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DETERMINANTS OF LIFE INSURANCE PURCHASE DECISIONS: THE MEDIATING ROLE OF BRAND TRUST

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ABSTRAK

Industri asuransi jiwa di Indonesia menghadapi tantangan dalam memahami faktor-faktor yang memengaruhi keputusan pembelian konsumen. Penelitian ini bertujuan untuk menganalisis pengaruh pengetahuan produk, persepsi risiko, pengaruh sosial, dan kepercayaan merek terhadap keputusan pembelian asuransi jiwa. Data dikumpulkan melalui survei terhadap 279 pemegang polis asuransi jiwa berusia 25 hingga 55 tahun di berbagai kota besar di Indonesia. Kuesioner didistribusikan melalui agen asuransi, platform daring, dan jaringan komunitas keuangan untuk memastikan partisipasi responden yang beragam dengan tingkat literasi keuangan dan minat terhadap asuransi yang bervariasi. Analisis data dilakukan menggunakan Partial Least Squares Structural Equation Modeling (PLS-SEM) untuk menguji efek langsung dan tidak langsung dari variabel-variabel tersebut. Hasil penelitian menunjukkan bahwa persepsi risiko dan pengaruh sosial memiliki pengaruh positif signifikan terhadap keputusan pembelian, dengan kepercayaan merek berperan sebagai mediator penting, terutama dalam mengubah persepsi risiko menjadi tindakan pembelian. Sebaliknya, pengetahuan produk tidak menunjukkan pengaruh signifikan, baik secara langsung maupun melalui kepercayaan merek, yang mengindikasikan bahwa konsumen dengan pengetahuan lebih tinggi cenderung mengandalkan evaluasi pribadi daripada reputasi merek. Temuan ini menekankan pentingnya membangun kepercayaan merek untuk mengurangi ketidakpastian dalam keputusan pembelian yang bersifat high-risk seperti asuransi jiwa. Kesimpulannya, perusahaan asuransi perlu fokus pada strategi komunikasi dan manajemen merek yang efektif untuk meningkatkan kepercayaan konsumen, meminimalkan persepsi risiko, dan mendorong keputusan pembelian di pasar berkembang seperti Indonesia.

Kata Kunci: Kepercayaan Merek, Pengetahuan Produk, Persepsi Risiko, Keputusan Pembelian, Asuransi Jiwa

ABSTRACT

The life insurance industry in Indonesia faces challenges in understanding the factors that influence consumer purchase decisions. This study aims to analyze the effects of product knowledge, perceived risk, social influence, and brand trust on life insurance purchase decisions. Data were collected through a survey of 279 life insurance policyholders aged 25 to 55 in major Indonesian cities. The questionnaire was distributed via insurance agents, online platforms, and financial community networks to ensure diverse respondent participation with varying levels of financial literacy and interest in insurance. Partial Least Squares Structural Equation Modeling (PLS-SEM) was then used to test both direct and indirect effects of these variables. The results indicate that perceived risk and social influence have significant positive effects on purchase decisions, with brand trust serving as a crucial mediating factor, especially in converting perceived risk into purchase action. In contrast, product knowledge does not show a significant effect, either directly or through brand trust, suggesting that better-informed consumers may rely more on personal evaluation than brand reputation. These findings highlight the importance of building brand trust to reduce uncertainty in high-risk purchase decisions such as life insurance. In conclusion, insurance companies should focus on effective communication strategies and brand management to enhance consumer trust, mitigate perceived risk, and encourage purchase decisions in a developing market context like Indonesia.

Keywords: *Brand Trust, Product Knowledge, Perceived Risk, Purchase Decision, Life Insurance*

1. INTRODUCTION

The life insurance sector is essential for financial inclusion and household resilience, offering protection against income shocks due to death, illness, or disability while enabling long-term wealth accumulation (Cheng, 2022; Mohamad et al., 2014; Veprauskaite & Sherris, 2014). Yet in

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Indonesia, penetration remains below 2% of GDP, well under the global average (OJK RI., 2023). Despite premium growth to IDR 188.8 trillion in 2023, the number of policyholders remains low relative to the working-age population, signaling an untapped market.

Much of the existing literature focuses on purchase intentions rather than actual consumer behavior (Sri Winarti et al., 2023). Research also rarely explores the combined effects of product knowledge, perceived risk, and brand trust on real purchase decisions in emerging markets. This neglect risks overlooking the intention–behavior gap that limits adoption (Dragos et al., 2020). To address this, the Theory of Planned Behavior (TPB) (Ajzen, 1991) offers a robust framework, highlighting how attitudes, subjective norms, and perceived behavioral control shape intentions and actions.

