

FACTORS AFFECTING SELECTION OF LIFE INSURANCE COMPANIES IN NEPAL

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Masters of Business Studies (MBS)

by

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final of my dissertation entitled "**FACTORS AFFECTING SELECTION OF LIFE INSURANCE COMPANIES IN NEPAL**". The work of this dissertation has not been submitted previously for conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation that I have received during this research work have been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of this dissertation.

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REPORT OF RESEARCH COMMITTEE

Ms. Rubina Angbuhang has defended research proposal entitled “**FACTORS AFFECTING SELECTION OF LIFE INSURANCE COMPANIES IN NEPAL**” successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Indra Bahadur Bohara and submit the dissertation for evaluation and viva voce examination.

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We, the undersigned, have examined the dissertation entitled “**FACTORS AFFECTING SELECTION OF LIFE INSURANCE COMPANIES IN NEPAL**” presented by Rubina Angbuhang candidate for the degree of Master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

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ABBREVIATIONS

AI	:	Artificial Intelligence
CRM	:	Customer Relationship Management
CSR	:	Corporate Social Responsibility
DV	:	Dependent Variable
EA	:	Enrollment Assistant
HIB	:	Health Insurance Board
HIP	:	Health Insurance Program
IEC	:	Information, Education, and Communication
IoT	:	Internet of Things
IV	:	Independent Variable
LIC	:	Life Insurance Companies
NIC	:	Nepalese Insurance Companies
PS	:	Post-Purchase Satisfaction
SEM	:	Structural Equation Modeling
SLC	:	School Leaving Certificate
SPI	:	Selection of Policies of Insurance

ABSTRACT

This study assessed the factors influencing the selection of life insurance companies in Nepal, addressing a critical gap in understanding consumer behavior within the country's evolving insurance market. Utilizing a descriptive and causal research design, the study explores the impact of product and premium, service quality, closeness, technology, agent behavior, and brand image on consumer decision-making. Primary data were collected from 384 respondents through structured questionnaires employing a five-point Likert scale, with convenience sampling applied due to practical constraints. Descriptive analysis, correlation, and regression analysis were conducted to assess the significance and interrelationships of these factors. The findings reveal that service quality ($r = 0.819$, $\beta = 0.605$) and closeness ($r = 0.762$, $\beta = 0.391$) are the most influential determinants, followed by technology ($\beta = 0.213$), with all factors showing statistical significance ($p < 0.05$). Strong inter-variable correlations, notably between closeness and technology ($r = 0.842$), indicate a synergistic effect, suggesting that improvements in one factor enhance others. These results imply that insurance companies should prioritize exceptional service, foster personal connections, and leverage digital innovations to meet consumer expectations while maintaining competitive pricing and strong brand reputation. The study provides actionable insights for insurers to enhance market competitiveness and for policymakers to promote financial literacy and regulatory support, fostering a consumer-centric insurance sector in Nepal. Despite limitations such as convenience sampling and a sample size of 384, the findings offer a robust foundation for future research and strategic development in Nepal's life insurance industry.

Keywords: *Agent behavior, brand image, closeness, service quality, technology*

CHAPTER-I

INTRODUCTION

1.1 Background of the Study

Nepal has had several socioeconomic difficulties, such as poverty, political unpredictability, and geographical isolation (Byg&Herslund, 2016) despite its stunning natural surroundings and diverse cultural heritage. These difficulties have historically moulded the economic environment of the nation and impacted the growth of its financial sector, which includes the insurance sector. Nepal has historically had a mostly agricultural economy (Osmani&Bajracharya, 2007) with agriculture providing the nation's livelihood and nourishment. Nepal's economy has gradually changed over the last several decades to become more diversified due to the expansion of industries including manufacturing, services (Ghosh, 2021) tourism, and hydropower. This diversification has brought new levels of risk and uncertainty that need for effective risk management techniques, such as insurance coverage, in addition to fostering economic development and job creation.

The growth of the insurance industry in Nepal has been strongly linked to more general changes in the economy and in the law (Kharel&Pokhrel, 2012). An important turning point in the regulation of insurance operations in Nepal was the Insurance Act of 1992, which established the regulations governing the formation, management, and oversight of insurance firms. The stability, integrity, and competitiveness of the insurance market have been improved by further regulatory framework refinements and strengthening brought about by the Insurance Board and subsequent revisions to the Insurance Act (Heydenrych&Luiz, 2018). There are still obstacles in the way of guaranteeing universal access to insurance goods and services, even with recent developments in regulation, especially in rural and isolated regions. Outreach and penetration initiatives for insurance are hampered by low financial literacy (Babych, 2018) poor infrastructure, and geographic restrictions. Furthermore, sociocultural elements may affect how consumers behave and perceive insurance (Ribeiro et al., 2020). Examples of these elements include prevalent attitudes and ideas about risk and insurance.

A greater understanding of the value of insurance as a tool for risk mitigation, asset protection, and fostering financial resilience in people, companies, and communities has emerged in recent years (Reguero et al., 2020). This increased knowledge has increased

demand for insurance products in a number of market categories, including life, health, property, and auto insurance. It has also resulted in changing lifestyles and higher disposable incomes.

New channels for distribution, marketing, and consumer interaction have been made possible by technological breakthroughs, which have completely changed the insurance industry. Insurers may now more effectively target untapped areas, streamline the purchasing process, and provide individualised services by using digital platforms, mobile apps, and online aggregators (Willcocks et al., 2024). Along with increasing the accessibility of insurance products, this digital revolution has given customers more ease, choice, and transparency when interacting with insurers. Customer preferences and choices are greatly influenced by factors such as product characteristics, cost, customer service, brand reputation (Patil & Rane, 2023) and brand proximity. This research attempts to shed light on the complexities of insurance policy selection for the benefit of insurers, legislators, and other stakeholders, eventually fostering the expansion and advancement of Nepal's insurance industry.

1.2 Problem Statement

In spite of the fact that there are a large number of insurance firms in Nepal (Acharya et al., 2023) the process of choosing an insurance policy continues to be a difficult and multi-faceted endeavour for customers. Consumers are often presented with a multitude of aspects to take into consideration when selecting an insurance provider and policy (Handel & Kolstad, 2015). Despite the fact that the Nepal Insurance Authority has developed an updated list of insurance firms that gives a full overview of the available possibilities (Timsina et al., 2018). Due to the complexity of the situation, it is essential to have a more in-depth awareness of the factors and dynamics that play a role in the selection of life insurance companies in Nepal. Despite the fact that the insurance industry has seen tremendous expansion and diversity over the last few years (Kumar et al., 2023) there is still a lack of empirical study about the variables that influence the choices that customers make when choosing insurance firms and products. In the context of insurance policy selection, existing research has mostly concentrated on macro-level trends and regulatory frameworks (Paneru et al., 2022), ignoring the complex preferences, perceptions, and behaviours of consumers involved in the process.

The ever-changing face of the life insurance industry, which is characterised by technology breakthroughs(Weingarth et al., 2019) shifting customer demographics, and competitive pressures, calls for a sophisticated grasp of the elements that affect consumer decisions. In light of these considerations, there is a compelling need for research that investigates the specific drivers and barriers that influence consumers' selection of life insurance companies in Nepal(Paudel, 2021) with a particular emphasis on the role that product features, pricing, service quality, brand image, and technological innovations play in the decision-making process.

Consumers in are confronted with a multitude of concerns and obstacles while attempting to navigate the broad array of alternatives that are provided by insurance firms(Carne, 2009). The process of purchasing life insurance companies in Nepal is characterised by complexity and ambiguity. In spite of the fact that there is a wealth of up-to-date information about licenced insurance providers, there is still a scarcity of empirical study on the variables that influence the choices that customers make when purchasing insurance products. This is especially true when considering the ever-changing market dynamics and preferences of consumers. As a result, there is an urgent need for extensive research that investigates the factors and dynamics that play a role in the selection of life insurance companies in Nepal, with the intention of providing information to both industry players and regulators. The study is based on the following research questions:

- i) What are the significant factors that determine selection of life insurance companies in Nepal?
- ii) Is there any relationship between factors that determine selection of life insurance companies in Nepal?
- iii) Do product and premium, services, closeness, technology, brand image and agents' behavior have impact on selection of life insurance companies in Nepal?

1.3 Objective of the Study

The proposed study aims to achieve the following specific objectives:

- i) To assess the major factors that determine selection of life insurance companies in Nepal.
- ii) To examine the relationship factors that determine selection of life insurance companies in Nepal.

- iii) To analyze the effect of product and premium, service, closeness, technology, agents' behavior, and brand image selection of life insurance companies in Nepal.

1.4 Hypothesis

The study is based on the following hypotheses statements:

H1: There is a significant relationship between product and premium and selection of life insurance companies.

H2: There is a significant relationship between service and selection of life insurance companies.

H3: There is a significant relationship between closeness and selection of life insurance companies.

H4: There is a significant relationship between technology and selection of life insurance companies.

H5: There is a significant relationship between brand image and selection of life insurance companies.

H6: There is a significant relationship between agent behavior and selection of life insurance companies.

1.5 Rationale of the Study

There are a lot of different reasons why this study is being done on the factors that affect the choice of life insurance companies. These reasons come from the urgent needs of different players in the insurance environment. In the first place, this study wants to give customers more power by giving them the information and understanding they need to make smart choices about insurance goods. People today have more knowledge and choices than ever before. Knowing what makes people choose one insurance company over another is important for making sure that people and companies can pick policies that meet their needs, tastes, and budgets.

Also, in its very competitive insurance market, where many companies are fighting for market share and customer trust, insurers need to understand how customers behave in order to stay competitive and relevant. By figuring out the most important things that make people choose one insurance company over another, this study can help insurers set

themselves apart by offering value-added goods, better service, and new ideas. If insurers learn more about what customers want, they can change their business plans to better meet the changing wants and demands of the groups they are trying to reach.

This study also has important effects for lawmakers and governing bodies that are in charge of keeping an eye on the insurance business and protecting customers' interests. To make rules and policies that keep the market stable, protect consumers, and help the business grow, you need to have a deep understanding of how people behave. By finding out what makes people choose one insurance policy over another, this study can help lawmakers make decisions based on facts and make changes to the law that will make the Nepalese insurance market more fair, efficient, and open.

When looking at things from a business point of view, market research is essential for creating strong business plans and advertising efforts. By showing what makes people choose one product over another, this study can help insurers make their product lines, price strategies, marketing methods, and customer service efforts more in line with what their target market groups want and need. Insurance businesses in Nepal can improve customer happiness, retention, and long-term profits by making sure their strategies are in line with what customers want.

1.6 Limitations of the Study

- This study is conducted for the partial fulfillment master's degree dissertation purpose.
- Primary data collection methods limit the study scope.
- This study used convenience-based research design, so methodically the study limited.
- Only 384 response was study as the sample of the study so, study limits the generatability.
- This study limits to the analysis tools, correlation and regression analysis was conducted only.

CHAPTER-II

LITERATURE REVIEW

2.1 Introduction

The literature review aims to provide a comprehensive understanding of the factors influencing the selection of life insurance companies in Nepal. This chapter synthesizes existing theoretical and empirical research related to the variables under study, namely product and premium, service, closeness, technology, and brand image. By examining the relevant literature, this chapter seeks to identify the major determinants that affect consumers' choices in the life insurance sector and elucidate the relationships among these factors. The insights gained from this review will inform the subsequent analysis and evaluation of how these variables impact the selection of life insurance companies, thereby addressing the research objectives set in this study.

2.2 Theoretical Review

The conceptual and theoretical review serves as the foundation for understanding the intricate dynamics that influence the selection of life insurance companies. This section delves into various theories and concepts pertinent to the decision-making process of insurance policyholders. It covers the defining characteristics of life insurance companies and the factors that shape their selection, including product and premium attributes, service quality, customer closeness, technological advancements, and brand image. By exploring these dimensions, the review aims to provide a theoretical framework that underpins the empirical investigation of how these factors collectively impact consumer preferences and choices in the life insurance market.

2.2.1 Life Insurance Companies and Selection Decision

Individuals and families rely heavily on life insurance businesses for financial stability and peace of mind. A variety of factors influence consumers' decisions to choose a certain life insurance business, catering to their various needs and preferences (Whyley et al., 1998). At its core, this selection decision is a complex procedure that entails assessing a variety of factors such as product range and quality, premium prices, customer service, accessibility, technological capabilities, and brand reputation (Whyley et al., 1998).

