

# INVESTMENT AVENUES IN ULIP'S OF ICICI PRUDENTIAL LIFE INSURANCE IN COIMBATORE

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**Abstract:**The mutual fund is the puddle of financial and investment organization in a professional way of financial resource management in capital market instrument such as share, bonds and other securities. In this context ICICI Unit Linked Investment Plan playing vital role in stock market investment for the middle class segments to provide better returns from their investments. In this report has been analysed the various group of investors in ULIP prudential life insurance particularly in Coimbatore with objectives of ULIP products of ICICI prudential life insurance and the benefits provided to investors with the level of investments in ULIP's of ICICI Prudential. Based on this analysis provided effective suggestion and recommendation for the stakeholders of ULIP.

## 1. INTRODUCTION

Life Insurance Corporation (LIC) in 1956. LIC got the sole monopoly for transacting the life insurance business in our country. In 1993 the Government of India appointed RN Malhotra Committee to lay down a road map for privatization of the life insurance sector. While the committee submitted its report in 1994, it took another six years before the enabling legislation was passed in the year 2000. This legislation amended the Insurance Act of 1938 and also legislating the Insurance Regulatory and Development Authority Act of 2000. In the same year the newly appointed insurance regulator, Insurance Regulatory and Development Authority (IRDA), started issuing licenses to private life insurers.

With the opening up of the market, foreign and private Indian players were keen to convert untapped market potential into opportunities by providing tailor-made products. The insurance market started to fill up with new players which had led to the introduction of several innovative insurance based products, value add-ons, and services. Many foreign companies have also entered the arena such as Tokio Marine, Aviva, Allianz, Lombard General, AMP, New York Life, Standard Life, AIG, and Sun Life. The competition among the companies has led to aggressive marketing, and distribution techniques. The active part of the Insurance Regulatory and Development Authority (IRDA) as a regulatory body has provided to the development of the sector.

The insurance industry is the latest which was thrown open to competition from the private sector including foreign players. Foreign companies can only enter joint ventures with Indian companies, with participation restricted to 26 per cent of equity. It is too early to conclude whether the erstwhile public sector monopolies will successfully be able to face up to the competition posed by the new players, but it can be expected that the customer will gain from improved service. The new players will need to bring in innovative products as well as fresh ideas on marketing and distribution, in order to improve the low per capita insurance coverage the entry of foreign players has assisted in the introduction of international practices and systems.

Technology developments have improved customer service. On the whole, the cumulative effect of the developments since 1991 has been quite encouraging. An indication of the strength of the reformed Indian financial system can be seen from the way India was not affected by the Southeast Asian crisis. However, financial liberalization alone will not ensure stable economic growth. Some tough decisions still need to be taken. Without fiscal control, financial stability cannot be ensured. The fate of the Fiscal Responsibility Bill remains unknown and high fiscal deficits continue. In the case of financial institutions, the political and legal structures have to ensure that borrowers repay on time the loans which they have taken. The phenomenon of rich industrialists and bankrupt companies continues. Further, frauds cannot be totally prevented, even with the best of regulation. However, punishment has to follow crime, which is often not the case in India.

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 dependance. 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. Though human life cannot be valued, a monetary sum could be determined which is based on loss of income in future years. Hence, in life insurance, the sum assured (or the amount guaranteed to be paid in the event of the loss) is by way of a 'benefit' in the case of life insurance. 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.

## 2. UNIT LINKED INSURANCE PLANS (ULIP)

ULIP is a category of goal-based financial solutions that combine the safety of insurance protection with wealth creation opportunities. In ULIP's a part of the investment goes towards providing you life cover. The residual portion of the ULIP is invested in a fund which in turn is invested in stocks or bonds; the value of such investments alters with the performance of the underlying fund chosen by the policyholder. The dynamics of the capital market have direct bearing on the performance of ULIP. Thus, in ULIP's the investment risk is generally borne by the investor.

