

10. Acknowledgement

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