Consumers frequently evaluate life insurance providers according to the perceived value they provide. This involves looking at the benefits and features of the insurance products, the cost and competitiveness of premiums, and the company's capacity to offer fast and

effective service. Furthermore, the insurer-insured relationship, which is frequently characterized by the proximity and personal touch of the company's representatives, has a considerable impact on the selection decision (Abdelfattah et al., 2015).

Technological improvements have also played a significant role in the modern insurance market. Companies that use technology to improve customer experience, streamline procedures, and provide new solutions attract more customers (Dhatterwal et al., 2022). Furthermore, a strong and favorable brand image can affect consumer perceptions and decisions by reflecting the company's dependability, integrity, and dedication to client pleasure.

2.2.2 Product and Premium

The products and premiums supplied by life insurance firms are among the most important elements influencing policyholders' selection decisions. Life insurance companies range greatly, from term life insurance to whole life insurance, endowment plans, and others. Each product type has its own set of features, advantages, and coverage options that are tailored to satisfy the various demands of consumers. The appeal of these products significantly influences a company's capacity to attract potential clients (Kajwang et al., 2020).

Premiums, the recurring payments required by policyholders to keep their insurance coverage, play an equally important role in the decision-making process. Consumers frequently seek insurance that provide the most value for money, weighing the cost of premiums against the benefits. Affordable and competitive premium rates can significantly influence a customer's choice of insurer. Furthermore, variable premium payment options, such as monthly, quarterly, or annual installments, can increase the desirability of a coverage (Brown & Churchill, 2000). The link between product and premium entails determining whether an insurance product's features and benefits justify its cost. This rating takes into account elements such as the sum guaranteed, maturity benefits, riders and add-ons, claim settlement percentages, and the insurance company's general financial stability and reputation. Policyholders are more inclined to select a program that provides comprehensive coverage and value-added benefits for a fair price (Mishra & Mishra, 2011).

2.2.3 Service

The quality of service provided by life insurance companies is a pivotal factor in the selection decision of policyholders. Service encompasses various dimensions, including customer support, claims processing, policy management, and overall customer experience. High-quality service can significantly enhance customer satisfaction and loyalty, making it a crucial determinant in the choice of an insurance provider(Yadav&Tiwari, 2012).

Customer support is often the first point of contact between the insurer and the insured. Efficient, responsive, and empathetic customer service can positively influence the perception of the company(Siddiqui& Sharma, 2010). This includes assistance with policy selection, addressing queries and concerns, and providing detailed information about products and services. A company that invests in training its customer service representatives and providing them with the necessary tools to assist clients effectively is likely to stand out in a competitive market (Siddiqui& Sharma, 2010).

Claims processing is another critical aspect of service quality. The ease and speed with which claims are processed can greatly impact a customer's decision to select or remain with an insurance company. A transparent, hassle-free claims process that minimizes delays and bureaucratic hurdles builds trust and confidence among policyholders. Additionally, the company's track record in claim settlements, often reflected in the claim settlement ratio, is a vital indicator of its reliability and efficiency(Heim& Field, 2007). Policy management services, including timely communication, regular updates, and easy access to policy information, also play a significant role in shaping customer preferences. Companies that leverage technology to offer online portals, mobile apps, and other digital tools for policy management tend to provide a more convenient and user-friendly experience(Dabholkar, 2000).

2.2.4 Closeness

The selection of life insurance firms is highly impacted by closeness, which can be defined as the perceived relationship proximity between the life insurance company and its consumers. This notion comprises the personal connection, trust, and rapport that an insurer can develop with its customers, typically through personalized interactions, local presence, and community engagement. Personalized interactions encompass a wide range of activities(De Wulf et al., 2001).

Interactions that are both direct and meaningful between the insurer and the insured help to establish a personal relationship between the two parties (Yücenur & Demirel, 2012). Customers have a tendency to favor businesses that provide individualized service and make an effort to comprehend the specific requirements and preferences of each individual customer. By maintaining regular contact with consumers, providing specialized advice, and offering customized solutions, insurance agents and representatives can develop a sense of closeness and trust on the part of customers, which increases the likelihood that customers will choose the firm and continue to do business with it. Furthermore, the presence of locals is an essential component in the process of strengthening the sense of proximity. Customers can receive service that is both more readily available and more immediate from insurance companies that have a comprehensive network of branches and agents in the communities in which they operate. There is a significant possibility that the selection decision will be considerably impacted by the ability to engage in face-to-face interaction with representatives and to have access to local offices for consultations or help (Mimović et al., 2017). Because of this local presence, businesses are also able to better comprehend and meet the particular requirements of a variety of communities and regions with greater ease.

The relationship between an insurance and its customers is further strengthened when the insurer is involved in the community. It is common for people to have a more favorable impression of businesses that take part in and contribute to community development projects, social initiatives, and local events (Wang et al., 2019). This involvement not only improves the image of the company, but it also helps to cultivate a sense of loyalty and trust among clients, who value the commitment that the insurance has made to the community. There is a strong connection between the idea of proximity and trust, which is an essential component of the insurance industry. When customers get the impression that an insurance firm is trustworthy, honest, and committed to serving their needs, they are more inclined to choose that particular company (Andawaningtyas et al., 2022). Establishing and sustaining this trust calls for communication that is both constant and transparent, as well as the demonstration of true care and concern for the well-being of the client who is being served.

2.2.5 Technology

Because it significantly alters the way in which insurance companies conduct their business and communicate with their clients, technology has emerged as a significant

component in the process of selecting life insurance providers. Technology is a crucial factor in the decision-making process since it has the potential to considerably improve the efficiency, convenience, and overall experience for policyholders. Additionally, the use of modern technological solutions can significantly enhance the overall experience. One of the most significant ways in which technology influences the choice of insurance firms is through the provision of online services and digital platforms at the customer's disposal. Insurance companies that provide customers with complete online portals and mobile applications are becoming increasingly popular among customers (Puška et al., 2023). These portals and applications enable customers to manage their policies, make premium payments, and access information whenever and wherever they choose. The use of these digital technologies offers simplicity and flexibility, rendering interactions and transactions more straightforward, and eventually leading to an increase in customer satisfaction (Baecke & Bocca, 2017).

In addition, technology makes the process of processing claims not only quicker but also more efficient. By utilizing automation and artificial intelligence (AI), insurance companies are able to streamline the claims processing process (Fan et al., 2008), hence lowering the amount of time and effort that consumers need to spend in order to file and settle claims. Insurers are able to evaluate claims in a more accurate and equitable manner because to the utilization of data analytics and machine learning algorithms. This results in a more expedient resolution process and an increase in consumer trust.

One more significant part of the impact that technology has on the choice of life insurance providers is the ability to personalize the experience. Insurance companies are able to collect and analyze client data through the use of advanced data analytics and customer relationship management (CRM) systems. This allows them to get insights into the preferences and habits of individual customers. Insurers are able to provide individualized products, services, and communications as a result of this (Çiğdem, 2014). They are able to adjust their offers to match the exact requirements of each individual consumer, which ultimately results in increased customer engagement and loyalty. It is also important to note that the use of technology into the processes of risk assessment and underwriting results in an increase in the precision and efficiency of these essential operations (Einav & Finkelstein, 2011). Insurance companies that make use of big data, predictive analytics, and devices connected to the Internet of Things (IoT) are able to conduct risk assessments with greater precision, which results in more competitive

pricing and policy terms that are more closely aligned. This technical capability has the potential to make an insurance firm more appealing to prospective clients who are looking for coverage alternatives that are both fair and individualized(Cappiello, 2018).

Finally, in this day and age, the importance of data protection and cyber security cannot be overstated. It is possible for insurance businesses to create a stronger level of trust and confidence among policyholders if they prioritize the implementation of comprehensive cyber security measures and safeguard the privacy and security of customer data(Lanfranchi&Grassi, 2022). In light of the growing worries around data breaches and cyber threats, customers are more likely to select insurers who exhibit a strong commitment to protecting their personal information from breach.

2.2.6 Brand Image

Brand image plays a pivotal role in the selection of life insurance companies, as it encapsulates the perceptions and associations that customers have with an insurer. A strong, positive brand image can significantly influence consumer trust, loyalty, and preference, making it a crucial factor in the competitive insurance market(Sammy et al., 2016). Brand image is built over time through consistent delivery of quality products and services, effective marketing strategies, and positive customer experiences. An insurance company with a well-established and favorable brand image is often perceived as more reliable and trustworthy. This perception can be a deciding factor for customers when selecting an insurer, especially in an industry where trust and security are paramount(Gray&Balmer, 1998).

One of the key elements contributing to a strong brand image is the company's reputation for reliability and financial stability. Customers are more likely to choose an insurer known for its consistent performance, timely claim settlements, and financial robustness. An insurer with a solid track record and high ratings from financial and industry analysts can instill confidence in potential policyholders about the company's ability to meet its obligations(PP, 2016). Effective marketing and communication strategies also play a vital role in shaping brand image. Life insurance companies that engage in clear, transparent, and customer-centric communication can build a positive image and foster trust. Marketing campaigns that emphasize the company's values, mission, and commitment to customer satisfaction can resonate with consumers and enhance brand perception(Chen, 2011).

Customer testimonials and word-of-mouth referrals are powerful components of brand image. Positive reviews and recommendations from existing policyholders can greatly influence potential customers' decisions (Buttle, 1998). An insurance company that prioritizes customer satisfaction and actively seeks and addresses customer feedback can strengthen its brand image and attract new clients. Corporate social responsibility (CSR) initiatives contribute to building a positive brand image as well. Companies that actively participate in community development, environmental sustainability, and other social causes are often viewed more favorably by customers (Lin et al., 2013). Such initiatives demonstrate the company's commitment to societal well-being, enhancing its reputation and appeal.

Innovation and adaptability also impact brand image. Insurers that are perceived as innovative and forward-thinking, embracing new technologies and trends to improve their products and services, can create a dynamic and attractive brand image (Ansary, 2018). This can appeal to modern consumers who value innovation and progressiveness in the companies they choose.

2.2.7 Agent Behavior

The behavior of agents plays a critical role in shaping consumers' decisions when selecting insurance companies. Agents act as intermediaries between insurance providers and consumers, and their interactions can significantly influence the perception and trust consumers place in a particular insurance company. Agent behavior is a multifaceted factor that includes the agents' knowledge, professionalism, communication skills, and the level of personalized service they offer. A knowledgeable agent who can clearly explain the terms, conditions, and benefits of an insurance policy is likely to gain the trust of prospective clients. This is particularly important for life insurance, where consumers often lack the detailed knowledge necessary to make fully informed decisions on their own. Studies have shown that consumers tend to rely heavily on agents' advice, particularly in developing countries where insurance literacy may be low (Sharma, 2015). Agents who are transparent and provide comprehensive information help build trust and facilitate long-term relationships, enhancing customer loyalty.

Furthermore, agents' professionalism and ethical conduct play an essential role in maintaining the reputation of the insurance company they represent. Unethical practices, such as misrepresentation of policies, may lead to short-term gains but can harm the

company's reputation in the long run. A study by Ghimire and Shrestha (2020) found that unethical behavior by agents is one of the key reasons for consumer dissatisfaction, which can lead to policy cancellations and damage to the company's market image.

Another key aspect of agent behavior is their ability to build personalized relationships with clients. An agent who understands the individual needs and preferences of their clients and recommends tailored policies is more likely to succeed in retaining customers. Personal connections, empathy, and continuous follow-up are factors that strengthen the relationship between the client and the insurance company. Additionally, agents who stay engaged post-sale, assisting clients with claims and policy updates, tend to foster stronger customer loyalty. Given the competitive nature of the life insurance industry, companies that invest in training and supporting their agents can gain a significant advantage. By ensuring that agents adhere to high ethical standards and are well-versed in their product offerings, insurance companies can enhance customer satisfaction and loyalty, which ultimately impacts the selection of insurance companies.

2.2.8 Decision-Making Theory

Consumer Decision-Making Theory provides a comprehensive framework for understanding how individuals make choices among various alternatives, including the selection of life insurance companies (Edwards, 1954). This theory encompasses several stages that consumers typically go through in their decision-making process:

- **Problem Recognition:** The consumer realizes the need for life insurance, driven by factors such as financial security, family protection, or investment opportunities (Turpin & Marais, 2004).
- **Information Search:** The consumer seeks information about different life insurance companies and their offerings. This stage involves gathering data from various sources such as advertisements, online reviews, recommendations from family and friends, and consultations with insurance agents (Turpin & Marais, 2004).
- **Evaluation of Alternatives:** The consumer compares different life insurance products and companies based on specific criteria such as product features, premium costs, service quality, brand reputation, and technological advancements.
- **Purchase Decision:** The consumer selects the insurance company and product that best meets their needs and preferences (Turpin & Marais, 2004).

