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Determinants of Customer Retention in Life Insurance Companies of Rupandehi District

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Abstract

Customer retention is important to the long-term viability of life insurers. This study examines associations between premium affordability, trust in the insurer, customer satisfaction, perceived value, claim settlement efficiency, and customer retention among life insurance policyholders in Rupandehi District, Nepal. Survey data from 361 policyholders recruited through convenience sampling were analyzed using descriptive statistics, PLS-SEM, IPMA, and NCA. The reported structural model indicates positive and statistically significant associations for claim settlement efficiency (coefficient = 0.847, $p < 0.001$), premium affordability (coefficient = 0.265, $p < 0.001$), trust (coefficient = 0.210, $p < 0.001$), and perceived value (coefficient = 0.107, $p = 0.012$). Customer satisfaction has a positive but not statistically significant association (coefficient = 0.089, $p = 0.067$). The model R-squared is 0.761. Because the study is cross-sectional and uses a convenience sample, the results should be interpreted as sample-specific associations rather than causal effects or population estimates.

Keywords: Trust of insurance company, Premium affordability, Claim settlement efficiency, Life insurance, Customer retention.

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1. INTRODUCTION

Conceptually, this study was initiated by the realization that insurance customer retention occurs from the purchase of the cover and not at the point of sale (Bhatia et al., 2024; Thapa, 2024). Therefore, determining factors include customers' assessment of whether the premium is cost-effective; the provider is trustworthy; service is satisfactory; benefits are worth the cost; and claims are settled efficiently (Karki, 2025; Khanal, 2024; Thapa, 2024;). Indeed, evidence from Nepal suggests that customers' trust, service quality, and satisfaction are critical predictors of retention in the life insurance sector (Karki, 2025; Thapa, 2024). Similarly, studies on post-purchase satisfaction indicate that organizational trust and image, together with service quality and claim experience, are positively and significantly related to higher satisfaction with life insurance policies in Nepal (Khanal, 2024). In other words, previous international and local studies have partially addressed this research objective by exploring the effect of some determinants on customer retention (Bhatia et al., 2024; Karki, 2025; Thapa, 2024). For instance, recent literature reveals that trust and satisfaction mediate the relationship between perceived value and service and customer retention in the life insurance industry (Thapa, 2024). In the same way, customer-centric studies demonstrate that organizational trust and service quality are essential for policyholders' satisfaction in the life insurance sector (Karki, 2025; Khanal, 2024).

However, most of the reviewed literature primarily focuses on insurance customer loyalty, satisfaction, and post-purchase experience instead of retention as the dependent variable (Khanal, 2024; Thapa, 2024). This creates a research gap, especially in Nepal, because

customers may renew their policies based on their initial premium payments, organizational trust, level of satisfaction, benefits claimed, and speedy claim settlement (Bhatia et al., 2024; Khanal, 2024). Indeed, life insurance customer retention is key to an organization's sustainability and growth as well as the consumer's confidence in the formal financial protection system (IAIS, 2024; Nepal Insurance Authority, 2025).

It is also justified on practical grounds because the results will help the life insurance companies improve renewal strategies, communication policies, service delivery, and claims settlement to increase customer retention (Khanal, 2024; Nepal Insurance Authority, 2025). Societally, the study will add to the understanding of the key factors influencing life insurance penetration and, by extension, the overall economic growth of Nepal (IAIS, 2024; Nepal Insurance Authority, 2025). Therefore, this study aims to examine the factors that influence customers' retention in the life insurance companies of Rupandehi district by assessing the effect of premium affordability, organizational trust, customer satisfaction, perceived value, and claim settlement efficiency on the retention of life insurance policies (Karki, 2025; Khanal, 2024; Thapa, 2024).

1.1. Research Questions

RQ1: *What is the level of premium affordability, trust, customer satisfaction, perceived value, claim settlement efficiency and customer retention in life insurance companies of Rupandehi district?*

RQ2: *What is the effect of premium affordability, trust, customer satisfaction, perceived value and claim settlement efficiency on customer retention in life insurance companies of Rupandehi district?*

The global life insurance business has witnessed growth in a more favorable profit environment, with Swiss Re reporting collective life insurance profits in major advanced markets to rise by 15 percent (Swiss Re Institute, 2024). At the same time, the global insurance business operates in an environment of changing dynamics, including heightened competition and the need to respond to rising demands in terms of customer experience and long-term relationships. As a result, customer retention has become a matter of survival for insurance companies given their reliance on a continuing stream of customers to maintain profitability and profits (IAIS, 2024; Swiss Re Institute, 2024). This consideration is especially pertinent to life insurance, a long-term product in which clients are continuously assessing premiums and service quality as a basis for determining renewals and claim settlement (Bhatia et al., 2024; Thapa, 2024). Recent evidence on life insurance lapsation suggests that policy discontinuance is influenced by policyholders' beliefs, trust in insurers and advisors, process-related attitudes and personal financial viewpoints (Bhatia et al. 2024). Therefore, it is getting serious at a global level to retain life insurance customers as poor trust, poor service or negative financial perception can cause customers to lapse or discontinue their policies (Bhatia et al., 2024; Swiss Re Institute, 2024). This issue is equally important in Nepal as the insurance sector has been developing and gaining importance in the formal financial system (Nepal Insurance Authority, 2025). Studies in life insurance sector of Nepal have found that customer trust, service quality, corporate image and customer satisfaction are important determinants of long-term customer outcomes (Karki, 2024; Khanal, 2025; Thapa, 2024).

Therefore, this study aims to contribute to the existing body of knowledge by filling the conceptual and empirical gaps in Nepal's literature on life insurance customer retention. Specifically, this study is justified by three primary needs. First, most of the previous studies do not emphasize customer retention as the main objective in the life insurance sector at the district level, such as Rupandehi (Karki, 2025; Thapa, 2024). Second, prior research has focused on examining the effect of either customer trust, satisfaction, or organizational image on insurance retention instead of developing a model that incorporates premium affordability, organizational trust, customer satisfaction, perceived value, and claim settlement as independent variables (Karki, 2025; Khanal, 2024; Thapa, 2024). Third, there is a need to develop empirical evidence that can help the local insurance sector to boost customer retention by providing insights into the relative influence of these determinants in the emerging market of Nepal (Karki, 2025; Nepal Insurance Authority, 2025). Hence, this study is justified theoretically as it contains different predictors of retention like insurance premium, organizational trust, customer satisfaction, perceived value, and claim settlement efficacy in the life insurance sector (Karki, 2025; Thapa, 2024).