Behavioral and social factors are increasingly recognized as key drivers of insurance decisions. Studies show that heuristic and prospect biases influence demand (Ndawula et al., 2024), while willingness to take financial risks predicts ownership (Eling et al., 2021). Social networks play dual roles—disseminating information but also substituting formal insurance through informal risk-sharing (Shi & Du, 2024). Financial literacy, too, correlates with both ownership and premium levels (H. Wang et al., 2021). In Indonesia, trust has been found to mediate the effect of perceived risk on purchase intentions, underscoring the need for strategies that build consumer confidence (Sri Winarti et al., 2023). According to Tobing et al. (2022), a recent case study on Indonesian life insurers highlights how digital transformation is enabling the development of dynamic capabilities and service innovations to achieve sustainable competitive advantage. The study identifies three key success factors: effective customer journeys, trust-building, and addressing core operational challenges.

This study contributes by examining how product knowledge, perceived risk, brand trust, and social influence affect actual purchase decisions among policyholders in Indonesia. Moving beyond intention-based models, it employs Partial Least Squares Structural Equation Modeling (PLS-SEM) to test a framework grounded in TPB, Perceived Risk Theory, and Signaling Theory. The study addresses the Indonesian context, where distrust—exacerbated by past scandals (Puspadini, 2023; research@cnbcindonesia.com, 2023)—and strong social influence shape consumer behavior, offering practical insights for improving life insurance adoption.

Literature Analysis

The conceptual framework of this study draws on the Theory of Planned Behavior (TPB), Perceived Risk Theory, and Signaling Theory, offering complementary perspectives on consumer decision-making for high-risk products like life insurance.

Theory of Planned Behavior (TPB)

TPB posits that behavior is driven by attitudes, subjective norms, and perceived behavioral control (Ajzen, 1991). While traditionally used to predict intentions, recent work shows its value in explaining actual behavior (Abu-Taieh et al., 2022; Huang, 2023; Kaye et al., 2020). In life insurance, product knowledge informs attitudes and perceived control, while social influence represents subjective norms shaped by family, friends, or agents. This study applies TPB to understand real purchase behavior among policyholders, addressing the intention–behavior gap common in insurance research (Kai et al., 2021).

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Perceived Risk Theory

Rooted in Bauer 1960) foundational work on consumer risk-taking, Perceived Risk Theory explains how consumers' subjective evaluations of uncertainty and potential negative outcomes shape decision-making. Perceived Risk Theory highlights how uncertainty and potential losses deter purchases, especially for high-involvement products (OJK RI, 2015; Pillai et al., 2022). In emerging markets like Indonesia, low insurance penetration is often linked to negative risk perceptions (research@cnbcindonesia.com, 2023; Sri Winarti et al., 2023). Risks may be financial, functional, or psychological, discouraging uptake despite clear need (Ben Arfi et al., 2021; Nguyen & Huynh, 2018). Moreover, behavioral biases—such as heuristics and prospect biases—shape subjective risk assessments, while risk preferences themselves predict ownership (Eling et al., 2021). Incorporating perceived risk into the TPB framework allows this study to capture a critical barrier to adoption.

Signaling Theory

Signaling Theory (Spence, 1973), explains how firms reduce information asymmetry by conveying credible signals to consumers (Song et al., 2020; L. Wang et al., 2024). In this context, brand trust acts as a quality signal, reducing uncertainty and building confidence in insurers' reliability (Çelik, 2022; Lefkeli et al., 2024; Monfort et al., 2025). This is particularly vital in long-term contracts where quality cannot be verified upfront. In markets affected by scandals (Adzariat, 2023; Auliana, 2025), or post-pandemic distrust (Putri & Tiarawati, 2021; Sinha & Sainy, 2021), trust becomes essential to re-establish credibility.

Integrating Theories in Insurance Decision-Making

TPB provides a structured model for understanding the attitudinal and social drivers of behavior (Ajzen & Fisbein, 2005). Applied to insurance, it explains both intention and actual uptake (Dragos et al., 2020), linking product knowledge, risk perceptions, and social influence to purchase behavior. By examining brand trust as a mediator, this study reveals how cognitive and social factors jointly shape life insurance decisions in Indonesia's emerging market context.

Hypothesis development

Product knowledge and life insurance purchase decisions

Product knowledge refers to consumers' understanding of a product's structure, benefits, risks, terms, and performance. For life insurance—an inherently complex and intangible product—higher financial literacy is essential for informed decision-making. Knowledgeable consumers are better able to compare plans, evaluate needs, and interpret policy terms, fostering more favorable attitudes and stronger purchase intentions (Shi & Du, 2024).

However, the relationship between knowledge and demand is nuanced. Wang et al. (2021) found that financial literacy—an advanced form of product understanding—predicts both the likelihood of purchasing life insurance and the premium amount, underscoring that mere information without cognitive skills may not suffice. Similarly, Dragos et al. (2020) showed that in Romani, specific insurance knowledge and behavioral factors influenced actual purchase decisions more than intentions.

