How to cite this article:
Bozorgi, K., Khosravi, M. A., Mirabi, V., & Shirzad, H. (2026). An Institutional–Policy Analysis of Customer Satisfaction with Emphasis on Iran's Experience and Global Trends. *Journal of Historical Research, Law and Policy, 4*(2), 1-15. https://doi.org/10.61838/jhrlp.222

Article history:
Original Research

Dates:
Submission Date: 29 October 2025
Revision Date: 22 January 2026
Acceptance Date: 02 February 2026
First Pubication Date: 08 February 2026
Final Pubication Date: 01 March 2026

An Institutional–Policy Analysis of Customer Satisfaction with Emphasis on Iran's Experience and Global Trends

1. Koorosh. Bozorgi[1] : Ph.D. student, Department of Political Science - Public Policy, CT.C., Islamic Azad University, Tehran, Iran
2. Mohammad Ali. Khosravi[2*]: Assistant Professor, Department of Political Science and International Relations, Faculty of Law and Political Science, CT.C., Islamic Azad University, Tehran, Iran
3. Vahidreza. Mirabi[3]: Associate Professor, Department of Business Administration, Faculty of Management, CT.C., Islamic Azad University, Tehran, Iran
4. Hamidreza. Shirzad [4]: Assistant Professor, Department of Political Science and International Relations, Faculty of Law and Political Science, CT.C., Islamic Azad University, Tehran, Iran

*corresponding author's email: malikhosravi@gmail.com

ABSTRACT

The insurance industry occupies a strategic position at the intersection of financial markets, social welfare policy, and public regulation. Despite its critical role in risk management and economic stability, the development of insurance systems has often been evaluated primarily through quantitative indicators such as premium growth and market penetration. This article argues that such an approach provides an incomplete and potentially misleading assessment of insurance performance, particularly when persistent customer dissatisfaction coexists with apparent market expansion. Adopting an institutional–policy perspective, the study conceptualizes customer satisfaction as a core indicator of policy effectiveness rather than a secondary market outcome or a purely behavioral variable. Using a qualitative, comparative analytical framework, the article examines how insurance policies and institutional arrangements shape customer satisfaction outcomes, with a particular focus on the Iranian insurance industry in comparison with global regulatory trends. The analysis demonstrates that many insurance systems worldwide have gradually shifted from solvency-centered regulation toward consumer-centered governance models that institutionalize transparency, complaint resolution mechanisms, and qualitative performance indicators. In contrast, the Iranian insurance sector remains largely anchored in a quantitatively oriented policy logic, where growth in firms and premium volumes has not been matched by improvements in service quality, claims settlement, or dispute resolution. The findings reveal that persistent customer dissatisfaction in Iran is best understood as a symptom of policy and institutional pathologies, including weak enforcement, limited regulatory accountability, and an overreliance on numerical performance metrics. The article concludes that quantitative expansion without parallel qualitative reform fails to enhance satisfaction and may undermine the social welfare function of insurance. By reframing customer satisfaction as a policy-relevant outcome embedded in institutional design, the study contributes to a deeper understanding of insurance governance and offers a foundation for rethinking insurance policymaking in ways that align market development with trust, legitimacy, and long-term sustainability.

Keywords: *Insurance policy; customer satisfaction; institutional analysis; insurance governance; regulatory quality; Iran; comparative insurance systems*

Introduction

The insurance industry occupies a distinctive position in contemporary political economy because it operates simultaneously as a financial market, a social protection mechanism, and a regulated public-interest institution. Unlike ordinary service markets, insurance systems are deeply embedded in public policy frameworks that define risk pooling, consumer protection, and redistribution across individuals and social groups. From a policy perspective, insurance is not merely a contractual arrangement between private actors but a collective instrument for managing uncertainty and stabilizing welfare outcomes. Theoretical contributions in insurance economics emphasize that the viability of insurance arrangements depends on institutional design choices that shape incentives, administrative costs, and risk-sharing efficiency, rather than on market forces alone (1). This institutional embeddedness means that insurance outcomes—especially those related to service quality and consumer experience—cannot be fully understood without reference to regulatory structures, policy objectives, and governance capacity.

In recent decades, global insurance policy has undergone a significant transformation in response to financial crises, technological change, and growing public scrutiny of regulated markets. Earlier policy paradigms were largely concerned with expanding insurance coverage, increasing premium volumes, and ensuring the solvency of insurers. While these goals remain important, comparative studies show a gradual shift toward consumer-oriented regulatory models that prioritize transparency, fairness, and service quality. Regulatory interventions are increasingly designed to address information asymmetries, complex contract structures, and unequal bargaining power between insurers and policyholders, all of which directly affect consumer satisfaction (2). This shift reflects an emerging consensus that sustainable insurance markets depend not only on financial stability but also on the perceived legitimacy of insurers and regulators in the eyes of consumers.

Within this evolving policy context, customer satisfaction has emerged as a critical indicator of insurance system performance. In contrast to narrow financial metrics, satisfaction captures policyholders' lived experiences of insurance services, including contract clarity, claims handling, and responsiveness to complaints. Empirical research in both developed and emerging markets demonstrates that trust plays a mediating role between regulatory quality and consumer behavior, influencing purchase intentions, contract renewal, and long-term engagement with insurance products (3). Satisfaction therefore functions as a proxy for institutional trust, signaling whether regulatory frameworks and corporate practices align with consumer expectations. When satisfaction levels are persistently low, they often indicate deeper institutional failures rather than isolated service delivery problems.

