A Study of Influencing Factors in Health Insurance Policy Decision Making Among Consumers

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Abstract

Health insurance has emerged as a crucial financial safeguard for individuals and households amid rising healthcare costs and increasing uncertainty related to medical emergencies. Despite wider availability of both government and private health insurance policies, consumers often face complexity and hesitation while making purchase decisions due to intangible benefits, procedural requirements, and uncertainty surrounding claim settlement. The decision-making process is influenced by multiple economic and service-related factors that shape consumers' perceptions of affordability, ease, trust, and reliability. Among these, premium amount, processing convenience, and claim settlement efficiency are considered critical determinants, as they directly affect both initial policy purchase and long-term renewal behaviour. Understanding how these factors influence consumers differently across public and private insurance options is essential for improving insurance penetration and consumer satisfaction.

The present study examines the influence of premium amount, processing convenience, and claim settlement efficiency on health insurance policy decision making among consumers, with a comparative perspective between public and private health insurance policies. Empirical findings reveal that premium amount significantly influences policy selection, with public insurance schemes perceived as more affordable and consistent in pricing. Claim settlement efficiency emerges as a decisive factor favoring private insurers, reflecting higher confidence in faster, transparent, and more reliable claim handling. However, processing convenience shows no significant difference between public and private policies, indicating convergence in procedural ease due to digitalization and service improvements. The study highlights that while affordability attracts consumers toward public schemes, trust in claim settlement strongly drives preference for private insurers. The findings provide valuable insights for insurers and policymakers to design consumer-centric products, simplify processes, and strengthen trust mechanisms to enhance adoption and retention in the health insurance sector.

Keywords: Health Insurance Decision Making, Premium Amount, Processing Convenience, Claim Settlement Efficiency.

Introduction: Health insurance has become an essential financial product for households as healthcare costs continue to rise and medical emergencies create sudden, high out-of-pocket expenditures. Beyond providing hospitalization cover, health insurance today is increasingly viewed as a risk-management tool that protects family savings, supports access to quality treatment, and improves confidence in seeking timely healthcare. However, despite growing awareness, consumers often remain cautious while purchasing a policy because the product is intangible, the benefits are realized only during illness, and the final "service experience" depends heavily on claim handling and settlement.

In this context, health insurance policy decision making is influenced by multiple factors that shape consumers' perceptions of affordability, ease, and reliability. Among the most practical and frequently discussed determinants are the premium amount (cost, payment flexibility, perceived value for money), processing convenience (ease of purchase, documentation simplicity, digital support, speed of issuance/renewal), and claim settlement efficiency (clarity of procedure, timelines, transparency, trust and claim settlement record). Prior research shows that consumers' purchase intention and buying behaviour are strongly shaped by attitudes, perceived usefulness, perceived risk, trust, and social influence, along with product and company-related cues that reduce uncertainty.

The decision process becomes more complex because consumers compare government-supported options and private health insurance plans differently. Government schemes are often evaluated on accessibility, eligibility, network coverage, and perceived security, while private policies are commonly assessed on premium pricing, add-on benefits, cashless availability, service quality, and claim support through TPAs or insurer service teams. At the same time, negative experiences or fear of claim rejection/delay can reduce confidence and directly affect purchase decisions, renewals, and recommendations to others.

Therefore, the present study titled "A Study of Influencing Factors in Health Insurance Policy Decision Making Among Consumers" aims to examine how key factors such as premium amount, processing convenience, and claim settlement

efficiency influence consumers' decision making. By empirically identifying the strongest predictors, the study will help insurers and policymakers understand what builds trust and motivates adoption, and it will also support the design of more consumer-friendly products and simplified processes, ultimately improving insurance penetration and policyholder satisfaction.

