Customers Attitudes Analysis of the unit linked insurance plan in Private insurance company and old mutual life insurance

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CHAPTER I
INTRODUCTION

1.1 INTRODUCTION TO THE STUDY

Insurance has a long history in India. Life Insurance in its current form was introduced in 1818 when Oriental Life Insurance Company began its operations in India. General Insurance was however a comparatively late entrant in 1850

Life Insurance was the first to be nationalized in 1956. Life Insurance Corporation of India was formed by consolidating the operations of various insurance companies. General Insurance followed suit and was nationalized in 1973. General Insurance Corporation of India was set up as the controlling body with New India, United India, National and Oriental as its subsidiaries. The process of opening up the insurance sector was initiated against the background of Economic Reform process which commenced from 1991. For this purpose Malhotra Committee was formed during this year who submitted their report in 1994 and Insurance Regulatory Development Act (IRDA) was passed in 1999. Resultantly Indian Insurance was opened for private companies and Private Insurance Company effectively started operations from 2001.

Insurance Market- Present

Insurance

The story of insurance is probably as old as the story of mankind. The same instinct that prompts modern businesspersons today to secure themselves against loss and disaster existed in primitive men also. They too sought to avert the evil consequences of fire and flood and loss of life and were willing to make some sort of sacrifice in order to achieve security. However, the concept of insurance is largely a development of the recent past, particularly after the industrial era.

The Business of insurance is related to the protection of the economic values of assets. Every asset has a value. The asset would have been created through the efforts of the owner. The asset is valuable to owner, because he expects to get some benefits from it. The benefit may be an income or something else. It is a benefit because it meets some of his needs. In case of a factory or a cow, the product generated by is sold and income generated. In the case of a motor car, it provides comfort and convenience in transportation. There is no direct income.

Life Insurance

Human life is subject to risks of death and disability due to natural and accidental causes. When human life is lost or a person is disabled permanently or temporarily, there is a loss of income to the household. The family is put to hardship. Sometimes, survival itself is at stake for the dependants. Risks are unpredictable. Death / disability may occur when one least expects it. An individual can protect himself or herself against such contingencies through life insurance.

Life insurance is insurance on human beings. Life insurance products provide a definite amount of money to the dependants of the insured in case the life insured dies during his active income-earning period or becomes disabled on account of an accident causing reduction/complete loss in his income earnings.
An individual can also protect his old age when he ceases to earn and has no other means of income - by purchasing an annuity product. There are a number of life insurance products, which offer protection and coupled with savings.

**Important Milestones in the Life Insurance Business in India**

- **1818**: Oriental Life Insurance Company, the first life insurance company on Indian soil started functioning.
- **1870**: Bombay Mutual Life Assurance Society, the first Indian life insurance company started its business.
- **1912**: The Indian Life Assurance Companies Act enacted as the first statute to regulate the life insurance business.
- **1928**: The Indian Insurance Companies Act enacted to enable the government to collect statistical information about both life and non-life insurance businesses.
- **1938**: Earlier legislation consolidated and amended to by the Insurance Act with the objective of protecting the interests of the insuring public.
- **1956**: 245 Indian and foreign insurers and provident societies are taken over by the central government and nationalized. LIC formed by an Act of Parliament, viz. LIC Act, 1956, with a capital contribution of Rs. 5 Crores from the Government of India.

**Life Insurance Companies in India**

Before insurance sector was opened to the private sector Life Insurance Corporation (LIC) was the only insurance company in India. After the opening up of Insurance sector in India, there has been a glut of insurance companies in India. These companies have come up with innovative and flexible insurance policies to cater to varying needs of the individual. Opening up of the Insurance sector has also forced the LIC to tighten up its belt and deliver better service. Overall, it has been a bonanza for the consumer.

The functions of Insurance can be bifurcated into two parts:

- Primary Functions
- Secondary Functions
- Other Functions

1.1.1 **INTRODUCTION ABOUT ULIP (Unit Linked Insurance Plan)**

**Unit linked policies** are insurance + investment plans that offer the policy holder to have insurance cover with reasonably good returns in a long term. ULIPs are recently introduced in insurance sector after considering the boom in the share market. These gave good returns up to 54% on the investment. The expected return in the normal market condition is around 26 to 45%. ULIPs are most sold life insurance products in the recent past due to their flexibility of operation and investment options and good returns from them.