The linkage between customer satisfaction and regulatory quality is particularly salient in highly regulated insurance markets, where policy design shapes not only market entry and pricing but also service standards and dispute resolution mechanisms. Studies on insurance policy design show that inadequate regulatory oversight and fragmented institutional responsibilities can exacerbate consumer dissatisfaction, especially in contexts where insurance contracts are complex and claims processes lack transparency (4). Conversely, regulatory environments that emphasize accountability, standardized procedures, and accessible redress mechanisms tend to foster higher levels of satisfaction and trust. From this perspective, satisfaction becomes an indirect but powerful measure of how effectively insurance policies translate public objectives into operational outcomes.

Another dimension of customer satisfaction relates to the long-term sustainability of insurance markets. Insurance demand is sensitive to perceptions of fairness, reliability, and policy consistency, particularly in environments characterized by economic volatility and policy uncertainty. Research indicates that fluctuations in economic policy and geopolitical risk can significantly influence insurance demand, not only through income effects but also through changes in perceived institutional credibility (5). When consumers lack confidence in the regulatory environment or fear arbitrary policy changes, dissatisfaction can undermine participation in insurance schemes, thereby weakening risk pooling and reducing market resilience. Satisfaction, in this sense, is closely linked to the sustainability of insurance systems as social institutions rather than merely commercial enterprises.

The Iranian insurance sector presents a particularly instructive case for examining these dynamics. Over the past two decades, Iran has experienced notable quantitative growth in its insurance industry, reflected in the increasing number of insurance companies, expansion of premium volumes, and gradual improvement in insurance penetration rates. Policy initiatives have often emphasized market expansion and diversification of insurance products as indicators of success. However, parallel empirical evidence suggests that this quantitative growth has not been accompanied by a commensurate improvement in customer satisfaction. Studies focusing on insurance policy outcomes in Iran repeatedly highlight dissatisfaction related to claims settlement delays, ambiguous contract terms, and limited effectiveness of complaint resolution mechanisms (6). This coexistence of expansion and dissatisfaction constitutes a central paradox that challenges conventional assumptions about insurance development.

The persistence of dissatisfaction in Iran's insurance sector cannot be adequately explained by reference to consumer culture or awareness alone. While some domestic analyses emphasize insurance culture and policyholder behavior as explanatory variables (7), comparative research suggests that consumer attitudes are themselves shaped by institutional performance and policy credibility. In regulated markets, repeated negative experiences with claims processing or dispute resolution tend to erode trust, regardless of consumers' initial awareness or expectations. The literature on insurance policy pathology in Iran underscores that structural deficiencies in policy design and regulatory enforcement play a decisive role in shaping consumer experiences (8). These findings point to the need for a policy-centered interpretation of dissatisfaction rather than a purely behavioral one.

Claims settlement processes are particularly revealing in this regard, as they represent the moment when insurance promises are tested against institutional reality. Legal and policy analyses of compulsory and third-party insurance in Iran show that restrictions, procedural complexity, and interpretive ambiguities often place policyholders at a disadvantage, contributing to perceptions of unfairness and inefficiency (9). Similar concerns are raised in earlier discussions on resolving ambiguities in insurance contracts, which highlight how unclear policy language and inconsistent interpretation undermine consumer confidence (10). These issues are not incidental but reflect broader policy choices regarding regulation, enforcement, and institutional accountability.

International experience further reinforces the argument that customer satisfaction is deeply embedded in policy and institutional arrangements. Comparative studies of insurance regulation show that policy instruments such as standardized contracts, clear premium-setting rules, and transparent claims procedures significantly affect consumer perceptions of fairness and reliability. For example, analyses of regionally differentiated insurance policies demonstrate how regulatory coherence and consistency influence acceptance and satisfaction among policyholders (11). Similarly, research on incorporating consumer preferences into policy design, such as through discrete choice experiments in public insurance schemes, illustrates how participatory and evidence-based policymaking can enhance satisfaction and legitimacy (12). These insights suggest that dissatisfaction is often a symptom of policy misalignment rather than consumer irrationality.

Technological developments and innovative insurance models have also reshaped expectations regarding service quality and responsiveness. The emergence of digital platforms and smart contract-based insurance products has highlighted the potential for reducing administrative costs, increasing transparency, and improving claims efficiency (13). While such innovations are not a panacea, they underscore the importance of policy frameworks that enable institutional learning and adaptation. In the absence of supportive regulation, however, technological advances may fail to translate into improved consumer experiences, reinforcing the central role of policy design in shaping satisfaction outcomes.

From a risk management and capital policy perspective, insurance systems are increasingly evaluated not only on solvency but also on their capacity to align risk-bearing arrangements with policyholder expectations. Advanced analyses of insurer and reinsurer policy frameworks emphasize that capital structure and risk management decisions are inseparable from regulatory objectives and consumer protection considerations (14). When policy frameworks prioritize short-term financial indicators over service quality and accountability, they risk generating systemic dissatisfaction that undermines the very objectives of risk sharing and welfare enhancement.

The Iranian case thus raises a fundamental research problem: why does quantitative development in insurance markets not automatically lead to higher customer satisfaction? The answer lies in the institutional mechanisms through which policies are formulated, implemented, and enforced. Research on life insurance policy-making in Iran demonstrates that policy pathologies—such as fragmented regulation, limited consumer protection, and weak feedback mechanisms—persist despite market expansion (15). These pathologies suggest that growth-oriented policies, when detached from qualitative governance reforms, may even exacerbate dissatisfaction by raising expectations that institutions are unable or unwilling to meet.

The central research question of this study asks through what institutional and policy mechanisms insurance policies affect customer satisfaction in Iran. Addressing this question requires moving beyond descriptive accounts of market performance toward an analytical framework that treats satisfaction as an outcome of policy choices and institutional arrangements. Comparative evidence indicates that insurance systems which systematically integrate consumer feedback, enforce service standards, and ensure regulatory independence tend to achieve higher levels of satisfaction and trust (16). By contrast, systems that focus narrowly on expansion metrics without embedding accountability mechanisms often struggle to maintain legitimacy and public confidence.

