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Social Trust and Household Participation in Commercial Insurance in China: A Literature Review

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Abstract

Whether households participate in commercial insurance depends largely on whether the household believes that the insurance company will fulfill its promise in the future. Social trust is the source of this belief. It is related to the household's judgment of transaction costs, risks and information environment, and also directly affects the popularity of long-term financial products. In the past two decades, China's premium income has increased from less than 160 billion yuan in 2000 to more than 5 trillion yuan in 2023. The speed of supply expansion is very fast, but the proportion of households actually participating in insurance is still low, and there are only 0.9 commercial health insurance policies per capita. Supply is rising, and demand is not keeping up. This contrast is worth finding the answer from the decision-making psychology of the household. Although the existing studies have repeatedly mentioned social trust, there is a lack of a unified statement on its connotation and measurement caliber. Most studies only regard it as a control variable or a regulating variable, and there is not much work to systematically sort out the mechanism of action and heterogeneity. In view of this gap, this review first defines the meaning of social trust, distinguishes its relationship with trust and social capital, and then introduces the main methods of measuring social trust in the academic community, and then summarizes the three channels of social trust affecting insurance decision-making, that is, reducing transaction costs, changing risk perception, and transmitting information with the help of acquaintance networks, and examining the differences between insurance types, regions and income groups. The result of the literature review is that social trust generally has a positive effect on participation in commercial insurance, but this effect is not uniform, and the inconsistent measurement caliber and insufficient treatment of endogeneity also weaken the comparability of existing conclusions. This review provides a relatively complete analytical framework for understanding the low participation of Chinese households in commercial insurance.

Keywords

social trust, commercial insurance participation, household finance, transaction costs, risk perception

1. Introduction

In the past two decades, China's commercial insurance market has grown rapidly. Premium income has increased from less than 160 billion yuan in 2000 to more than 5 trillion yuan in 2023, and the insurance density and depth are increasing. However, the expansion of the supply side has not brought about the same proportion of household participation. Take commercial health insurance as an example, there are only 0.9 insurance policy holders per capita in 2023, and the household coverage rate is much lower than that of

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developed countries. Income is growing, and there is no shortage of products. What restricts households' insurance decisions is the core issue of this review. Existing studies show that in addition to conventional variables such as income, education and age, the impact of subjective psychological and social factors on insurance purchase is equally important, and social trust is a variable that has been repeatedly discussed.

Focusing on the relationship between social trust and participation in Chinese households' participation in commercial insurance, the literature roughly follows two clues. One line of research examines how social trust is measured and through what mechanism it works. Guiso et al. [1] earlier proposed that social trust affects household financial decision-making. Their empirical results show that households with low trust levels participate less in the stock market and buy less financial products. This framework was later extended to the field of insurance. Some studies used trust in strangers as a proxy variable of social trust, and some studies divided trust into two levels: trust in insurance companies and trust in insurance agents [2,3]. Another clue discusses how social trust affects insurance together with other factors. Social interaction can make up for information asymmetry in a low-trust environment to a certain extent, and financial literacy can help households understand insurance terms, indirectly amplifying the positive effect of trust [4,5]. Most empirical studies support that social trust has a significant positive impact on the participation of Chinese households' participation in commercial insurance, but this conclusion is not inconsistent between different types of insurance, different regions and different income groups. There is another obvious problem in the existing literature. There is no unified standard for the connotation of social trust. Some studies equate it with trust in financial institutions, and some extend it to the overall level of social trust. The measurement indicators are different, and it is difficult to compare the conclusions directly. Moreover, most studies only treat social trust as a control variable or a regulating variable. There is little work on it as a core explanation variable, and the induction and comparison of the influencing mechanism is insufficient.

2. Measurement and Theoretical Foundations of Social Trust

2.1 Defining Social Trust

2.1.1 How is Social Trust Defined in the Literature? Distinctions Between Social Trust, Trust, and Social Capital

Social trust entered the field of economics relatively early. Arrow [6] discussed the role of trust in trading earlier, believing that it is an important condition for the smooth running of trading, and this judgment was later cited repeatedly. Sociology has done a lot of work to deepen this concept. When studying local governance in Italy, Putnam [7] regards social trust as the core component of social capital, believing that it comes from social networks and reciprocity norms. Fukuyama [8] further defines social trust as the expectation that members of society will follow each other's common norms, which is equivalent to adding a dimension of cultural ethics to this concept. From the perspective of rational choice, Coleman [9] emphasizes that social trust is a form of social capital, which can promote cooperation in the absence of formal institutional constraints. Based on these statements, this review understands social trust as the expected confidence of individuals in general members of society or personnel of transaction-related institutions to abide by the rules and fulfill their commitments.

The three concepts of social trust, trust and social capital are both intersecting and different. Glaeser et al. [10] pointed out in the review that trust is usually expressed as an individual's judgment of the behavior of a specific person or a specific institution, while social trust is a diffuse cognition, which more refers to the trustworthiness of ordinary members of society. Social capital is a more macroscopic collective concept. Putnam [7] operates it into three dimensions: social network, norms and trust. Among them, social trust belongs to cognitive social capital, which is different from network-based social capital in terms of formation mechanism and role path. This distinction is meaningful for empirical research. If social trust is simply equated with the overall score of social capital, it is easy to blur the specific boundaries of the mechanism of action, and the reliability of the conclusion will also be reduced.

The polygenicity of the concept of social trust also brings differences in research traditions. Economics tends to regard it as a subtraction of information cost and transaction cost [6,1], while sociology regards it more as a product of social structural attributes [7,9]. These two types of perspectives also need to be treated differently in the context of Chinese household financial market participation. The former is easy to connect

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with agency theory and contract theory, and the latter is more suitable for explaining the stability differences in cross-regional and cross-group trust levels. This review conceptually takes psychological expectations as the core, and maintains the separability from the concept of social capital in the discussion of measurement and mechanism.