This study is limited to Rupandehi district and is concerned with determinants of customer retention in life insurance companies (Karki, 2025; Thapa, 2024;). In this research, customer retention is the tendency for policyholders to keep, renew and retain their relationship with a life insurance company over the long term (Moon et al. 2025; Thapa 2024). The study examines premium affordability, trust in the insurance company, customer satisfaction, perceived value and claim settlement efficiency as determinants of customer retention (Karki, 2025; Khanal, 2024; Thapa, 2024). These variables are important as they cover the financial, relational, experiential and service process components of insurance that determine the customer retention with an insurer (Khanal, 2024; Thapa, 2024).

1.2. Research Objectives

RO1: To assess the level of premium affordability, trust, customer satisfaction, perceived value, claim settlement efficiency and customer retention in life insurance companies of Rupandehi district.

RO2: To examine the effect of premium affordability, trust, customer satisfaction, perceived value and claim settlement efficiency on customer retention in life insurance companies of Rupandehi district.

2. LITERATURE REVIEW

2.1. Theoretical Review

The Commitment-Trust Theory of Relationship. Morgan and Hunt (1994) marketing which is very relevant to this study as life insurance is a long-term service relationship in which continuity is critical based on trust and commitment. Policyholders must pay for a product only once, but they are also connected with the insurer through premium payments, service encounters, renewal decisions, and future claims expectations (Bhatia et al., 2024; Khanal, 2024; Moon et al., 2025). When customers feel that the insurer is trustworthy, honest and dependable, they are more likely to continue the relationship over time. This makes the theory particularly useful in explaining the relationship between trust in the insurance company and customer retention (Moon et al., 2025; Morgan & Hunt, 1994; Thapa, 2024). The theory also emphasizes the importance of customer satisfaction and claim settlement

efficiency. Positive experiences of service repeated over time build trust and increase long-term commitment (Khanal, 2024; Moon et al., 2025; Thapa, 2024). Moreover, recent studies have also found that customer relationship building behavior has a positive impact on trust, satisfaction, and renewal intention in the context of insurance, thereby further providing evidence for the applicability of the theory to the given framework (Karki et al., 2025; Moon et al., 2025; Thapa, 2024). The Expectation-Confirmation Theory proposed by Oliver (1980) explains the way in which the customers set their expectations before purchase and then compare the real service performance with the expectations. If the insurer performs at or above the expected level, satisfaction is generated; if performance is below expectations, dissatisfaction is likely (Oliver, 1980; AlSokkar et al., 2024; Schiebler et al., 2025). The theory is very important in life insurance as customers expect reliable service, timely communication, and fair support after the purchase of a policy (Dahal et al., 2023; Khanal, 2024; Bhatia et al., 2024). Settling claims is especially important because this is often where policyholders most directly judge whether the insurer has kept its promise (Khanal, 2024; Bhatia et al., 2024; AlSokkar et al., 2024). Thus, the theory provides strong support for the relationships between customer satisfaction, claim settlement efficiency and customer retention. Confirmation of expectations continues to be central to satisfaction, post purchase evaluation and loyalty related behavior as shown in the recent literature. This makes this theory highly appropriate for your study (AlSokkar et al., 2024; Dahal et al., 2023; Schiebler et al., 2025). According to Blau's (1964) Social Exchange Theory, people persist in relationships when they feel that the benefits they receive from them are worth the costs (Blau, 1964; Gubwe et al., 2025 In the insurance sector, customers consider the value for money, peace of mind, service quality, and other factors when purchasing life insurance products (Adhikari, 2024; Bhatia et al., 2024; Gubwe et al., 2025). Therefore, the theory is relevant in understanding the effect of premium affordability and perceived value on customers' retention. For instance, clients are more likely to remain with an insurer if they perceive the premium as cheap or the package as valuable (Gubwe et al., 2025; Moon et al., 2025; Thapa, 2024). On the contrary, it becomes difficult to retain clients if the premium is expensive or the package is of less value (Bhatia et al., 2024; Gubwe et al., 2025; Thapa, 2024). Recent studies on social exchange theory have revealed the effect of trust, perceived value, and relational benefits on customers' long-term intentions and behaviors, thus explaining their inclusion in this study (Gubwe et al., 2025; Moon et al., 2025; Thapa, 2024).

In the context of equity theory, customers compare the costs and benefits of a relationship to determine whether they are being treated fairly (Adams, 1965). For instance, in the life insurance sector, clients provide resources such as money, time, patience, and trust, and in return, they expect relational benefits such as effective communication, courteousness, reliable service, and fast claim settlement (Bhatia et al., 2024; Dahal et al., 2023; Khanal, 2024). Therefore, if customers perceive that the benefits outweigh the costs, they remain loyal to the insurer (Adams, 1965; Moon et al., 2025; Thapa, 2024). However, if they perceive that they are not getting adequate benefits in terms of claim settlement, fast service, or other aspects, their intention to stay may be reduced (Bhatia et al., 2024; Gubwe et al., 2025; Khanal, 2024). Thus, the theory explains the need for this study on the effect of premium affordability, value, and claim settlement on life insurance customers' retention (Adams, 1965; Gubwe et al., 2025; Khanal, 2024). Recent studies on insurance lapse, claim settlement, and fairness in insurance (Adams, 1965; Bhatia et al., 2024; Khanal, 2024) have been used to develop the rationale for this study. The SERVQUAL model (Parasuraman,

Zeithaml, & Berry, 1988) remains highly relevant, as it describes how customers evaluate service quality across dimensions including reliability, responsiveness, assurance, empathy, and tangibility. Although service quality is not used here as a separate independent variable, but the logic of service quality is reflected in all the variables of your framework. When the insurer is reliable and reassuring, trust increases. When service is responsive and empathetic, customer satisfaction is enhanced. The perceived value increases when the service supports the price paid. The efficiency of claim settlement is a direct reflection of reliability and responsiveness in action (Khanal, 2024; Parasuraman et al., 1988). Life insurance company customers continuously assess the insurers based on their experience in communication, premium servicing, service interactions and claims handling (Bhatia et al., 2024; Dahal et al., 2023; Khanal, 2024). However, the SERVQUAL remains an important supporting theory for this study as recent studies continue to show the significant impact of service quality on satisfaction, perception of value, loyalty and retention-related outcomes (Dahal et al., 2023; Moon et al., 2025; Thapa, 2024).