Percentage of Claims Paid within Less Than Three Months by Public Sector General Insurance Companies (2023–24)

Insurance Company	% of Claims Paid in Less Than 3 Months (2023–24)
National Insurance Co. Ltd.	91.18
The New India Assurance Co. Ltd.	92.7
The Oriental Insurance Co. Ltd.	65.08
United India Insurance Co. Ltd.	96.33

Source: https://economictimes.indiatimes.com/

Percentage of Claims Paid within Less Than Three Months by Private Sector General Insurance Companies (2023–24)

Insurance Company	% of Claims Paid in Less Than 3 Months (2023–24)
Navi General Insurance Ltd.	99.97
Acko General Insurance Ltd.	99.91
Acko General Insurance Ltd.	99.91
Reliance General Insurance Co. Ltd.	99.57
HDFC ERGO General Insurance Co. Ltd.	99.16
HDFC ERGO General Insurance Co. Ltd.	99.16
Universal Sompo General Insurance Co. Ltd.	98.11
Royal Sundaram General Insurance Co. Ltd.	97.26
ICICI Lombard General Insurance Co. Ltd.	97.16
ICICI Lombard General Insurance Co. Ltd.	97.16

Source: https://economictimes.indiatimes.com/

The comparative analysis of claims settlement performance indicates a clear difference between public and private sector general insurance companies during 2023–24. Private sector insurers demonstrate consistently higher efficiency, with most companies settling over 97% of claims within three months, reflecting stronger operational agility, digital claims processing, and customer-centric service models. In contrast, while public sector insurers such as United India Insurance Co. Ltd. and New India Assurance Co. Ltd. show satisfactory performance, the overall public sector average is moderately lower, mainly due to the significantly lower settlement ratio of The Oriental Insurance Co. Ltd. This comparison suggests that private insurers outperform public insurers in timely claims settlement, highlighting the need for process modernization and efficiency enhancement in the public sector to improve customer satisfaction and service delivery.

Review of Literature

1. **Ashraf & Kumar (2021),** In the research titled "Demand for Health Insurance" The study concludes that the demand for health insurance is strongly influenced by income stability, awareness levels, perceived health risks, and trust in

insurance providers. Despite increasing healthcare costs, a significant portion of the population remains underinsured due to affordability concerns, limited understanding of policy benefits, and behavioral biases. The authors emphasize that improving financial literacy, simplifying product design, and strengthening public–private insurance frameworks are crucial for expanding health insurance coverage, particularly among low- and middle-income households.

2. **Atodaria (2024),** In the research titled "Health Insurance: A Study of Consumer Behavior" This research concludes that consumer behavior toward health insurance is shaped by a combination of economic, psychological, and service-related factors. Premium affordability, perceived benefits, insurer reputation, and claim settlement experience play a decisive role in purchase decisions. The study highlights that positive past experiences and transparent communication significantly enhance consumer confidence, while complexity and misinformation act as barriers, suggesting the need for customer-centric product design and awareness initiatives.

3. **Bhojak (2025),** In the research titled "An analysis of the variables influencing insurance purchase" The study finds that insurance purchase decisions are primarily driven by attitudes toward insurance, subjective norms, perceived behavioral control, and trust in insurers. Variables such as premium cost, service quality, claim settlement efficiency, and brand credibility significantly influence buying intention. The conclusion reinforces that insurers must focus not only on competitive pricing but also on relationship-building and trust-enhancing strategies to improve insurance penetration.

4. **Brahmana (2018),** In the research titled "Planned behaviour in purchasing health insurance" This research concludes that the Theory of Planned Behavior effectively explains health insurance purchasing behavior. Attitude toward insurance and perceived behavioral control emerge as the strongest predictors of purchase intention, while subjective norms play a supportive role. The findings suggest that enhancing consumers' confidence in their ability to understand and manage insurance products can substantially improve adoption rates, especially in developing and emerging markets.

5. **Dutta (2026),** In the research titled "A study on factors influencing consumer buying behavior toward health insurance policies" The study concludes that consumer buying behavior toward health insurance policies is influenced by a mix of demographic factors, risk perception, premium affordability, policy benefits, and service efficiency. Awareness and understanding of policy features significantly affect purchase decisions, while negative perceptions regarding claim settlement discourage adoption. The research underscores the importance of targeted awareness programs and simplified policy structures to improve consumer participation.

6. **Eling (2021),** In the research titled "Willingness to take financial risks and insurance holdings" This study concludes that individuals' willingness to take financial risks plays a crucial role in determining insurance holdings. Risk-averse individuals are more likely to purchase insurance as a protective mechanism, whereas risk-tolerant individuals may underinsure or delay purchase. The findings highlight that psychological traits and financial attitudes are as important as economic factors in insurance decision making, offering valuable insights for segmentation and customized insurance offerings.