2.1.2 Criteria for Distinguishing Generalized Trust from Particularized Trust

Generalized trust and specific trust are two relatively independent and interrelated branches of social trust research. Luhmann [11] cuts in from the two levels of system trust and interpersonal trust. He believes that the former is embedded in institutions and abstract systems, and the latter is embedded in specific interpersonal interactions. The two have different functions and recovery mechanisms. On this basis, Hardin [12] emphasized that specific trust contains specific judgments on the motivations and abilities of others, and put forward a three-factor framework that integrates cognition, interest embedding and substitutable relationships into the analysis of specific trust. At present, the academic community generally follows this distinction, defining generalized trust as the goodwill expectation of non-specific others or ordinary members of society, and defining specific trust as the behavioral expectation of specific objects such as insurance companies, insurance agents and government agencies.

The measurement of the two types of trust in empirical research is different. Glaeser et al. [13] used experimental methods to distinguish between generalized trust and interpersonal trust, and found that the two had different limitations in behavioral prediction. The comparative study of Naef and Schupp [14] shows that the test–retest reliability of single-problem measures varies greatly in different socio-economic groups, so they suggest using multi-dimensional scales when conditions permit. Chinese household finance research has two orientations in the selection of indicators. One focuses on social interaction and the impact of social capital on insurance purchase [2], and the other uses trust in strangers as an agent variable for generalized trust [3].

This review combines the practices of Glaeser et al. [13] and He and Li [2], and defines social trust as a comprehensive concept of two levels, one level is the diffuse trust in general members of society, and the other level is the specific trust in insurance companies and insurance agents. This definition takes into account both theoretical coherence and measurability. It should be noted that this distinction is not absolute. There is a correlation between generalized trust and specific trust. A single-item measure cannot undertake the task of causal identification, which will be further dealt with in the empirical strategy later.

2.2 Measures of Social Trust

2.2.1 Single-Item Survey Measures and Their Limitations

The most classic measure of social trust comes from a question in the World Values Survey, which is to ask respondents whether they think that most people can be trusted. This method is low in cost and used a lot in large sample studies [14]. Its advantages are that it can be compared across regions and times, and the disadvantages are obvious. Glaeser et al. [13] pointed out that a single question cannot distinguish different objects of trust. Trust in strangers, trust in acquaintances, and trust in the system will be mixed in the same answer, and the explanation is vague. In the context of Chinese, this problem is also superimposed on a layer of cultural adaptability, because the meaning of the word trust in Chinese is not exactly the same in different situations.

The limitations of single-question metrics are also reflected in the characteristics of psychometrics. After comparing large-scale social surveys such as SOEP and ALLBUS, Naef and Schupp [14] found that the test–retest reliability of a single question varied significantly in different socio-economic groups, and the answers of older groups and highly educated groups were more stable. This shows that using it for cross-group comparison will bring systematic deviations, which will affect the inference about the financial behavior of low-trust groups. The experimental evidence of Berg et al. [15] shows that the correlation between the objective measure and the single question measure obtained by the trust game is weak in the group mean, which further proves that the single question is not effective enough in measuring trust behavior.

It is common for Chinese household financial research to use single-question measures. Li Tao [3] uses the problem of trust in strangers as a social trust indicator. He and Li [2] include social interaction and social capital in the analysis when studying the purchase of commercial insurance. Among them, the social capital index contains the trust dimension, but it mainly relies on the survey questions. The advantage of this practice

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is that it is in line with existing international research, and the disadvantage is that it does not reflect the multi-dimensional structure of trust. Drawing on the criticism of Glaeser et al. [13], this review builds a comprehensive index including the two levels of generalized trust and specific trust for the specific problems of Chinese household insurance research, hoping to improve the effectiveness of content while maintaining cross-research comparability.

2.2.2 Applications of Multidimensional Scales and Experimental Methods in Measuring Trust

In response to the shortcomings of a single question, the academic community has developed two complementary paths: multi-dimensional scales and experimental methods. Zucker [16] divides it into three categories according to the generation mechanism of trust: process type, characteristic type and system type, which provides a theoretical basis for the development of multi-dimensional scales. Fehr et al. [17] built a comprehensive trust index on the basis of SOEP data, and integrated many indicators such as trust in others in general and trust in acquaintances into continuous variables to improve confidence. The practice of this kind of scale is to measure multiple dimensions of trust separately, and then use factor analysis or cluster analysis for dimension reduction or typification.

The experimental method gives an objective measurement at the behavioral level. The trust game experiment of Berg et al. [15] observed that the subjects were willing to transfer a lot of money to the other party in an anonymous situation. Using this ratio to portray the tendency of trust behavior can avoid the common deviation of social expectations in self-reports. Falk et al. [18] compared the experimental data of the global trust game with the survey data and found that the correlation between the two was not consistent in different regions, which shows that it is better to use the two types of indicators separately in transnational research. There are relatively few experimental studies in the context of China. He and Li [2] used multi-dimensional indicators based on investigation, and Li Tao [3] used single-question measures for strangers. The strategy of this review is mainly based on questionnaires, and the experimental measurement is used as a robustness test.

Multidimensional scales and experimental methods play an irreplaceable role in policy evaluation and causal identification. Guiso et al. [1] use historical trust variables at the regional level as instrumental variables to alleviate endogeneity, relying on more detailed multi-source measurement. La Porta et al. [19] use the trust variables of the multi-country value survey to study the relationship between government performance and trust, and also use multi-dimensional indicators to reduce cultural bias. Based on these metric frameworks, this review combines Chinese household tracking survey and provincial macro survey data to build a measurement system covering the two levels of generalized trust and specific trust, which is not only convenient to compare with existing domestic research, but also to serve a wider range of causal identification needs.

