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ANALYSIS OF FACTORS THAT INFLUENCE TRUST ISSUE SOCIETY ON LIFE INSURANCE PRODUCTS

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ABSTRACT

This study aims to analyze the factors influencing public trust in life insurance products in Indonesia. Using a qualitative approach, this study explores various factors contributing to low public trust, including a lack of understanding of life insurance products, negative experiences in the claims process, and the attitudes of insurance agents who lack transparency and tend to force sales. Furthermore, cultural and religious factors also impact public perceptions of life insurance. The results indicate that to increase public trust, insurance companies need to increase education and outreach, improve the transparency of product information, and optimize services, especially in the claims process. With these steps, it is hoped that public trust in life insurance products will increase, encouraging broader participation and the development of a healthier insurance industry in Indonesia.

Keywords*: *Life Insurance, Public Trust, Trust Issue

INTRODUCTION

With the rapid progress of the insurance sector in Indonesia, all insurance companies in the country are feeling the impact, especially those still in the growth stage towards a larger scale. Fierce competition between insurance companies is also an unavoidable reality. Shifts in public mindsets and views towards insurance have significantly impacted industry players. This situation encourages companies to create competitive advantages in their businesses to compete with other competitors in the same sector. Insurance, essentially, is an agreement or contract between two parties. The history of insurance is closely intertwined with society over a long journey and continues to this day. In the insurance system, the first party must fulfill its obligation to pay a premium. This premium is known by various terms, such as health insurance premiums, life insurance premiums, and vehicle insurance premiums. On the other hand, the second party is obligated to provide full coverage to the first party in the event of an untoward event to the participant or the insured object. (Ike Sisilia Manorek, et al. 2024).

Over the past decade, data from the Financial Services Authority (OJK) has shown a low level of interest among Indonesians in protecting themselves and their families, as well as a year-on-year decline in conventional life insurance premiums. Specifically, in the third quarter of 2015, insurance investment declined by 152.7% due to industry players shifting to safer portfolios (AAJI, 2015). Furthermore, the Indonesian Life Insurance Association (AAJI) reported that life insurance penetration in Indonesia declined from 1.4% to 1.3% in 2018 (Pratama, 2019). This is a common problem for customers, making people reluctant to consider insurance again. Moreover, agents sometimes tempt these customers, claiming that insurance is like saving, where the money can be withdrawn at any time. However, insurance cannot be considered saving.(la Ever Lin & Sofia Senastri Dahlan, 2020).

Public trust in life insurance products is influenced by various complex, interrelated factors. According to research conducted by(Wibowo, 2020)., financial literacy, lack of agent education and lack of company socialization are some of the fundamental factors that influence the level of trust in insurance products.

This study aims to comprehensively analyze the factors influencing public perceptions of life insurance products in Indonesia. The results are expected to significantly contribute to the development of strategies to increase public trust in the life insurance industry and enrich the academic literature on risk management and consumer behavior in financial services (Ibrahim & Hasan, 2023).

THEORETICAL REVIEW

Trust Issue

Trust is the belief that one will find what one desires from an exchange partner. Trust involves a person's willingness to act in a certain way because of the belief that the partner will deliver what one expects and a general expectation that the words, promises, or statements of others are trustworthy, Kusmayadi (2007: 46). According to Sunarto (2003: 153), customer trust is all the knowledge a customer has and all the conclusions a customer makes about an object, its attributes, and its benefits. Meanwhile, Muhammad (2009: 26) defines trust as a condition in which one party involved in an exchange process is confident in the reliability and integrity of the other party. In other words, trust arises from the belief that the parties involved in the exchange will provide consistent, honest, and responsible quality. This belief will foster a good relationship between the parties involved in the exchange. Meanwhile, Muzahid (2009: 26) concludes that if one party believes that the other party's actions will bring positive results for the first party, trust can be developed.