H1: Product knowledge has a positive and significant effect on life insurance purchase decisions (Figure 1).

Perceived risk and life insurance purchase decisions

Perceived risk is a multidimensional construct in life insurance decision-making. While the absence of insurance exposes individuals to financial burdens such as uncovered final expenses or

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loss of family income (Lo, 2013), holding insurance can itself be perceived as risky due to concerns over insurer reliability, including claim denial, payout delays, policy misrepresentation, and insolvency (Eling et al., 2021; Liu & Zhang, 2025). In Indonesia, high-profile failures of state-owned insurers such as Jiwasraya and Asabri (Adzariat, 2023; Auliana, 2025) have deepened public skepticism, underscoring the need for institutional trust and robust regulatory oversight (OJK RI., 2023).

This distinction also supports the Theory of Planned Behavior by capturing the complexity of consumer evaluations in high-risk decisions. In this study, perceived risk is defined specifically as insurance provider risk—referring to the perceived likelihood of claim denial, delays, misrepresentation, or insolvency (Mankaï et al., 2024; Veprauskaite & Sherris, 2014). This focus sets it apart from non-coverage risk, which concerns the consequences of not having insurance and is assumed to be addressed through product knowledge, as more informed consumers understand the protective role of insurance products.
H2: Perceived risk has a negative significant effect on life insurance purchase decisions (Figure 1).

Brand trust and life insurance purchase decisions
Brand trust refers to consumers' confidence in a brand's reliability, integrity, and ability to deliver on its promises (Rabbani, 2020). In high-risk, long-term service contexts such as life insurance, trust mitigates uncertainty and enhances perceived value, fostering favorable attitudes and stronger purchase intentions (Chen et al., 2022; Mohamad et al., 2014). Especially in post-crisis environments, rebuilding brand trust is essential to restore consumer confidence and encourage market participation.

Moreover, brand trust is particularly critical given the difficulty consumers face in evaluating intangible service attributes ex ante. Empirical evidence from Malaysia highlights company reputation—a key brand signal—as the most influential factor in life insurance purchase decisions (Mohamad et al., 2014), reinforcing its role as a mediator between perceived risk and purchase behavior in high-risk service settings.
H3: Brand trust has a positive and significant effect on life insurance purchase decisions (Figure 1).

Social influence and life insurance purchase decisions
Social influence plays a critical role in shaping life insurance purchase decisions, particularly in collectivist societies where behavioral norms are strongly guided by family and peer approval (Kai et al., 2021). Shi & Du (2024) highlight that inner networks (close kin) can substitute for formal insurance through informal risk-sharing, while outer networks (friends, colleagues, and community members) promote uptake via information diffusion and social learning (Li & Liu, 2023). These findings suggest that effective policy interventions should leverage community-based influence rather than focus solely on individual targeting.

Empirical evidence from initiatives such as Indonesia's Program Literasi Keuangan Nasional (Simolek) (OJK RI, 2022) and India's Jan Dhan Yojana (India Government, 2014) demonstrates the effectiveness of mobilizing community leaders, peer educators, and local networks to promote financial inclusion, including insurance adoption. Similar strategies—engaging local influencers, religious leaders, or community health workers—can embed insurance education within trusted social circles, enhancing public trust and increasing uptake, especially in underserved areas (Chen et al., 2022; Li & Liu, 2023).

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H4: Social influence has a positive and significant effect on life insurance purchase decisions (Figure 1).

Product knowledge and brand trust

Product knowledge reflects consumers' familiarity with the features, benefits, and mechanisms of life insurance products. In high-involvement decisions such as life insurance, greater product knowledge empowers consumers to make informed choices, fostering confidence and reducing ambiguity (Sri Winarti et al., 2023). Drawing on Signaling Theory (Spence, 1973), knowledgeable consumers are better equipped to interpret cues of brand reliability, thereby enhancing trust.

Empirical evidence supports this link: Andrés-Sánchez & Puchades (2023) found that financial and insurance knowledge shaped policyholders' attitudes toward life settlements, with trust in financial advisors playing a critical role in acceptance. This highlights the importance of informed guidance in building brand trust. Consumers who perceive themselves as knowledgeable are thus more likely to trust brands that align with their evaluative criteria.

H5: Product Knowledge has a positive influence on Brand Trust (Figure 1).

Perceived risk and brand trust

Perceived risk refers to consumers' subjective assessment of uncertainty and potential negative outcomes associated with a purchase (Nguyen & Huynh, 2018). In life insurance, which entails long-term financial commitments and psychological vulnerability, perceived risk critically shapes consumer attitudes. According to the Commitment-Trust Theory of Relationship Marketing (Morgan & Hunt, 1994), trust acts as a mitigating mechanism that reduces anxiety and counteracts the deterrent effect of perceived risk. Consequently, when perceived risk is high, consumers seek greater assurance through brand trust.