2.3 Theoretical Framework for the Effects of Social Trust on Insurance Decisions

2.3.1 Explanations from the Perspectives of Transaction Costs and Information Asymmetry

The perspective of transaction cost and information asymmetry can provide a more systematic explanation of how social trust affects insurance decision-making. Akerlof [20]'s lemon market model explains how information asymmetry can lead to market failure. In the insurance market, that is, the policyholder has a relative information advantage, adverse selection and moral hazard. Rothschild and Stiglitz [21] proved that in the competitive insurance market, information asymmetry can crowd out low-risk policyholders. Mossin [22] analyzes the theoretical boundaries of insurance demand from the perspective of expected utility maximization, which provides a micro basis for later discussion of the relationship between trust and insurance demand.

Bringing in social trust can alleviate the above-mentioned market failure to a certain extent. Williamson [23] has discussed the role of trust as an informal governance mechanism in transaction cost economics, believing that it can replace part of the formal contract and supervision arrangements. Specifically in the insurance market, the more the policyholders trust the insurance companies, the less they feel that there will be problems with the contract execution and claims settlement, and the more willing they are to pay for insurance. Guiso et al. [1] used Italian data to find that in areas with high levels of social trust, households are

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more willing to participate in the stock market and buy insurance products, which verifies the above inference, and their research also deals with missing variables and reverse causality problems.

The evidence of Chinese household finance research generally supports this judgment. Li Tao [3] used Chinese household survey data to find that social interaction and trust both affect household participation in the financial market, in which the role of social interaction is more stable. The study by He and Li [2] found that social interaction has a significant positive effect on the purchase of commercial insurance, while the impact of social capital is relatively limited. This comparison shows that trust channels and interaction channels need to be viewed separately in insurance decision-making. The study by Yin Zhichao et al. [4] shows that the improvement of financial knowledge also promotes the participation of household participation in commercial insurance, and this effect is stronger in low-trust areas, indicating that trust and financial knowledge are complementary in the path of influence. However, it should be admitted that most of these conclusions come from cross-sectional data and linear probability models, and there is still room for improvement in the identification of causal effects.

2.3.2 Explanations from the Perspectives of Mental Accounting and Intertemporal Decision-Making

Mental accounting and cross-peride decision-making theory in behavioral economics can also explain how social trust affects insurance decision-making. Thaler [24,25]'s mental accounting theory believes that people will put different types of assets and risk events into different mental accounting for evaluation, and insurance claims are usually classified into security accounts. The level of social trust will affect the value weight of the policyholder to the account. People with low trust tend to regard insurance as a loss rather than a protection, and their willingness to buy is naturally low. Kahneman and Tversky [26]'s prospect theory further points out that individuals will show risk aversion in the face of loss situations, and this irrational characteristic is intertwined with the impact of social trust on loss perception.

The perspective of intertemporal decision-making is particularly important for understanding the participation of commercial insurance. Commercial insurance is essentially an intertemporal contract, in which the policyholder exchanges the current premium for uncertain future compensation. Laibson [27]'s hyperbolic discount model proves that people's discount rates at different points in time are inconsistent, which may make short-term savings look better than long-term insurance coverage. Frederick et al. [28] have made a systematic review of intertemporal decision-making research, pointing out that trust as a psychological factor has a significant impact on long-term financial decision-making. Households with high social trust are more confident that the institution will fulfill the contract when evaluating long-term contracts, so they have a higher tolerance for intertemporal losses.

The relationship between financial literacy and intertemporal decision-making ability is also empirically supported in Chinese research. Research by Lusardi and Mitchell [29] shows that the improvement of financial literacy can alleviate intertemporal decision-making bias and enhance households' ability to evaluate long-term financial products. The micro-data study of Chinese households by Wu et al. [5] also found that financial literacy has a significant impact on household financial portfolios, and this impact is indirectly achieved by improving consumers' trust and evaluation of financial product terms. Put these together, social trust and financial literacy may interact in insurance decision-making. The marginal effect of financial literacy is stronger in a low-trust environment, while the marginal effect of financial literacy is relatively weaker in a high-trust environment. This interaction mechanism has not been fully discussed in the current research, and it will be further tested in the subsequent empirical part of this review.

2.4 Summary

This review synthesizes the measurement and theoretical basis of social trust. Conceptually, this review defines social trust as two levels, one is the diffuse trust of ordinary members of society, and the other is the specific trust of insurance companies and insurance agents, which not only retains the core of the classic definitions of Putnam [7], but also lowers the concept to measurable indicators according to the practice of Glaeser et al. [13] and He and Li [2]. In terms of measurement, this review draws on the multi-source measurement ideas of Glaeser et al. [13], Fehr et al. [17], Berg et al. [15], and proposes to combine single questions, multi-dimensional scales and experimental measures to alleviate the bias of single-item measurement in different regions and different groups. In terms of mechanism, this review synthesizes the

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mechanism from the perspectives of transaction cost and information asymmetry, mental accounting and intertemporal decision-making, connects the empirical work of Guiso et al. [1], Li Tao [3], He and Li [2], and discusses the interaction between social trust and financial literacy in combination with the study by Lusardi and Mitchell [29], Wu et al. [5]. Together, these documents constitute the conceptual framework and hypothetical source of the empirical research in this review.

3. Mechanisms Through Which Social Trust Influences Insurance Participation

3.1 Information Transmission and Transaction Cost Mechanisms

3.1.1 How Social Trust Reduces Information Search Costs

The terms of the commercial insurance contract are complicated, and the performance is intertemporal. The policyholder has to pay a lot of information collection and comparison costs just to clarify the products and terms. The role of social trust in this link is, first of all, to reduce the cost of information. Arrow [6] believes that trust can reduce the repeated verification of information by transaction parties. Williamson [23] said in the transaction cost framework that trust is an informal governance mechanism that can partially replace formal contracts and supervision arrangements, so the search cost before signing and the execution cost after signing will decrease. In the insurance market, it means that policyholders with a high level of trust have more initial confidence in the terms of the product and the reputation of the institution, and are willing to spend less time on verification one by one.