The core hypothesis guiding this article is that quantitative-oriented insurance policymaking, when detached from service quality and institutional accountability, constitutes a primary driver of customer dissatisfaction. This hypothesis aligns with broader findings in insurance economics, which show that administrative costs, regulatory inefficiencies, and misaligned incentives can erode the welfare gains of insurance even in expanding markets (1). It also resonates with empirical observations that dissatisfaction persists where regulatory frameworks fail to address consumers' substantive concerns, regardless of market size or product diversity.

By framing customer satisfaction as a core indicator of policy effectiveness rather than a secondary market outcome, this study seeks to reposition insurance analysis within the field of public policy and institutional economics. Satisfaction is treated not as a subjective or culturally contingent variable but as a measurable reflection of how well insurance policies perform their intended social and economic functions. This perspective underscores the importance of institutional trust, regulatory quality, and long-term sustainability as interdependent dimensions of insurance policy success. In doing so, the article contributes to a growing body of literature that views insurance not merely as a financial service but as a policy-driven institution whose legitimacy depends on its capacity to deliver reliable, transparent, and fair outcomes to those it is designed to protect.

Theoretical Foundations and Literature Review

Understanding customer satisfaction in the insurance industry requires an analytical framework that moves beyond firm-level performance or consumer psychology and instead situates insurance within its broader political, institutional, and policy environment. Insurance is not a conventional competitive market in which price and quality are determined solely through supply and demand interactions. Rather, it is a policy-driven sector shaped by legal mandates, regulatory oversight, and social objectives. Theoretical approaches drawn from political economy, new institutional economics, public policy theory, and service satisfaction literature collectively provide the conceptual tools necessary to analyze how insurance policies translate into customer experiences. This section develops an integrated framework that explains customer satisfaction as an outcome of institutional arrangements and policy choices, while also reviewing empirical evidence from global and Iranian contexts to identify key gaps in existing scholarship.

From the perspective of public policy and political economy, insurance is best understood as a regulated institution designed to manage collective risk rather than as a purely private contractual arrangement. Classical insurance economics emphasizes that insurance markets are structurally prone to failure due to information asymmetry between insurers and policyholders, a problem that distorts pricing and coverage decisions (1). Insurers often possess superior technical knowledge regarding risk assessment and contract design, while policyholders face difficulty in fully understanding policy terms, exclusions, and claims procedures. This imbalance can lead to suboptimal outcomes in which consumers purchase products that do not adequately meet their needs or expectations. In addition to information asymmetry, insurance markets are affected by moral hazard, whereby insured individuals may alter their behavior once coverage is in place, and adverse selection, whereby higher-risk individuals are more likely to seek insurance coverage than lower-risk ones. These structural features undermine the efficiency of unregulated insurance markets and provide a strong rationale for state intervention and regulatory oversight.

The political economy of insurance policy highlights that regulation is not merely corrective but constitutive of the market itself. Regulatory frameworks determine entry conditions, capital requirements, pricing rules, and claims settlement procedures, thereby shaping both insurer behavior and consumer experiences. Research on insurance policy design underscores that administrative costs, regulatory compliance burdens, and institutional inefficiencies can significantly influence the welfare outcomes of insurance arrangements (1). From this standpoint, customer satisfaction cannot be treated as an exogenous variable but must be analyzed as a consequence of how policies structure incentives and constrain behavior within the insurance system. Insurance thus operates at the intersection of market logic and social policy, balancing efficiency concerns with equity and consumer protection objectives.

New institutional economics provides a foundational lens for examining how insurance governance affects service outcomes. Institutions are commonly defined as the “rules of the game” that structure interactions among economic and social actors, shaping incentives, expectations, and patterns of behavior. In the insurance sector, formal institutions include regulatory agencies, statutory laws, contractual standards, and supervisory mechanisms that govern insurer conduct and protect policyholders’ rights. Legal analyses of insurance contracts demonstrate that ambiguities in policy wording and inconsistent enforcement practices can generate disputes and dissatisfaction, even when coverage is formally available (10). These formal institutional arrangements determine the degree of predictability and fairness perceived by consumers, particularly in critical moments such as claims settlement.

Alongside formal institutions, informal institutions play a crucial role in insurance governance. Trust, norms of compliance, and perceptions of policy credibility influence how consumers interpret and respond to insurance policies. Empirical research on insurance culture and policyholder behavior suggests that trust is not simply a cultural attribute but a response to repeated institutional interactions (7). When policyholders consistently encounter delays, opaque procedures, or unfavorable interpretations of contracts, informal norms of skepticism and avoidance may develop, reinforcing dissatisfaction and reducing participation in insurance schemes. New institutionalism thus emphasizes that institutional quality, understood as the coherence, consistency, and credibility of rules and enforcement mechanisms, is a key determinant of service outcomes in regulated industries.

Public policy and regulatory theory further enrich this analysis by focusing on the capacity of the state to design, implement, and enforce effective insurance policies. Regulatory capacity refers to the technical expertise, legal authority, and organizational resources available to supervisory bodies, while independence and accountability relate to the extent to which regulators can operate without undue political or industry influence. Comparative studies of insurance regulation indicate that weak regulatory capacity often results in superficial compliance focused on financial indicators, leaving service quality and consumer protection inadequately addressed (2). In contrast, regulators with greater independence and accountability are better positioned to enforce standards related to transparency, claims handling, and dispute resolution, which directly affect customer satisfaction.