H6: Perceived Risk has a negative influence on Brand Trust (Figure 1).

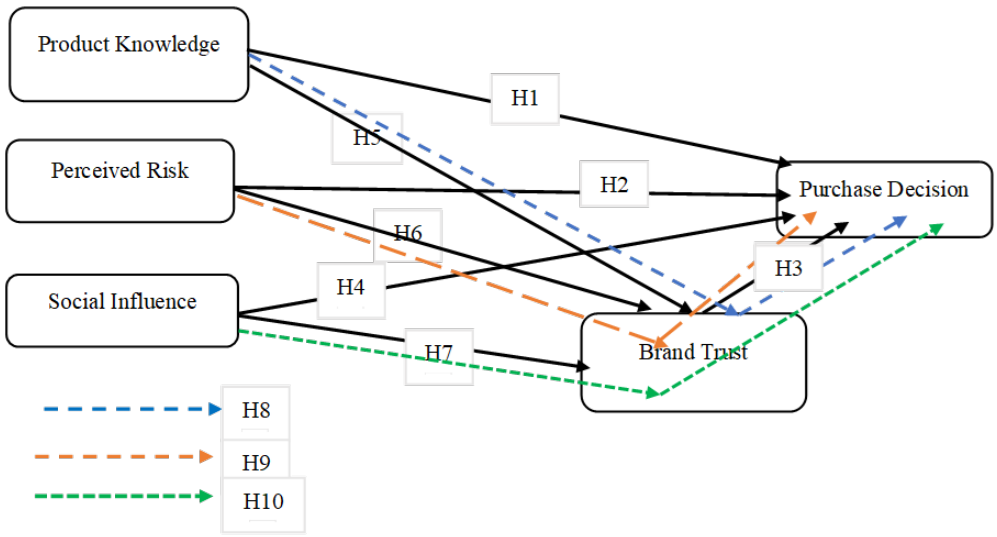

Figure 1. Conceptual Framework

Social influences and brand trust

Social influences refer to the perceived impact of referent others—such as family, peers, and societal norms—on individual attitudes and behavior. In collectivist contexts like Indonesia, social endorsements act as powerful heuristics that reduce information asymmetry and uncertainty (Cheng et al., 2023; Clara, 2023). According to Normative Social Influence Theory, Deutsch & Gerard (1955), individuals align their evaluations with those of important social groups to gain

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security and acceptance. When trusted individuals hold favorable views of a life insurance brand, consumers are more likely to develop trust in that brand.
H7: Social Influences have a positive influence on Brand Trust (Figure 1).

Brand trust as a mediator
In life insurance purchase decisions—characterized by substantial uncertainty—Brand Trust is proposed as a mediating variable that can alleviate psychological barriers and positively influence consumer behavior. Aligned with the Commitment-Trust Theory (Morgan & Hunt, 1994), trust functions as a central affective mechanism that enhances consumer confidence in high-risk contexts. Given the cognitive dimension of Product Knowledge and the normative force of Social Influence, it is theoretically relevant to examine whether Brand Trust mediates their effects on purchase decisions.
Hypotheses:
H8: Brand Trust mediates the relationship between Product Knowledge and Purchase Decision.
H9: Brand Trust mediates the relationship between Perceived Risk and Purchase Decision.
H10: Brand Trust mediates the relationship between Social Influence and Purchase Decision (Figure 1).

2. RESEARCH METHODS
This study applied a quantitative research method with a cross-sectional survey design to examine the factors influencing life insurance purchase decisions, guided by the Theory of Planned Behavior (TPB). The target population consisted of Indonesian adults aged 25 to 55 who were either existing life insurance policyholders. A purposive sampling technique was employed to ensure respondents had sufficient financial literacy or interest in insurance, resulting in 279 valid responses collected through an online, structured questionnaire. The instrument used a 5-point Likert scale and was distributed via insurance agents, online platforms, and financial community networks.

The constructs in this study were measured using validated indicators adapted from prior research. Product knowledge was measured using the scale adapted from Andrés-Sánchez & Puchades (2023; Shi & Du (2024). Perceived risk—specifically referring to provider-related risks, such as the possibility of claim denial, delayed payments, policy misrepresentation, or insurer insolvency, and collectively conceptualized as insurance risk—was measured based on Mankaï et al. (2024); Veprauskaite & Sherris (2014). Social influence was measured following (Kai et al., 2021; Shi & Du, 2024), while brand trust was evaluated using items adapted from Çelik (2022). Purchase decision was measured following the scale from (Ndawula et al., 2024). Data analysis was conducted using SmartPLS 4 with the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach. The bootstrapping method with 5,000 resamples was employed to test the significance of the path coefficients. The measurement model was evaluated through composite reliability (CR), average variance extracted (AVE), and discriminant validity, while the structural model assessment focused on path coefficient significance, coefficient of determination (R^2), and effect size (f^2).