Guiso et al. [30] have empirically portrayed this mechanism in stock market research. They found that investors with low levels of trust regarded participation in the financial market as a high-risk behavior, so they demanded higher expected returns as compensation. If this result is transferred to the insurance market, it can be inferred that low-trust households will demand a higher risk premium for the uncertainty in the insurance contract, thus inhibiting the willingness to buy. Karlan [31] used experimental economics methods to prove that social trust can predict the risk of default and actual decision-making of individuals in financial activities such as lending, which also supports the judgment of trust to reduce the cost of information.

In the case of China, the difference in information collection costs is particularly prominent in commercial health insurance. There are a large number of exclusion of liability and waiting period provisions in the terms of health insurance, and it is difficult for ordinary policyholders to quickly distinguish whether the product is good or bad. High-trust households tend to make decisions based on the overall impression of the institution, while low-trust households are caught in the trouble of one-by-one comparison, and finally give up insurance because the cost is too high. Based on Chinese household data, He and Li [2] found that social interaction has a significant positive effect on the purchase of commercial insurance. One of the mechanisms is that social interaction lowers the threshold of information access. This evidence and the above theoretical judgment are mutually confirmed.

3.1.2 How Social Trust Alleviates Concerns About Opportunistic Behavior by Insurance Companies

Information asymmetry also brings another consequence, which is the policyholder's concern about the opportunistic behavior of insurance companies. Akerlof [20]'s lemon market model shows that when sellers have more quality information than buyers, buyers will make decisions according to the worst case, and the market will eventually shrink. In the insurance market, policyholders are worried that the insurance company will use the right to interpret the terms to refuse or delay payment at the claim stage, which is an important psychological obstacle to insurance participation. Rothschild and Stiglitz [21] further pointed out that information asymmetry will squeeze low-risk policyholders out of the market.

Social trust promotes insurance participation by reducing opportunistic concerns. Guiso et al. [1] found in a transnational comparison that in areas with high levels of social trust, the proportion of households participating in the financial market was higher, because trust reduced households' expectations of institutional default and fraud. Mossin [22]'s insurance demand model starts from rational decision-making, expressing insurance demand as a function of risk aversion and contract cost. Opportunistic concern can be understood as a kind of contract cost at the perceptual level. As the level of trust rises, the perceived cost decreases, and the demand for insurance increases accordingly.

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This mechanism is realistically targeted in the Chinese insurance market. China's insurance industry has not developed for a long time, and the misleading sales problems in early marketing have solidified the public's negative impression of insurance companies to a certain extent. The study by He and Li [2] shows that the trust dimension in social capital needs to be transmitted through social interaction channels, and it is difficult to offset opportunistic concerns by relying on institutional reputation alone. That is to say, to give full play to the role of social trust in promoting insurance participation, not only to cultivate trust at the micro level, but also to standardize claims settlement and strengthen supervision at the institutional level.

3.2 Risk Perception and Loss Aversion Mechanisms

3.2.1 The Effect of Social Trust on Households' Subjective Risk Assessment

The second path of social trust affecting insurance decision-making is to change the household's subjective perception of risk. Slovic [32]'s research shows that people's judgment of risk is not entirely based on objective probability. Psychological factors such as recognizability, familiarity and trust all play a role. Loewenstein et al. [33] further put forward the theory that risk is emotion, emphasizing that emotional response ranks first in risk assessment, and trust can regulate the intensity of an individual's emotional response to risk events. Based on this, it can be inferred that households with a high level of social trust have a more gentle perception of the risks covered by insurance, and are more inclined to buy insurance to manage risks.

This judgment is supported in the insurance demand research. Kunreuther and Pauly [34] found that a large number of households lack the willingness to insure risk events with low probability and high losses. One of the reasons is that it is difficult for these households to form a stable subjective understanding of abstract risks. Trust can simplify the cognitive burden and make it easier for households to accept the risk transfer arrangements in the insurance contract. Kunreuther et al. [35] pointed out in the systematic discussion of insurance and behavioral economics that consumers' trust in insurance companies is an important variable that explains the deviation of insurance demand from the standard economic model.

For Chinese households, subjective risk judgment is also constrained by the tradition of insurance culture. Commercial insurance is a market-based risk management tool, but in the eyes of some households, it is understood as an arrangement of betting with institutions rather than a cooperative protection contract. Households with low social trust are more inclined to interpret the exemption clause in the insurance contract as an institutional game strategy, so they overestimate the risk of buying insurance. This cognitive bias objectively reduces the insurance participation rate, and also explains why the marginal effect of social trust on insurance demand is more obvious in low-trust groups.

3.2.2 Excessive Sensitivity to Insurance-Related Losses in Low-Trust Environments

The low-trust environment not only changes the direction of risk judgment, but also amplifies the sensitivity of households to the loss of insurance products. The prospect theory of Kahneman and Tversky [26] points out that the individual's pain for loss outweighs the pleasure of equal gains, and this loss aversion is a benchmark feature of behavioral decision-making. Thaler [25]'s mental accounting theory further shows that people put premium expenses and potential claims income in different accounts. When there is a lack of trust in insurance companies, premium expenses are more likely to be included in the loss account, and the loss aversion inhibition of purchasing decision-making is amplified.

Social trust affects insurance decision-making by regulating loss perception. If the household believes that the insurance company will settle the claim according to the contract, the premium expenditure is more likely to be understood as an investment in future security; if there is a lack of trust, the same expenditure will be regarded as a sinking cost that cannot be collected. Frederick et al. [28] pointed out that the evaluation of long-term returns is both affected by psychological discount and uncertainty discount, and the level of trust is the key variable affecting uncertainty discount. Laibson [27]'s hyperbolic discount model shows that households tend to overestimate current expenditures and underestimate long-term returns, and this deviation will be further amplified in a low-trust environment.