A central challenge in insurance policy is balancing multiple and sometimes competing objectives. Financial stability remains a core concern, as insurer insolvency can undermine confidence and disrupt risk-sharing mechanisms. At the same time, consumer protection and service quality are essential for maintaining trust and long-term market participation. Research on risk management and capital policy for insurers highlights that regulatory frameworks must align solvency requirements with incentives for fair treatment of policyholders (14). Overemphasis on financial metrics such as premium growth or capital adequacy, without parallel attention to service standards, can create distortions in which insurers prioritize short-term financial performance at the expense of customer satisfaction. Public policy theory thus calls for a broader set of policy instruments that extend beyond financial indicators to include qualitative measures of service delivery and consumer experience.

Within this broader policy framework, theories of customer satisfaction offer important but incomplete insights when applied to regulated service industries like insurance. The expectation–disconfirmation theory conceptualizes satisfaction as the result of a comparison between prior expectations and perceived performance. In insurance contexts, expectations are shaped not only by marketing and personal experience but also by regulatory signals, legal norms, and public discourse. Studies on trust and purchase intentions in online insurance platforms demonstrate that satisfaction is closely linked to perceived institutional reliability and transparency rather than to isolated service encounters (3). While expectation–disconfirmation provides a useful micro-level explanation, it does not fully capture the structural determinants of satisfaction in markets where consumers have limited choice and face complex contractual obligations.

Critiques of individualistic and cultural explanations of satisfaction are particularly relevant in insurance research. Some studies attribute dissatisfaction to low insurance literacy or cultural resistance to formal risk-sharing mechanisms (7). However, comparative policy research suggests that such explanations risk obscuring the role of institutional design and regulatory performance. In regulated markets, consumer behavior is heavily conditioned by the quality of governance arrangements, including the clarity of contracts, consistency of enforcement, and accessibility of complaint resolution systems. Research on claims payment complexities shows that dissatisfaction often arises from procedural barriers and institutional fragmentation rather than from consumers' lack of understanding (4). These findings support a structural interpretation of satisfaction that emphasizes policy and institutional variables over individual traits.

Structural determinants of satisfaction in regulated insurance markets include transparency in policy terms, effectiveness of claims governance, and robustness of complaint resolution mechanisms. Legal analyses of compulsory insurance regimes illustrate how restrictive interpretations and procedural hurdles can limit policyholders' access to compensation, generating dissatisfaction even when coverage is mandated by law (9). Transparency plays a critical role in shaping expectations and perceptions of fairness, as unclear or overly complex contracts undermine trust and increase the likelihood of disputes. Complaint resolution systems serve as an institutional safety valve, signaling to consumers that grievances will be addressed impartially and efficiently. Where such systems are weak or inaccessible, dissatisfaction may escalate into broader distrust of the insurance system as a whole.

Insurance also performs a vital social function as a mechanism for risk distribution and welfare enhancement. From a welfare economics perspective, insurance enables individuals and households to smooth consumption, protect assets, and mitigate the adverse effects of uncertainty. This social role depends on widespread participation and trust in insurance institutions. Empirical studies on insurance demand indicate that perceptions of policy uncertainty and institutional instability can significantly reduce participation, even when insurance products are available and affordable (5). Customer satisfaction thus serves as a bridge between individual experiences and collective welfare outcomes, linking micro-level service quality to macro-level social protection objectives.

The relationship between satisfaction, trust, and welfare outcomes is particularly important in contexts where insurance coverage is expanding through policy initiatives. Research on policy-driven insurance programs demonstrates that incorporating consumer preferences and feedback into policy design can enhance legitimacy and effectiveness (12). When policyholders perceive insurance institutions as fair and responsive, satisfaction reinforces trust, encouraging continued participation and strengthening risk pools. Conversely, dissatisfaction undermines the social function of insurance by discouraging uptake, increasing reliance on informal coping mechanisms, and weakening the redistributive capacity of insurance systems. This dynamic underscores why dissatisfaction is not merely a service issue but a policy concern with broader welfare implications.

Empirical studies from international contexts provide valuable insights into how regulation and institutional design affect customer satisfaction. Comparative analyses reveal that jurisdictions with strong consumer protection frameworks, standardized contracts, and transparent regulatory processes tend to report higher satisfaction levels and greater trust in insurance institutions (2). Research on regionally differentiated premium policies illustrates how regulatory coherence and fairness perceptions influence acceptance among policyholders (11). Technological innovations, such as smart contract-based insurance models, further highlight the potential for institutional arrangements to improve transparency and efficiency, thereby enhancing satisfaction (13). However, these benefits materialize only when supported by appropriate regulatory frameworks that align technological capabilities with consumer protection goals.

In contrast, empirical research on the Iranian insurance industry has largely focused on firm-level performance or specific product lines, often measuring satisfaction through surveys without situating findings within a broader policy context. Studies on insurance policy-making in Iran identify persistent structural weaknesses, including fragmented regulation, limited enforcement capacity, and insufficient attention to consumer rights (6). Analyses of life insurance policy pathology further demonstrate that growth-oriented strategies have frequently overshadowed qualitative governance reforms, resulting in persistent dissatisfaction despite market expansion (15). Research on Islamic and Takaful insurance policy-making similarly points to misalignment between policy objectives and institutional implementation, with implications for economic development and consumer confidence (8).

A notable limitation of much Iranian scholarship is its tendency to interpret dissatisfaction through cultural or behavioral lenses, emphasizing insurance literacy or public attitudes. While such factors are not irrelevant, they provide an incomplete explanation when detached from institutional analysis. Studies on insurance culture acknowledge that policyholders' behavior is influenced by trust and past experiences, which are themselves shaped by regulatory performance (7). Without addressing policy design and institutional accountability, efforts to improve satisfaction through education alone are unlikely to succeed. This observation aligns with international findings that satisfaction in regulated industries is primarily a function of governance quality rather than individual disposition.