- **Post-Purchase Behavior:** The consumer evaluates their decision based on their experience with the insurance company, including service quality, claims processing, and overall satisfaction. Positive experiences reinforce the decision, while negative experiences may lead to regret and switching behavior (Trommershäuser et al., 2008).

This theory helps explain how the various factors under study—product and premium, service, closeness, technology, and brand image—interact and influence the consumer's decision to select a particular life insurance company.

2.2.9 Portfolio Theory (Modern Portfolio Theory)

Portfolio Theory, developed by Harry Markowitz in the 1950s, provides a framework for constructing investment portfolios that balance risk and return. This theory is based on the principle that investors seek to maximize returns while minimizing risk by diversifying their investments across different asset classes (Francis & Kim, 2013).

- **Risk and Return:** Portfolio Theory posits that investors are rational decision-makers who seek to optimize their portfolios based on the trade-off between risk and return. In the context of life insurance, this theory can be applied to understand how consumers evaluate different insurance products based on their risk profile (e.g., term life vs. whole life) and the expected return in terms of financial security and benefits (Swisher & Kasten, 2005).
- **Diversification:** The theory emphasizes the importance of diversifying investments to reduce overall portfolio risk. Similarly, consumers may diversify their insurance purchases to mitigate specific risks (e.g., health, income protection) and optimize their overall financial security.
- **Efficient Frontier:** Portfolio Theory introduces the concept of the efficient frontier, which represents the set of optimal portfolios that offer the highest expected return for a given level of risk or the lowest risk for a given level of return. In the context of insurance selection, consumers may evaluate different insurers and policies to identify the optimal combination of risk management (premiums, coverage) and financial benefits (Curtis, 2004).

2.3 Empirical Review

The empirical review section synthesizes existing research studies and empirical findings related to the factors influencing the selection of life insurance companies. This section

explores both Nepalese and international literature to provide insights into the practical implications of variables such as product and premium, service quality, customer closeness, technological advancements, and brand image on consumer decision-making processes. By examining empirical evidence and findings from various studies, this review aims to highlight trends, patterns, and correlations that contribute to a deeper understanding of how these factors influence the selection of life insurance companies in different contexts.

2.3.1 Review of International Journal Articles

Bhat and Jain (2007) emphasized the significance of understanding the determinants of policy renewal decisions to facilitate the growth and development of the insurance sector. Health insurance companies typically require annual renewal, making it crucial to comprehend the factors influencing policyholders' decisions to continue with their insurance coverage. Building upon previous research on factors impacting the initial purchase of health insurance, the study delves into the distinct factors influencing policy renewal. The researchers discover that the determinants affecting health insurance renewal differ from those influencing the initial purchase decision, highlighting the need for tailored strategies by insurance providers. Additionally, the study underscores customer satisfaction as a pivotal factor influencing policyholders' renewal decisions, underscoring the importance of ensuring high levels of customer satisfaction to foster policy retention and loyalty.

Omboi (2011) investigated factors influencing agents' retention in the insurance industry, focusing on selected insurance companies in Nairobi, Kenya. The study aimed to identify and understand the factors affecting the turnover rates of agents within major life insurance companies in Nairobi. Specifically, the research focused on British America Investment Company, Pan Africa Life Assurance, and CFC Life (formerly ALICO), chosen based on their significant business volume in Nairobi compared to upcountry agencies. The study employed a descriptive survey design, utilizing questionnaires administered to 129 agents selected through stratified random sampling from a larger target population. Findings indicated that factors such as commission-based remuneration, training and development opportunities, social demographics, product knowledge, and resourcing strategies significantly influenced agents' retention. While working conditions were not found to negatively impact retention, the study

recommended increased investment in agent training, development, and resource allocation to improve retention rates within the insurance industry in Nairobi.

Yadav and Tiwari (2012) examined factors influencing customers' investment towards life insurance companies, aiming to identify the determinants of customers' policy buying decisions and analyze their preferences in life policy investment decision-making. The study used an exploratory and descriptive methodology. Data was collected from both primary and secondary sources, with a sample size of 150 policyholders from Jabalpur district, Madhya Pradesh, selected using stratified and purposive sampling methods. The researchers tested hypotheses based on demographic and insurance-based preference factors using statistical tools such as chi-square, correlation, and weighted average method. Findings revealed that LIC of India remained the most accepted and popular brand in life insurance, while the market share of private insurers was gradually increasing due to enhanced trust and better services. The study suggested that insurance companies should focus on spreading awareness about life insurance, reducing premium amounts, and offering need-based innovative products. Additionally, the study concluded that demographic factors play a significant role in influencing the purchase of life insurance companies.

Mathuret al. (2014) investigated factors influencing customers' choice for insurance companies in Ajmer City. The study aimed to identify the most influential factors guiding customers' decisions in the competitive insurance market. Using a survey of 120 respondents, the study employed mean and factor analysis to evaluate 29 factors derived from literature and personal interviews. Results highlighted that factor such as computerization and online transactions, connectivity with banks, transaction speed and efficiency, and clear communication were rated highest in influencing customer preferences. Conversely, factors like influential marketing campaigns and free gifts were deemed less significant. The study concluded that enhancing technological capabilities and improving transaction efficiency are critical strategies for insurance companies to attract and retain customers in Ajmer City's competitive insurance market.

Mathur and Tripathi (2014) examined a study titled "Factors Influencing Customer's Choice For Insurance Companies- A Study Of Ajmer City," published in the IOSR Journal of Business and Management. The study aimed to explore the factors influencing customers' choice of insurance companies in Ajmer city, India, amidst the growing

competition within the insurance sector. The researchers surveyed 120 respondents and analyzed 29 factors using mean and factor analysis, which were extracted from the literature and personal interviews. The study revealed that factors such as computerization and online transactions, connectivity with banks, speed and efficiency in transactions, and clear communication were ranked highest by respondents in influencing their choice of insurance companies. Conversely, factors such as influential marketing campaigns and free gifts for customers were deemed least important. Factor analysis identified nine key factors that were considered most influential in customers' choice of insurance companies. The study underscored the importance of demographic variables in understanding customers' perceptions and highlighted the significance of factors contributing to customer satisfaction in the insurance industry.

Šira et al. (2016) investigated factors influencing clients' selection of insurance companies, focusing on changes in client preferences over a five-year period. The research aimed to compare shifts in client behavior and factors influencing insurance company selection between 2010 and 2015 in Slovakia. Using a comparative analysis approach, the study examined how economic indicators such as unemployment rates and average monthly wages influenced client preferences over time. Factors with significant impact on client decisions were identified and compared across the two time periods, alongside an analysis of insurance market metrics like written premiums, density, and penetration. The study concluded that economic development plays a crucial role in shaping client preferences for insurance companies, highlighting the need for insurers to adapt their strategies in response to changing economic conditions and client expectations in Slovakia's insurance market.

Melnychuk et al. (2019) investigated the factors influencing the market of insurance services in the field of life insurance, focusing on the interaction between demand and supply of insurance products in Ukraine. The research aimed to analyze and identify the factors that impact the activities of insurance companies in the life insurance market. The study examined theoretical principles governing the formation of demand and supply for insurance services and analyzed key business indicators reflecting company performance. Factors influencing the development of life insurance in the market were characterized, and conclusions and recommendations were drawn regarding their impact on the growth and evolution of insurance services.

Ranabhat et al. (2020) analyzed an explorative study to examine the status and determinants of enrollment and dropout rates in health insurance in Nepal. Despite Nepal's efforts to prioritize health insurance, progress in coverage has been slow compared to other South Asian countries. Utilizing a mixed-method approach, the study gathered numerical data on enrollment and dropout rates from the Health Insurance Board (HIB) of Nepal, supplemented by qualitative data from focus group discussions with enrollment assistants (EAs) in selected districts. The findings revealed variations in enrollment and dropout rates across districts, with a significant proportion of subsidy enrollments for vulnerable groups. Population characteristics associated with unwillingness to enroll or dropout included individuals from relatively well-off families, government employees, businessmen, migrants, and certain local political leaders. Major determinants of poor enrollment and dropout included the unavailability of essential drugs, unfriendly behavior of health workers, and inadequate care for insured patients in healthcare facilities. Moreover, factors such as long maturation time for activating health services and limited health packages contributed to inefficient program implementation. The study underscores the need for revisiting existing health insurance companies, expanding health care packages, offering more choices in copayment, enhancing the capacity of enrollment assistants, and improving coordination between the Health Insurance Board and healthcare facilities to address the high dropout rates and ensure the sustainability of health insurance programs in Nepal.

Maseke and Iiping (2021) examined a study to analyze the various factors influencing clients' choice of insurance companies, recognizing the importance of making informed decisions to avoid potential disappointments. The research aimed to identify the drivers behind clients' preferences in selecting insurance providers, with a focus on advertising, social, and behavioral factors. Employing a survey design with questionnaires, the study involved 185 randomly selected participants from Keetmanshoop, Namibia. Results indicated that a significant proportion of participants opted for insurers based on persuasion by agents or brokers, aligning with findings from previous studies. Despite this, the study revealed a high satisfaction rate of 87% among participants with their current insurers, with only 13% expressing dissatisfaction and considering switching to other insurers. Furthermore, the findings indicated a positive relationship between clients' perceptions of the relative importance of insurance and various influencing factors, including social, advertising, and behavioral factors. This study sheds light on the

complex dynamics influencing clients' decisions in choosing insurance companies, emphasizing the need for insurers to understand and address clients' preferences effectively.

Table 1

Summary of International Literature

Author/ Year	Topic	Research Question	Objectives	Methodology (Research Design, Population, Data Analysis tool)	Variables	Findings
Bhat and Jain (2007)	Determinants of health insurance policy renewal decisions	What factors of influence policyholders' decisions to renew health insurance companies?	To understand factors impacting policy renewal decisions in the health insurance sector.	Study of renewal determinants, customer satisfaction analysis.	Customer satisfaction, Policy renewal	Factors influencing health insurance renewal differed from initial purchase decisions, emphasizing the role of customer satisfaction and tailored strategies for policy retention.
Omboi (2011)	Factors influencing agents' retention in insurance industry	What factors affect agents' retention rates in major life insurance companies in Nairobi, Kenya?	To understand and identify factors influencing agent turnover rates in Nairobi's insurance industry.	Descriptive survey design, questionnaires, stratified random sampling.	Commission-based remuneration, Training and development, Social demographics, Product knowledge, Resourcing strategies	Factors such as commission-based remuneration, training opportunities, and social demographics significantly influenced agents' retention. Working conditions were not found to negatively impact retention.
Yadav and Tiwari (2012)	Factors influencing customers' investment towards	What are the determinants of customers' policy buying decisions	To identify factors influencing customers' decisions in purchasing	Exploratory and descriptive methodology, stratified and purposive sampling.	Demographics, Insurance-based preferences	LIC of India remained popular due to trust, while private insurers gained market share with enhanced trust and service.

	life insurance companies	and their preferences in life policy investment?	life insurance companies.			
Mathur et al. (2014)	Factors influencing customers' choice for insurance companies in Ajmer City	What are the factors influencing customers' decisions in the competitive insurance market in Ajmer City, India?	To identify influential factors guiding customers' decisions in the insurance market.	Survey of 120 respondents, mean and factor analysis.	Computerization, Online transactions, Connectivity with banks, Transaction speed, Communication	Factors like technological capabilities (e.g., online transactions, transaction efficiency) were highly influential in customer preferences for insurance companies.
Šira et al. (2016)	Factors influencing clients' selection of insurance companies in Slovakia	How have factors influencing client preferences in selecting insurance companies changed from 2010 to 2015 in Slovakia?	To compare shifts in client behavior and factors influencing insurance company selection over time.	Comparative analysis, economic indicators analysis.	Economic indicators (unemployment rates, average monthly wages), Client preferences	Economic development significantly influenced client preferences for insurance companies in Slovakia over the studied period.
Melnycuk et al. (2019)	Factors influencing the market of insurance services in life insurance	What are the factors impacting activities of insurance companies in the life insurance market in Ukraine?	To analyze factors influencing insurance companies in Ukraine's life insurance market.	Analysis of theoretical principles, business indicators.	Demand, Supply, Business indicators	Identified factors influencing the development of life insurance market in Ukraine included demand-supply interactions, business indicators.
Ranabhat et al.	Enrollment and	What are the status and	To examine enrollment	Mixed-method approach,	Enrollment rates,	Variation in enrollment and dropout rates across Nepal,

(2020)	dropout rates in health insurance in Nepal	determinants of enrollment and dropout rates in health insurance in Nepal?	and trends their determinants in health insurance.	dropout and in Nepal's health insurance.	numerical analysis, qualitative data from groups.	data Dropout rates, Determinants (availability of drugs, healthcare quality)	influenced by socioeconomic factors and program implementation challenges.
Maseke and Lipinge (2021)	Factors influencing clients' choice of insurance companies in Namibia	What factors drive clients' preferences in selecting insurance providers in Namibia?	To analyze factors influencing clients' decisions in choosing insurance companies.	Survey design, questionnaires, random sampling.	Advertising, Social factors, Behavioral factors	Majority of clients satisfied with current insurers, influenced by agents and brokers.	