Loss sensitivity in a low-trust environment has a very specific performance in China's health insurance market. The payment cycle of health insurance is long, and the settlement of claims is uncertain. Households with low trust are more likely to regard long-term payments as continuous losses rather than protected investment. The study by Yin Zhichao et al. [4] found that financial knowledge promotes participation by

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improving households' understanding of insurance products. This effect is stronger in low-trust groups, indicating that financial literacy compensates for the loss sensitivity caused by low trust to a certain extent. This discovery suggests that trust and cognitive ability may have a substitute or complementary relationship in the loss perception link, which is worth further testing.

3.3 The Mediating Role of Social Interaction and Peer Effects

3.3.1 How Social Trust Facilitates the Dissemination of Insurance Information Through Social Networks

Social trust affects insurance decision-making, not entirely on the psychological process within the individual, and the information transmission of social networks is also an important intermediary channel. The study of Hong et al. [36] shows that social interaction can significantly increase the probability of households participating in the stock market. The mechanism is that the interaction reduces the cost of participation and conveys market information. Duflo and Saez [37] used random experiments on retirement savings plans to prove that peer information has a significant impact on individual financial decision-making. Even if economic incentives remain unchanged, information dissemination itself can change participation behavior.

This logic is also valid in the insurance market. Brown et al. [38] found that the neighborhood effect can explain the phenomenon of community gathering in which the household stock market participates, indicating that the information transmission of social networks has a real behavioral effect. Under the insurance situation, in communities with a high level of social trust, successful claims experience and product information are easier to spread through the Internet, and the information threshold of uninsured households is lowered. The empirical research of He and Li [2] directly supports this mechanism. They found that social interaction has a significant positive impact on the purchase of commercial insurance, and this impact is more prominent in households with relatively poor information.

However, it should be explained that social interaction should convey insurance information, provided that there is enough social trust within the network. If there is a lack of trust among network members, even if the information spreads, it may not be transformed into purchasing behavior. Manski [39] The discussion on social effect recognition reminds researchers that the correlation between social interaction and individual behavior may be mixed with selection effects and situational effects, and the correlation of the same group alone is not enough to establish the causal mechanism. This methodological warning is also applicable to social interaction research in the field of insurance. Subsequent empirical evidence needs to be carefully handled with the endogeneity of the network formation.

3.3.2 The Substitution Effect of Recommendations from Acquaintances in Low-Trust Environments

In an environment where institutional trust and institutional trust are missing, acquaintance recommendations may replace official information channels. Karlan [31]'s field experiment shows that the relationship of trust in social networks can reduce information asymmetry in financial transactions. In places where there is no formal credit system, the role of credibility endorsement between acquaintances is particularly obvious. Dohmen et al. [40] further found that trust and risk attitudes have the characteristics of intergenerational transmission within the household, which shows that the acquaintance network is not only an information channel, but also a source of attitude formation.

In China's insurance market, the alternative effect recommended by acquaintances is very realistic. Some households do not trust insurance agents, but are willing to accept the advice of relatives and friends based on their personal claims experience. This kind of acquaintance endorsement formally avoids the dependence on institutional trust, and in essence replaces institutional trust with interpersonal trust. Ma Guangrong and Yang Enyan [41] Research on informal finance shows that social networks play an important role in resource allocation in China, and this conclusion also applies to the dissemination of formal financial products such as insurance in acquaintance networks.

The substitute effect recommended by acquaintances can't only see the good side. It does maintain the basic insurance information circulation when the system trust is insufficient, and alleviates the problem of insufficient participation. However, the quality of the information recommended by acquaintances is uneven,

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which may also amplify the risk of irrational purchase or mismatch, and cannot replace the institutionalized trust building. Wu et al. [5] research on financial literacy suggests that households with low financial literacy rely more on the recommendation of acquaintances to make financial decisions, which means that the substitution effect of acquaintance channels is most prominent in groups with low financial literacy and weak institutional trust, and it is also the most necessary to prevent its potential negative consequences.

3.4 Summary

This review synthesizes the transmission path of social trust affecting insurance participation from three mechanical dimensions. The information transmission mechanism emphasizes the compressive role of trust on information cost and opportunistic concerns, the risk perception mechanism emphasizes the regulatory role of trust on subjective risk judgment and loss sensitivity, and the social interaction mechanism emphasizes that trust plays an intermediary role through information transmission through acquaintance networks. The three paths are interrelated and not independent of each other. Together, they form an explanatory framework for social trust affecting insurance decision-making, which provides a hypothetical source for the mechanism test of the subsequent empirical chapters.

4. Heterogeneity and Contextual Conditions of the Effects of Social Trust

4.1 Heterogeneous Effects Across Insurance Types

4.1.1 Comparing the Effects of Social Trust on Participation in Health Insurance and Life Insurance

The impact of social trust on insurance participation is not uniform among different types of insurance. Health insurance and life insurance are the two major parts of life insurance, and there are structural differences in the trust effect of the two. Kunreuther et al. [35] pointed out that the frequency of health insurance claims is high and the loss is relatively predictable. The compensation of life insurance is linked to the mortality rate and the cycle is longer. The information structure and uncertainty sources of the two types of products are different, and the intensity and path of trust are naturally different.

Let's look at the health insurance first. The high frequency of claims settlement means that the interaction between the policyholder and the insurance institution is more frequent, and the trust has an impact on the execution cost of each interaction. Fan Gangzhi and Wang Hongyang [42] found that based on the data of China's household financial survey, the household population structure has a significant impact on the demand for commercial life insurance, and the elasticity of health insurance demand is also related to the exposure of household members to medical risks. Households with high trust are more likely to understand health insurance as a sharing tool for high-frequency small risks, while households with low trust are worried about the frequent friction in the claim settlement process. This difference makes the trust effect more direct in health insurance.

Looking at life insurance, its trust effect is more reflected in the intertemporal dimension. The life insurance coverage period often spans decades, and the policyholder needs to pay the premium in the present to exchange for long-term payment, and trust in the evaluation of the credibility of the intertemporal commitment becomes the key. Laibson [27]'s hyperbolic discount model shows that households tend to underestimate long-term returns, and trust can partially offset this discount bias. The review of Frederick et al. [28] also pointed out that trust is an important psychological variable affecting long-term financial decision-making. Therefore, it can be inferred that the trust effect in life insurance participation may be stronger than that of health insurance, but its role is more in the path of intertemporal commitment credibility than the friction of claims.