The literature thus reveals a clear research gap: a lack of policy-level and institutional analysis that systematically links insurance policy design to customer satisfaction outcomes, particularly in the Iranian context. While global studies increasingly emphasize consumer-oriented regulation and institutional trust, Iranian research has yet to fully integrate these perspectives into a coherent analytical framework. Existing studies provide valuable descriptive insights but often stop short of explaining why dissatisfaction persists despite policy reforms and market growth. By combining new institutional economics, public policy theory, and customer satisfaction research, this study seeks to address this gap and offer a more comprehensive explanation of how insurance policies shape consumer experiences.

In synthesizing these theoretical and empirical strands, the section establishes a foundation for analyzing customer satisfaction as a policy outcome embedded in institutional structures. Insurance markets function within a complex web of formal rules, informal norms, and regulatory practices that collectively shape service quality and consumer trust. Satisfaction emerges not simply from individual interactions with insurers but from the cumulative effects of policy choices, institutional capacity, and governance quality. Recognizing this complexity is essential for understanding the paradox of quantitative growth alongside persistent dissatisfaction and for developing policy responses that align insurance development with its intended social and economic objectives.

Comparative Analysis and Policy Pathologies in the Insurance Industry

Contemporary developments in insurance policymaking across the world reveal a gradual but decisive reorientation from solvency-centered regulatory paradigms toward consumer-centered frameworks that explicitly recognize customer satisfaction as a policy-relevant outcome. Historically, insurance regulation focused primarily on ensuring the financial stability of insurers through capital adequacy rules, reserve requirements, and prudential supervision. While these elements remain foundational, comparative evidence indicates that regulators increasingly acknowledge that financial soundness alone is insufficient to guarantee the legitimacy and sustainability of insurance systems. Regulatory scholarship shows that when policy frameworks fail to address service quality, transparency, and consumer protection, market confidence erodes even in financially stable systems (2). This realization has driven reforms that embed consumer-oriented objectives within insurance regulation, reshaping the criteria by which policy success is evaluated.

One of the most notable global trends is the institutionalization of complaint-handling mechanisms as a formal component of insurance governance. In many jurisdictions, independent ombudsman offices, arbitration panels, and digital complaint platforms have been established to ensure that policyholders have accessible and impartial avenues for redress. These mechanisms are not merely administrative tools but serve as indicators of regulatory responsiveness and accountability. Empirical studies demonstrate that effective complaint resolution systems enhance trust and reduce perceived power imbalances between insurers and consumers, thereby improving satisfaction and long-term engagement (3). By contrast, systems in which complaints are handled internally by insurers, without independent oversight, tend to generate skepticism and reinforce dissatisfaction, even when claims are eventually settled.

Transparency requirements represent another cornerstone of consumer-centered insurance regulation. Regulatory reforms increasingly mandate standardized policy documents, clear disclosure of exclusions and deductibles, and simplified communication of rights and obligations. Research on insurance ecosystems emphasizes that transparency reduces information asymmetry and mitigates misunderstandings that often lead to disputes (2). In jurisdictions where transparency is rigorously enforced, customer satisfaction tends to be higher because expectations are more closely aligned with actual service delivery. Transparency also facilitates regulatory monitoring, as clearer contracts make it easier to identify unfair practices or systemic issues affecting policyholders.

A further global development is the gradual incorporation of satisfaction indicators into policy evaluation and regulatory oversight. While financial indicators such as premium growth and solvency ratios remain important, regulators increasingly collect and analyze data on customer complaints, claim settlement times, and satisfaction surveys. Comparative policy analyses show that these qualitative indicators provide early warnings of institutional weaknesses that may not be immediately visible through financial metrics alone (16). The integration of satisfaction indicators into regulatory dashboards reflects an understanding that consumer experience is a proxy for governance quality and an essential component of sustainable insurance development.

The link between quality governance and insurance penetration is well documented in international research. Insurance penetration rates tend to be higher in systems where consumers perceive insurers and regulators as fair, reliable, and responsive. Studies examining insurance demand under conditions of economic and policy uncertainty highlight that institutional credibility plays a crucial role in shaping participation decisions (5). When policyholders trust that claims will be handled efficiently and disputes resolved impartially, they are more likely to view insurance as a valuable risk-management tool rather than as a costly or unreliable obligation. This relationship underscores the importance of consumer-centered governance in achieving both quantitative and qualitative policy objectives.

Against this global backdrop, the Iranian insurance industry presents a contrasting pattern characterized by significant quantitative expansion alongside persistent qualitative deficits. Over recent decades, Iran has witnessed an increase in the number of insurance companies, diversification of insurance products, and growth in total premium volumes. These developments are often cited as evidence of policy success and market maturation. However, empirical research consistently indicates that customer dissatisfaction remains widespread, particularly with respect to claims settlement procedures, contract ambiguity, and dispute handling processes (6). This divergence between market expansion and consumer experience highlights a fundamental limitation of growth-oriented policy frameworks.

Claims settlement represents one of the most critical points of interaction between policyholders and insurance institutions, and it is in this domain that dissatisfaction is most acutely expressed. Studies focusing on the complexities of claim payments in the absence of coherent regional or sectoral policies reveal that procedural delays, inconsistent interpretations of policy terms, and administrative opacity contribute significantly to negative customer experiences (4). Legal analyses of compulsory and third-party insurance further demonstrate that restrictive regulatory interpretations and procedural constraints can limit access to compensation, reinforcing perceptions of unfairness and inefficiency (9). These issues suggest that dissatisfaction is not incidental but structurally embedded in policy and regulatory arrangements.

