Journal Arbitration : Economy, Management and Accounting
Volume 3 Number 02, 2025 (No 8-14)
DOI.
E.SSN 2987-0305 (Online)

# Income Exploration and Behavioral Bias in Insurance Customers' Decision-Making: A Qualitative Study at PT Asuransi BDIR

**Bayu Irawan[1], Sitti Rakhman[2]**
Program Studi Ekonomi Bisnis, Sekolah Tinggi Manajemen Asuransi (STMA) Trisakti,
Jl. Jenderal A. Yani Kav. 85, Cempaka Putih, Jakarta Pusat. DKI Jakarta, Indonesia. 10510

**Article Info**
**Corresponding Author:**
Name of Corresponding : Bayu Irawan
E-mail:
bayu.irawan05@gmail.com

**ABSTRACT**

This study aims to explore the influence of income levels on behavioral bias tendencies among insurance customers in their decision-making at PT Asuransi BDIR. A qualitative approach with a case study method was employed to gain an in-depth understanding of how biases such as loss aversion, overconfidence, availability bias, and status quo bias emerge in decisions to purchase, retain, or cancel insurance policies. The informants included customers from three income categories (low, middle, and high), as well as two insurance agents and one customer service staff for source triangulation. Data collection techniques involved in-depth interviews, non-participant observation, and documentation, analyzed through thematic analysis. The findings indicate that income moderates the presence of certain behavioral biases. Low-income customers tend to exhibit defensive biases such as loss aversion and availability bias, while high-income customers are more prone to overconfidence and mental accounting. These findings highlight the need for tailored communication and education approaches based on customer behavioral characteristics. The study recommends implementing behavior-based education strategies, behavioral coaching training for agents, and psychographic segmentation to enhance communication effectiveness and policy retention.

**Keywords:** Behavioral Bias, Income, Insurance Decision, Customer, Qualitative Approach



## INTRODUCTION

The insurance industry in Indonesia has experienced significant growth over the past decade, as indicated by the increasing number of policyholders across both general and life insurance sectors. However, the low level of financial literacy among Indonesians remains a major challenge in the decision-making process related to insurance products. According to OJK data (2023), many policyholders lack a full understanding of the products they purchase. In this context, consumer decisions to purchase, retain, or cancel insurance policies are not always based on rational considerations, but are often influenced by behavioral financial biases such as mental accounting, availability bias, loss aversion, and overconfidence.

This phenomenon aligns with the principles of behavioral finance, which posits that financial decisions are shaped not only by rational calculations but also by psychological and

emotional factors. Kahneman and Tversky (1979), through Prospect Theory, explain that individuals tend to avoid losses more strongly than they seek gains—a behavior known as loss aversion. Furthermore, individuals often use heuristics or mental shortcuts to make complex decisions, which can give rise to biases such as anchoring, regret aversion, and representativeness (Tversky & Kahneman, 1974). In the Indonesian investment context, several studies have confirmed that these behavioral biases significantly influence investor decisions, particularly among those with lower levels of financial literacy (Kusumawati & Tandelilin, 2021; Handayani et al., 2022).

However, most of these studies have primarily focused on capital markets or investment contexts, with limited exploration into similar phenomena within the insurance industry. Moreover, few studies have employed a qualitative approach that can delve deeply into how these biases emerge and influence customer decision-making. The relationship between income level and behavioral bias tendencies in insurance contexts also remains underexplored. A quantitative study by Irawan and Fadilah (2019) found that high-income investors tend to exhibit greater overconfidence, while low-income individuals are more susceptible to biases such as loss aversion and mental accounting. This finding is reinforced by Chandra and Kumar (2020), who identified income as a determinant factor in susceptibility to certain financial biases, due to its influence on access to information, ability to consult professionals, and perception of risk.

In practice, PT Asuransi BDIR, as one of Indonesia's general insurance companies, deals with a diverse customer base from various socioeconomic backgrounds. Customers with lower income levels tend to be more cautious, are easily influenced by negative information spread through social media (availability bias), and often have heightened concerns over claim rejections, reflecting loss aversion. In contrast, high-income customers frequently display high confidence in their understanding of insurance products, often without thoroughly reading policy details—an indication of overconfidence bias. These patterns underscore the importance of understanding how behavioral biases are shaped by income level and how such biases affect decisions related to purchasing, canceling, and managing insurance policies.