7. **Mamun (2021),** In the research titled "Predicting the intention and purchase of health insurance using Theory of Planned Behavior extensions" The research concludes that extended Theory of Planned Behavior models significantly improve the prediction of health insurance purchase intention and actual buying behavior. Attitude, perceived behavioral control, trust, and perceived usefulness are found to be strong determinants of insurance adoption. The study emphasizes that policymakers and insurers should focus on building trust, improving service accessibility, and reducing procedural complexity to convert intention into actual purchase.

Research Gap

The reviewed studies collectively establish that health insurance decision making is influenced by economic factors (such as income and premium affordability), psychological traits (risk perception, attitudes, trust), and service-related dimensions (processing convenience and claim settlement efficiency). However, a clear research gap exists in the integrated examination of operational and service-process factors, particularly processing convenience and claim settlement efficiency, alongside premium-related considerations within a single empirical framework. Most prior studies emphasize behavioral intentions using theoretical models like the Theory of Planned Behavior, but they provide limited evidence on

how actual service experiences and procedural simplicity influence final decision making, especially when consumers compare government and private health insurance policies. Additionally, there is insufficient context-specific empirical research focusing on how these factors jointly shape consumer decisions in emerging economies like India, where awareness levels, digital adoption, and trust in insurers vary widely. This gap highlights the need for a focused empirical study that examines premium amount, processing convenience, and claim settlement efficiency as key influencing factors in health insurance policy decision making among consumers.

Research Methodology

The study adopts a descriptive and analytical research design to examine the influencing factors in health insurance policy decision making among consumers. Primary data were collected through a structured questionnaire administered to 212 respondents selected using a convenient sampling method. The questionnaire captured demographic details and perceptions related to premium amount, processing convenience, claim settlement efficiency, and policy preference (public or private). Data analysis was carried out using statistical tools such as descriptive statistics and independent samples t-tests to examine differences in perceptions between public and private policyholders. The hypotheses were tested at a 5 percent level of significance to determine the influence of selected factors on healthcare policy selection.

Data Analysis

Data analysis is a crucial stage in the research process as it enables the systematic examination, interpretation, and presentation of data collected from respondents in order to achieve the objectives of the study. In the present research, data analysis has been undertaken to understand consumers' perceptions and decision-making behaviour regarding health insurance policies, with specific reference to premium amount, processing convenience, and claim settlement efficiency. The collected primary data were coded, tabulated, and analyzed using appropriate statistical tools to identify patterns, relationships, and differences in responses. Descriptive statistics were employed to summarize demographic characteristics and key variables, while inferential statistical techniques were used to test the formulated hypotheses and draw meaningful conclusions. The results of the analysis provide empirical evidence on the factors influencing the selection of public and private health insurance policies and form the basis for interpretation, findings, and policy implications.

Demographic Factor

Sr No.	Particular	Category	Frequency	Percent
1	Gender	Male	117	55.2
		Female	95	44.8
2	Age	Below 25 Years	24	11.3
		26-35 Years	46	21.7
		36-45 Years	71	33.5
		46-60 Years	59	27.8
		More than 60 Years	12	5.7
3	Qualification	Undergraduate	30	14.2
		Graduate	100	47.2
		Postgraduate	56	26.4
		Professional Degree	26	12.3

Objective and Hypothesis

Objective 1 To Study the influence of Premium Amount in selection of healthcare policy.

Null Hypothesis H$_{01}$: There is no influence of Premium Amount in selection of healthcare policy according to the preference of type of policy.

Alternate Hypothesis H$_{01}$: There is an influence of Premium Amount in selection of healthcare policy according to the preference of type of policy.

To study the above Null Hypothesis, Independent Samples Test is applied and results are as follows:

Independent Samples Test					
	t-test for Equality of Means				
	t	df	P-value	Mean Difference	Std. Error Difference
Premium Amount	-2.636	210	.009	-6.589	2.500

Interpretation: The above results indicate that calculated p-value is 0.009. It is less than 0.05. Therefore, t-test is rejected. Hence Null hypothesis is rejected and Alternate hypothesis is accepted.