2.2. Empirical Review

2.2.1 Premium Affordability and Customer Retention

One of the factors widely accepted as a key factor in the retention of customers with insurance companies over time is the affordability of premium. Customers are more likely to retain policies that are affordable to them (Gubwe et al., 2025; Thomas & Sakthivel, 2015). The customers are likely to judge affordability in terms of the amount they are paying but also in terms of the protection, service and long-term benefits they expect from the policy (Keong et al., 2014; Gubwe et al., 2025; Patil et al., n.d.) noted that affordability and value for money are important determinants of insurance participation. The study revealed that if customers feel the premiums are affordable, they are more likely to stay involved. Similarly, perceptions related to pricing affect customer satisfaction of insurance services, which can indirectly enhance long-term continuity (Bhatia and Bansal, 2018). Moreover, Thomas and Sakthivel (2015) found that financial factors, particularly the cost versus anticipated protection, impact consumer preferences in insurance. Recent evidence from Nepal by Rawal and Bhatt (2025) shows that customer-centric marketing is more effective for customer retention when customers consider insurance products financially suitable for them. In their systematic literature review, Sarvaiya and Nayak (2025) further found that affordability is one of the recurring determinants of retention in both health and life insurance settings. Therefore, the available empirical evidence suggests that affordable premiums have a positive effect on customers' willingness to stay with an insurer, which supports the proposed hypothesis that premium affordability has a positive and significant effect on customer retention.

H1**:** *Premium affordability has a positive and significant effect on customer retention in life insurance companies of Rupandehi district.*

2.2.2 Trust in Insurance Company and Customer Retention

Insurance is a promise-based service, where customers rely on the future reliability and fairness of the insurer, making trust one of the strongest predictors of customer retention (Alli & Ganiyu, 2025; Chen & Mau, 2009). Where policyholders perceive the insurer as honest, reliable and committed to serve their interest, then they tend to maintain their

relationship with the insurer (Nguyen et al., 2018; Tjizumaue & Atiku, 2024). Trust is a major determinant of insurance decision making, especially when customers need to be reassured by the insurer before committing to long-term financial obligations (Alli and Ganiyu, 2025). Chen and Mau (2009) found that ethical sales behavior has a positive effect on customer loyalty in the life insurance industry. The reason for the positive effect is the increase in trust in the company and its agents. Nguyen et al. (2018) found that trust and service-related aspects positively and significantly affect customer satisfaction and loyalty in the Vietnamese life insurance industry. The study conducted by Dahal et al. (2023) in Nepal revealed that post-purchase satisfaction is affected by company-related and customer service variables, and these factors are crucial in building trust.

Similarly, Rawal and Bhatt (2025) found that customer-centric marketing in the context of life insurance companies in Nepal affects customer relationships' quality, increasing customer retention. Also, Tjizumaue and Atiku (2024) confirmed that customer loyalty among long-term insurance consumers is significantly grounded in structural factors that breed confidence in the insurer. In general, the results show that the level of trust in the insurance company has a positive effect on customer retention and therefore, hypothesis two is confirmed.

H2: *Trust in the insurance company has a positive and significant effect on customer retention in life insurance companies of Rupandehi district.*

2.2.3 Customer Satisfaction and Customer Retention

Customer satisfaction has been constantly identified as a major determinant of retention because satisfied customers are more likely to renew policies, recommend the insurer and continue their long-term relationship with the company (Nguyen et al., 2018; Venkatesan & Jacob, 2019 Satisfaction is the extent to which customers' expectations of service delivery, communication behavior, claims settlement, and policy values are met (Ramamoorthy et al., 2018; Dahal et al., 2023). Venkatesan and Jacob (2019) established empirically that satisfaction plays a direct role in retaining customers in the life insurance sector by showing that it goes beyond emotional response to involve behavioral intent. In fact, Ramamoorthy et al. (2018) study found that service quality has significant effect on customer satisfaction and behavioral intentions in Indian life insurance industry, which ultimately leads to higher customer retention rates. Thus, satisfaction is the extent to which a customer is given what he or she should receive in terms of expectations in relation to service experiences, communication behavior, claims settlement and policy values (Ramamoorthy et al., 2018; Dahal et al., 2023).

Venkatesan and Jacob (2019) established empirically the direct influence of satisfaction on customer retention in the case of life insurance companies by arguing that it is not only an emotional response but also a behavioral one. Similarly, Ramamoorthy et al. (2018) found out that service quality has a significant impact on customer satisfaction and behavioral intention in the case of life insurance companies in India This implies that the levels of satisfaction are positively related to retention rates as customers tend to be attached to an insurer when their expectations are being met. In another study, Nguyen et al. (2018) found that satisfaction is a significant predictor of customer loyalty for life insurance companies. Therefore, it can be inferred that good service experiences increase the probability that customers will continue doing business with an insurance company. Post purchase

satisfaction is predicted by company and service-related factors and is at the center of customers' evaluation (Dahal et al., 2023). Indeed, customer satisfaction has a positive impact on customer retention in general insurance, as observed by Cho (2025).

This implies that for general insurance as well, satisfied customers are likely to remain loyal to an insurer. By extension, Karki et al. (2022) found out that customer satisfaction in the case of general insurance companies has a positive effect on customers' continuance intention. These findings are all consistent with the general insurance assertion that satisfied customers are more likely to remain as clients. On the other hand, according to Bista et al. (2020), in the case of life insurance companies, customer dissatisfaction decreases the likelihood of customers renewing their policies. This can be explained by the fact that customers who are not satisfied with an insurer's services are more likely to switch to another provider. It is therefore safe to assume that satisfaction plays a critical role in influencing insurance customer behavior. (2025) found that customer-centric strategies help in building policyholder satisfaction that further helps in long-term relationships between insurer and customer. The empirical literature thus offers strong support for the hypothesis that customer satisfaction has a positive and significant effect on customer retention.