Based on these observations, this study is designed to explore the relationship between income levels and behavioral bias tendencies in customers' insurance-related decision-making at PT Asuransi BDIR. Using a qualitative approach, this research aims to provide a deeper understanding of the narratives, perceptions, and motivations behind customer decisions—insights that are often not fully captured through quantitative methods. In addition to contributing to the academic discourse on behavioral insurance, the findings of this study are expected to serve as a strategic foundation for companies in designing customer communication strategies, financial education programs, and product development tailored to the psychological characteristics of customer segments based on income classes.

## METHODS

This study adopts a qualitative approach using an exploratory case study method. This approach was chosen to deeply examine the phenomenon of behavioral biases influencing insurance customers' decision-making and to understand how income levels shape customers' preferences and perceptions toward insurance products. As Creswell (2014) suggests, a qualitative approach allows researchers to capture the subjective meaning of

individual experiences within a specific social context—in this case, the decisions surrounding the purchase and management of insurance policies.

The research was conducted at PT Asuransi BDIR, a general insurance company that serves customers from various income segments. The primary subjects of this study are individual policyholders who have held an active insurance policy for at least one year. Participants were selected using purposive sampling, considering variations in income level (low, middle, and high) as well as their experience with insurance products. The number of informants was designed to range between nine and twelve individuals, equally representing the three income categories:

1. low-income (≤ IDR 5 million/month),
2. middle-income (IDR 5–15 million/month), and
3. high-income (≥ IDR 15 million/month).

To strengthen data triangulation, the study also included interviews with two active insurance agents and one customer service staff member to gain additional insights from the company's internal perspective.

Data collection was carried out using several techniques. First, in-depth interviews were conducted in a semi-structured format, guided by a set of questions derived from key concepts in behavioral finance literature, including loss aversion, overconfidence, status quo bias, and availability bias (Kahneman & Tversky, 1979; Thaler, 1999). Second, non-participant observation was employed to observe how customers interact with insurance personnel during consultations or when making changes to their policies. Third, documentation analysis was performed to collect supporting materials such as product brochures, agent scripts, and educational content used by the company. Interviews were conducted face-to-face and/or online, depending on the informants' availability, and were audio-recorded with their consent for transcription and further analysis.

For the data analysis, this study utilized thematic analysis as developed by Braun and Clarke (2006). The process involved transcribing and thoroughly reviewing interview data, identifying initial codes based on frequently occurring keywords (such as "fear of claim rejection," "premium forfeiture," or "already familiar with the product"), and organizing those codes into overarching themes derived from established theories, such as loss aversion, overconfidence, availability bias, and status quo bias. The thematic interpretations were then linked to income levels and their consequences on customer decisions. Data collected from insurance agents and internal staff served as triangulation sources to ensure consistency and enhance the credibility of the customers' narratives.

## RESULTS AND DISCUSSION

The findings of this study reveal that customers' decision-making in the insurance context is not entirely rational but is influenced by various behavioral biases that differ based on income levels. These results support the behavioral economics perspective, which suggests that individuals often make financial decisions based on intuition, emotion, and cognitive heuristics rather than purely logical and analytical processes (Thaler & Sunstein, 2008).

### Dominant Behavioral Biases Among Low-Income Customers

Low-income customers at PT Asuransi BDIR tend to exhibit availability bias, where they rely heavily on easily recalled or frequently encountered information, particularly negative

content in the media—such as claim rejections, unresponsive agents, or insurance fraud cases. This bias strongly influences hesitation or fear in purchasing or maintaining policies, even when the products objectively meet their protection needs. This supports Kurniawan & Murhadi (2018), who found that excessive risk perception is often triggered by unbalanced access to information, especially among low-income individuals who are less likely to verify such information. This group also exhibits loss aversion bias, reflecting a stronger tendency to avoid losses than to pursue gains. In insurance decisions, this manifests as a reluctance to purchase coverage due to the perception of premiums as "wasted money" if no claim is made, despite insurance's primary function as protection against uncertainty. This behavior aligns closely with Prospect Theory (Kahneman & Tversky, 1979), which states that individuals psychologically perceive losses as twice as impactful as equivalent gains.

### Overconfidence and Bias Among High-Income Customers

In contrast, middle- and high-income customers show a prevalence of overconfidence bias, often believing they fully understand the policy content based on brochures, agent recommendations, or previous experiences. This overconfidence leads them to neglect reading the policy thoroughly, increasing the risk of unmet expectations during claims. Kartini and Nahda (2021) emphasize that overconfidence in financial decisions often correlates negatively with due diligence in evaluating crucial information, including in the insurance sector. Additionally, this group frequently displays mental accounting bias, where funds are mentally categorized subjectively. For example, they may allocate budgets for car or travel insurance but avoid enhancing health coverage, viewing it as an "unnecessary cost." This illustrates how mental budgeting can hinder optimal financial decisions. Chandra and Kumar (2020) observed that mental accounting can prevent individuals from perceiving the broader picture in comprehensive financial planning.