Contract ambiguity constitutes another persistent source of dissatisfaction in the Iranian insurance sector. Research on resolving ambiguities in insurance policies highlights how vague or overly technical language undermines policyholders' understanding of coverage and obligations (10). In contexts where regulatory oversight does not enforce standardized and consumer-friendly contracts, insurers retain considerable discretion in interpreting policy provisions, often to the detriment of consumers. This institutional imbalance exacerbates distrust and contributes to a perception of insurance as unreliable or adversarial rather than protective.

Dispute handling mechanisms in Iran further illustrate the qualitative deficits of the current policy framework. While formal channels for complaints and appeals exist, their effectiveness is often limited by procedural complexity, lack of independence, and insufficient enforcement capacity. Comparative policy studies emphasize that the credibility of dispute resolution systems depends on their perceived neutrality and accessibility (12). Where policyholders believe that complaints are unlikely to result in meaningful remedies, dissatisfaction intensifies and informal coping strategies, such as avoiding insurance altogether, may emerge.

A central feature of Iran's insurance policy landscape is an overreliance on numerical performance indicators as measures of success. Policy evaluations frequently prioritize metrics such as premium growth, market share, and penetration rates, while qualitative indicators of service quality and customer experience receive comparatively little attention. Research on insurance policy-making in Iran indicates that this emphasis reflects a broader governance orientation that equates expansion with effectiveness (15). However, international experience suggests that such metrics can be misleading when detached from institutional performance, as they fail to capture the lived realities of policyholders.

Comparative assessment of insurance policymaking highlights stark differences between systems characterized by independent regulatory institutions and those with limited supervisory autonomy. In many advanced insurance markets, regulators operate with a high degree of independence from both political authorities and industry actors, enabling them to enforce consumer protection standards and sanction noncompliance effectively. Studies on regulatory impact demonstrate that such independence enhances accountability and fosters trust among policyholders (2). By contrast, regulatory environments with constrained autonomy may struggle to balance industry interests with consumer protection, increasing the risk of regulatory capture and undermining satisfaction.

Consumer protection frameworks further differentiate insurance systems in terms of satisfaction outcomes. Jurisdictions with explicit legal mandates for consumer protection, standardized disclosure requirements, and robust enforcement mechanisms tend to exhibit higher levels of trust and satisfaction. Empirical research on insurance demand underscores that when consumers perceive regulatory frameworks as protective rather than permissive, their willingness to engage with insurance products increases (5). In Iran, consumer protection provisions exist but are often fragmented and inconsistently enforced, limiting their effectiveness in shaping positive customer experiences.

The use of satisfaction metrics in policy evaluation represents another critical point of divergence. While some regulatory systems systematically collect and analyze data on complaints, settlement times, and consumer feedback, such practices are less institutionalized in Iran. Research on policy-driven insurance programs illustrates how incorporating satisfaction indicators into policy evaluation can enhance responsiveness and legitimacy (16). The absence of such indicators in Iranian insurance policymaking limits the ability of regulators to identify and address systemic sources of dissatisfaction, perpetuating a cycle of qualitative underperformance.

These comparative observations point to a set of institutional and policy pathologies that help explain persistent dissatisfaction in the insurance industry. Economic pathologies arise when competition among insurers is driven primarily by price rather than service quality. In such environments, insurers may underinvest in claims management and customer service to reduce costs, leading to negative experiences for policyholders. Theoretical analyses of insurance economics warn that excessive focus on price competition can erode welfare gains by increasing administrative inefficiencies and reducing trust (1). This dynamic is particularly problematic in regulated markets where consumers have limited ability to assess quality ex ante.

Regulatory pathologies further compound these challenges. Weak enforcement of existing regulations, insufficient accountability mechanisms, and limited transparency create conditions under which insurers face few incentives to improve service quality. Studies on insurance policy impact emphasize that regulatory frameworks lacking effective monitoring and sanctioning mechanisms are vulnerable to regulatory capture, whereby industry interests disproportionately influence policy outcomes (2). In such contexts, consumer protection objectives may be subordinated to short-term financial considerations, exacerbating dissatisfaction.

Social pathologies emerge as a consequence of these economic and regulatory failures. Persistent negative experiences with insurance services contribute to an erosion of trust, which in turn shapes broader social perceptions of insurance as unreliable or ineffective. Research on insurance culture and behavior indicates that trust is cumulative and path-dependent, shaped by repeated interactions with institutions rather than by abstract beliefs (7). When dissatisfaction becomes widespread, it undermines the social legitimacy of insurance systems and weakens their role as instruments of risk sharing and welfare protection.

The interaction of these pathologies gives rise to what can be described as a quantity–quality policy trap. In this trap, policymakers pursue quantitative expansion as a primary objective, assuming that increased coverage and premium volumes will eventually lead to improved outcomes. However, without parallel investments in institutional quality and service governance, expansion fails to translate into higher satisfaction or trust. Empirical studies of insurance policy pathology in Iran demonstrate that growth-oriented strategies can even intensify dissatisfaction by raising expectations that institutions are unable to fulfill (8). This dynamic illustrates why quantitative expansion without qualitative reform not only fails to improve satisfaction but may also undermine broader welfare objectives.

A critical consequence of the quantity–quality trap is the misdiagnosis of dissatisfaction as a cultural problem. Some analyses attribute low satisfaction to inadequate insurance literacy or cultural resistance to formal risk-sharing mechanisms (7). While such factors may influence consumer behavior, they do not account for the structural sources of dissatisfaction documented in policy and legal studies. International evidence suggests that cultural explanations often obscure institutional deficiencies, diverting attention from necessary regulatory reforms (12).