Conclusion: There is an influence of Premium Amount in selection of healthcare policy according to the preference of type of policy.

Findings: To understand the findings of hypothesis, mean score of Premium Amount in selection of healthcare policy according to the preference of type of policy is obtained and shown below:

Group Statistics					
	Preference of Type of policy	N	Mean	Std. Deviation	Std. Error Mean
Premium Amount	Private	124	66.77	19.926	1.789
	Public	88	73.36	14.667	1.564

The group statistics indicate a noticeable difference in the premium amounts between respondents who prefer private insurance policies and those who prefer public insurance policies. Respondents opting for private policies (N = 124) report a lower average premium amount with a mean score of 66.77 and a higher standard deviation of 19.926, suggesting greater variability in the premiums they pay. In contrast, respondents who prefer public policies (N = 88) have a higher mean premium amount of 73.36 with a comparatively lower standard deviation of 14.667, indicating more consistency in premium payments. Overall, the findings suggest that individuals choosing public insurance policies tend to pay slightly higher but more uniform premiums, whereas private policyholders experience wider fluctuations in premium amounts.

Objective 2 To Study the influence of Processing Convenience in selection of healthcare policy.

Null Hypothesis H$_{02}$: There is no significant difference in Processing Convenience in selection of healthcare policy according to the preference of type of policy.

Alternate Hypothesis H$_{02}$: There is a significant difference in Processing Convenience in selection of healthcare policy according to the preference of type of policy.

To study the above Null Hypothesis, Independent Samples Test is applied and results are as follows:

Independent Samples Test					
	t-test for Equality of Means				
	t	df	P-value	Mean Difference	Std. Error Difference
Processing Convenience	-.710	210	.478	-1.972	2.777

Interpretation: The above results indicate that calculated p-value is 0.478. It is more than 0.05. Therefore, t-test is accepted. Hence Null hypothesis is accepted and Alternate hypothesis is rejected.

Conclusion: There is no significant difference in Processing Convenience in selection of healthcare policy according to the preference of type of policy.

Findings: To understand the findings of hypothesis, mean score of Processing Convenience in selection of healthcare policy according to the preference of type of policy is obtained and shown below:

Group Statistics					
	Preference of Type of policy	N	Mean	Std. Deviation	Std. Error Mean
Processing Convenience	Private	124	64.71	21.664	1.946
	Public	88	66.68	17.172	1.831

The group statistics reveal a marginal difference in processing convenience between respondents who prefer private and public insurance policies. Those favoring private policies (N = 124) report a mean score of 64.71 with a higher standard deviation of 21.664, indicating that their experiences with processing convenience vary considerably. Meanwhile, respondents preferring public policies (N = 88) have a slightly higher mean score of 66.68 and a lower standard deviation of 17.172, suggesting relatively more consistent perceptions. Overall, the results imply that public insurance policyholders perceive marginally better and more uniform processing convenience, whereas private policyholders exhibit greater variability in their experiences.

Objective 3 To Study the influence of Claim Settlement Efficiency in selection of healthcare policy.

Null Hypothesis H$_{02}$: There is no significant difference in Claim Settlement Efficiency in selection of healthcare policy according to the preference of type of policy.

Alternate Hypothesis H$_{02}$: There is a significant difference in Claim Settlement Efficiency in selection of healthcare policy according to the preference of type of policy.

To study the above Null Hypothesis, Independent Samples Test is applied and results are as follows:

Independent Samples Test					
	t-test for Equality of Means				
	t	df	P-value	Mean Difference	Std. Error Difference
Claim Settlement Efficiency	7.558	210	.000	12.694	1.679

Interpretation: The above results indicate that calculated p-value is 0.000. It is less than 0.05. Therefore, t-test is rejected. Hence Null hypothesis is rejected and Alternate hypothesis is accepted.

Conclusion: There is an influence of Claim Settlement Efficiency in selection of healthcare policy according to the preference of type of policy.