H3: *Customer satisfaction has a positive and significant effect on customer retention in life insurance companies of Rupandehi district.*

2.2.4 Perceived Value and Customer Retention

Perceived value is important in insurance as the customers only remain in the relationship with an insurer if they believe that the benefits of the policy are greater than the cost and effort involved (Gubwe et al., 2025; Thapa, 2024). In life insurance, it is customers' evaluation of the extent to which they are willing to pay for the given services, protection, assurance, and confidence provided to them (Keong et al., 2014; Rai & Srivastava, 2013). Thapa (2024) established that corporate perceived value significantly influences customer satisfaction and loyalty; thus, concluding that value has a great influence on the purchasing behavior of the policyholders of life insurance companies in Nepal. Gubwe et al. (2025) also observed that value for money is one of the critical factors influencing the uptake and sustained engagement with insurance, especially where customers are sensitive to financial trade-offs. Rai and Srivastava (2013) stated that a variety of antecedents, such as positive value-related assessments of the insurer's products, drive the formation of customer loyalty in life insurance. Similarly, Keong et al. (2014) found that customer satisfaction in conventional insurance services is largely contingent on how customers evaluate the benefits they receive against their payments. Tjizumaue and Atiku (2024) also found that the insurance relationship is more meaningful and beneficial when the long-term insurance consumers' loyalty is strengthened. The results suggest that the customer is more likely to stay with the insurer if the customer perceives the insurance relationship as a high-value one, in support of the fourth hypothesis that perceived value has a positive and significant effect on customer retention.

H4: *Perceived value has a positive and significant effect on customer retention in life insurance companies of Rupandehi district.*

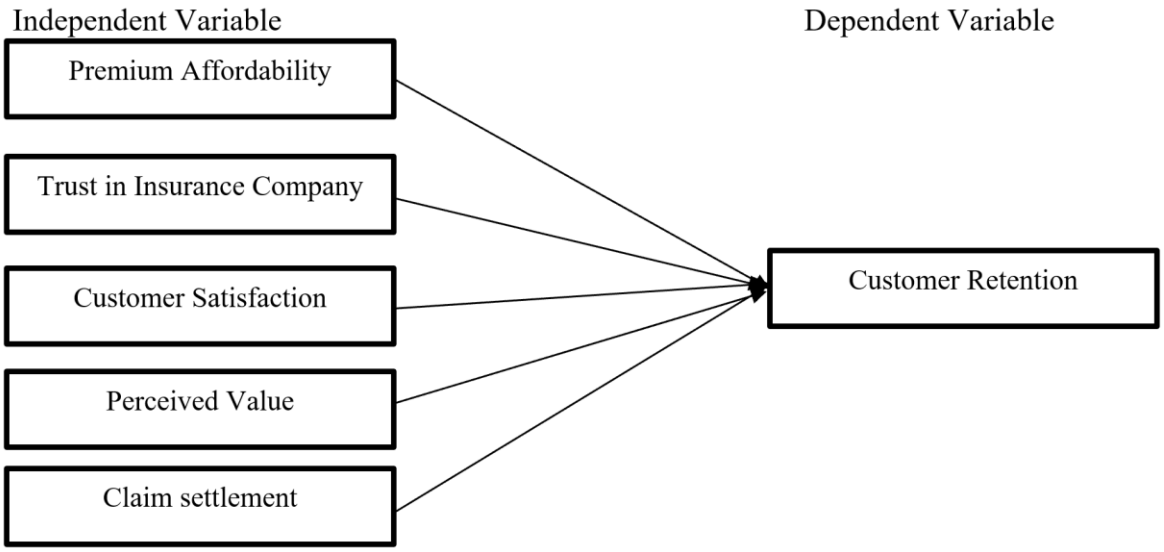
2.2.5 Claim Settlement Efficiency and Customer Retention

Claim settlement efficiency is one of the most important service dimensions in insurance as it is the point at which the customers directly test whether the insurer fulfills its promise (Garg, 2013; Khanal, 2024). Fast, fair, and transparent processing of claims is likely to improve customer satisfaction and trust in the insurer, therefore raising their willingness to do business with the company once again (Dahal et al., 2023; Shaladdin et al., 2018). For example, in the case of Nepal, Khanal (2024) highlighted the importance of efficient claim settlement as a factor that contributed to the satisfaction of customers with the service. In other words, it can be argued that effective claim settlement is one of the most critical elements for assessing satisfaction with an insurer. Similarly, Dahal et al. (2023) stated that life insurance company-related and service-related factors influenced the post-purchase satisfaction of the insured, representing their experiences with claim settlement. Garg (2013) came to a similar conclusion, claiming that clients usually express dissatisfaction with the process of buying the insurance policy due to various service- and process-related issues, which are key predictors of their satisfaction with the settlement claim. According to Shaladdin et al. (2018), operational support and responsiveness are significant predictors of customer satisfaction in the insurance sector, wherein the former has a strong association with the process of claim settlement. Moreover, Shahroodi et al. (2024) highlighted the importance of agent- and service-related factors in formulating retention strategies as such factors influence customer loyalty toward the insurance company. The literature strongly supports the hypothesis that the efficiency of claim settlement has a positive and significant effect on customer retention. Efficient claim settlement encourages the customers to remain with the insurer.

H5: *Claim settlement efficiency has a positive and significant effect on customer retention in life insurance companies of Rupandehi district.*

2.3 Conceptual Framework

Figure 1 - *Conceptual framework*



Source: Adapted from Kotler (2016); Zeithaml, Bitner and Gremler (2018); Oliver (1999).

The conceptual framework is justified by the fact that customer retention in life insurance is influenced by economic, relational and service-performance factors. Premium affordability affects the ability of the customer to sustain the policy. Trust builds confidence in the insurer.

Satisfaction reflects post-purchase evaluation. Perceived value captures benefit-cost comparison. Claim settlement efficiency reflects fulfillment of promise. These relationships confirm the concepts of customer value, service marketing and loyalty theory by Kotler (2016), Zeithaml, Bitner and Gremler (2018) and Oliver (1999). Therefore, the framework is appropriate for the study of customer retention of life insurance companies of Rupandehi district.

3. RESEARCH METHODOLOGY

3.1 Research Design

This study used a descriptive, cross-sectional survey design to describe policyholder characteristics and estimate associations between the study constructs. Because the data were collected observationally at one point in time, the analyses do not establish causality or temporal order.

3.2 Population and Sample

The target population comprised life insurance policyholders in Rupandehi District. The final analysis reports 361 respondents recruited using convenience sampling. Because the sampling frame and population size were not available, the results describe this sample and should not be treated as statistically representative of all district policyholders.

$$n_0 = (Z^2 \times p \times q) / e^2$$

Where:

n_0 = required sample size (384)

Z = z-value at 95% confidence level (1.96)

p = estimated proportion of the population (0.5)

$q = 1 - p$ (0.5)

e = margin of error (0.05)

Cochran's formula yields an initial target of approximately 384 respondents under the stated assumptions. The study reports 361 completed responses. Because participants were recruited by convenience sampling, the nominal 95% confidence level and 5% margin of error from a probability-sampling calculation should not be presented as achieved precision for this sample.