Treating dissatisfaction as a cultural issue risks perpetuating ineffective policies by shifting responsibility away from policymakers and regulators.

The analytical synthesis of this comparative analysis underscores that customer dissatisfaction functions as an indicator of policy failure rather than as an isolated market outcome. Persistent dissatisfaction signals misalignment between policy objectives, institutional capacities, and consumer needs. Studies on insurance policy design and implementation consistently show that when institutional frameworks prioritize solvency and expansion over accountability and service quality, negative customer experiences become systemic (14). Satisfaction thus provides valuable diagnostic information about the effectiveness of insurance governance arrangements.

Institutional weaknesses emerge as the root cause of dissatisfaction across both global and Iranian contexts, albeit with varying intensity and manifestation. Where regulatory institutions are independent, accountable, and equipped with qualitative evaluation tools, dissatisfaction tends to be contained and addressed through adaptive reforms. Where such institutions are weak or constrained, dissatisfaction persists and erodes trust over time. Legal and policy analyses of insurance disputes highlight that institutional clarity and enforcement capacity are decisive factors in shaping consumer experiences (9). These findings reinforce the centrality of institutional design in explaining satisfaction outcomes.

Ultimately, insurance policy functions as a determinant of lived customer experience, shaping how individuals encounter and interpret insurance services in practice. From contract formation to claims settlement and dispute resolution, policy choices structure the pathways through which consumers engage with insurance institutions. Comparative evidence demonstrates that policies emphasizing transparency, accountability, and consumer protection foster positive experiences, while those focused narrowly on quantitative indicators generate dissatisfaction and distrust (11). Recognizing customer satisfaction as a policy-relevant outcome enables a more comprehensive evaluation of insurance systems, aligning market development with social welfare objectives and institutional legitimacy.

By empirically and analytically tracing the relationship between policy arrangements, institutional quality, and customer satisfaction, this section demonstrates that dissatisfaction is neither accidental nor culturally predetermined. It is the predictable outcome of policy frameworks that prioritize expansion over governance and metrics over experience. Understanding these dynamics provides a foundation for rethinking insurance policymaking in ways that integrate quantitative growth with qualitative reform, ensuring that insurance systems fulfill their economic and social functions effectively.

Conclusion

This study set out to reinterpret customer satisfaction in the insurance industry not as a peripheral market outcome or a subjective behavioral variable, but as a core indicator of policy effectiveness and institutional performance. By situating insurance within the domains of public policy, political economy, and institutional governance, the analysis has demonstrated that the experiences of policyholders are deeply shaped by regulatory design, enforcement capacity, and the broader logic that guides insurance policymaking. Customer satisfaction emerges, in this framework, as a mirror reflecting the quality of institutions and the coherence of policy choices rather than merely the attitudes or expectations of individual consumers.

The comparative analysis between global trends and the Iranian insurance sector reveals a clear divergence in policy trajectories. In many insurance systems worldwide, regulatory paradigms have gradually evolved from a narrow emphasis on solvency and market expansion toward more comprehensive, consumer-centered approaches. These approaches recognize that financial stability, while necessary, is insufficient to secure trust, legitimacy, and long-term sustainability. As a result, customer satisfaction has been progressively institutionalized through transparency requirements, complaint resolution mechanisms, and qualitative performance indicators. In contrast, the Iranian insurance industry has largely remained anchored in a quantitatively oriented policy logic, where growth in premiums, market share, and the number of insurers is treated as the primary evidence of success. This divergence provides a critical lens for understanding why dissatisfaction persists despite apparent market development.

The findings of this article underscore that quantitative expansion without qualitative reform produces a structural mismatch between policy objectives and lived customer experience. When insurance policies prioritize numerical indicators while neglecting service quality, accountability, and institutional responsiveness, they generate expectations that institutions are unable to meet. Claims settlement delays, ambiguous contract terms, and ineffective dispute resolution are not isolated operational failures but systemic outcomes of policy frameworks that insufficiently embed consumer protection and service governance. In this sense, dissatisfaction is not an anomaly within an otherwise functioning system; it is a predictable and rational response to institutional arrangements that privilege expansion over experience.

A central implication of this analysis is that customer dissatisfaction should be interpreted as a diagnostic signal of policy failure. Persistent dissatisfaction indicates that insurance policies are not fulfilling their intended social and economic functions, particularly those related to risk sharing, welfare enhancement, and trust building. When policyholders perceive insurance as unreliable or adversarial, the foundational logic of insurance as a collective risk-management mechanism is undermined. This erosion of trust weakens participation, reduces effective insurance penetration, and ultimately diminishes the welfare benefits that insurance systems are designed to deliver. Addressing dissatisfaction, therefore, is not merely a matter of improving customer service at the firm level but requires a reassessment of policy priorities and institutional design.

The analysis also challenges the widespread tendency to attribute dissatisfaction primarily to cultural factors or low insurance literacy. While awareness and understanding may influence consumer behavior, treating dissatisfaction as a cultural problem risks obscuring the structural and institutional roots of negative experiences. Such a misdiagnosis shifts responsibility away from policymakers and regulators, reinforcing a cycle in which ineffective policies persist under the assumption that consumers themselves are the source of the problem. By contrast, this study argues that trust, satisfaction, and insurance culture are endogenous to institutional performance. Consumers learn to trust or distrust insurance systems through repeated interactions shaped by policy and regulation, not through abstract cultural dispositions.

From a policy perspective, the findings suggest that meaningful reform in the insurance industry must involve a shift from a quantity-centered to a quality-centered governance logic. This does not imply abandoning goals related to market expansion or financial stability, but rather integrating them with explicit commitments to service quality, transparency, and accountability. Customer satisfaction should be elevated from a secondary outcome to a central policy criterion, systematically measured and incorporated into regulatory evaluation and decision-making. Such an approach would enable policymakers to identify institutional weaknesses early, respond to emerging patterns of dissatisfaction, and align insurance development with broader social welfare objectives.