Trust is essential for a commitment or promise, and commitment can only be realized if it is meaningful at some point. Trust exists when customers believe that the service provider is trustworthy and also has a high degree of integrity. Some factors that influence consumer trust in a company are as follows; 1) Shared values. Values are fundamental to developing trust. Parties in a relationship who have the same behavior, goals, and policies will influence the ability to develop trust. The parties involved find it difficult to trust each other if their ideas are inconsistent, 2) Interdependence. Dependence on another party implies vulnerability. To reduce risk, parties who do not trust will build relationships with trustworthy parties, 3) Quality communication. Open and regular communication, whether formal or informal, can align expectations, solve problems, and reduce uncertainty in exchanges. Communication carried out to build trust must be carried out regularly and of high quality; In other words, it must be relevant, timely, and reliable. Positive past communication will build trust, which in turn will lead to better communication. 4) Non-opportunistic behavior. Opportunistic behavior is the basis for limited exchange. Long-term relationships based on trust require the participation of all parties and actions that increase the desire to share long-term benefits. Commitment and trust are two of the most important components of long-term relationships between companies and their exchange partners.

There are four indicators in the trust variable Maharani, (2010; 44-49), namely; reliability, honesty, caring and credibility. Commitment and trust are the key to the success of relationships because they encourage marketers to (1) cooperate with exchange partners in maintaining relationships, (2) reject short-term benefits to gain long-term benefits, (3) view actions that have the potential to have high risks wisely with the belief that their partners will not act opportunistically. They state that when there is no commitment and trust, the result is efficiency, productivity, and effectiveness. There are three factors that shape a person's trust in others, (Joseph, and Rofiq (2010: 2), namely; 1) Ability. Ability refers to the competence and characteristics of the seller or organization in influencing or authorizing a specific area. In this case, how the seller is able to provide, serve, and secure transactions from interference from other parties, 2) Benevolence. Benevolence is the seller's ability to provide mutually beneficial benefits between himself and the consumer. Sellers' profits can be maximized, while also ensuring high customer satisfaction. Sellers aren't solely focused on maximizing profits, but also on fulfilling customer desires. 3) Integrity. Integrity relates to a seller's behavior and habits in conducting their business. It also examines whether the information provided to consumers is accurate and factual. It also examines whether the quality of the product or service being sold is reliable.

Low financial literacy is often cited as a cause of low attitudes and confidence in purchasing life insurance. The Financial Services Authority (OJK) currently considers millennials to have low financial literacy, at only around 32.1%. This figure is actually higher than Indonesia's financial literacy index, which is 29.66% (Tarmizi, 2017).

Life Insurance

Life insurance is a financial instrument that plays a crucial role in financial planning and risk management for individuals and families. The life insurance industry in Indonesia has shown significant growth, but market penetration remains relatively low compared to neighboring countries. Various studies have identified factors influencing people's decisions about life insurance. Socioeconomic factors play a crucial role in insurance decisions. Research by Maharani and Hidayat (2020) revealed that income, education, and occupation are positively correlated with life insurance ownership. The higher the education and income levels, the more likely a person is to own life insurance. This finding is supported by a study by Pratama (2021), which found that middle- and upper-class individuals have a higher awareness of the importance of financial protection.

Public perception and understanding of life insurance are also determining factors. Research by Wijaya and Sutanto (2019) identified that financial literacy and understanding of insurance products significantly influence policy purchasing decisions. People with low levels of financial literacy tend to view insurance as complicated and expensive.

The issues facing the public regarding life insurance encompass several aspects. According to a survey conducted by the Indonesian Life Insurance Association (2022), the main obstacles include distrust in insurance companies, difficult claims processing, and perceived burdensome premiums. A study by Ramadhan (2023) revealed that negative customer experiences and media coverage of claim rejections contribute to low interest in insurance. Cultural and religious aspects also influence public perceptions. Research by Kusuma and Rahman (2021) showed that some Muslims still question the compatibility of conventional insurance with Sharia principles, driving the growth of Sharia insurance as an alternative. This phenomenon encourages insurance companies to develop products that align with the community's religious values.

Government regulations and policies play a crucial role in the development of the life insurance industry. Safitri (2022) analyzed the impact of the implementation of OJK regulations on customer protection and insurance product transparency. Strengthening regulations and oversight is necessary to increase public trust in the insurance industry.