3.3 Nature and Sources of Data

This study used quantitative primary data collected through a survey of life insurance policyholders in Rupandehi District. The questionnaire measured respondents' perceptions of premium affordability, trust in the insurer, customer satisfaction, perceived value, claim settlement efficiency, and customer retention.

3.4 **Tools for Data Collection**

Data were collected using a structured questionnaire designed to measure premium affordability, trust in the insurer, claim settlement efficiency, perceived value, customer satisfaction, and customer retention. The questionnaire used a seven-point Likert scale and included items adapted from the studies identified below.

3.5 Methods for Data Analysis

The completed questionnaires were screened, coded, and analyzed using SPSS and SmartPLS. Descriptive statistics summarized respondent characteristics and construct responses. The measurement model was assessed for indicator reliability, internal consistency, convergent validity, discriminant validity, and collinearity. The structural model was evaluated using bootstrapping, path coefficients, p-values, R-squared, and effect sizes. IPMA and NCA were also conducted.

The measurement model was assessed for internal consistency using Cronbach's alpha and composite reliability, for convergent validity using AVE, and for discriminant validity using HTMT and the Fornell-Larcker criterion. VIF values were examined as collinearity diagnostics.

The structural model was assessed using PLS-SEM. Bootstrapping was used to estimate path coefficients, t-statistics, and p-values for the hypothesized relationships. R-squared and f-squared values were used to describe the model's in-sample explanatory power and the relative effect sizes of the predictors. IPMA and NCA were used as complementary analyses.

4. RESULTS AND ANALYSIS

This section reports the respondent profile, measurement-model assessment, structural-model results, IPMA, and NCA. The reported analyses do not include the correlation, mediation, or moderation tests mentioned in the original section overview.

4.1 Respondent's Profile

Table 1 - *Respondent's Profile/Descriptive statistics of participants*

Gender	***f***	**%**	**Occupation**	***f***	**%**
Female	213	59.0	Service	97	26.9
Male	142	39.3	Business	70	19.4
Other	6	1.7	Agriculture	58	16.1
			Student	118	32.7
Age Group	***f***	**%**	Other	18	5.0
Below 25	76	21.1			
25-34	133	36.8	**Monthly Income**	***f***	**%**
35-44	89	24.7	Below NPR 25000	126	34.9
45-54	45	12.5	NPR 25000-50000	105	29.1
55 and above	18	5.0	NPR 50000-75000	56	15.5
			NPR75000-100000	24	6.6
Educational Qualification	***f***	**%**	Above NPR 100000	50	13.9
SEE or below	58	16.1			
Intermediate	70	19.4	**Experience**	***f***	**%**
Bachelor's Degree	103	28.5	Less than 1 year	35	9.7
Master's Degree	115	31.9	1-3 years	81	22.4
Above master's degree	15	4.2	4-6 years	95	26.3
			7-10 years	44	12.2
Marital Status	***f***	**%**	More than 10 years	106	29.4
Married	225	62.3			
Unmarried	136	37.7	**Types**	***f***	**%**
			Endowment Policy	38	10.5
			Term Life Policy	152	42.1
			Whole Life Policy	162	44.9
			Money-Back Policy	2	.6
			Others	7	1.9

Table 1 summarizes the sample characteristics. Women account for 59.0% of respondents and men for 39.3%; the largest age group is 25-34 years (36.8%). Students (32.7%) and service-sector respondents (26.9%) are the largest occupational groups. These are descriptive characteristics of the convenience sample and should not be interpreted as evidence of population-level differences.

4.2 Common Method Bias (CMB)

Table 2 - *Variance Explained*

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	14.109	47.030	47.030	14.109	47.030	47.030
2	4.305	14.350	61.380			
3	1.736	5.786	67.167			
4	1.309	4.362	71.528			
5	1.027	3.423	74.951			
6	.732	2.441	77.392			
7	.681	2.270	79.662			
8	.633	2.110	81.772			
9	.487	1.624	83.396			
10	.457	1.523	84.919			
11	.434	1.447	86.366			
12	.387	1.290	87.656			
13	.371	1.237	88.893			
14	.347	1.158	90.051			
15	.309	1.030	91.080			
16	.289	.963	92.044			
17	.269	.897	92.940			
18	.250	.832	93.772			
19	.236	.786	94.558			
20	.218	.725	95.283			
21	.201	.671	95.955			
22	.193	.643	96.598			
23	.188	.626	97.223			
24	.165	.551	97.774			
25	.154	.513	98.288			
26	.146	.487	98.775			
27	.134	.445	99.220			
28	.125	.418	99.638			
29	.109	.362	100.000			
30	-2.693E-16	-8.977E-16	100.000			
Extraction Method: Principal Component Analysis.						

Harman's single-factor test was conducted using principal component analysis. Table 2 reports that the first factor explains 47.030% of the variance, below the 50% screening threshold cited by Podsakoff and Organ (1986). This single diagnostic does not establish

that common method bias is absent; the result should be interpreted cautiously and alongside any procedural or additional statistical checks.

4.3 Measurement Items Assessment

Table 3 - *Assessment of scale items or Measurement model assessment*

Items	Outer loadings	VIF	Mean	Standard deviation
CR1	0.893	3.118	1.810	104.211
CR2	0.878	3.03	0.427	0.527
CR3	0.81	2.585	2.435	1.102
CR4	0.862	2.788	2.886	1.144
CR5	0.811	2.161	1.377	0.485
CS1	0.875	3.005	2.695	1.305
CS2	0.903	3.722	2.355	1.375
CS3	0.91	3.94	3.291	1.351
CS4	0.751	1.908	2.413	0.762
CS5	0.776	1.723	4.681	1.931
CSE1	0.811	1.801	4.283	1.98
CSE2	0.806	2.35	4.382	2.064
CSE3	0.873	3.018	3.925	1.952
CSE4	0.863	3.424	4.219	1.986
CSE5	0.764	2.485	4.38	1.939
PA1	0.898	3.257	4.834	1.862
PA2	0.882	3.035	4.266	1.901
PA3	0.846	2.428	4.197	1.983
PA4	0.829	2.459	3.319	1.931
PA5	0.923	4.313	5.964	1.389
PV1	0.855	2.405	5.85	1.472
PV2	0.801	2.165	5.715	1.629
PV3	0.855	2.395	5.086	1.777
PV4	0.802	1.972	5.471	1.744
PV5	0.797	1.786	2.886	1.706
TIC1	0.798	2.464	2.85	1.8
TIC2	0.814	3.07	2.543	1.529
TIC3	0.9	3.26	2.227	1.58
TIC4	0.889	3.474	2.859	1.625
TIC5	0.83	1.982	5.504	1.567

The outer loadings displayed in Table 3 range from 0.751 to 0.923 and are above 0.70. However, the table values and item labels should be reconciled with the text and original SmartPLS output before publication.