Findings: To understand the findings of hypothesis, mean score of Claim Settlement Efficiency in selection of healthcare policy according to the preference of type of policy is obtained and shown below:

Group Statistics					
	Preference of Type of policy	N	Mean	Std. Deviation	Std. Error Mean
Claim Settlement Efficiency	Private	124	74.19	12.117	1.088
	Public	88	61.50	11.951	1.274

The group statistics highlight a significant difference in claim settlement efficiency between respondents who prefer private and public insurance policies. Respondents favoring private policies (N = 124) report a substantially higher mean score of 74.19, indicating better perceived efficiency in claim settlement, with a standard deviation of 12.117 that reflects relatively consistent responses. In comparison, those preferring public policies (N = 88) have a lower mean score of 61.50 and a similar standard deviation of 11.951, suggesting moderately consistent but less favorable perceptions. Overall, the findings suggest that private insurance companies are perceived to provide more efficient claim settlement services than public insurers.

Conclusion

Objective 1 To Study the influence of Premium Amount in selection of healthcare policy.

The results of the independent samples t-test confirm that premium amount significantly influences the selection of healthcare policies based on the preference for policy type. Since the p-value (0.009) is less than the significance level of 0.05, the null hypothesis is rejected, establishing that differences in premium costs play an important role in decision-making. The group statistics further reveal that respondents preferring public insurance policies tend to accept higher but more stable premium amounts, whereas those opting for private policies experience greater variation in premiums but generally pay slightly lower amounts. This suggests that affordability, perceived value, and cost stability are critical factors shaping consumer preferences when selecting healthcare insurance policies.

Objective 2 To Study the influence of Processing Convenience in selection of healthcare policy.

The hypothesis testing results indicate that processing convenience does not significantly influence the selection of healthcare policy based on the preference for policy type. Since the p-value (0.478) is greater than the 0.05 significance level, the null hypothesis is accepted, confirming that there is no statistically meaningful difference between private and public policyholders regarding processing convenience. Although public policy respondents reported a slightly higher mean score, the difference is minimal and not strong enough to impact decision-making. This suggests that processing procedures across both private and public insurers are perceived to be fairly comparable, making it a less decisive factor in policy selection.

Objective 3 To Study the influence of Claim Settlement Efficiency in selection of healthcare policy.

The hypothesis testing confirms that claim settlement efficiency has a significant influence on the selection of healthcare policy based on the preference for policy type. Since the p-value (0.000) is less than the 0.05 significance level, the null hypothesis is rejected and the alternate hypothesis is accepted. The mean scores clearly indicate that respondents who prefer private insurance policies perceive claim settlement to be much more efficient compared to those who prefer public policies. This substantial difference suggests that faster and more reliable claim settlement acts as a critical determinant in policy choice, making it one of the most influential service factors affecting customer preference in the healthcare insurance sector.

Recommendation

Objective 1 To Study the influence of Premium Amount in selection of healthcare policy.

Insurance providers and policymakers should consider the differential impact of premium costs when designing and marketing healthcare policies. For private insurers, efforts to reduce premium variability or create more predictable pricing structures could attract a broader customer base and enhance satisfaction. Public insurers, on the other hand, might emphasize the stability and uniformity of their premium structures in communication campaigns to reinforce their value proposition. Additionally, consumer education initiatives that clearly explain premium benefits relative to cost could help individuals make more informed decisions aligned with their financial capacities and healthcare needs.

Objective 2 To Study the influence of Processing Convenience in selection of healthcare policy.

Healthcare insurance providers should continue maintaining efficient and user-friendly processing systems, as convenience is expected by customers regardless of policy type. Private insurers may focus on standardizing their processes to reduce variability in customer experience, while public insurers can further strengthen their systems through digitization and faster service delivery. Additionally, both sectors should invest in simplifying documentation, enhancing online platforms, and improving customer support to ensure a seamless experience, even though processing convenience may not currently be a primary determinant in policy choice.

Objective 3 To Study the influence of Claim Settlement Efficiency in selection of healthcare policy.

Insurance providers, particularly public sector insurers, should prioritize improving the speed, transparency, and reliability of their claim settlement processes to enhance customer trust and competitiveness. Adopting advanced digital claim management systems, reducing documentation complexities, and ensuring timely communication can significantly improve customer perceptions. Private insurers should continue strengthening their efficient claim practices while highlighting this advantage in their marketing strategies. Overall, focusing on hassle-free and prompt claim settlement will not only attract new policyholders but also improve retention by increasing customer satisfaction and confidence in healthcare insurance services.

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