RESEARCH METHODS

This study uses a descriptive qualitative approach to determine the factors influencing public trust in life insurance products in Indonesia. This approach was chosen because it can explain individuals' perceptions, experiences, and subjective interpretations of the social phenomenon being studied. The data sources in this study are primary and secondary data. Primary data were obtained directly from informants through interviews, while secondary data were obtained from various scientific literature such as journals, books, and reports from official institutions such as the Financial Services Authority (OJK) and the Indonesian Life Insurance Association (AAJI) to strengthen the analysis and provide a relevant theoretical framework. The research subjects consisted of members of the public who had direct experience with life insurance products, both as active policyholders and those who had ceased their membership. Informants were selected using purposive sampling based on certain criteria that align with the research focus. A total of seven informants were involved in this study: three former life insurance customers, two active customers, one insurance agent, and one academic with expertise in risk management and insurance.(Creswell & Poth, 2018). Data collection techniques were conducted through semi-structured interviews designed with open-ended questions so that informants could explain their experiences and views freely and in-depth. Interviews were conducted in person and/or online, adjusted to the informant's time and condition. Each interview lasted between 30 and 60 minutes and was recorded with the informant's permission, then fully transcribed for further analysis. Data analysis was conducted using the interactive model from Miles and Huberman which includes three stages: data reduction by sorting important and relevant information, presenting data in narrative form, and drawing conclusions and verification to find patterns and ensure data consistency. To maintain data validity, this study used a source triangulation method by comparing information from various informants with different backgrounds, and conducting member checking to reconfirm the results of the interview transcripts with informants to ensure the data used was truly accurate and reliable.

RESULTS AND DISCUSSION

Research Result

Based on the interviews conducted, several key factors influence public trust issues regarding life insurance products. An in-depth discussion of these factors is as follows:

1. Understanding Life Insurance

The public's lack of in-depth understanding of life insurance products has been a major factor significantly contributing to the decline in trust in these products. Many individuals struggle to grasp the basic mechanisms of life insurance, especially as the concepts can sometimes seem complex and full of technical terms. Life insurance products are often perceived as complex and confusing, with many people not fully understanding how they work, what the policy promises, and how the claims process works. Uncertainty about the benefits that can be obtained after paying premiums over the long term, as well as a lack of transparency in product explanations, adds to the confusion. As a result, many people hesitate to invest in life insurance, as they are unsure whether the benefits they receive will match their investment. This uncertainty, sometimes exacerbated by a lack of easily understood information, leads them to avoid purchasing life insurance, even though they may recognize the importance of future financial protection.

2. Negative Experience with Insurance

Negative experiences, such as rejected claims or difficulties in the claims process, have been shown to be a significant factor in influencing public trust in insurance products. When individuals, or even close relatives, experience a claim rejection despite having paid their premiums regularly and in accordance with applicable regulations, it creates a deep sense of injustice.

Such incidents often lead to strong feelings of disappointment and frustration, which can damage their perception of the insurance company's credibility and integrity. In many cases, the complicated, time-consuming, and bureaucratic claims process exacerbates the situation and fuels pessimism about the insurance industry as a whole. When customers feel their rights are not respected, despite fulfilling their obligations by paying their premiums regularly, this can create long-term, even lasting, negative perceptions. These negative experiences tend to spread through the community through word of mouth, further fueling distrust of insurance products. As a result, many people become reluctant or even afraid to purchase insurance, even though they recognize the importance of the protection it offers. This perception often persists in society, creating a major challenge for insurance companies to rebuild trust and prove that they can truly be relied upon when needed.

3. Negative Perceptions of Insurance Agents

The behavior of insurance agents who appear pushy or overly focused on product sales targets without truly listening to customers' needs and interests has become a major obstacle hindering public trust in insurance products. In many cases, agents who prioritize achieving sales targets over providing consultations tailored to their clients' needs often result in dissatisfaction and disappointment among consumers. When agents fail to take the time to truly understand a client's financial situation or provide objective advice, but instead push a specific product for sale, this can give the impression that they are solely concerned with their own profit and disregard the client's needs or well-being. Furthermore, agents who fail to provide clear explanations, or are even dishonest in explaining product benefits and terms, can exacerbate public doubt and distrust in the insurance industry as a whole. A reluctance to provide transparent and understandable information about how insurance products work, the premiums required, and the benefits clients will receive in the future, creates the impression that the agent is unreliable. This attitude, which appears to be focused on sales without regard for clients' rights and needs, ultimately severely damages the reputation of insurance companies and undermines public trust in the products they offer. When customers feel that they have been deceived or not received fair and honest information, they tend to feel disrespected and are more reluctant to engage with that insurance product in the future.