The item-level VIF values displayed in Table 3 are below 5. These values should be identified as indicator-level or structural-model diagnostics, as appropriate; they do not by themselves establish the absence of collinearity among the structural predictors.

4.4 Quality Criteria Assessment

Table 4 - *Construct Reliability and Validity/Inner Model Assessment/Convergent Validity*

Variables	Cronbach 's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Claim Settlement Efficiency	0.882	0.892	0.914	0.68
Customer Retention	0.905	0.911	0.929	0.725
Customer Satisfaction	0.898	0.905	0.926	0.715
Perceived Value	0.881	0.888	0.913	0.676
Premium Affordability	0.924	0.931	0.943	0.767
Trust in the Insurance Company	0.906	0.951	0.927	0.718

Table 4 reports Cronbach's alpha values from 0.881 to 0.924, composite reliability (rho_C) values from 0.913 to 0.943, and AVE values from 0.676 to 0.767. The reported rho_A value for trust in the insurance company is 0.959, above the stated upper guideline of 0.95; this value should be verified and discussed.

Table 5 - *Heterotrait-Monotrait (HTMT) ratio of correlations*

	Customer Retention	Customer satisfaction	Claim Settlement Efficiency	Premium Affordability	Perceived Value	Trust In Insurance Company
Customer Retention						
Customer Satisfaction	0.793					
Claim Settlement Efficiency	0.904	0.899				
Premium Affordability	0.441	0.531	0.442			
Perceived Value	0.694	0.814	0.874	0.578		
Trust In Insurance Company	0.34	0.466	0.442	0.887	0.575	

The HTMT values displayed in Table 5 range from 0.340 to 0.934. The claim that all values are below 0.90 is inconsistent with the claim-settlement-efficiency/customer-retention value of 0.934. Several values also exceed the stricter 0.85 criterion. Discriminant validity is therefore not established for all construct pairs by this table and should be interpreted cautiously.

Table 6 - *Fornell-Larcker Criterion*

	Customer Retention	Customer Satisfaction	Claim Settlement Efficiency	Premium Affordability	Perceived Value	Trust In Insurance Company
Customer Retention	0.851					
Customer Satisfaction	0.73	0.845				
Claim Settlement Efficiency	0.858	0.807	0.825			
Premium Affordability	0.419	0.493	0.408	0.876		
Perceived Value	-0.644	-0.732	-0.776	-0.532	0.822	
Trust In Insurance Company	-0.347	-0.452	-0.412	-0.851	0.536	0.847

In Table 6, the customer-retention/claim-settlement-efficiency correlation (0.858) exceeds the diagonal square-root AVE values for customer retention (0.851) and claim settlement efficiency (0.825). Thus, the displayed matrix does not satisfy the Fornell-Larcker criterion for this pair. The negative correlations involving perceived value and trust also conflict with the positive structural paths reported in Table 10; verify construct coding, score direction, and the source output.

Model Fit Indices

Table 7 - *Model Fit*

	Saturated model	**Estimated model**
SRMR	0.089	0.089
d_ULS	3.683	3.683
d_G	n/a	n/a
Chi-square	∞	∞
NFI	n/a	n/a

Table 7 reports an SRMR of 0.089 for both the saturated and estimated models; this is above the 0.08 guideline cited in the manuscript. The table lists d_ULS as 3.683 and reports d_G, chi-square, and NFI as unavailable or blank. The text's claims of SRMR = 0.08 and NFI = 0.91 do not match the table. Please verify the model-fit output and report the interpretation criteria used.

Table 8 - *F-square (Effect Size)*

	f-square	**Effect Size**
Claim Settlement Efficiency -> Customer Retention	0.811	Large Effect
Customer Satisfaction -> Customer Retention	0.15	Medium Effect
Perceived Value -> Customer Retention	0.35	Large Effect
Premium Affordability -> Customer Retention	0.076	Small Effect
Trust in the Insurance Company -> Customer Retention	0.049	Small Effect

Table 8 reports f-squared values of 0.811 for claim settlement efficiency, 0.150 for customer satisfaction, 0.350 for perceived value, 0.076 for premium affordability, and 0.049 for trust. Using the commonly applied 0.02, 0.15, and 0.35 benchmarks, these correspond respectively to large, medium, large, small, and small effects. The labels in the table should be corrected accordingly.

Table 9 - *R-square*

	R-square	**R-square adjusted**	**Predictive power**
Customer Retention	0.761	0.758	Strong

Table 9 reports an R-squared of 0.761 and an adjusted R-squared of 0.758 for customer retention. These values indicate the proportion of in-sample variance explained by the model; they do not, on their own, establish out-of-sample predictive performance.