### Income as a Moderator of Behavioral Biases

The study further indicates that income level acts as a moderator in the manifestation and types of behavioral biases. Income influences financial literacy, access to valid information, and the likelihood of validating financial decisions. Veronica Elvira et al. (2022) found that high-income investors tend to exhibit greater overconfidence but are also more prepared to manage risks with professional assistance. In contrast, low-income groups tend to be more risk-averse and reactive to negative signals. These results are consistent with Sung & Hanna (1996), who demonstrated a negative correlation between income level and risk aversion.

### Universal Biases: Status Quo and Regret Aversion

An important finding is that status quo bias and regret aversion were observed across all income levels. Many customers retained the same insurance policies for years without reassessing their relevance. For low-income customers, this was often due to fear of administrative complexities, while higher-income clients expressed comfort with familiar agents or companies. Kahneman and Knetsch (1991) explain that status quo bias reflects resistance to change due to perceived risks and uncertainties—even when change is rational. Regret aversion was also evident, particularly among those with negative past experiences or peers who had such experiences, leading to indecision or post-purchase regret. Sahi et al.

(2013) argue that regret aversion causes individuals to avoid making decisions to prevent the possibility of future regret.

## Practical Implications

Based on these findings, it is evident that behavioral biases among insurance customers affect not only their purchase decisions but also policy loyalty, claims behavior, and policy persistency. Therefore, PT Asuransi BDIR must reform its approach to marketing, customer education, and service through a Behavioral-Based Customer Engagement strategy—explicitly incorporating psychological and cognitive factors into its customer interactions.

1. Strategies for Low-Income Customers: Emotional Education and Positive Narratives
   This segment is more susceptible to availability bias and loss aversion, leading them to focus excessively on the negative aspects such as claim rejections or forfeited premiums. To address this:
   a. Financial literacy campaigns using real-life stories: The company can utilize social media, short videos, and testimonials from successful claimants to counter negative perceptions. Willis (2017) notes that personal narratives are more effective in shifting risk perception than mere statistics.
   b. Simulation-based educational tools: Customers can be engaged with digital risk calculators that simulate losses without insurance protection, reframing focus from "premium costs" to "protection value."
   c. Community- and locality-based outreach: Education efforts should involve trusted local figures, community agents, or resident forums to bridge the information gap and build trust.
2. Strategies for High-Income Customers: Critical Education and Bias Challenge
   This segment tends to display overconfidence and mental accounting, often feeling they understand the product without reviewing the policy in depth.
   a. Regular policy audits: Offering free annual policy reviews can help customers assess the relevance of their policies to current needs, interrupting status quo bias.
   b. Critical education through advisory sessions: Rather than brochures, this group benefits more from financial advisors or insurance coaches who can explain policy features and hidden risks in detail—helping reduce overconfidence.
   c. Transparency about product limitations: Marketing materials must clearly communicate policy limitations and scenarios that may lead to claim rejection. This transparency helps mitigate post-purchase regret aversion.
3. Psychographic-Based Segmentation Development
   The study underscores the importance of segmenting customers not only by demographics (e.g., age, gender, income) but also by psychographic and behavioral bias tendencies. PT Asuransi BDIR may consider segment categories such as:
   a. Skeptical Saver (prone to availability bias and loss aversion)
   b. Confident Planner (prone to overconfidence)
   c. Passive Holder (strong status quo bias)
   d. Reactive Replacer (high regret aversion)
      Such segmentation can guide the design of psychologically relevant communication, products, and services, thereby enhancing the effectiveness of marketing and customer retention strategies.
4. Behavioral Coaching for Agents and Staff

Insurance agents and marketing personnel are frontliners in customer interaction. Hence, they should receive specialized training to recognize behavioral bias patterns and adapt their communication styles.

a. Agents should be trained in nudging techniques (Thaler & Sunstein, 2008), such as how to present default policy options, relate risks to everyday life analogies, or frame messages appropriately.
b. Training must also emphasize ethical communication, ensuring that behavioral insights are not manipulated for sales but used to support better and more informed customer decisions.