Overall, to increase public trust in life insurance products, insurance companies need to improve the way they provide information, improve the customer experience in the claims process, and ensure that insurance agents are transparent and listen well to customer needs. Trust is an important thing for a commitment or promise, and commitments can only be realized if they are meaningful in the future. Trust exists when customers believe that the service provider is trustworthy and also has a high degree of integrity.

DISCUSSION

Research on the trust issue, or consumer confidence in life insurance products, has been the focus of various academic studies, both nationally and internationally. This phenomenon is of interest because trust is a fundamental element in the financial services industry, particularly insurance, which involves future promises and temporal uncertainty.

In the Indonesian context, several studies have identified factors influencing the low life insurance penetration rate. In their study of factors influencing life insurance purchasing decisions in Indonesia, Setiawan and Achyani (2021) found that consumer trust is a significant mediator between risk perception and purchasing decisions. This study shows that when consumers perceive a high risk toward an insurance company, this will lower their trust levels, which ultimately influences purchasing decisions. This finding aligns with research by Wahyuni and Sari (2020), which emphasizes the importance of building trust through information transparency and consistent service quality.(Salman Wijaya & Arlan Tjahyadi, 2023)

The dimensions of trust in the life insurance context have been explored in depth by several researchers. Agyei et al. (2020) in their study in Ghana identified three main dimensions of trust in the insurance industry: ability, benevolence, and integrity. This study shows that these dimensions of trust significantly influence customer engagement and loyalty in the life insurance context. These findings provide a strong theoretical foundation for understanding how trust is formed and operates in the insurance industry.

Public understanding of life insurance is a crucial factor influencing the adoption and penetration of the insurance industry in Indonesia. Research conducted by Khumaini (2019) shows that public perception has a significant positive influence on interest in using Sharia insurance products in Tangerang Regency. These results indicate that a good understanding of the concept and benefits of insurance can increase public interest in using insurance products.

Past experience and word-of-mouth as factors influencing trust have been explored in various studies. Flavián et al. (2005) found that negative past experiences have a stronger and more lasting impact than positive experiences in shaping consumer trust. This research explains the phenomenon of "negativity bias," where consumers tend to give greater weight to negative information. In Indonesia, research conducted by Suryanto and Pratiwi (2021) found that negative word-of-mouth has a very strong influence on shaping public perceptions of the insurance industry, especially in communities with close social ties.

CONCLUSION

Factors influencing public trust issues regarding life insurance products in Indonesia identified three main factors contributing to low confidence. First, a lack of public understanding of the concept and mechanisms of life insurance, perceived as complex and full of technical terms, makes them hesitant to invest in such products. Second, negative experiences with rejected or complicated claims processes create deep disappointment that damages the credibility of insurance companies and spreads widely through word of mouth. Third, negative perceptions of insurance agents who prioritize sales targets over understanding customer needs and lack transparency in conveying product information further erode public trust. To address these issues, insurance companies need to increase education and outreach, improve product information transparency, optimize services, particularly in the claims process, and ensure insurance agents behave professionally and are customer-oriented. With these steps, it is hoped that public trust in life insurance products will increase, encouraging broader participation and the development of a healthier insurance industry in Indonesia.

Several strategic recommendations need to be implemented. Insurance companies must undertake a fundamental transformation by prioritizing comprehensive education and outreach programs to improve public financial literacy, using simple and easy-to-understand language when explaining products, and providing concrete simulations of the benefits of life insurance. Improving service systems is crucial, particularly in the claims handling process through streamlined procedures, implementing digital technology to expedite processes, and increasing transparency in communications with customers throughout the claims process. For further research, it is recommended to use a mixed-method approach with a broader geographic scope, conduct longitudinal studies to measure the effectiveness of trust-building strategies, and explore the role of digital technology in building consumer trust. With the comprehensive and sustainable implementation of these recommendations, it is hoped that public trust in life insurance products can increase significantly, which will ultimately encourage market penetration growth and the development of a healthier insurance industry in Indonesia.

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