4.5 Structural Equation Model

Figure 2 - *Structural Model*

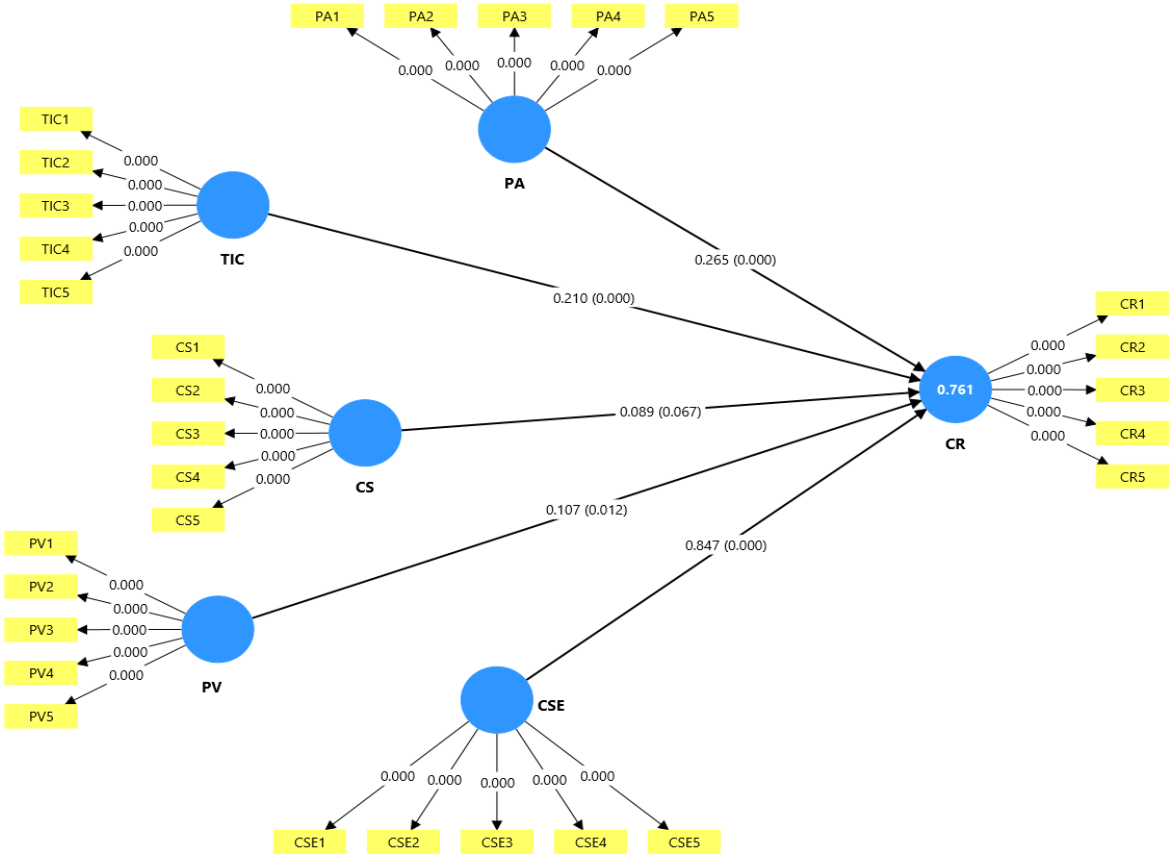


Table 10 - *Hypothesis Testing using Bootstrapping*

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T-statistics (|O/STDEV|)	P values	Decision
H1: Claim Settlement Efficiency -> Customer Retention	0.847	0.845	0.054	15.699	<0.001	Supported
H2: Customer Satisfaction -> Customer Retention	0.089	0.092	0.049	1.833	0.067	Not Supported
H3: Perceived Value -> Customer Retention	0.107	0.107	0.042	2.523	0.012	Supported
H4: Premium Affordability -> Customer Retention	0.265	0.265	0.054	4.924	<0.001	Supported
H5: Trust In Insurance Company -> Customer Retention	0.210	0.210	0.055	3.851	<0.001	Supported

Table 10 reports positive path coefficients for all five predictors. Four paths are statistically significant at the 5% level: claim settlement efficiency (0.847, $p < 0.001$), perceived value (0.107, $p = 0.012$), premium affordability (0.265, $p < 0.001$), and trust (0.210, $p < 0.001$). Customer satisfaction (0.089, $p = 0.067$) is not statistically significant at the 5% level. Thus, four hypotheses are supported and H2 is not supported, as reported in the table.

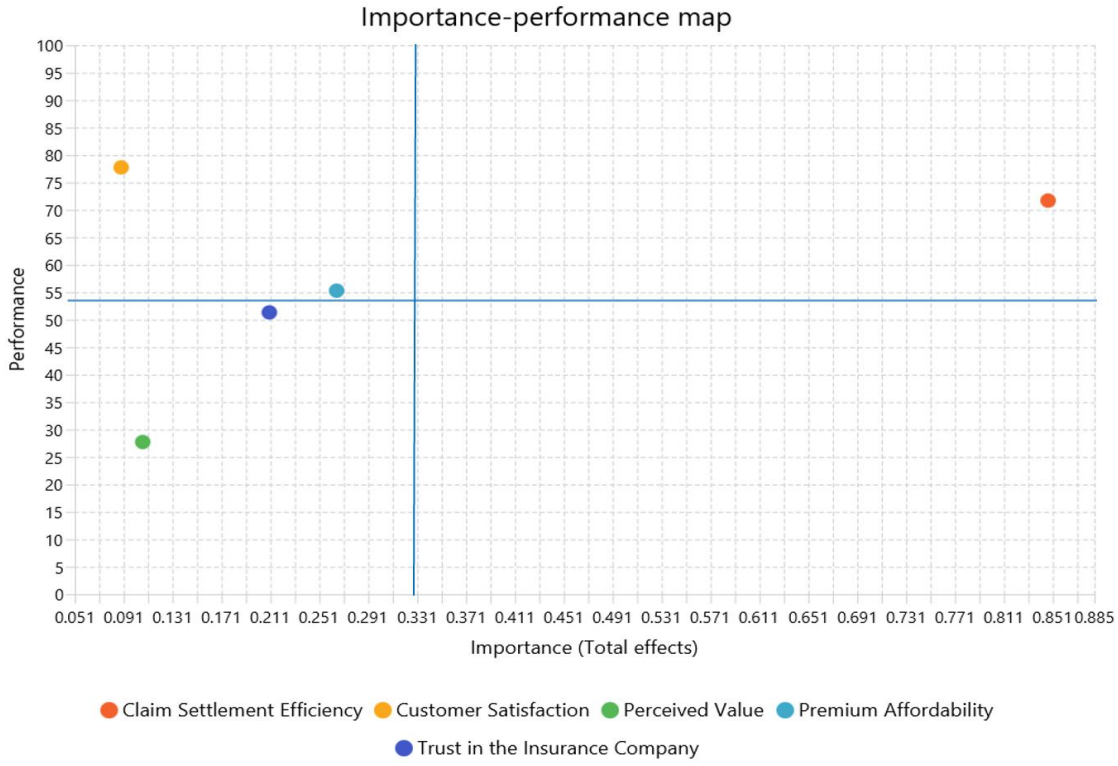
4.6 Importance performance map analysis (IPMA)

Table 11 - *Importance-performance map analysis (IPMA)*

	LV Performance	Importance
Customer satisfaction	77.752	0.089
Claim settlement efficiency	71.706	0.847
Premium affordability	55.298	0.265
Perceived value	27.732	0.107
Trust in insurance company	51.334	0.21
Mean	56.7644	0.3036

Table 11 reports the highest importance value for claim settlement efficiency (0.847), followed by premium affordability (0.265), trust (0.210), perceived value (0.107), and customer satisfaction (0.089). Claim settlement efficiency has an LV performance score of 71.706. IPMA describes relative importance and performance in this sample; it does not establish the causal effect of an intervention.