2.3.2 Review of Nepalese Journal Articles

Jnawali and Jaiswal (2019) investigated the determinants affecting the buying of life insurance in Kapilvastu district, Nepal. The study aimed to investigate the factors influencing life insurance purchasing decisions among 384 policyholders through structured questionnaires. Utilizing purposive sampling, the study found significant associations between life insurance demand (measured by premiums paid) and variables such as gender, level of education, occupation, economic class, family size, and monthly income. Conversely, factors like age, religion, and marital status showed no significant association with insurance demand. The study concluded by recommending life insurance companies to target individuals with higher income, larger family sizes, and higher education levels for promoting life insurance companies effectively in the region.

Acharya et al. (2020) investigated a household-based observational study in Baglung and Kailali districts of Nepal to assess the association of information, education, and communication (IEC) with family enrollment in health insurance programs (HIPs). The study aimed to identify effective methods of communication for influencing behavior and decision-making capacity regarding health insurance enrollment. The study used primary data methodology with regression analysis. The study found that 72% of respondents had heard about health insurance, with 66% aware of the contribution amount required for

enrollment. Among enrolled households, a higher proportion belonged to the age group of 41–60 and were above 60 years, with a significant association between enrollment and socioeconomic status. Furthermore, individuals with chronic diseases were more likely to be enrolled in health insurance. Factors positively associated with enrollment included awareness of health insurance, knowledge about contribution amounts, access to health insurance-related materials, and interactions with peers or neighbors about health insurance. Logistic regression analysis highlighted the significance of hearing about health insurance, knowledge about contribution amounts, possession of health insurance-related materials, and interaction with peers or neighbors as predictors for enrollment in health insurance.

Jha and Singh (2021) investigated 120 households, including 60 insured and 60 non-insured households. The study utilized interview schedules, focus group discussions, and key informant interviews to gather data. The study found that 83% of respondents were aware of livestock insurance, with disparities noted in awareness levels regarding premiums and subsidy schemes between insured (32%) and non-insured (82%) respondents. The primary sources of awareness were identified as insurance companies and radio/TV, respectively. Farmers expressed satisfaction with valuation techniques and government subsidy policies but cited concerns about the claim procedure, documentation requirements, and delays in claim settlement by insurance companies. Factors influencing the adoption of livestock insurance included documentation procedures, membership in organizations/groups, contact with extension personnel, and knowledge of premium subsidies. Challenges such as illiteracy and limited awareness among farmers were identified as barriers to adoption. The study recommended improved publicity of schemes and streamlined claim processes to enhance livestock insurance uptake in the region.

Deb et al. (2021) explored whether individuals choose life insurance (LI) primarily as a protection tool or as a saving instrument. Conducting a study using stratified random sampling with 120 respondents, the research aimed to test hypotheses derived from existing literature. The findings indicated a preference among insured customers for using LI plans as a saving instrument rather than solely for protection. Factors such as demographics, risk perceptions, expected returns, tax benefits, and precautionary motives were found to significantly influence LI enrollment decisions. The study suggested that insured individuals reassess their risk appetites and coverage needs to ensure adequate

protection, potentially considering term plans alongside traditional and unit-linked insurance companies to address any under-insurance.

Goet (2022) analyzed factors affecting customers' choice of life insurance companies in Nepal, focusing on the relationship between product and premium, service, closeness, technology, security, responsiveness, and brand image. The research aimed to assess how these factors influence customers' decisions when selecting insurance providers and their overall impact on customer choice. Utilizing primary data sources, the study employed a well-structured questionnaire administered to 400 respondents selected through convenience sampling. Reliability was tested using Cronbach's Alpha, and correlational and causal research designs were employed. Results indicated a positive and significant relationship between most factors and customers' choice of life insurance companies, with all factors except Product and Premium showing significant impacts. The study provides insights beneficial for insurance managers and policymakers seeking to expand their market reach, proposing a model to enhance these factors in the context of insurance company selection in Nepal.

Dahal et al. (2023) explored the factors influencing post-purchase satisfaction (PS) of life insurance companies in Nepalese Insurance Companies (NICs). The research assessed the relationships between agent behavior, customer service, company trust and image, and client satisfaction with NICs after purchasing a policy. Using convenience sampling techniques, data was collected from residents of Kathmandu Valley regarding their post-purchase experiences with life insurance companies. The findings, based on a survey of 400 respondents, revealed that agent behavior, customer service, and company trust and image positively impact post-purchase satisfaction. Specifically, policyholders perceived agents as crucial for their contact with the service they purchased and emphasized the importance of ongoing interaction with agents. Moreover, satisfaction with customer service underscored the significance of understanding customer needs and tailoring products and services accordingly. The study suggests that insurance companies should identify key areas of importance to consumers and enhance their performance in those areas to manage policyholder expectations effectively. Furthermore, it highlights the influence of company reputation on policyholder satisfaction and the importance of agents' behavior in treating consumers well. Overall, the study provides insights for NICs to align their products and services with the expectations of their target market, thus ensuring high levels of post-purchase satisfaction among policyholders.

Bista and Upadhyay (2023) investigated factors affecting life insurance decisions in Chitwan. The study aimed to assess the factors affecting influencing life insurance decisions in Chitwan, Nepal. The study used cross-sectional study involved 150 respondents selected through purposive sampling. The study found that trust, education, and economic status had a significant impact on the selection of life insurance companies, while medical emergencies played a lesser role. The study concluded that the factors affecting customer purchase on life insurance policy includes education, economic status, medical emergencies, better returns, comparison with other insurance companies, perception of individuals, available alternatives and trust.

Poudel and Shrestha (2023) investigated factors influencing insurance decisions in Nepal, with a particular focus on motor insurance. The study aimed to understand the motor insurance factors relevant to life insurance decisions. The study used a survey method by gathering data through structured questionnaires from participants. The study found that customer service and brand image were significant factors impacting decisions related to both motor and life insurance. The study concluded that both customer service and brand image play significant roles in influencing decisions regarding insurance, particularly motor and life insurance.

Sharma and Bhatta (2023) examined factors affecting health insurance decisions in Pokhara. The study aimed to analyze health insurance factors and their relevance to life insurance in Pokhara. The study used data collected from 200 respondents, utilizing logistic regression analysis to understand the relationships between key variables. The study found that both policy clarity and financial incentives played a significant role in shaping individuals' decisions regarding health insurance companies. The study concluded that the clarity of policies and the financial incentives provided by insurance companies are critical factors in the decision-making process for health insurance, reflecting their importance in shaping consumer preferences in the insurance sector.

Lawaju et al. (2023) conducted study on investigating policyholders' perception towards insurance. The objective of the study was to explore policyholder perceptions towards insurance companies. The study used Structural Equation Modeling (SEM) to analyze data collected from 250 respondents. The study found that trust and the efficiency of claim procedures play a significant role in influencing policyholder decisions. The study

concluded that the importance of transparent communication, effective customer service, and streamlined claim procedures in enhancing customer satisfaction and policyholder loyalty.

Paudel (2023) investigated reforming the pension system and its impact on life insurance. This study aimed to explore how pension system reforms affect life insurance in Nepal. The study used qualitative interviews with policyholders. The study found that economic stability and reliable claim processes are critical in influencing policyholders' insurance choices. The study concluded that economic stability and reliable claim processes are pivotal factors influencing policyholder decisions.

Joshi and Ghimire (2023) investigated the impact of green transformation on insurance adoption. The study aimed to explore how green transformation policies and HR practices with organizations influence life insurance policy adoption. The study used survey of HR professionals and insurance agents, regression models. The study found that green policies within companies positively influence life insurance adoption. The study concluded that eco-friendly initiatives positively shape the perceptions and behaviors of employees toward insurance companies.

Pokhrel and Sapkota (2023) examined continuance of online trading and its effect on life insurance decisions. The study aimed to investigate how online trading influences life insurance decisions, focusing on key factors like online accessibility, ease of use, and market performance. The study used surveys and market data to examine the relationship between these variables. The study found that ease of use in online services is a critical factor influencing life insurance adoption. The study concluded that streamlining their online services are more likely to see increased life insurance adoption, making digital transformation essential for the industry.

K.C. (2023) investigated financial literacy and its impact on life insurance selection. The study aimed at exploring how financial literacy impacts the choices of life insurance policyholders. The study surveyed 200 individuals and used correlation analysis to examine the relationship between financial literacy, trust, and product knowledge as the key variables influencing insurance adoption. The study found that individuals with higher financial literacy are more likely to adopt life insurance companies, as they have a better understanding of the benefits and terms associated with different insurance products. The study concluded that enhancing financial literacy among potential

policyholders could significantly improve the uptake of life insurance companies, especially in developing markets like Nepal.

Adhikari (2024) examined individual's choice on buying life insurance products in Nepal. The study aimed to understand the factors that influence individual's choices when buying life insurance products in Nepal. The study used primary data collected from 151 respondents through structured questionnaires. Correlation and regression analyses were performed to identify the key determinants. The study found that company loyalty, premium charges, agent behavior, claim settlement, and company image were significant factors. The most influential factors were company loyalty and claim settlement, which directly influenced individuals' preferences for life insurance companies. The study concluded that enhancing these factors, particularly improving company loyalty and simplifying claim settlement procedures, could significantly increase the adoption of life insurance products in Nepal.

Karki et al. (2024) investigated effects of political events on Nepalese insurance sector. The objective of the study was to analyze how unanticipated political events impact the Nepalese insurance sector and stock market. The study used Levene's test and dummy variable regression over a 200-day period, they discovered that political stability and market risk play crucial roles in influencing insurance decisions. The study found that political stability and market risk significantly affect insurance decisions. The study concluded that both the insurance sector and the stock market show moderate inefficiency, where political events significantly affect decision-making within a few days post-announcement.

Devkota (2024) examined the impact of macroeconomic factors on life insurance policy uptake. The study aimed to assess how macroeconomic factors influence life insurance policy uptake in Nepal. The study used regression analysis using variables such as GDP growth, import-export balance, and government expenditure. The analysis showed that economic growth, as reflected in GDP, had a strong positive correlation with the adoption of life insurance companies. The study found that economic growth strongly correlates with life insurance adoption.

Thapa and Gurung (2024) examined the impact of agent behavior on life insurance decisions. The study aimed to understand how the behavior of insurance agents affects the decision-making process of life insurance policyholders. The study used how the behavior

of insurance agents affects the decision-making process of life insurance policyholders. The study found that agent professionalism, especially in terms of honesty and transparency, along with effective communication, plays a crucial role in shaping policyholder decisions. The study concluded that agent behavior plays a critical role in influencing the purchase decisions of life insurance companies.