The risk of investment in the ULIPS is hold by the policyholder. Most insurance companies offer you different investment options in equity, the premium has to be paid for minimum 3 years. There is lock in period for 3 years during which policy holder is not allowed to either partially withdraw from the policy or fully withdraw the amount. After 3 years lock in period ULIPS are same like your bank account, you can either partially withdraw money or terminate the policy without any extra charges involved.

**WHY OFFER UNIT-LINKED POLICIES?**

1.**GENERAL CONSIDERATION**

A product will only provide good sales volumes in a market if it meets the requirements of the parties involved in the transaction. For an insurance product, this means meeting the requirements of the client, the distributor (assumed to be an intermediary) and the insurer. In this section we look at how a unit-linked policy meets the needs of the three parties.
2. THE CLIENT

Smoothing of investment returns on conventional policies has been reduced as actuaries, through competitive Unit-linked policies can be designed to do almost anything a conventional policy can, but they can also offer more flexibility. The notable exception is achieving the smoothing of investment returns which was traditionally the objective of conventional policies.

Over the years, the pressures have increased the terminal bonus element of maturity payouts. The volatility of investment returns under conventional policies has therefore increased and the main perceived advantage of such policies has diminished.

The major disadvantage of conventional policies lies in their bundled nature and, in particular, that the cash value of the policy at a particular time is not clear to the client. The transparent nature of a unit-linked policy has a major appeal to clients who wish to monitor the progress of the value of their investment. This has enabled single premium life insurance policies to compete successfully with mutual funds and other open-ended collective investment schemes.

Further advantages of unit-linking are that the client has control over the investment strategy for the policy and may be more comfortable with unit linking as the concept is closer to other collective investment vehicles than a conventional policy. Notably, clients may control the degree of investment risk by directing premiums to the funds most appropriate in relation to their risk equity share fund, would expect to earn better returns over the long term.

3. THE INTERMEDIARY

The transparency and flexibility of unit-linked policies provide the intermediary with products that meet a wide variety of client needs and which are easy to explain (in principle) to clients, particularly in terms of demonstrating investment performance compared to that of competitors. It is also possible for the intermediary to show how unit-linked contracts have the potential to outperform their conventional with-profits counterparts based on past performance.

In general, the maturity values of unit-linked policies invested in managed or balanced funds where the underlying investments are a mix of shares, bonds, property and cash should be similar to the maturity value of a conventional with-profits policy. The maturity values of unit-linked plans invested in equity share funds would be expected to be higher. The quality of unit-linked business should be better than that of conventional business, in terms of persistency, for this reason.

4. INSURER

The insurer should only offer unit-linked products in response to a demand from the market or where it is believed that market conditions will support unit linked innovation and where it can make a sufficient profit. Clear indications of where unit-linked plans may be successful are flat or stagnating sales of traditional with profits products, and increases in sales of pure investment linked trusts (or mutual funds). Offering unit-linked insurance would be a method to retain existing customers or attract new customers who may otherwise purchase pure protection insurance (term insurance) and place their savings in investment-linked trusts or other pure investments.

CRITICAL SUCCESS FACTORS FOR UNIT-LINKED BUSINESS

1. EFFICIENT INVESTMENT MARKETS

A key area in which a unit-linked policy differs from a conventional with-profits policy is that the investments of the unit-linked policy should be able to be valued at any point in time. This means that a price for the individual investments of a unit-linked fund should be available at any time, i.e. efficient investment markets. This covers not only share markets but also government bond markets, corporate bond markets and (as far as possible) property markets.
2. A DEMAND FOR TRANSPARENT INVESTMENTS

In markets where shares, bonds and property are popular investment media, there is a predisposition towards investments that can be easily valued. This weighs heavily in favor of a unit-linked policy rather than a conventional policy.

3. A WELL-DEVELOPED LIFE INSURANCE MARKET

A well-developed life insurance market can be characterized by the following:

- A need for protection and savings
- A stable economic background
- Consumer wealth
- A sophisticated banking system able to process mass transactions
- An advanced supervision system which allows the introduction of new classes of business
- Trust in financial services institutions
- A taxation regime that does not disadvantage life insurance in general or unit-linked life insurance in particular

4. ADEQUATE SYSTEMS

The flexibility of unit-linked products means that there can be a large number of options as to how the policy is put together. There are options regarding the choice of add-on insurance benefits, the term of the policy and whether the cash value is payable as part of the sum insured or in addition to the sum insured on the occurrence of the insured event. This means that complex point of sale illustration systems are required to support unit-linked products.