3. RESULTS AND DISCUSSION
Respondent characteristics
This study surveyed 279 life insurance policyholders aged 25 to 55 across several major cities in Indonesia. The sample reflects broad geographic coverage of the Indonesian insurance market. Most respondents were from Jakarta (32.6%), Surabaya (17.2%), Bandung (13.3%), Medan (11.5%), Makassar (8.6%), and Palembang (7.5%), with the remainder coming from other urban

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areas such as Semarang and Denpasar. The questionnaire was distributed through insurance agents, online platforms, and financial community networks to reach diverse respondents with varying levels of interest and financial literacy.

In terms of gender, the distribution was relatively balanced, with 54.1% male and 45.9% female respondents. Most participants held at least a bachelor's degree (64.5%), followed by diploma holders (20.4%) and postgraduate degrees (15.1%). Regarding occupation, respondents were primarily private-sector employees (48.7%), entrepreneurs (27.6%), government employees (13.6%), and professionals or freelancers (10.1%).

Monthly income levels varied, with 39.8% earning between IDR 5–10 million, 31.2% above IDR 10 million, and 29.0% below IDR 5 million. The majority of respondents (74.6%) reported having a basic to good understanding of life insurance products. This demographic profile aligns with the purposive sampling criteria, ensuring participants possessed sufficient financial literacy and interest in insurance to provide relevant insights into purchase decision-making.

Following the description of respondent characteristics, this section presents the empirical findings based on the Structural Equation Modeling (SEM) analysis. The analysis is divided into three main parts: (1) Measurement Model Results, which assess construct reliability and validity using factor loadings, Average Variance Extracted (AVE), Composite Reliability, and Cronbach's Alpha; (2) Model Fit Indices, which evaluate the overall goodness-of-fit of the model; and (3) Structural Model Results, which test the research hypotheses by examining the significance of the path coefficients.

Measurement Model Results

As shown in Table 1, indicators with insignificant loading factors (p-value > 0.05) were removed, and the outer loadings of the remaining items all exceeded the 0.70 threshold (Hair Jr. et al., 2021), indicating strong convergent validity.

Table 1. Outer Loading
Source: Research Data Processed

Outer Loading	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
PK2 <- Product Knowledge	0.819	0.817	0.058	14.127	0.000
PK3 <- Product Knowledge	0.904	0.900	0.039	23.016	0.000
PR4 <- Perceived Risk	0.810	0.811	0.042	19.392	0.000
PR5 <- Perceived Risk	0.885	0.881	0.030	29.307	0.000
BT1 <- Brand Trust	0.815	0.814	0.040	20.547	0.000
BT2 <- Brand Trust	0.838	0.835	0.037	22.806	0.000
SI1 <- Social Influences	0.708	0.704	0.060	11.875	0.000
SI2 <- Social Influences	0.838	0.834	0.040	21.096	0.000
SI3 <- Social Influences	0.832	0.830	0.036	23.075	0.000
PD2 <- Purchase Decision	0.851	0.846	0.039	21.836	0.000

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PD3 <- Purchase Decision	0.848	0.841	0.044	19.289	0.000
PD4 <- Purchase Decision	0.875	0.869	0.035	25.085	0.000

As shown in Table 2, although constructs with only two indicators—Product Knowledge, Perceived Risk, and Brand Trust—have lower Cronbach's Alpha due to item sensitivity, their Composite Reliability (CR) exceeds 0.80 and AVE values are above 0.50, confirming internal consistency and convergent validity. Retaining these two-item constructs is justified based on theoretical support and PLS-SEM guidelines, which prioritize CR over Cronbach's Alpha as a more accurate reliability measure (Hair Jr. et al., 2021).

Table 2. Validity, Reliability, Effect Size, and Model Fit
Source: Research Data Processed

Reliability and Validity	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Product Knowledge	0.663	0.701	0.853	0.744
Perceived Risk	0.615	0.636	0.837	0.720
Brand Trust	0.537	0.538	0.812	0.683
Social Influences	0.709	0.730	0.837	0.632
Purchase Decision	0.820	0.822	0.893	0.736
Model Fit	Saturated Model		Estimated Model	
SRMR	0.083		0.083	
d_ULS	0.535		0.535	
d_G	0.287		0.287	
Chi-Square	346.348		346.348	
NFI	0.604		0.604	
Coefficient Determination	R Square		R Square Adjusted	
Brand Trust	0.153		0.139	
Purchase Decision	0.513		0.503	
f^2	Brand Trust		Purchase Decision	
Brand Trust			0.140	
Perceived Risk	0.031		0.059	
Product Knowledge	0.002		0.024	
Purchase Decision				
Social Influences	0.019		0.077	