Table 2

Summary of Nepalese Literature

Author/ Year	Topic	Research Question	Objectives	Methodology (Research Design, Population, Data Analysis tool)	Variables	Findings
Jnawali and Jaiswal (2019)	Factors affectin g the buying of life insuranc e in Nepal	What are the determinants influencing life insurance purchasing decisions in Kapilvastu district, Nepal?	To investigate factors influencing life insurance purchasing among 384 policyholders in Kapilvastu.	Structured questionnaires, purposive sampling.	Gender, Education level, Occupation , Economic class, Family size, Monthly income	Significant associations found between insurance demand (premiums paid) and gender, education level, occupation, economic class, family size, and monthly income. Age, religion, and marital status showed no significant association.
Acharya et al. (2020)	Informat ion, Educati on, and Commu nication (IEC) in health insuranc e enrollm ent	How do information and communicatio n strategies influence health insurance enrollment in Nepal?	To assess effective communicati on methods for influencing health insurance enrollment behaviors.	Observational study in Baglung and Kailali districts, Nepal.	Awareness, Knowledge about contribution amounts, Socioecono mic status, Chronic diseases	Effective communication strategies like peer interactions and knowledge dissemination significantly influenced health insurance enrollment.
Jha and	Farmers'	What are the	To explore	Interview	Documenta	High awareness of

Singh (2021)	awareness and perception about livestock insurance in Dhanusha district, Nepal	factors influencing farmers' adoption of livestock insurance in Dhanusha district, Nepal?	factors affecting adoption of livestock insurance among 120 households.	schedules, focus group discussions, key informant interviews.	tion procedures, Membership in organizations/groups, Contact with extension personnel, Knowledge of premium subsidies	livestock insurance but disparities in knowledge of premiums and subsidies among insured and non-insured respondents. Challenges include complex claim procedures and documentation requirements.
Debnath et al. (2021)	Factors influencing the choice of life insurance as protection or savings instrument	Do individuals primarily choose life insurance protection or savings?	To explore factors influencing life insurance enrollment decisions in India.	Stratified random sampling, survey design.	Demographics, Risk perceptions, Expected returns, Tax benefits, Precautionary motives	Preference found for using life insurance as a savings instrument rather than solely for protection. Factors like risk perceptions and expected returns significantly influence enrollment decisions.
Goetz (2022)	Factors influencing customers' choice of life insurance companies in Nepal	What factors influence customers' decisions in selecting life insurance companies in Nepal?	To assess the impact of product, service, technology, security, responsiveness, and brand image on customer choice.	Questionnaire survey, convenience sampling, Cronbach's Alpha, correlational and causal designs.	Product and Premium, Service, Closeness, Technology, Security, Responsive, Brand Image	Significant positive relationships found between most factors and customers' choice of life insurance companies in Nepal. All factors except Product and Premium significantly impact customer choice.
Dahal et al. (2023)	Factors influencing post-purchase	What factors affect post-purchase	To explore the impact of agent	Convenience sampling, survey of 400	Agent behavior, Customer	Agent behavior, customer quality, and company

	purchas e satisfact ion of life insuranc e compani es in Nepales e insuranc e compani es	satisfaction of life insurance policyholders in Nepal?	behavior, customer service, company trust, and image on post-purchase satisfaction.	respondents in Kathmandu Valley.	service, Company trust and image	reputation significantly influence post-purchase satisfaction among policyholders.
Bista and Upadhy a (2023)	Factors affectin g life insuranc e decision s in Chitwan , Nepal	What are the key factors that influence individuals' decisions to select life insurance companies in Chitwan, Nepal?	To assess factors influencing life insurance decisions in Chitwan.	Cross- sectional study, 150 respondents, purposive sampling.	Trust, education, economic status, medical emergencie s.	Trust, education, and economic status significantly impact policy selection.
Sharma and Bhatta (2023)	Factors affectin g health insuranc e decision s in Pokhara	What factors significantly affect the decisions regarding health insurance companies	To analyze health insurance factors and their relevance to life insurance in Pokhara.	Data from 200 respondents, logistic regression.	Policy clarity, financial incentives, medical coverage.	Policy clarity and financial incentives play a significant role
Poudel and Shrestha (2023)	Factors influenc ing insuranc e	What are the key factors influencing customer decisions in	factors influencing customer decisions in both motor	Survey, structured questionnaires	Customer loyalty, Premium, service quality,	Customer service and brand image were significant factors impacting decisions related to both motor

	decision s in Nepal.	both and insurance sectors in Nepal?	motor life insurance sectors in Nepal?	and insurance sectors in Nepal?	life insurance sectors in Nepal?	brand image	and life insurance.
Lawaju et al. (2023)	Investig ating policyho lders' percepti on toward insuranc e	What are the key factors influencing policyholder perceptions and their decision- making process in selecting life insurance companies?	To explore policyholder perceptions towards insurance companies.	Structural Equation Modeling (SEM) of data from 250 respondents	Structural Equation Modeling (SEM) of data from 250 respondents	Trust and claim strongly policyholder decisions.	efficient procedures impact
Poudel (2023)	Reformi ng the pension system and its impact on life insuranc e.	How do pension reforms impact policyholders ' decision regarding life insurance?	To examine pension system reforms and their effects on life insurance.	Qualitative interviews with policyholders.	Economic stability, policy flexibility, claim reliability.	Economic stability and reliable claim processes drive insurance selection.	
Joshi and Ghimire (2023)	Impact of green transfor mation on insuranc e adoption	How do green transformatio n efforts, such as environmenta l policies and HR practices, influence the adoption rates of life insurance companies	To explore green transformatio n impacts on insurance policy adoption.	Survey of HR professionals and insurance agents, regression models.	Environme ntal policies, HR practices, policy adoption rates.	Green policies within companies positively influence life insurance adoption.	

		within companies?					
Pokhrel and Sapkota (2023)	Continuance of online trading and its effect on life insurance decision s.	How does the continuance of online trading platforms impact life insurance policy decisions among users?	To investigate the impact of online trading on life insurance decisions	Surveys and market data.	Online accessibility, ease of use, market performance.	Ease of use in online services influences life insurance adoption.	
KC (2023)	Financial literacy and its impact on life insurance selection.	How does financial literacy influence insurance adoption among policyholders?	To explore the role of financial literacy in life insurance choices	Survey of 200 policyholders, correlation analysis.	Financial literacy, trust, product knowledge.	Financial literacy significantly affects life insurance policy adoption.	
Adhikari (2024)	Individual's choice on buying life insurance products in Nepal	What factors influence individuals' choices when buying insurance products in Nepal?	To explore the factors that influence individuals' choices when purchasing life insurance products in Nepal.	Primary data collected from 151 respondents through structured questionnaires. Correlation and regression analyses were used	Independent Variables: Company loyalty, premium charges, agent behavior, claim settlement, company image. Dependent Variable: Individuals' life insurance	Company loyalty and claim settlement were the most influential factors.	

						policy preferences.		
						Political stability, market risk, company performance.		
Karki et al. (2024)	Effect of political events on Nepalese insurance sector	How specific political events influence returns in Nepal's insurance and stock markets	To understand political events' effects on the insurance sector	Event analysis using insurance and stock market data.	Political stability, market risk, company performance	Political stability and market risk significantly affect insurance decisions.		
Devkota (2024)	Impact of macroeconomic factors on life insurance policy uptake	How do key macroeconomic indicators affect the decision to purchase insurance companies in Nepal?	To assess the impact of macroeconomic factors on insurance policy uptake.	Regression analysis of macroeconomic data.	GDP growth, import-export balance, government expenditure.	Economic growth strongly correlates with life insurance adoption.		
Thapa and Gurung (2024)	Impact of Agent Behavior on Life Insurance Decisions	How does agent behavior influence the life insurance purchasing decisions of individuals?	To analyze the effect of agent behavior on life insurance purchase decisions.	Interview-based qualitative content analysis.	Interview-based study, qualitative content analysis.	Agent professionalism and communication strongly influence policy choices.		

2.4 Research Gap

While significant research has been examined on the factors influencing customers' choice of life insurance companies in a variety of contexts, including Ajmer City (Mathur et al., 2014), Nairobi (Omboi, 2011), and Namibia (Maseke and Ipinge, 2021), there is still a significant gap in understanding these factors in the Nepalese life insurance market. Existing studies, such as those by Goet (2022) and Dahal et al. (2023), have investigated customer preferences and post-purchase satisfaction in Nepal's insurance sector, but more research is needed into the specific drivers that influence Nepalese consumers' decisions when choosing life insurance providers.

The studies evaluated primarily concentrated on broad factors such as product and premium, service quality, technology, and brand image (Goet, 2022). These elements are definitely important in affecting consumer preferences, but little is known about how they combine in Nepal's particular socioeconomic and cultural setting. For example, while Goet's study sheds light on the importance of these factors, it does not delve into more nuanced issues such as the impact of socio-demographic factors (such as education level, income, and family structure) or the role of trust and traditional values in shaping consumer preferences in Nepal's insurance market. Furthermore, while Yadav and Tiwari (2012) investigated customer investment preferences in life insurance companies in India, it is unclear if the same preferences and decision-making characteristics apply to Nepalese customers.

The Nepalese market may bring unique problems and opportunities for insurance businesses that require specific tactics, which the current literature does not adequately cover. As a result, this gap emphasizes the necessity for more research that particularly explores the contextual factors impacting customers' selection of life insurance companies in Nepal. Such research could help to establish focused marketing strategies and customer relationship management methods in Nepal's insurance sector, ultimately improving market efficiency and consumer happiness (Dahal et al., 2023).

CHAPTER-III

RESEARCH METHODOLOGY

3.1 Research Design

This study employs descriptive and causal research designs to comprehensively explore the factors affecting the selection of Life insurance companies in Nepal. The descriptive research design is used to provide a detailed overview and understanding of the various factors that influence consumer decisions in selecting insurance companies. Descriptive research aims to describe phenomena as they exist, without manipulating variables or establishing causal relationships. In the context of this study, descriptive research involves gathering data through surveys, interviews, or focus group discussions to identify and document the key determinants of insurance policy selection, such as product features, pricing, service quality, brand image, and technological innovations. By systematically capturing and analyzing these factors, descriptive research shows complexities of consumer decision-making processes in the Nepalese insurance market.

This study incorporated elements of causal research design to explore the causal relationships between various factors and their impact on insurance policy selection. Causal research aims to determine whether changes in one variable cause changes in another variable, thereby establishing cause-and-effect relationships. Through statistical analysis and modeling techniques, causal research will seek to identify the extent to which factors such as product features, pricing strategies, service quality, brand reputation, and technological innovations influence consumers' choices among insurance companies and providers in Nepal. By discerning the causal pathways and mechanisms underlying consumer decision-making, causal research shows deeper insights into the drivers and barriers shaping the selection of insurance companies in the Nepalese context.

3.2 Population and Sampling Procedure

The population for this study comprises both insurance consumers actively seeking insurance companies and insurance providers operating in Nepal. Insurance providers encompass licensed insurance companies offering a diverse range of insurance products and services of life insurance. In Nepal 14 life insurance companies are operation (Nepal Insurance Authority, 2023).

Given the practical constraints and accessibility considerations inherent in conducting research in the Nepalese context, this study employs a convenience-based sampling

approach. Convenience sampling involves selecting participants who are readily accessible and available to participate in the study, without adhering to strict randomization procedures. This approach is particularly suitable for studies conducted in real-world settings where logistical constraints and resource limitations may preclude the use of more rigorous sampling methods.

The sample size for this study is determined to be 384 participants, comprising both insurance consumers. Participants are aged 18 years or above. Participants must have the capacity to provide informed consent and participate in data collection activities, such as surveys or interview are the sample of the study. Insurance prospective consumers was gathered through various channels, including social media platforms, online forums, community organizations, and insurance agent networks.

3.3 Nature and Sources of Data Collection

The study used primarily gather primary data through the use of a structured questionnaire, supplemented by Likert scale statements in five points (1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree). Primary data refers to information collected firsthand from participants specifically for the purpose of the research study. This approach allows researchers to directly elicit responses from participants, providing valuable insights into their attitudes, perceptions, and behaviors related to insurance policy selection in Nepal.

3.4 Methods of Analysis

- i. Descriptive Analysis:** Descriptive analysis involves summarizing and interpreting the characteristics of the variables under study. In the context of this research, descriptive analysis was employed to provide a comprehensive overview of the key variables, including measures of central tendency (such as mean, median, and mode) and measures of dispersion (such as range, standard deviation, and variance). Descriptive statistics were used to describe the distribution, frequency, and variability of the variables related to product and premium, service quality, closeness, technology, brand image, and the selection of insurance companies.
- ii. Correlation's Analysis:** Correlation analysis examines the strength and direction of the relationship between two or more variables. In this study, correlation analysis was conducted to explore the associations between different factors influencing the selection of insurance companies. Specifically, Pearson correlation

coefficients or Spearman rank correlation coefficients were computed to assess the degree of linear or monotonic relationships between variables such as product and premium, service quality, closeness, technology, brand image, and the selection of insurance companies. Correlation analysis helps identify potential patterns and connections among the variables, providing insights into which factors may have the strongest influence on consumers' decisions.