Figure 3 - *Importance Performance Map*



Necessary Condition Analysis (NCA)

Table 12 - *Bottleneck percentile*

Customer Retention	LV scores - Claim Settlement Efficiency	LV scores - Customer Satisfaction	LV scores - Perceived Value	LV scores - Premium Affordability	LV scores - Trust in the Insurance Company
0.00%	NN	NN	NN	NN	NN
10.00%	NN	NN	NN	NN	NN
20.00%	1.939%	NN	NN	NN	NN
30.00%	7.756%	NN	NN	NN	NN
40.00%	8.864%	5.54%	NN	NN	NN
50.00%	9.418%	5.54%	NN	NN	NN
60.00%	9.418%	5.54%	NN	NN	NN

70.00%	9.418%	5.54%	NN	NN	NN
80.00%	9.418%	5.54%	NN	NN	NN
90.00%	16.62%	5.54%	NN	NN	NN
100.00%	16.62%	5.54%	NN	NN	6.648%

Table 12 reports NCA bottleneck values. At the 10% target level, all conditions are marked NN. At the 50% target level, the table reports values of 9.418 for claim settlement efficiency and 5.54 for customer satisfaction; at the 100% target level, it reports 16.62, 5.54, and 6.648 for claim settlement efficiency, customer satisfaction, and trust, respectively.

5. DISCUSSION

This study examined associations between five predictors and customer retention among surveyed life insurance policyholders in Rupandehi District. The reported model indicates positive and statistically significant paths for claim settlement efficiency, premium affordability, perceived value, and trust, while the customer-satisfaction path is positive but not statistically significant at the 5% level. The model R-squared is 0.761. Because the data are cross-sectional and the respondents were recruited by convenience sampling, the findings should be interpreted as sample-specific associations rather than causal effects or representative estimates.

Among the factors analyzed, claim settlement efficiency emerged as the most influential predictor. For customers, the promptness and fairness of claims handling are critical when deciding whether to renew a policy. A seamless claims experience strengthens confidence in the insurer particularly important in life insurance, where reliability is most scrutinized during a claim. These results are consistent with prior studies by Khanal (2024), Garg (2013), and Shahroodi et al. (2024), all of which underscore the importance of reliable claims management in building long-term customer loyalty.

In this sample, premium affordability, trust, and perceived value had positive and statistically significant structural paths to customer retention. These results are associations from a cross-sectional convenience sample; they do not show that a change in any factor would necessarily cause policy renewal. Interpretation should also account for the measurement-model concerns described above.

Interestingly, although customer satisfaction was positively related to retention, it was not a statistically significant predictor in this analysis. This contrasts with earlier research that positions satisfaction as a central factor in continued patronage. The result implies that while satisfied customers may report positive experiences, satisfaction alone may not be sufficient to ensure loyalty. It often reflects immediate judgments about service quality, but without deeper foundations such as trust and perceived value, it may not translate into lasting commitment. In practice, even satisfied customers might switch providers if they question the insurer's dependability. Therefore, life insurers should focus not only on delivering quality service but also on building trust and clearly demonstrating the value they offer to sustain long-term relationships.

6. CONCLUSION AND IMPLICATION

6.1. Conclusion

The reported results identify claim settlement efficiency as the predictor with the largest path coefficient (0.847) and importance value (0.847). Premium affordability (0.265), trust (0.210), and perceived value (0.107) also have positive, statistically significant paths in Table 10. Customer satisfaction has a positive path (0.089) that is not statistically significant at the 5% level (p = 0.067). These cross-sectional findings describe associations in the surveyed convenience sample and do not establish causal effects.

6.2 Implications

The findings have potential theoretical and practical implications, subject to the study design and measurement limitations. The model combines premium affordability, trust, customer satisfaction, perceived value, and claim settlement efficiency as predictors of customer retention. Further research should verify the measurement model and test the reported relationships using broader and preferably probability-based samples.

7. LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

7.1. Limitations

This study has several limitations that should be considered when interpreting the findings. It was conducted among life insurance policyholders in Rupandehi District and used convenience sampling, so the results may not represent policyholders in other districts or the wider population. The cross-sectional survey captures responses at one point in time and does not establish temporal order or causality. The results also depend on self-reported measures and the measurement properties of the constructs, which should be interpreted in light of the discriminant-validity and data-consistency issues noted above.

7.2 Directions for Future Research

Similarly, future researchers should carry out such studies in other districts and provinces of Nepal for better generalization of the findings. A comprehensive study of policyholders in urban, semi-urban and rural areas of the country can help to provide a broader understanding of customer retention in the Nepalese life insurance sector. Future studies should also employ probability sampling methods like stratified random sampling or systematic sampling to get a more representative sample. Researchers may use longitudinal studies to observe how customer perceptions, trust, satisfaction and policy renewal decisions change over time. Other variables, like the quality of digital services, the reputation of the insurer, the behavior of agents, switching costs, customer engagement, the handling of complaints, financial literacy, policy transparency, and the accessibility of services could be included in future models. These variables may provide a fuller explanation of customer retention. Future researchers also consider customer satisfaction, trust and perceived value as mediating variables. Similarly, demographic characteristics, type of policy, duration of policy, income level and claim experience can be tested as moderating variables. This kind of analysis can help to paint a more nuanced picture of why some factors matter more for some groups of policyholders than others. Useful insights can also be drawn from a comparative analysis of different insurance companies, public versus private insurers, or life versus non-life insurance sectors. Furthermore, qualitative interviews, focus-group discussions or mixed-method research may help researchers understand the personal experiences and deeper reasons for policy renewal, switching and policy discontinuation. Future studies should also consider separately customers who have had a claim settlement,

as they may be able to provide more accurate evaluations of the efficiency of claims handling.

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