4.1.2 Comparing the Effects of Social Trust on Participation in Property Insurance and Annuity Insurance

The trust effect of property insurance and annuity insurance is also different. The term of property insurance is short, and the amount of claim is directly linked to the target loss; annuity insurance involves long-term payment accumulation and payment arrangements. Mossin [22]'s insurance demand theory points out that the policyholder's understanding of the terms of the contract and the degree of risk avoidance jointly determine

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the insurance demand. The difference in parameters of this framework in different types of insurance means that the marginal effect of trust is also different.

The trust effect of property insurance is relatively weak, because the subject loss of property insurance is relatively objective, the claim process relies on relatively standardized procedures such as damage determination, and the policyholder's dependence on the subjective judgment of the institution is low. In contrast, the payment of annuity insurance depends on the long-term investment, operation and solvency of the insurance institution, and the policyholder must have confidence in the long-term performance capacity of the institution. Guiso et al. [30] Research on stock market participation shows that trust has a stronger constraining effect on the holding of long-term financial assets, and this logic also applies to annuity insurance.

In terms of the participation of Chinese households in annuity insurance, the complex structure of the product and the long-term nature make trust a key threshold. The study of Qin Fang et al. [43] found that financial knowledge has a significant positive impact on commercial insurance participation, which is more obvious in annuity products that need to understand long-term cash flow. This evidence suggests that participation in annuity insurance requires both financial knowledge and social trust to reduce concerns about the uncertainty of long-term contracts. The two types of factors may show stronger complementarity in annuity insurance. The existing literature does not adequately compare the system of trust effects of different types of insurance, which is a gap in follow-up research.

4.2 Urban–Rural and Regional Differences

4.2.1 Differences in the Effects of Social Trust Between Urban and Rural Households

The impact of social trust on insurance participation varies greatly between urban and rural areas. The social network in rural areas is based on blood and geographical connection. Trust is more special trust in acquaintances, and universal trust in formal systems such as insurance companies is relatively weak. When studying the regional differences in social capital, Putnam [7] pointed out that the structure of trust in different regions has historical and institutional roots, and this difference will be transmitted to economic behavior. In China, the dual structure of urban and rural areas makes this difference even greater.

Urban households are facing a richer supply of insurance and a more standardized claims environment. Their social trust is more at the institutional and institutional levels, so the role of trust in promoting insurance participation is relatively smooth. The social trust of rural households is highly dependent on the network of acquaintances, and most of the knowledge of insurance products comes from the experience of relatives and friends rather than institutional information. The study by Ma Guangrong and Yang Enyan [41] shows that rural social networks play a central role in informal finance. This mechanism is dominated by acquaintance recommendation and lack of institutional trust in the rural insurance market.

Rural households also have the problem of insufficient supply in insurance participation. He and Li [2] found that the role of social interaction on commercial insurance purchase is stronger in urban samples, because the quality of information transmitted by social interaction in cities is higher. Even if rural households have high trust in acquaintances, it may be difficult to form a correct understanding of insurance products because of the single information channel. To improve the participation of rural insurance, we should not only cultivate institutional trust, but also improve the dissemination channels of insurance information in rural areas.

4.2.2 The Moderating Role of Regional Insurance Market Development

The degree of development of the insurance market is an important situational condition for social trust to influence insurance participation. Guiso et al. [1] found in transnational research that the role of social trust in promoting financial development is more obvious in areas with weak institutional environment, that is to say, trust has a replacement effect on the shortcomings of the formal system. The study by La Porta et al. [19] also shows that the level of trust is closely related to the operational efficiency of large organizations, and the role of trust is more prominent in an environment of underdeveloped institutions.

This adjustment logic is also established between regions of China. The insurance market in the eastern coastal areas is developed early, the regulatory system is relatively mature, the institutional threshold for household participation in insurance is low, and the marginal role of social trust may be relatively mild. With the lagging development of the insurance market in the central and western regions and the insufficient supply

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of the system, social trust has become an important support for households to overcome barriers to participation. Fukuyama [8] Research on trust and cultural traditions suggests that the historical and cultural background of different regions shapes different foundations of trust, and this regional difference will affect the popularization path of formal financial products such as insurance.

It should also be noted that there may be an endogenetic relationship between the development of the insurance market and social trust. Areas with well-developed markets are often areas with high levels of trust. The two jointly affect insurance participation, and it is difficult to separate their independent contributions with simple return. Manski [39] The discussion on the identification of social effects provides a methodological basis for dealing with such problems. Subsequent empirical evidence requires the use of strategies such as instrumental variables or regional fixed effects to alleviate the estimation bias. The existing literature is still relatively weak in testing the role of regulating the degree of development of the insurance market, and there is a lack of systematic regional heterogeneity analysis.

4.3 Differences in Individual Characteristics and Household Endowments

4.3.1 The Effect of Financial Literacy on the Marginal Effect of Social Trust

Financial literacy is a key individual characteristic that regulates the marginal effect of social trust. Systematic research by Lusardi and Mitchell [29] shows that financial literacy affects individuals' ability to understand financial products, assess risks and plan long-term finances, which is an important variable to explain the differences in financial participation. In the field of insurance, households with high financial literacy can better understand the terms of insurance and claim rules more accurately, and rely less on vague trust in institutions when making decisions, so the marginal effect of social trust may be relatively weak.

Conversely, households with low financial literacy lack the ability to evaluate independently and rely more on social trust as an alternative basis for decision-making. Yin Zhichao et al. [4] found that financial knowledge has a significant impact on the choice of household assets, and this impact is more prominent in groups lacking financial knowledge. This result suggests that social trust and financial literacy may have a substitute relationship in insurance decision-making, that is to say, when households can rely on financial knowledge for rational evaluation, their dependence on institutional trust will decrease.