- iii. Regression Analysis:** Regression analysis is a statistical method used to examine the relationship between one dependent variable and one or more independent variables. In this study, regression analysis was employed to assess the predictive power of the factors influencing the selection of insurance companies. Multiple regression analysis may be used to analyze the combined influence of product and premium, service quality, closeness, technology, and brand image on the selection of insurance companies. By estimating regression coefficients and testing for significance, regression analysis enabled study to identify which factors are most predictive of consumers' decisions and to what extent. Regression analysis generate predictive models to forecast consumers' choices based on the identified factors.

Regression Model

The study is based on the following regression model:

Where, Y is dependent variable i.e,

$$(Y) = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + e \dots \dots \dots (i)$$

(SLIC)= Selection of Life Insurance Companies

Where, Independent variable i.e,

X_1 = Product and Premium

X_2 = Service

X_3 = Closeness

X_4 = Technology

X_5 = Brand Image

X_6 = Agent Behaviour

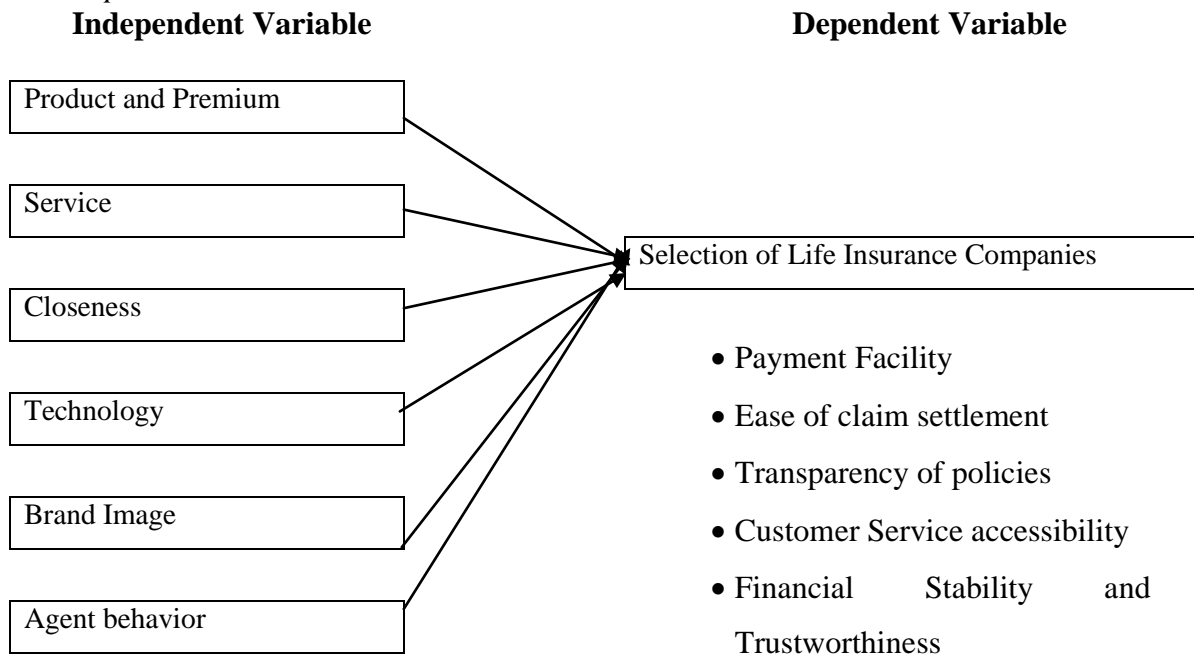
e= error term.

3.5 Research Framework and Definitions of Variables

Building on previous research, the study methodology for examining the variables influencing consumers' selection of life insurance companies in Nepal seeks to fill in important knowledge gaps. The following framework is constructed for the study:

Figure 1

Conceptual Framework



Source: Adhikari (2024), and Goet (2022)

Definition of Variables

Independent Variables (IV's)

Product and Premium

Product refers to the characteristics, features, and attributes of insurance companies offered by insurance companies. This includes coverage options, policy terms, exclusions, benefits, and add-on features. Premium denotes the price or cost associated with purchasing an insurance policy. It encompasses the amount of money paid by the insured to the insurer in exchange for coverage, typically paid in regular installments or as a lump sum (Goet, 2022).

Service

It encompasses the quality, responsiveness, and effectiveness of the customer service provided by insurance companies throughout the entire customer journey, including pre-sales inquiries, policy issuance, claims processing, and post-sales support (Goet, 2022).

Closeness

Closeness represents the proximity or accessibility of insurance services to consumers. This includes physical proximity, such as the availability of local branch offices or agents, as well as virtual proximity, such as online access to insurance products and customer support (Goet, 2022).

Technology

Technology refers to the use of digital tools, platforms, and innovations by insurance companies to enhance the accessibility, efficiency, and effectiveness of their services. This includes online portals, mobile applications, automated processes, artificial intelligence, and data analytics utilized in various aspects of insurance operations (Goet, 2022).

Brand Image

This signifies the overall perception, reputation, and impression of an insurance company among consumers and stakeholders. It encompasses factors such as brand recognition, trustworthiness, reliability, customer satisfaction, and alignment with consumer values and preferences (Goet, 2022).

Agent behavior

The actions of an agent indicate the quality of a company's services. An agent's ethical behaviour improves the firms' reputation and trustworthiness. The way the agents behave and provide fast services and replies has a big impact on how customers behave after making a purchase (Kumar and Adhikari, 2024).

Dependent Variable (DV)**Selection of Insurance Companies**

This represents the outcome variable in this study, indicating the decision-making process and choices made by consumers when selecting life insurance companies to purchase insurance companies from. This variable reflects the cumulative influence of product and premium, service quality, closeness, technology, and brand image on consumers' decisions regarding insurance providers (Goet, 2022).

CHAPTER-IV

RESULTS DISCUSSION

This chapter presents the findings from the data collected for this study, which explores the factors affecting the selection of life insurance companies in Nepal. The results are analyzed in detail, and their implications for the research objectives are discussed. This chapter is structured into various sections to provide a clear understanding of the data analysis process and the insights derived from it.

4.1 Results

This section presents the key findings from the study. It includes demographic results, validity and reliability tests, descriptive analysis, correlation analysis, regression analysis, and hypothesis testing. The analysis focuses on the relationships between the independent variables.

4.1.1 Demographic Results

In this subsection, the demographic characteristics of the respondents are presented. These characteristics include gender, age, and academic qualification. The demographic data provides context for understanding the sample population, helping to identify any patterns or trends that may influence the results.

Table 3 presents the frequency distribution of the sample population based on key demographic characteristics and responses to specific questions. The sample comprises a total of 384 respondents. In terms of gender, the majority of respondents were male (62.8%), while females accounted for 36.5% of the sample, and a small percentage (0.8%) identified as "Others."

Regarding age, the largest group of respondents fell within the age range of 26-35 years, representing 45.1% of the sample. The next largest group was the 18-25 years age bracket, accounting for 28.6% of the respondents, followed by the 36-45 years and above group at 26.3%. When examining academic qualifications, the sample showed a relatively equal distribution across educational levels. A significant portion of respondents had either completed their Bachelor's degree (33.3%) or Intermediate level education (33.1%). Additionally, 21.9% of respondents had achieved SLC (School Leaving Certificate), and 11.7% held a Master's degree.

Table 3*Frequency statistics of sample*

	Group	N	Percentage
Gender	Male	241	62.8
	Female	140	36.5
	Others	3	.8
Age	18 - 25 Years	110	28.6
	26 - 35 Years	173	45.1
	36 -45 Years Above	101	26.3
Academic qualification	SLC	84	21.9
	Intermediate	127	33.1
	Bachelors	128	33.3
	Master's	45	11.7
Do you believe that the reputation of a life insurance company influences your decision to choose it?	Yes	242	63.0
	No	142	37.0
Have you ever purchased a life insurance policy?	Yes	224	58.3
	No	160	41.7
Total		384	100.0

In response to the question, "Do you believe that the reputation of a life insurance company influences your decision to choose it?", the majority of respondents (63.0%) agreed that the reputation of the company plays a significant role in their decision-making process. Conversely, 37.0% of the respondents disagreed with this statement. When asked whether they had ever purchased a life insurance policy, 58.3% of respondents confirmed that they had, while 41.7% had not made a purchase. These demographic and behavioral characteristics provide valuable insights into the profile of the sample population and

offer a foundation for understanding the factors that influence the selection of life insurance companies in Nepal.

4.1.2 Validity and Reliability

This section assesses the validity and reliability of the instruments used in this study. Validity ensures that the questions measure what they are intended to measure, while reliability confirms the consistency of the results over time.

Table 4

Cronbach's Alpha

Variables	Number of Items	Cronbach's Alpha
Product and Premium	5	0.635
Service	5	0.672
Closeness	5	0.665
Technology	5	0.670
Brand Image	5	0.660
Agent behavior	5	0.606
Selection of Life Insurance Companies	5	0.690
Total	35	0.916

Table 4 presents the reliability statistics for the variables used in the study, assessed through Cronbach's Alpha. This measure indicates the internal consistency or reliability of the scale, showing how well the items within each variable correlate with one another. The table includes the number of items for each variable and their corresponding Cronbach's Alpha values, which provide an indication of the consistency and reliability of the measurement instrument.

For the Product and Premium variable, the Cronbach's Alpha is 0.635, which suggests a moderate level of internal consistency. This is acceptable, although there is room for improvement. The Service variable, with a Cronbach's Alpha of 0.672, indicates an acceptable level of reliability, while the Closeness variable, with an Alpha of 0.665, also demonstrates acceptable internal consistency. Similarly, the Technology variable has a Cronbach's Alpha of 0.670, reflecting a satisfactory degree of reliability.

The Brand Image variable, with a Cronbach's Alpha of 0.660, shows an acceptable level of internal consistency, and Agent Behavior has an Alpha of 0.606, which, while slightly lower, remains within an acceptable range for exploratory research. Finally, the Selection

of Life Insurance Companies variable, with a Cronbach's Alpha of 0.690, demonstrates good reliability.

The overall Cronbach's Alpha for the entire scale, which includes 35 items, is 0.916. This value indicates excellent internal consistency across the entire measurement instrument, suggesting that the items used in this study reliably measure the various factors affecting the selection of life insurance companies in Nepal. This high value underscores the robustness of the questionnaire in capturing the relevant dimensions of the study.

4.1.3 Descriptive Analysis

Descriptive analysis summarizes the basic characteristics of the collected data. It provides an overview of the frequency, mean, and standard deviation of the responses to each of the survey questions, offering insights into the overall trends and patterns observed in the study.

Table 5

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Product and Premium	384	1.60	4.60	3.5849	.65603
Service	384	2.00	4.80	3.5094	.72141
Closeness	384	2.00	4.80	3.4536	.72892
Technology	384	1.60	5.00	3.4979	.75624
Agent behavior	384	1.60	4.40	3.5318	.66782
Brand Image	384	1.60	5.00	3.4938	.69700
Selection of Life Insurance Companies	384	1.80	4.80	3.4984	.73481

Table 5 shows the descriptive statistics for the variables used in the study, including the number of respondents (N = 384), minimum and maximum scores, mean, and standard deviation for each variable. The mean scores of all independent and dependent variables are moderately high, indicating generally positive perceptions among respondents toward the factors influencing the selection of life insurance companies.

Among the variables, Product and Premium has the highest mean value of 3.5849, suggesting that respondents moderately agree on the importance of products and premium structures in their decision-making process. Agent Behavior follows with a mean of 3.5318, indicating that agent interactions are also viewed positively. The dependent

variable, Selection of Life Insurance Companies, has a mean of 3.4984, showing a fair inclination among respondents toward selecting life insurance companies based on the measured factors.

Service (mean = 3.5094), Technology (mean = 3.4979), Brand Image (mean = 3.4938), and Closeness (mean = 3.4536) also show fairly consistent average scores, pointing to their perceived relevance in influencing customer choices. The standard deviation values for all variables range from .65603 to .75624, indicating moderate variability in responses. These results collectively suggest that respondents hold relatively consistent and positive attitudes toward the various factors that influence life insurance company selection.

4.1.4 Correlation Analysis

This subsection examines the relationships between the independent variables and the dependent variable through correlation analysis. The goal is to identify any significant correlations between the factors influencing the choice of insurance companies and customers' selection behavior.