Model fit

Table 2 summarizes the model fit indices. The SRMR of 0.083 is marginally below the conservative threshold of 0.08, indicating acceptable model fit (Hair Jr. et al., 2021). The NFI value of 0.604, while moderate, is acceptable for exploratory behavioral research. The d_ULS, d_G, and Chi-Square statistics indicate no major model misspecification, supporting the model's internal consistency and theoretical adequacy. The model explains 15.3% of the variance in Brand Trust (adjusted R^2 = 13.9%) and 51.3% in Purchase Decision (adjusted R^2 = 50.3%). While the explained variance for Brand Trust is modest, the model demonstrates strong explanatory power for Purchase Decision, capturing over half of the influencing factors.

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Brand Trust shows the strongest effect on Purchase Decision ($f^2 = 0.140$). Perceived Risk has small but consistent effects on Brand Trust ($f^2 = 0.031$) and Purchase Decision ($f^2 = 0.059$). Product Knowledge exerts negligible influence on Brand Trust ($f^2 = 0.002$) and a small effect on Purchase Decision ($f^2 = 0.024$). Social Influences show a small effect on Brand Trust ($f^2 = 0.019$) and a larger effect on Purchase Decision ($f^2 = 0.077$). These results highlight Brand Trust as the primary driver of purchase decisions, with Perceived Risk, Product Knowledge, and Social Influences playing supporting roles. Strategically, firms should prioritize building and maintaining brand trust to enhance consumer purchase intentions.

Structural model results

Figure 2 and Table 3 summarize the structural model analysis, confirming the hypothesized relationships. Brand Trust has a strong, significant effect on Purchase Decision ($\beta = 0.284$, $p < 0.001$), reinforcing its role in reducing uncertainty and boosting consumer confidence.

Perceived Risk shows a dual role: it directly increases Purchase Decision ($\beta = 0.219$, $p = 0.002$) and is positively related to Brand Trust ($\beta = 0.205$, $p = 0.020$). This suggests that while risk perceptions can deter purchases, they also motivate consumers to seek trustworthy brands.

Social Influences significantly affect Purchase Decision ($\beta = 0.288$, $p = 0.002$), underlining the importance of peer recommendations and norms. However, its positive effect on Brand Trust is not statistically significant ($p = 0.065$), indicating that social influence drives purchase action but does not necessarily enhance brand perceptions.

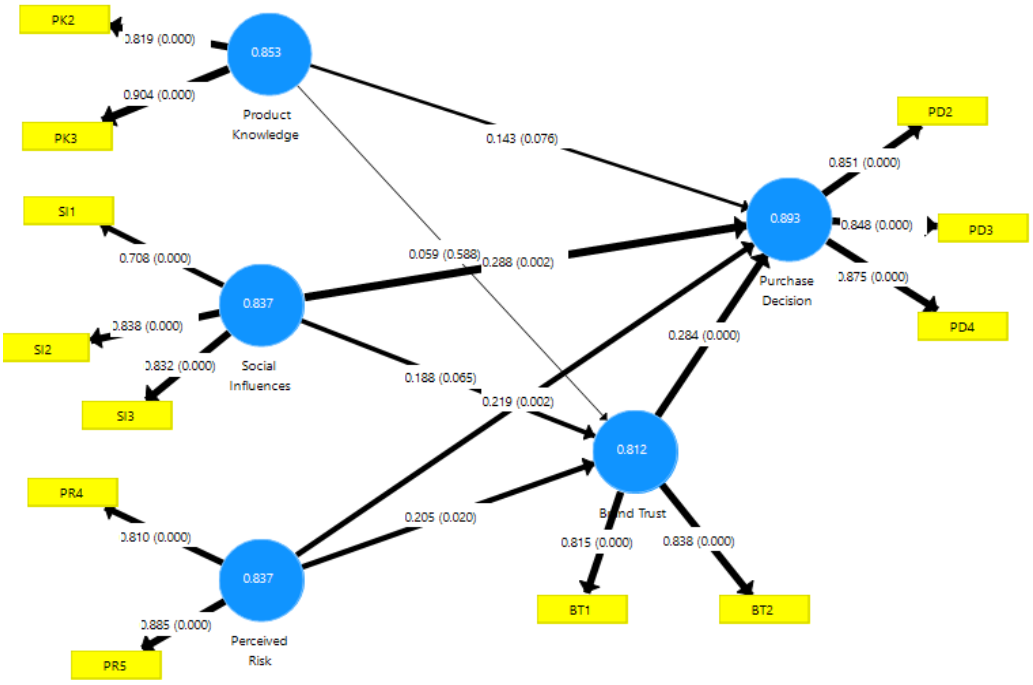

Figure 2. Final Outer and Inner Model Evaluation
Source: Research Data Processed

As shown in Figure 2, Product Knowledge does not significantly influence Brand Trust ($p = 0.588$) and shows only a marginal direct effect on Purchase Decision ($p = 0.076$). This suggests that product knowledge alone may be insufficient to drive purchases without supporting emotional or relational factors such as trust or social influence. The findings align with Wang et al. (2021) who note that financial literacy—beyond basic product familiarity—is what truly predicts insurance

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uptake and premium levels. This underscores the need to distinguish between simple awareness and deeper financial capability when promoting life insurance.