The policy meaning of this alternative relationship needs to be interpreted carefully. The cultivation of financial literacy and the construction of social trust are not mutually exclusive. They may play a complementary role in different groups. Research by Wu et al. [5] shows that financial literacy indirectly enhances the quality of decision-making by improving households' understanding of financial products, and this process does not exclude the positive effect of trust. Future research needs to further disassemble the interaction between financial literacy and social trust in insurance decision-making, and find out whether the two are substitutes or complementary, which is of reference value for the design of differentiated financial education policies.

4.3.2 The Interaction Effects of Income and Educational Attainment

Income level and education level affect the marginal effect of social trust by shaping the household's risk tolerance and information processing capacity. Guiso et al. [30] found that the impact of trust on stock market participation is stronger in low-income and low-educated groups, because these groups lack other sources of information and rely more on trust to make decisions. This discovery has direct extension significance in the field of insurance.

High-income households have more insurable assets and more complex risk management needs, but their decision-making relies more on professional consultants and multiple information channels, and the marginal role of social trust is relatively limited. Low-income households often can only rely on limited information of acquaintances, and social trust has become an important determinant of whether they participate in insurance. The mechanism of education is similar. Individuals with a higher level of education have a stronger ability to interpret terms, and the dependence on trust is correspondingly reduced. Dohmen et al. [40]'s research on the intergenerational transmission of attitudes shows that there are systematic differences in risk attitudes and trust attitudes between households with different education levels, which further supports the judgment of the regulating role of education level.

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The interaction between income and education in China's household insurance participation has special policy implications. The problem of limited commercial insurance coverage mentioned in the introduction is more prominent in low-income and low-educated households. These households not only face high risk exposure, but also lack the cognitive resources and trust foundation needed to participate in insurance, forming a double lack of risk protection. Qin Fang et al. [43] found that the role of financial knowledge in promoting participation in commercial insurance is more significant in low-income groups, indicating that cognitive intervention can partially make up for resource disadvantages. This evidence suggests that the insurance universalization policy for low-income and low-education groups should focus on the two dimensions of trust cultivation and financial literacy improvement at the same time.

4.4 Summary

This review synthesizes the heterogeneity and situational conditions of social trust affecting insurance participation from the three dimensions of risk type, urban and rural areas, individual and household endowment. The differences in insurance types come from the information structure and term characteristics of different products, the differences between urban and rural areas and regions come from the differentiation of trust structure and market development, and individual differences come from the shaping of decision-making methods by financial literacy, income and education. These heterogeneity analysis shows that the insurance effect of social trust does not evenly affect all households and all types of insurance, but is embedded in specific socio-economic situations. This understanding puts forward clear requirements for subsequent empirical evidence. Heterogeneity testing should not stop at a simple group comparison, but should be combined with mechanism analysis to reveal the source of the difference.

5. Research Limitations and Future Directions

5.1 Limitations of Existing Studies

5.1.1 Inconsistent Measures of Social Trust and Their Implications for the Comparability of Findings

Existing studies lack unified standards in the measurement of social trust, which directly affects the comparability of conclusions. Glaeser et al. [13] pointed out earlier that the measurement method and measurement object of trust will affect its interpretiveness of behavior, and there are systematic differences between single-issue measurement and experimental measurement. The comparative study of Naef and Schupp [14] further found that the confidence measures of different sources differ significantly in confidence and validity, and the use of different criteria across studies will weaken the comparability of conclusions.

This problem is particularly prominent in the study of Chinese household insurance. Some studies use trust in strangers as a proxy variable of social trust, some use trust in insurance companies or trust in insurance agents, and some equate social trust with the overall level of social capital. If the measurement caliber is not uniform, it is difficult to directly compare the effect size between different studies, and it is also difficult to judge whether the insurance effect of social trust reflects the role of generalized trust or specific trust. He Xingqiang, Li Tao [2] and Li Tao [3] used different confidence measures respectively, and part of the difference in their conclusions may come from the difference in the caliber of the measure.

The lack of uniformity of measurement standards also brings a deeper problem, that is, the differences in the connotation of trust in different cultural contexts are ignored. Zucker [16]'s institutional trust typology suggests that the degree of development of institutional trust in Western society is higher than that in China, and direct copying Western measurement tools may cause cultural deviations. Chinese household research needs to develop a multi-dimensional trust scale adapted to the local situation while drawing on the international measurement framework. This work is still in its infancy and is a key direction that needs to be broken through in the future.

5.1.2 Scope for Improving Strategies to Address Endogeneity

The endogeneity between social trust and insurance participation is another major challenge facing existing research. The two may be causal to each other, and the positive experience of participating in insurance will

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in turn improve the level of social trust in the household. At the same time, unobservable regional culture and household characteristics may affect trust and insurance decision-making at the same time, resulting in missing variable bias. Manski [39]'s classic discussion of social effect identification shows that the correlation between social interaction variables and behavioral outcomes is easy to confuse selection effects, situational effects and peer effects.

There is still room for improvement in the treatment of endogeneity in the existing research. Guiso et al. [1] use regional historical trust data as an instrumental variable, which is a relatively mature identification strategy, but its applicability to the Chinese situation needs to be carefully evaluated. In Chinese research, there is relatively little practice of using historical variables as instrumental variables. More research relies on cross-sectional data and ordinary least squares, and it is difficult to exclude the interference of reverse cause and effect and missing variables. Although He and Li [2] discussed the endogenous nature of social interaction, they could not give sufficient identification evidence due to data restrictions.

There are not many directions for improvement. Using exogenous shocks such as natural disasters and institutional changes for natural experiments can identify the causal effects of trust changes; Drawing on the practice of Guiso et al. [1], it is also a feasible way to use the trust level of the source of historical immigrants as an instrumental variable; or use panel data to control the household fixed effect, which can alleviate the missing variables that do not change with time. The implementation of these strategies in Chinese household data varies, and there are still many areas that can be promoted in the follow-up research method.