Table 6

Correlation Results

	Product and Premium	Service	Closeness	Technology	Agent Behaviour	Brand Image
Product and Premium	1					
Service	.195**	1				
Closeness	.222**	.780**	1			
Technology	.199**	.789**	.842**	1		
Agent Behaviour	.297**	.675**	.686**	.711**	1	
Brand Image	.090	.529**	.507**	.524**	.615**	1
Selection of IC	.280**	.819**	.762**	.671**	.625**	.515**

** . Correlation is significant at the 0.01 level (2-tailed).

Table 6 presents the correlation results between the independent variables (Product and Premium, Service, Closeness, Technology, Agent Behavior, Brand Image) and the dependent variable (Selection of life Insurance Companies, or Selection of LIC). The correlations in this table are significant at the 0.01 level, indicating strong statistical

reliability. These results are essential for understanding the relationships between various factors that influence the selection of life insurance companies in Nepal.

The Product and Premium variable shows a moderate positive correlation of 0.280 with Selection of LIC, suggesting that the perceived quality of the product and the pricing of premiums play a moderate role in influencing a customer's decision to select a life insurance company. While the correlation is not as high as other factors, it still highlights that competitive products and pricing strategies are important in attracting customers.

Service, on the other hand, demonstrates a very strong positive correlation of 0.819 with Selection of LIC, making it the most influential variable in this study. This strong correlation signifies that customers prioritize service quality when choosing an insurance company. Factors like customer service responsiveness, support, and overall service experience are crucial in determining which insurance company customers are more likely to choose.

Closeness also has a strong positive correlation with Selection of IC at 0.762. This relationship suggests that customers are more likely to select a life insurance company that is conveniently located or offers personal, close interactions. The notion of closeness can encompass physical proximity, as well as the emotional connection and trust established between the company and its customers. The strong correlation reflects how important these factors are in the decision-making process.

The variable Technology shows a positive correlation of 0.671 with Selection of LIC, which indicates that technological factors such as online presence, digital services, and ease of access to technological platforms are important considerations for customers. In today's digital age, having advanced technological tools and platforms can enhance the customer experience, making insurance companies more attractive to potential clients who value convenience and efficiency in their transactions.

Agent Behavior also plays a significant role, with a positive correlation of 0.625 with Selection of LIC. This suggests that the professionalism, approachability, and trustworthiness of insurance agents are vital factors influencing customer decisions. A well-trained, helpful agent can significantly impact a customer's perception of an insurance company and increase the likelihood of them selecting it over competitors.

Brand Image shows a positive correlation of 0.515 with Selection of LIC, indicating that while it may not be as powerful as some other factors, a strong brand image still has a noticeable impact on customer decisions. The reputation and public perception of a company often reflect its values, trustworthiness, and stability, which can be influential in customers' final choices, particularly for those who are more brand-conscious. The correlation results suggest that Service and Closeness are the most influential factors in customers' decisions to select life insurance companies, followed by Technology, Agent Behavior, and Product and Premium. These findings underscore the importance of customer-focused strategies in these areas. Insurance companies aiming to attract and retain customers should invest in enhancing service quality, fostering strong customer relationships, embracing technological advancements, and ensuring that their agents act as knowledgeable and trustworthy representatives of the brand.

4.1.5 Regression Analysis

Regression analysis is conducted to determine the strength and direction of the relationship between the independent variables and the dependent variable. This analysis helps in understanding how the factors identified in the study impact customers' choices of life insurance companies.

Table 7

Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.857	.735	.731	.38134

a. Predictors: (Constant), Brand Image , Product and Premium , Closeness, Agent Behavior, Service , Technology

Table 7 presents the model summary for the regression analysis. The results indicate how well the independent variables (Brand Image, Product and Premium, Closeness, Agent Behavior, Service, and Technology) collectively predict the dependent variable, Selection of Life Insurance Companies (Selection of LIC). The R value of 0.857 suggests a strong positive relationship between the predictors and the outcome variable. This indicates that the model has a high level of explanatory power. The R Square value of 0.735 means that

approximately 73.5% of the variation in the Selection of LIC can be explained by the independent variables in the model. This is a strong indication of the model's overall effectiveness in explaining the factors influencing customers' decisions to select a life insurance company.

The Adjusted R Square value of 0.731 provides a more precise measure of the goodness of fit, accounting for the number of predictors in the model. This value is very close to the R Square value, confirming that the model's fit does not suffer significantly from overfitting despite including several independent variables. The Standard Error of the Estimate is 0.38134, which represents the average distance that the observed values fall from the regression line. This relatively low standard error suggests that the predictions made by the model are close to the actual values, further supporting the reliability of the model.

Table 8

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	151.976	6	25.329	174.183	.000
	Residual	54.823	377	.145		
	Total	206.799	383			

a. Dependent Variable: Selection of LIC

b. Predictors: (Constant), Brand Image, Product and Premium, Closeness, Agent Behavior, Service, Technology

Table 8 presents the sum of squares for the Regression is 151.976, which represents the variation in the dependent variable that is explained by the independent variables (Brand Image, Product and Premium, Closeness, Agent Behavior, Service, and Technology). The Residual sum of squares is 54.823, indicating the unexplained variation or error in the model. The Total sum of squares is 206.799, which is the total variation in the dependent variable, combining both the explained and unexplained portions.

The degrees of freedom (df) for the Regression is 6, corresponding to the number of predictors in the model, and for the Residual is 377, which reflects the number of observations minus the number of predictors. The Mean Square for the Regression is 25.329, calculated by dividing the Sum of Squares by the degrees of freedom for the

regression. The Mean Square for the Residual is 0.145, calculated in the same manner for the residuals.

The F-statistic of 174.183 is a measure of the overall significance of the regression model. A high F-value indicates that the model is statistically significant, and in this case, it strongly supports the hypothesis that the independent variables collectively explain the variance in Selection of LIC.

The Significance level (Sig.) is 0.000, which is less than the commonly used threshold of 0.05. This indicates that the regression model is statistically significant and that the independent variables, as a whole, have a significant impact on the selection of life insurance companies.

ANOVA results demonstrate that the regression model is statistically significant, with the independent variables explaining a substantial portion of the variation in the dependent variable. The high F-statistic and low significance value suggest that the predictors collectively play a crucial role in determining the choice of life insurance companies.

Table 9

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.	Collinearity Statistics	
	B	Std. Error	Beta	t		Tolerance	VIF
1 (Constant)	.113	.144		.784	.434		
Product and Premium	.119	.031	.107	3.801	.000	.894	1.118
Service	.616	.048	.605	12.778	.000	.313	3.190
Closeness	.394	.054	.391	7.352	.000	.249	4.024
Technology	.207	.054	.213	3.857	.000	.230	4.350
Agent Behaviour	.113	.048	.118	3.262	.000	.369	2.712
Brand Image	.097	.036	.092	2.662	.008	.587	1.705

a. Dependent Variable: Selection of LIC

Table 9 presents the coefficients of a multiple linear regression model analyzing the influence of various factors on the selection of life insurance companies. The analysis includes both unstandardized coefficients (B), which show the actual impact of each predictor variable on the dependent variable, and standardized coefficients (Beta), which provide insight into the relative strength of each predictor. The t-values and significance levels (Sig.) indicate whether the relationships are statistically meaningful, while the collinearity statistics (Tolerance and VIF) assess the extent of multicollinearity among the independent variables.

The constant term of the model is 0.113, with a significance value of 0.434, indicating that the intercept is not statistically significant. This means that when all independent variables are held at zero, the predicted selection of LIC does not significantly deviate from zero. Among the independent variables, the factor 'Service' has the highest unstandardized coefficient ($B = 0.616$) and standardized coefficient ($Beta = 0.605$), along with a t-value of 12.778 and significance level of 0.000. This indicates that service quality has a very strong, positive, and statistically significant impact on consumers' selection of life insurance companies.

The variable 'Closeness' ($B = 0.394$, $Beta = 0.391$, $t = 7.352$, $Sig. = 0.000$) is also a strong predictor, suggesting that the geographical or relational proximity to the insurance provider significantly enhances customer preference. Similarly, 'Technology' ($B = 0.207$, $Beta = 0.213$, $t = 3.857$, $Sig. = 0.000$) is found to be a significant factor, indicating that technological advancements and digital ease positively influence the selection of LICs.

The variable 'Product and Premium' ($B = 0.119$, $Beta = 0.107$, $t = 3.801$, $Sig. = 0.000$) shows a positive and statistically significant relationship with LIC selection, though the effect is moderate compared to service and closeness. 'Agent Behaviour' ($B = 0.113$, $Beta = 0.118$, $t = 3.262$, $Sig. = 0.000$) also significantly influences the dependent variable, implying that courteous and professional conduct of agents positively affects the consumer's choice. Lastly, 'Brand Image' ($B = 0.097$, $Beta = 0.092$, $t = 2.662$, $Sig. = 0.008$) has a moderate but statistically significant impact on the selection of LIC, suggesting that a positive public perception of the brand encourages consumers to choose that company.

In terms of multicollinearity, all variables have VIF values below 5, indicating that multicollinearity is not a serious concern in the model. However, variables such as

Closeness (VIF = 4.024) and Technology (VIF = 4.350) approach the upper acceptable threshold and should be carefully monitored in future analyses. Overall, the regression results indicate that all selected factors significantly and positively influence the consumer's decision to select a life insurance company, with service quality emerging as the most influential determinant.

Table 9 reveals that Service, Closeness, and Technology are the most significant predictors of the selection of life insurance companies, with Agent Behavior having the least impact. However, all variables, including Brand Image, are statistically significant and contribute to the overall model explaining the dependent variable.

4.1.6 Hypothesis Testing

This section presents the results of hypothesis testing, which evaluates the proposed relationships between the variables. The results of the hypothesis tests provide insights into whether the study's hypotheses are supported by the data or not.

Table 10

Hypotheses Results

S.N.	Hypotheses	P-Value	Test Results
1	H1: There is a significant relationship between product and premium and selection of life insurance companies.	0.00	Supported (Significant)
2	H2: There is a significant relationship between service and selection of life insurance companies.	0.00	Supported(Significant)
3	H3: There is a significant relationship between closeness and selection of life insurance companies.	0.000	Supported (Significant)
4	H4: There is a significant relationship between technology and selection of life insurance companies.	0.000	Supported (Significant)
5	H5: There is a significant relationship between brand image and selection of life insurance companies.	0.008	Supported (Significant)
6	H6: There is a significant relationship between agent behaviour and selection of life insurance companies.	0.000	Supported (Significant)

Table 10 presents the results of hypothesis testing for the relationships between various independent variables and the dependent variable, Selection of Life Insurance Companies. Each hypothesis tests whether there is a significant relationship between the predictor

variables (Product and Premium, Service, Closeness, Technology, Brand Image, and Agent Behavior) and the decision to choose a life insurance company.

H1: There is a significant relationship between product and premium and the selection of life insurance companies: The p-value is 0.00, which is less than the standard significance level of 0.05. Therefore, the null hypothesis is rejected, and the result is supported and deemed significant. This suggests that the perceived quality and price of the product and premium significantly influence the choice of a life insurance company.

H2: There is a significant relationship between service and the selection of life insurance companies: The p-value is 0.00, indicating strong evidence to reject the null hypothesis. The result is supported and significant, confirming that service quality is a critical factor in consumers' decisions to choose a life insurance company.

H3: There is a significant relationship between closeness and the selection of life insurance companies: The p-value is 0.000, again less than 0.05, supporting the rejection of the null hypothesis. This relationship is supported and significant, meaning that proximity or a sense of closeness with the insurance company has a significant impact on the selection decision.

H4: There is a significant relationship between technology and the selection of life insurance companies: The p-value is 0.000, which indicates that this hypothesis is supported and significant. Technological advancements and the availability of digital tools play a crucial role in influencing consumers' choices of life insurance providers.

H5: There is a significant relationship between brand image and the selection of life insurance companies: The p-value is 0.008, less than 0.05, suggesting that this hypothesis is supported and significant. A strong brand image enhances the attractiveness of the insurance company and impacts the decision-making process.

H6: There is a significant relationship between agent behavior and the selection of life insurance companies: The p-value is 0.000, supporting the rejection of the null hypothesis. This result is supported and significant, indicating that the behavior and professionalism of the agents are important factors influencing the selection of life insurance companies.

4.2 Discussion

This study aimed to identify the key factors that affect the selection of life insurance companies. The results were analyzed using correlation and regression methods to determine the strength and significance of each factor's influence. The study identified that product and premium, service quality, closeness, technology, agent behavior, and brand image are key determinants in the selection of life insurance providers. Among these, service quality and agent behavior emerged as the most influential factors.