Institutional reform is central to this transformation. Strengthening the independence, capacity, and accountability of regulatory bodies is essential for enforcing service standards and protecting policyholders' rights. Equally important is the creation of credible and accessible mechanisms for complaints and dispute resolution, which signal to consumers that their grievances will be addressed fairly and effectively. Without such mechanisms, dissatisfaction accumulates and manifests as disengagement, avoidance, or distrust, eroding the legitimacy of the insurance system as a whole. Institutional clarity and consistency, particularly in contract design and claims procedures, are therefore prerequisites for improving customer experience.

The contribution of this study lies in its integrated analytical perspective, which bridges insurance economics, public policy analysis, and customer satisfaction theory. By conceptualizing satisfaction as a policy-mediated outcome, the article moves beyond firm-level assessments and behavioral explanations to highlight the role of institutional arrangements in shaping consumer experience. This perspective offers a more robust framework for understanding the paradox of growth without satisfaction and provides a foundation for future research that systematically examines the causal pathways linking policy design, institutional quality, and welfare outcomes in insurance systems.

In conclusion, the sustainability and legitimacy of the insurance industry depend not only on its financial strength or market size but on its capacity to deliver reliable, transparent, and fair experiences to policyholders. Customer satisfaction is a critical indicator of whether insurance policies succeed in translating public objectives into lived realities. In contexts such as Iran, where dissatisfaction persists alongside quantitative growth, reform efforts must move beyond expansionary metrics and address the institutional and policy foundations of insurance governance. Only by re-centering customer satisfaction within insurance policymaking can the industry fulfill its dual role as a financial institution and a pillar of social protection, ensuring that growth is accompanied by trust, legitimacy, and genuine welfare gains.

Acknowledgments

We would like to express our appreciation and gratitude to all those who helped us carrying out this study.

Authors' Contributions

All authors equally contributed to this study.

Declaration of Interest

The authors of this article declared no conflict of interest.

Ethical Considerations

All ethical principles were adhered in conducting and writing this article.

Transparency of Data

In accordance with the principles of transparency and open research, we declare that all data and materials used in this study are available upon request.

Funding

This research was carried out independently with personal funding and without the financial support of any governmental or private institution or organization.

References

1. Aase KK. Pareto Optimal Insurance Policies in the Presence of Administrative Costs. SSRN Electronic Journal. 2010. doi: 10.2139/ssrn.1676125.
2. Gomez L, Batista M. The impact of regulations on the insurance ecosystem. Insurance Policy Quarterly. 2020;6(2):35-50.
3. Luo C, Chen Q, Zhang Y, Xu Y. The Effects of Trust on Policyholders' Purchase Intentions in an Online Insurance Platform. Emerging Markets Finance and Trade. 2019;11(5SP - 1):18.
4. Fazli H, Hashemi K. The Complexities of Claim Payments in the Absence of Regional Insurance Policies. Quarterly Journal of Insurance Studies. 2020;10(2):55-69.
5. Hemrit W. Does insurance demand react to economic policy uncertainty and geopolitical risk? Evidence from Saudi Arabia. The Geneva Papers on Risk and Insurance: Issues and Practice. 2021;47(2):460. doi: 10.1057/s41288-021-00229-3.
6. Ahmadi M, et al. Analysis of insurance policies in Iran. Journal of Strategic and Macro Policies. 2022(Spring Issue).
7. Hosseini S. Insurance culture and policyholders' behavior. Insurance Research Journal. 2021;10.
8. Parizad R, Shakouri Z. Pathology of Takaful insurance policy-making in Iran's insurance industry and its impact on the economic development of the Islamic Republic of Iran. International Journal of Research of Nations. 2021;7(73).
9. Fallah Kharyeki M. Compensable Damages to Property by Third Party Insurer and the Restrictions Governing it under Compulsory Insurance Act 2016. Iranian Journal of Insurance Research. 2021;36(3):187-208.
10. Khodabakhshi Shalamzari A. Resolving insurance policy ambiguities. Insurance World News. 2005(89).
11. Zhou X-h, Liao P, Wang K. Is the “One Province One Rate” premium policy reasonable for Chinese crop insurance? The case in Jilin Province. Journal of Integrative Agriculture. 2018;17(8):1900-11. doi: 10.1016/S2095-3119(18)62032-5.
12. Chandoev W, Wasic WN. Incorporating Discrete Choice Experiments into Policy Decisions: Case of Designing Public Long-Term Care Insurance. Social Science & Medicine. 2021;258:113044. doi: 10.1016/j.socscimed.2020.113044.
13. Bader L, Bürger J, Matzutt R, Wehrle K. Smart Contract-Based Car Insurance Policies. 2018. doi: 10.1109/glocomw.2018.8644136.
14. Froot KA. Risk Management, Capital Budgeting, and Capital Structure Policy for Insurers and Reinsurers. SSRN Electronic Journal. 2023. doi: 10.2139/ssrn.4357084.
15. Rezaei SR, Hosseinpour I, Ahmadzadeh M. Pathology of life insurance policy-making in Iran and providing improvement solutions (Case study: Insurance companies in Kazerun). New Research in Management and Accounting. 2018;5(15).
16. Saraan MIK, Nasution MA, Nasution FA. Policy of Medan City Government in the Development of Public Health Services: A Case Study of Medan Berkah Health Insurance Program. Journal of Infrastructure Policy and Development. 2024;8(7):4145. doi: 10.24294/jipd.v8i7.4145.