Once written, unit-linked policies are complex from a record-keeping point of view, as, there are large amounts of data required to be held and large numbers of transactions to be processed. A powerful and efficient administration system is needed to manage a unit-linked portfolio.

5. A VIABLE DISTRIBUTION SYSTEM

Access to the market through one or more of the following:

- A tied sales force – well trained, well paid and well motivated
- A reliable independent sales network
- Another financial services organization (e.g. a bank)
- Other direct access to the market (direct response or other distribution agreements with third parties)

6. A GOOD INVESTMENT TRACK RECORD

To be successful in the unit-linked market, an insurer must be able to demonstrate a good history of investment performance. For a new entrant to the unit-linked market, this is clearly impossible (unless, for example, it relies on tracker funds which replicate the performance of well-known stock indices) and the insurer must rely on its reputation in the market or else rely on someone else’s track record. This is often done by using external fund managers to manage the investments, or by investing in funds managed by another fund manager. In either case, the pedigree of the external fund manager becomes part of the marketing message

1.3 STATEMENT OF PROBLEM

- Increasing competition in insurance sector needs to sustain in the present scenario.
- To study the customers preference, attitudes and key issues to be found.
1.4 OBJECTIVE OF THE STUDY

- To SWOT analysis the unit linked insurance plan in Private Insurance Company Mahindra old mutual life insurance.
- To study the customers attitudes of ULIP insurance holders in Private Insurance Company Mahindra old mutual life insurance
- Their preferences relating to ULIP plan offered by Private Insurance Company Mahindra old mutual life insurance.

CHAPTER III
RESEARCH METHODOLOGY

Research is defined by Parel, as “a systematic study or investigation of something for the purpose of answering questions posed by the researcher”. Research, is a vehicle for mobility. It is because of research that society does not remain stagnant. It is major contributor towards the attainment of development goals.

A research paper is not simply a compilation of the ideas of writers read but an organization of their views in one’s own way to show the relation of the different ideas and if possible to draw conclusions based on one’s readings.

3.1 RESEARCH DESIGN
Type of Research made is Descriptive Research. Descriptive research describes and interprets what is. It is concerned with conditions of relationships that exist; practices that prevail; beliefs, processes that are going on; effects that are being felt, or trends that are developing.

The process of descriptive research goes beyond mere gathering and tabulation of data. It involves an element or interpretation of meaning or significance of what is described. Thus description is often combined with comparison and contrast involving measurements, classifications, interpretations and evaluation.

3.2 SAMPLING DESIGN
The sampling design used was Convenient sampling.

3.3 SAMPLE SIZE
120 customers of ULIP insurance holder in p old mutual life in a private insurance in Chennai

3.4 STATISTICAL TOOLS
Researcher has used the following tools:
  - Simple percentage analysis
  - Mean and standard deviation
  - Anova

3.7 LIMITATIONS OF THE STUDY

- Due to the short span of time the researcher study was restricted to the sample size of 120.
- The type of sampling adapted here is non probability sampling(Under that convenience sampling is used)
ANALYSIS AND INTERPRETATION

Table 1  Media through which the respondent came to know about the ULIP plan

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Friends</td>
<td>28</td>
<td>23</td>
</tr>
<tr>
<td>2. Advertisements</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>3. Periodicals/Books/Internet</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>4. Agents</td>
<td>92</td>
<td>77</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>120</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

**Inference:** The above table reveals that 77 percentage of the respondents are came to know about ULIP plan through agents and remaining 23 percentage of the respondents are came to know about ULIP plan through friends.

Table 2  Type of ULIP you have

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.Sum assured (or) Fund value</td>
<td>49</td>
<td>41</td>
</tr>
<tr>
<td>2.Sum assure + Fund value</td>
<td>71</td>
<td>59</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>120</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

**Inference:** The above table reveals that 59 percentage of the respondents have SA + Fund value type of plan, while 41 percentage of the respondents have SA (or) Fund value type of plan. It is inferred that 59 percentage of respondents have SA + Fund value.