Table 3. Path Coefficient Inner Model
Source: Research Data Processed

Direct Effect	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values	Decision
Product Knowledge -> Purchase Decision	0.143	0.140	0.080	1.776	0.076	H1 not supported
Perceived Risk -> Purchase Decision	0.219	0.220	0.071	3.084	0.002	H2 not supported (+)
Brand Trust -> Purchase Decision	0.284	0.284	0.067	4.215	0.000	H3 supported
Social Influences -> Purchase Decision	0.288	0.279	0.091	3.159	0.002	H4 supported
Product Knowledge -> Brand Trust	0.059	0.056	0.109	0.541	0.588	H5 not supported
Perceived Risk -> Brand Trust	0.205	0.209	0.088	2.323	0.020	H6 not supported (+)
Social Influences -> Brand Trust	0.188	0.190	0.102	1.843	0.065	H7 not supported
Indirect Effect	**Original Sample (O)**	**Sample Mean (M)**	**Standard Deviation (STDEV)**	**T Statistics (|O/STDEV|)**	**P Values**	**Decision**
Product Knowledge -> Brand Trust -> Purchase Decision	0.017	0.014	0.031	0.544	0.587	H8 not supported
Perceived Risk -> Brand Trust -> Purchase Decision	0.058	0.059	0.029	2.005	0.045	H9 supported
Social Influences -> Brand Trust -> Purchase Decision	0.053	0.054	0.033	1.641	0.101	H10 not supported

Table 3 shows that Brand Trust acts as a partial mediator for Perceived Risk, which has both significant direct and indirect effects on Purchase Decision ($\beta = 0.058$, $p = 0.045$). This suggests that trust can help mitigate the negative impact of risk perceptions by reducing uncertainty and facilitating purchase behavior. In contrast, the indirect effects of Product Knowledge ($\beta = 0.017$, $p = 0.587$) and Social Influences ($\beta = 0.053$, $p = 0.101$) via Brand Trust are not significant, indicating that while these factors influence purchasing decisions directly, their effects are not substantially mediated through trust. Overall, the results underscore the strategic importance of cultivating brand trust to address psychological barriers in life insurance adoption.

Table 4 summarizes the results of all hypothesis tests. Several key predictors—Brand Trust, Perceived Risk, and Social Influences—show significant direct effects on Purchase Decision, supporting their roles as primary drivers of consumer behavior. Mediation analysis confirms that Brand Trust partially mediates the effect of Perceived Risk on Purchase Decision, highlighting its role in reducing uncertainty. However, no significant mediation is observed for Product Knowledge or Social Influences. These findings underscore the central importance of building Brand Trust while recognizing the direct influence of risk perceptions and social endorsements on life insurance purchasing decisions.

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Table 4. Summary of Direct and Indirect Effects on Purchase Decision
Source: Research Data Processed

Predictor Variable	Direct Effect on Purchase Decision	Significant?	Indirect Effect via Brand Trust	Significant?
Brand Trust	$\beta = 0.284$, $p < 0.001$	✓	—	✓
Perceived Risk	$\beta = 0.219$ (+), $p = 0.002$	✓	$\beta = 0.058$ (+), $p = 0.045$	✓
Social Influences	$\beta = 0.288$, $p = 0.002$	✓	$\beta = 0.053$, $p = 0.101$	✗
Product Knowledge	$\beta = 0.143$, $p = 0.076$	✗	$\beta = 0.017$, $p = 0.587$	✗

Discussion

The performance of life insurance companies depends not only on internal capabilities but also on strategic alignment with policyholder needs and stakeholder collaboration (Cheng et al., 2023; Li & Liu, 2023). In this study, the findings indicate that product knowledge, perceived risk, and brand trust significantly influence purchase decisions, which aligns with prior research emphasizing the multidimensional drivers of consumer behavior in the insurance sector. Similarly, a recent study on K-pop merchandise collectors found that consumptive behavior is not merely driven by financial capacity, but also shaped by psychological factors such as financial literacy and self-control (Attan & Natsir, 2023). This reinforces the notion that behavioral and perceptual variables play a central role in shaping consumer decision-making across different product categories, including high-involvement services like life insurance.