5. Service Digitalization to Mitigate Bias

Digital tools like educational chatbots, self-assessment risk portals, and interactive claims dashboards are crucial to delivering neutral, factual, and unbiased information.

a. AI-driven personalization can tailor information automatically based on browsing behavior, claim history, and risk profiles.
b. Customers may receive pop-up educational reminders during critical actions—such as policy cancellations—e.g., "Did you know? This policy protects you from health risks that can cost 10x your annual premium."

## CONCLUSION

This study aimed to explore how income levels influence behavioral bias tendencies among insurance customers in their decision-making processes, using a qualitative case study approach at PT Asuransi BDIR. Through interviews, observations, and thematic analysis involving customers from various income groups, the findings reveal that the types and expressions of behavioral biases vary by income. Low-income customers tended to exhibit defensive biases such as loss aversion and availability bias, leading to exaggerated fears over forfeited premiums or claim rejections. In contrast, high-income customers were more prone to overconfidence and mental accounting, often assuming they fully understood insurance products without critically verifying information. Income level acted as a moderating factor that shaped how customers processed information—higher income increased confidence but reduced thorough evaluation, while lower income amplified caution and reliance on unverified information. Behavioral biases were found to significantly affect purchasing decisions, policy retention, and insurance management, with status quo and regret aversion observed across all income levels. These insights highlight the importance of behavior-based education and targeted communication in enhancing customer engagement strategies. Based on these conclusions, several practical and academic recommendations are proposed. For PT Asuransi BDIR, it is suggested to develop income-specific educational strategies—visual narratives and testimonials for low-income groups to counter availability bias, and policy audits or financial advisory services for high-income customers to mitigate overconfidence. Agents should be trained using behavioral coaching methods, including nudging techniques and framing strategies, to ethically guide customers through decision-making. Psychographic segmentation should be implemented to tailor product development and communication strategies more precisely. Academically, future studies may employ quantitative or mixed methods to statistically examine the link between income and behavioral biases and their impact on policy persistence and satisfaction. Experimental or longitudinal designs are also recommended to assess the effectiveness of behavioral literacy interventions, along with expanding research to other insurance types and broader

geographic areas to better capture the dynamics of insurance consumer behavior in Indonesia.

## REFERENCE

Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. Qualitative Research in Psychology, 3(2), 77–101.

Chandra, A., & Kumar, R. (2020). Factors influencing behavioral biases in emerging market investors. Journal of Behavioral Finance, 21(1), 52–65.

Creswell, J. W. (2014). Research design: Qualitative, quantitative, and mixed methods approaches (4th ed.). Thousand Oaks, CA: SAGE Publications.

Elvira, V., Sari, D., & Nugroho, S. (2022). The moderating role of income on behavioral biases among retail investors in Indonesia. International Journal of Economics and Business, 10(2), 45–59.

Handayani, S., Nugroho, Y., & Sari, A. (2022). Behavioral biases influencing investment decisions of life insurance investors. International Journal of Finance & Banking Studies, 11(3),

Kahneman, D., & Knetsch, J. L. (1991). The endowment effect, loss aversion, and status quo bias. Journal of Economic Perspectives, 5(1), 193–206.

Kahneman, D., & Tversky, A. (1979). Prospect theory: An analysis of decision under risk. Econometrica, 47(2), 263–291.

Kartini, K., & Nahda, M. (2021). Overconfidence bias in financial decision-making: Evidence from Indonesian consumers. Jurnal Keuangan dan Perbankan, 25(4), 645–659.

Kurniawan, H., & Murhadi, W. R. (2018). Behavioral bias in insurance: An Indonesian perspective. International Journal of Insurance and Risk Management, 8(2), 113–123.

Lincoln, Y. S., & Guba, E. G. (1985). Naturalistic inquiry. Beverly Hills, CA: SAGE Publications.

Otoritas Jasa Keuangan (OJK). (2023). Survei Nasional Literasi dan Inklusi Keuangan 2022. Jakarta: Departemen Literasi dan Inklusi Keuangan, OJK.

Sahi, S. K., Arora, A. P., & Dhameja, N. (2013). Psychological biases in financial investment behavior: A systematic literature review. Qualitative Research in Financial Markets, 5(1), 84–122.

Sung, J., & Hanna, S. (1996). Factors related to risk tolerance. Journal of Financial Counseling and Planning, 7(1), 11–20.

Thaler, R. H. (1999). Mental accounting matters. Journal of Behavioral Decision Making, 12(3), 183–206.

Thaler, R. H., & Sunstein, C. R. (2008). Nudge: Improving decisions about health, wealth, and happiness. Yale University Press.

Willis, L. E. (2017). Performance-based consumer regulation. Loyola University Chicago Law Journal, 48(3), 1141–1186.