Table 3  How many ULIP plan do you have

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>One</td>
<td>102</td>
<td>85.0</td>
</tr>
<tr>
<td>Two</td>
<td>12</td>
<td>10.0</td>
</tr>
<tr>
<td>Three</td>
<td>4</td>
<td>3.3</td>
</tr>
<tr>
<td>above three</td>
<td>2</td>
<td>1.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>120</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

**Inference:** From the above table it is inferred that 85.0 percentage of the respondents having one ULIP insurance, while 10.0 percentage of the respondents having two ULIP insurance, while 3.3 percentage of respondents having three ULIP insurance, while 1.7 percentage of respondents having above three ULIP insurance. So from the above table shows 85.5 percentage of the respondents having only one ULIP insurance.

Table 4  Did you try out any other company's ULIP Plan

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>42</td>
<td>35.0</td>
</tr>
<tr>
<td>No</td>
<td>78</td>
<td>65.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>120</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

**Inference:** From the above table it is inferred that 35 percentage of the respondents had try out other companies ULIP plan, while 65 percentage of the respondents not tried out other companies ULIP plan.
SUMMARY AND CONCLUSION

5.1 EXECUTIVE SUMMARY

The research was carried out for identifying the SWOT of the company and customer preference towards the ULIP. It was found that the customer who availed the ULIP products of Private Insurance Company Mahindra old mutual life insurance are seen highly satisfied due to the low premium rate. The brand loyalty was identified to be strength for Private Insurance Company Mahindra old mutual life insurance and investment pattern was satisfactory for most of the customer. It was found that tax benefits, low allocation charges, service quality stands high in the customer preference towards Private Insurance Company insurance. It is also concluded that the features and benefits of ULIP products must be advertised through visual and print Medias.

5.2 FINDINGS

1. Majority 76.7 percentage of the respondents came to known about the ULIP plan by agents
2. 51 percentage of the respondents have Sum Assured + Fund value type of ULIP plan in Private Insurance Company Mahindra Old Mutual Life Insurance Limited.
3. 85.0 percentage of the respondents having one ULIP insurance in Private Insurance Company Mahindra Old Mutual Life Insurance Limited.
4. 28.3 percentage of the respondents have this ULIP plan less than one year.
5. 46.7 percentage of the respondents prefer ULIP plan in Private Insurance Company insurance due to low premium rate.
6. All the respondents told that maximum sum assured with minimum premium is available in Private Insurance Company insurance.
7. All the respondents told that they will recommend to purchase the ULIP plan in Private Insurance Company insurance
8. 65 percentage of the respondents not tried out other companies ULIP plan.
9. 33.3 percentage of the respondent’s next choice other than Private Insurance Company insurance is Birla sun life insurance.
10. The response for the allocation charges was 4 on a 5 point rating scale. Here, a majority of 68.3 percentage of respondents are satisfied in allocation charges in Private Insurance Company insurance.
11. 86.3 percentage of respondents are satisfied with investment pattern of Private Insurance Company Mahindra Old Mutual Life Insurance Limited.
12. The response for the settlement of policy was 3.72 on a 5 point rating scale. Here, a majority of 58.3 percentage of respondents are satisfied in all settlement of policy in Private Insurance Company insurance.
13. 80 percentage of respondents are satisfied with advantages of funds in Private Insurance Company insurance
14. 66.7 percentage of respondents are satisfied with premium rate charged by Private Insurance Company insurance and 31.7 percentage of respondents are highly satisfied with premium rate.
15. The response for the service rendered by Private Insurance Company insurance was 3.97 on a 5 point rating scale. Here, a majority of respondents are satisfied in service rendered by Private Insurance Company insurance.

5.4 CONCLUSION

- The study shows the strength, weakness, opportunity and treat (SWOT) of Private Insurance Company Mahindra old mutual life insurance Coimbatore.
• The ULIP plans of Private Insurance Company insurance are very competitive and have an edge over the plans of other companies as they provide returns, services and other benefits to their customers.
• Most of the market is still not aware about the Private Insurance Company insurance company ULIP plans and hence by making proper Promotional strategy can increase the sales.
• Most of the insurers are prefer to low premium rate ULIP plan, so Private Insurance Company should take care this while introducing new plan in market.
• Most of the respondent’s attitude is good towards the Private Insurance Company insurance ULIP plan.

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