To stay competitive, insurers must integrate trust-building, innovation, compliance, and digital transformation. Improving public literacy remains essential, as low participation often stems from limited product understanding. Insurers should therefore collaborate with educational and regulatory institutions to expand financial literacy campaigns through diverse media and community outreach (Li & Liu, 2023). Clear information on product benefits, claims, and risk protection helps address misconceptions, reduce ambiguity, and foster informed decisions. In line with this, Tobing et al. (2022) emphasized the strategic importance of digital-based dynamic capabilities and transformational service capabilities in achieving sustainable competitive advantage, particularly when aligned with customer engagement and organizational agility.

Life insurance demand is shaped not only by economic and demographic factors but also by perceptions of risk and trust. As Veprauskaite & Sherris (2014) emphasize, trust serves as a mediating variable that reduces uncertainty in insurance decisions, particularly for long-term, intangible products like life insurance. Transparent communication, ethical practices, and efficient claims handling are therefore vital. Digital innovation—such as mobile platforms, microinsurance, and sharia-compliant offerings—can further enhance accessibility and appeal, especially in emerging markets where financial literacy and digital adoption are growing rapidly.

In addition, insurance agents play a key role in bridging product knowledge and customer understanding. Their interpersonal skills, ethical behavior, and service personalization significantly influence customer commitment, as shown by Tobing et al. (2022). Continuous training, certification, and performance-based incentives are necessary to maintain high service standards (Andrés-Sánchez & Puchades, 2023). While climate-related risks increasingly shape the broader insurance landscape (Lin et al., 2023), these trends also reinforce the urgency of developing inclusive, adaptive, and trustworthy life insurance systems—especially in vulnerable communities facing heightened uncertainty.

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Regulators like OJK ensure industry integrity through governance enforcement and innovation support (Li & Liu, 2023; OJK RI, 2022; OJK RI., 2023). Policies such as tax incentives, mandatory coverage, or digital onboarding standards can promote wider adoption while safeguarding consumers (Varadarajan et al., 2022). Lastly, coordinated efforts among stakeholders—including industry associations, government, financial institutions, digital platforms, and media—are key (Adams, 2025). These actors contribute to standard-setting, macroeconomic support, outreach, and public trust.

In line with the findings of this study, insurers should prioritize trust-building through ethical marketing (Nadeem et al., 2023), transparent communication (Bartikowski et al., 2023), and consistent service quality (Zhao et al., 2024). Strategies that leverage credible endorsements (Clara, 2023) and authentic testimonials (Macheka et al., 2023) are more effective than information alone in strengthening Brand Trust and driving policy uptake. Future efforts should also consider personalization (Lukaszewski & Manson, 2025) and interactivity to engage digitally literate (Oliveira et al., 2022) yet skeptical consumers, ensuring that trust, knowledge, and perceived security evolve in tandem with technological innovation.

4. CONCLUSIONS AND SUGGESTIONS

This study examined Brand Trust as a mediator linking Perceived Risk, Product Knowledge, and Social Influences to Purchase Decisions in the life insurance context. The findings confirm that Brand Trust has a significant direct impact on Purchase Decisions and partially mediates the effect of Perceived Risk. This underscores the importance of trust in mitigating hesitation arising from perceived risk in high-commitment products like life insurance.

Social Influences also directly predict Purchase Decisions, reflecting the role of peer, family, and societal norms, though their indirect effect via Brand Trust was not significant—suggesting the presence of other psychological or contextual pathways of influence. Conversely, Product Knowledge did not show significant direct or mediated effects, indicating that information alone may not be sufficient to drive purchasing decisions without the support of trust or social reinforcement.

Practically, insurers should prioritize building brand trust through transparent communication, consistent and reliable service, and educational efforts that specifically address consumers' risk concerns. Leveraging social influence through credible testimonials, community engagement, and brand advocates can also serve to strengthen persuasion and improve policy uptake.

This study's limitations include the focus on a sample of policyholders in major Indonesian cities, which may limit the generalizability of findings to rural populations or other socio-demographic groups. Future research should consider employing more geographically and demographically diverse samples, as well as exploring additional mediating variables such as perceived value, emotional attachment, or digital service quality. Furthermore, longitudinal studies are recommended to track how consumer trust and decision-making evolve over time, especially in response to changes in regulation, technology, or market dynamics.

In addition, future research may benefit from incorporating cross-cultural comparisons or examining the role of psychographic factors, such as risk aversion or financial literacy, in shaping insurance purchase behavior. Investigating the impact of digital transformation—including the use of AI-based recommendation systems, mobile applications, and digital onboarding—on trust and purchase decisions could also offer timely insights.

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Overall, this research highlights Brand Trust as a critical driver of consumer decisions in the life insurance sector, offering meaningful insights for both marketing practitioners and scholars seeking to refine theoretical models of consumer behavior in high-involvement financial products.

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