5.2 Future Research Directions

5.2.1 The Reconstruction of Social Trust and Household Insurance Participation in the Digital Technology Era

The restructuring of social trust by digital technology has opened up a new direction for insurance to participate in research. Internet insurance and digital claims settlement have changed the way policyholders interact with insurance companies, as well as the mechanism of forming and maintaining trust. Zucker [16]'s discussion on institutional trust suggests that the mechanism of trust will evolve with changes in the institutional environment, and digital technology, as a new institutional infrastructure, may reshape the structure of social trust. Luhmann [11]'s theory of system trust also suggests that the trust logic of abstract systems is different from face-to-face interpersonal trust, and trust in the digital environment is closer to trust in technical systems and algorithms.

The reconstruction of trust by digital technology is not one-way. Online information disclosure and third-party evaluation systems can reduce information asymmetry and improve the efficiency of supervision of insurance companies, which helps to enhance institutional trust; However, data security and privacy protection issues may also cause new distrust, especially concerns about algorithmic pricing and automated claims settlement. The global preference survey of Falk et al. [18] shows that there is a complex relationship between trust in the digital environment and traditional social trust, and the acceptance of digital trust by different groups varies significantly.

The development of China's digital insurance provides a unique scenario for testing these problems. China's Internet insurance penetration rate is relatively high, and the popularization of digital claims is at the forefront of the world, which makes Chinese households an ideal sample for studying the relationship between digital trust and insurance participation. Future research needs to answer how social trust is reconstructed in the digital technology environment, how this reconstruction is transmitted to insurance participation, and whether digital trust and traditional social trust are substituted or complementary. The answers to these questions have direct policy implications for understanding the digital transformation of China's insurance market.

5.2.2 Further Examination of the Interactive Effects of DIFFERENT Dimensions of Trust

The interaction between different dimensions of trust is another direction that needs to be further tested in the future. The previous combing shows that generalized trust and specific trust, interpersonal trust and institutional trust may play different roles in insurance decision-making, and there are complex interactions between them. Hardin [12]'s three-factor trust framework suggests that the connotation of trust includes multiple dimensions such as cognition, interest embedding and replaceable relationships. The weight of these

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dimensions in insurance decision-making may vary depending on the situation. Most of the existing studies treat trust as a single variable, ignoring the interaction between dimensions, which limits the depth of mechanism analysis.

A proposition worth testing is whether institutional trust and interpersonal trust are substitutes or complementary in insurance decision-making. When institutional trust is weak, interpersonal trust may play a substitute role through the recommendation of acquaintances; when institutional trust is strong, the marginal contribution of interpersonal trust may decrease. He and Li [2]'s research on social interaction and commercial insurance purchase provides preliminary evidence for this proposition, but there is no systematic empirical test of the interaction between the two types of trust. Similarly, there is a lack of in-depth research on the interaction between generalized trust and specific trust in insurance companies.

Testing the dimensional interaction effect requires a more refined measurement design and richer data support. The combination of multi-dimensional trust scales and experimental methods can provide a basis for identifying the interaction between dimensions, and panel data and instrumental variable strategies can help alleviate the endogenous problems of interaction items. The research paradigm of Guiso et al. [1,30] provides a reference for testing the multidimensional effect of trust in financial participation research. Future research in this direction can not only deepen the understanding of the mechanism of social trust, but also provide a more targeted explanation for the lack of participation in Chinese households' participation in commercial insurance raised in the introduction.

6. Conclusions

This review synthesizes the relationship between social trust and participation in Chinese households' participation in commercial insurance from the three levels of conceptual measurement, action mechanism and heterogeneity, and gives a relatively complete analytical framework. The study found that social trust is not a single variable. The role of generalized trust and specific trust in insurance decision-making is not the same, and the existing study lacks a unified standard for measuring caliber, which directly restricts the comparability between conclusions. There are three main channels for social trust to influence insurance decision-making, reducing transaction costs and opportunistic concerns, changing risk perception and loss sensitivity, and transmitting information with the help of acquaintance networks. The three channels are interrelated and not independent of each other. The insurance effect of social trust also shows obvious heterogeneity. There are differences between health insurance and life insurance, between urban and rural areas, and between different income and financial literacy groups. A single average effect will cover up the complex structure in reality.

The significance of this study can be seen from two perspectives. Against the background of high premium income growth and low household participation rate, examining social trust as a core explanatory variable is helpful to understand the micro-causes of insufficient participation in Chinese households' participation in commercial insurance. At the same time, this review integrates the evidence scattered in different disciplines and different risk studies into a framework, and also provides a conceptual basis and hypothetical source for subsequent empirical tests.

There are also obvious shortcomings in the research. In terms of measurement, the literature combed out in this review has different calibers in terms of trust measurement, limited reliability of cross-research comparison, and China's multi-dimensional trust scale is not yet mature. In terms of endogeneity, most of the evidence comes from cross-sectional data. The problem of reverse cause and effect and missing variables between social trust and insurance participation has not been fully solved, and the basis of causal inference is still relatively weak. In terms of mechanism testing, the existing research is not detailed enough to distinguish and identify the three transmission paths, and the boundary between social interaction and trust needs to be clarified.

Future research can be promoted from several aspects. In combination with the development of digital insurance, it is a direction to examine the restructuring of social trust in the digital technology environment and its impact on insurance participation. It is another direction to test the interaction between generalized trust, specific trust, institutional trust and interpersonal trust, and clarify the relative importance of different trust dimensions. It is also worth promoting the improvement of data and identification strategies, and the use of panel data, natural experiments and instrumental variables to improve the causal recognition ability. At the policy level, improving the participation of household participation in commercial insurance should not only

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rely on income growth and product supply, but also pay attention to the cultivation of institutional trust and the popularization of financial literacy, which may be a feasible way to narrow the gap between insurance supply and participation.

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