The variable Product and Premium shows a moderate correlation of 0.280 with the Selection of Life Insurance Companies (LIC) at the 1% level of significance. This finding is consistent with the studies by Goet (2022) and Poudel and Shrestha (2023), which also identified Product and Premium as factors influencing insurance decisions. However, Goet's study reported that this variable had no significant influence in regression analysis, which contrasts with the current study where both correlation and regression results confirm a significant relationship.

Service has a strong positive correlation of 0.819 with Selection of LIC at the 1% significance level. This aligns with Ghimire (2019) and Dahal et al. (2023), who emphasized service quality as a critical factor influencing customer satisfaction and policyholder decisions. This finding is also supported by Mathur et al. (2014), where service-related elements such as communication and transaction speed were found to be significant. Thus, service remains the most influential factor in both this study's correlation and regression results, reaffirming its central role in customer decision-making.

Closeness demonstrates a strong correlation of 0.762 with LIC selection. This indicates that proximity or relational closeness with the insurance company significantly affects consumer choices. The result is consistent with Jnawali and Jaiswal (2019), who found a relationship between accessibility and customer preference, and also aligns with Goet (2022), who included closeness as a significant predictor in their model.

Technology shows a strong positive correlation of 0.671 with LIC selection, indicating that technological capabilities such as digital access and transaction convenience influence consumer decisions. This is in line with the findings of Mathur et al. (2014) and Pokhrel and Sapkota (2023), who emphasized the importance of online platforms and technological integration in attracting policyholders.

Agent Behaviour is also positively correlated (0.625) with Selection of LIC and statistically significant. This supports the findings of Omboi (2011) and Thapa and Gurung (2024), both of whom highlighted the role of agent professionalism, behavior, and communication in customer retention and purchase decisions. The result is further supported by Dahal et al. (2023), who linked agent behavior to post-purchase satisfaction.

Brand Image shows a moderate correlation of 0.515 with LIC selection, significant at the 1% level. This supports findings from Poudel and Shrestha (2023) and Goet (2022), where brand image played a crucial role in shaping consumer perceptions and influencing decisions. However, the lower correlation compared to service or technology suggests that while brand image is important, it may be secondary to more functional aspects such as service quality and agent behavior.

The regression results report an R^2 value of 0.735, indicating that approximately 73.5% of the variance in LIC selection is explained by the six predictors: product and premium, service, closeness, technology, agent behavior, and brand image. This demonstrates a strong model fit and supports the collective relevance of these factors, as reflected in both the correlation and regression analyses.

CHAPTER -V

SUMMARY ND CONCLUSION

5.1 Summary

Nepal's socioeconomic landscape, marked by challenges such as poverty, political instability, and geographical isolation, has historically shaped its economic environment, including the insurance sector. Despite its agricultural roots, the economy has diversified into sectors like manufacturing, services, tourism, and hydropower, increasing the demand for risk management tools like life insurance. The Insurance Act of 1992 and subsequent regulatory enhancements have strengthened the insurance market, yet barriers such as low financial literacy, inadequate infrastructure, and socio cultural factors limit insurance penetration, particularly in rural areas. Technological advancements have transformed the industry by enabling digital platforms, enhancing accessibility, and improving customer interactions, yet consumer decision-making remains complex due to the multitude of factors influencing policy selection.

The problem statement highlights the complexity consumers face in choosing life insurance companies in Nepal, despite the availability of numerous providers and updated regulatory information. Existing research has largely focused on macro-level trends, leaving a gap in understanding micro-level consumer preferences, perceptions, and behaviors. This study addresses this gap by examining specific drivers and barriers, such as product features, pricing, service quality, brand image, technology, and agent behavior, which influence consumer choices in Nepal's evolving insurance market.

The objectives of the study were threefold: (1) to assess the major factors determining the selection of life insurance companies in Nepal, (2) to examine the relationships between these factors, and (3) to analyze the impact of product and premium, service, closeness, technology, agent behavior, and brand image on the selection process. The rationale for the study lies in empowering consumers with informed decision-making, enabling insurers to tailor competitive strategies, and aiding policymakers in creating effective regulations to enhance market stability and consumer protection. Understanding these factors is crucial for insurers to differentiate themselves in a competitive market and for fostering growth in Nepal's insurance sector.

The study employed a descriptive and causal research design, utilizing a convenience-based sampling approach with a sample size of 384 respondents aged 18 and above,

including both insurance consumers and prospective buyers. Primary data were collected through structured questionnaires with five-point Likert scale statements, focusing on variables such as product and premium, service, closeness, technology, agent behavior, and brand image. Data analysis involved descriptive statistics to summarize variable characteristics, correlation analysis to explore relationships between variables, and regression analysis to assess the predictive power of these factors on the selection of life insurance companies. The regression model used was: $SLIC = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + e$, where SLIC represents the Selection of Life Insurance Companies, and X1 to X6 represent the independent variables.

The findings revealed that all six factors—product and premium, service, closeness, technology, agent behavior, and brand image—significantly influence the selection of life insurance companies in Nepal, as confirmed by hypothesis testing with p-values less than 0.05. Service quality ($\beta = 0.605$, $p = 0.000$) and closeness ($\beta = 0.391$, $p = 0.000$) emerged as the most influential predictors, followed by technology ($\beta = 0.213$, $p = 0.000$), product and premium ($\beta = 0.107$, $p = 0.000$), brand image ($\beta = 0.092$, $p = 0.008$), and agent behavior ($\beta = 0.113$, $p = 0.000$). Correlation analysis showed strong positive relationships, particularly between service ($r = 0.819$), closeness ($r = 0.762$), and the dependent variable. The regression model explained 73.5% of the variance in selection decisions ($R^2 = 0.735$), indicating a robust fit. Demographic analysis showed that 62.8% of respondents were male, 45.1% were aged 26–35, and 63% believed that company reputation influences their decision. These findings align with prior studies, such as Adhikari (2024) and Thapa and Gurung (2024), emphasizing the critical role of service quality and agent behavior, while also highlighting the growing importance of technology and brand image in Nepal's insurance market.

5.2 Conclusion

The first objective of the study was to assess the major factors determining the selection of life insurance companies in Nepal. The findings indicate that service quality, closeness, technology, product and premium, brand image, and agent behavior are all significant determinants, with service quality and closeness being the most influential. The high correlation coefficients ($r = 0.819$ for service and $r = 0.762$ for closeness) and regression coefficients ($\beta = 0.605$ for service and $\beta = 0.391$ for closeness) underscore that consumers prioritize responsive, high-quality services and a sense of personal connection or accessibility when choosing life insurance providers. These results suggest that insurance

companies should focus on enhancing customer service and building stronger relationships with clients to gain a competitive edge in Nepal's insurance market.

The second objective was to examine the relationships between the factors influencing the selection of life insurance companies. Correlation analysis revealed significant positive relationships among all independent variables and the dependent variable, with the strongest correlations observed for service ($r = 0.819$) and closeness ($r = 0.762$). Additionally, inter-variable correlations, such as between closeness and technology ($r = 0.842$) and service and technology ($r = 0.789$), indicate that these factors are interrelated, suggesting that improvements in one area (e.g., technology) can enhance others (e.g., service delivery and customer proximity). This interconnectedness highlights the need for a holistic approach to improving these factors to influence consumer choices effectively.

The third objective was to analyze the effect of product and premium, service, closeness, technology, agent behavior, and brand image on the selection of life insurance companies. The regression analysis confirmed that all six factors significantly impact selection decisions, with service quality having the highest predictive power ($\beta = 0.605$), followed by closeness ($\beta = 0.391$) and technology ($\beta = 0.213$). While product and premium, brand image, and agent behavior showed smaller effects, their statistical significance ($p < 0.05$) indicates their relevance. These findings emphasize that insurance companies must prioritize service excellence, foster personal connections, and leverage technology to meet consumer expectations, while also maintaining competitive pricing, strong brand reputation, and professional agent interactions to drive policyholder decisions in Nepal.

5.3 Implications

This study suggests that insurers should adopt a holistic strategy, integrating advanced technology with superior service delivery and localized engagement to enhance customer satisfaction and market competitiveness. Additionally, while product and premium, brand image, and agent behavior have smaller but significant effects, they remain critical for offering affordable, innovative products and fostering trust through professional interactions. For policymakers, these insights emphasize the need to promote financial literacy and regulatory frameworks that support service quality improvements and technological adoption, ultimately fostering a more accessible and consumer-centric insurance market in Nepal.

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APPENDIX

Questionnaire

Namaste

I am Rubina Angbuhang, a student of Shanker Dev Campus, currently pursuing my Master's of Business Studies (MBS). I am conducting a research study titled “Factors Affecting Selection of Life Insurance Companies in Nepal” as part of my dissertation, which is submitted in partial fulfillment of the requirements for the degree of Master of Business Studies (MBS). The primary objective of this research is to explore and analyze the key factors influencing customers' choice of life insurance companies. Your valuable responses will significantly contribute to the success of this research by providing insights into the subject matter.

Kindly note that all the information have confidentiality and used exclusively for academic purposes. Your participation is entirely voluntary, It will take 12-15 minutes. Thank you for your time and cooperation in contributing to this academic endeavor. Should you have any questions or require further clarification, please feel free to contact me.

Sincerely,

Rubina Angbuhang

Master's Student, Shanker Dev Campus

Section A: Demographic Information/General information

1. Age

18-25 Years 25 to 30
35 and above

2. Gender

Male Female
Other

3. Education

SLC
Intermediate
Bachelors

Master's

4. Have you ever purchased a life insurance policy?"

Yes / No

5. Do you believe that the reputation of a life insurance company influences your decision to choose it?

Yes / No

Please provide the numerical score to the following questions using a 5-point scale.

Please read the following instruction carefully and tick () on the appropriate option.

Instruction: 1. Strongly Disagree (SD) 2. Disagree (D) 3. Neutral (N) 4. Agree (A) 5. Strongly Agree (SA)

Product and Premium (PP)

S/N	Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	The variety of insurance plans offered by the company influences my decision to select it.					
2	I prefer insurance companies that provide flexible premium payment options.					
3	Affordable premiums are an important factor in choosing a life insurance company.					
4	I consider the benefits offered by insurance plans when selecting a life insurance company.					
5	The availability of customized insurance products influences my					

	choice.					
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Service (Ser)

S/N	Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	The quality of customer support provided by the insurance company is crucial to me.					
2	Quick claim processing motivates me to choose a particular life insurance company.					
3	The professionalism of the staff influences my decision to select a life insurance company.					
4	Availability of support is important when choosing an insurance company.					
5	Regular updates and reminders from the company improve my satisfaction.					

Closeness (Clo)

S/N	Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I prefer insurance companies with branch offices located near my residence or workplace.					
2	Easy access to the company's representatives influences my decision.					
3	The convenience of visiting the insurance					

	office impacts my selection process.					
4	I am more likely to choose a company that has a strong local presence.					
5	Personal interactions with nearby agents play a role in my choice of life insurance company					

Technology (Tec)

S/N	Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I prefer insurance companies that provide a user-friendly mobile app for managing policies.					
2	The ability to purchase policies online influences my choice of insurance company.					
3	Access to digital platforms for premium payment is important in my decision-making process.					
4	I value companies that use technology to offer personalized policy suggestions.					
5	Efficient online claim filing options influence my choice of life insurance company.					

Brand Image (BI)

S/N	Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
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1	I trust companies with a strong and positive reputation in the market.					
2	A company's popularity and recognition influence my decision to choose it.					
3	I prefer insurance companies that have received awards or accolades for their services.					
4	The ethical practices of the company influence my decision-making process.					
5	I am likely to select a company with a long history of customer satisfaction.					

Agent Behaviour (AB)

S/N	Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Professional agents influence my decision.					
2	Clear communication from agents is important.					
3	Friendly agents build my trust.					
4	Frequent follow-ups affect my choice.					
5	Honest recommendations matter to me.					

Payment Flexibility, Ease of Claim Settlement, Transparency of Policies, Customer Service Accessibility, Financial Stability and Trustworthiness.

Selection of IC [Payment Flexibility, Ease of Claim Settlement, Transparency of Policies, Customer Service Accessibility, Financial Stability and Trustworthiness]

S/N	Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I am likely to choose a life insurance company that offers flexible premium payment options.					
2	The claim settlement process of a life insurance company significantly affects my decision to choose it.					
3	I prefer a life insurance company that provides clear and transparent policy terms and conditions.					
4	The accessibility of customer service representatives influences my decision to select a life insurance company.					
5	The financial stability and trustworthiness of a life insurance company are key factors in my selection.					

PAPER NAME

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