In India, the history of life insurance dates back to the year 1818, with the Oriental Life Insurance Company in Calcutta. It is surprising to note that at that time a higher premium was charged for Indian lives than the English lives, as Indian lives were considered riskier for coverage. The first company to charge same premium for both Indian and non-Indian lives was, The Bombay Mutual Life Insurance Society, which started its business in 1870. The first general insurance company- Triton Insurance Company Limited was established in 1850. The life insurance regulation formally began in India in 1912 after the passage of The Life Insurance Companies Act of 1912 and the Provident Fund Act of 1912. By the year 1938, number of insurance companies was 176. The first comprehensive legislation was passed with the Insurance Act of 1938, this Act provided for strict State Control over insurance business.<sup>3</sup> In 1956, The Government of India brought together 245 entities (154 Indian insurers, 16 non-Indian insurers and 75 provident societies) under one nationalised corporation, which was named as Life

Insurance Corporation of India (LIC). But, the non-life insurance business continued in private sector and was nationalised in 1972. Finally, the Government of India liberalised the insurance sector in March 2000, with the passage of the Insurance Regulatory and Development Authority (IRDA) Bill. This act aims at lifting all entry barriers for private companies and allows foreign companies to enter the market with limitations on direct foreign ownership. Following two legislations, which govern this sector, are: - The Insurance Act- 1938 and the IRDA Act- 1999

**Growth of Unit Linked Business in India:** India has seen a tremendous Growth on the Unit Linked Front over the Recent Years. The Growth Has Been Fuelled By The Booming Stock Markets & Lower Interest Rates. Before The Introduction Of The Unit Linked Product, The Prospects/Policyholders Who Are Interested In Investing In Stock Markets Either Had To Purchase The Stocks On Their Own In The Primary/Secondary Or Invest In Mutual Funds. With The Introduction Of The Unit Linked Product, The Prospect Has An Option To Invest In The Stock Market Via Purchase Of A Unit Linked Life Insurance Policy In Addition To The Life Insurance Cover. A Unit Linked Policy Scores over Mutual Fund via Tax Advantages and Life Cover (Now Sips Can Offer Life Cover as Per Recent SEBI Guidelines). Also, As Per The Recent SEBI Guidelines Exits Under Closed Ended Schemes Are Not Permitted.

## 3. INDIAN SCENARIO:

In India, Unit Linked Business Is Well Regulated As Under Through Unit Linked Guidelines, Which Aim At Provision Of Fair Insurance Coverage, Disclosures To Facilitate Informed Decisions By The Policyholders As The Investment Risks Are Borne By Them And Preserving Long Term Nature Of The Insurance Products. Benefit Illustrations, To Be Demonstrated To The Policyholder/Prospect, Which Aims At Providing All Relevant Information Regarding The Amounts Deducted Towards Various Charges So That The Policyholder/Prospect Can Take An Informed Decision. Through Investments Regulations For Ex: Restricting The Investments In Other Than Approved Securities To A Maximum Of 25%, Restriction The Concentration In One Particular Sector To 10%

For A Unit Linked Product To Continue To Be Successful, Insurers Must Ensure That They Make It Easy For The Policyholder/Prospect To Access The Information Relevant To Their Investment Decisions And Which Enables Them To Make Comparisons With The Other Providers. The Sales Literature Must Disclose All The Key Elements Which Are Essential To Enable The Policyholder/Prospect To Make Effective And Informed Choices.

## 4. RISK FACTOR IN ULIP

The investment risk is related to the stock market. The NAVs of the units go up and down depending on the funds performance and the factors affecting the Capital market. The ULIP are subject to following charges:

- a. Premium allocation charge
- b. Mortality Charges
- c. Fund Management Charges
- d. Policy Administration Charges
- e. Surrender Charges
- f. Fund Switching Charges

## 5. OBJECTIVES OF THE STUDY

- To analyse ULIP products of ICICI prudential life insurance
- To know the benefits provided by the ULIP products of ICICI prudential life insurance
- To know the level of investments in ULIP's of ICICI Prudential

## 6. SCOPE OF THE STUDY

“The investment avenues in ULIP’s of ICICI prudential life insurance in Coimbatore” is a detailed study about the inception of the concept of unit linked insurance policies and its work mechanism. The study is confined only to the analysis about the ULIP’s and its effectiveness. ICICI Prudential Life Insurance Co offers life insurance and medical insurance plans. Life insurance plans are issued by the company in the following categories:

- 1) Education solutions
- 2) Wealth creation plans
- 3) Premium guarantee plan
- 4) Protection plans
- 5) Retirement plans.

The protection plans are purely traditional life insurance plan and hence is beyond the scope of this study. The researcher has taken one Unit linked plan from each category as follows:

- a) Education solution – smart kid new unit linked regular premium
- b) Wealth creation plans – ICICI Pru life stage assure
- c) Premium guarantee plans – invest shield cash back
- d) Retirement plans – life stages, pension

## 7. RESEARCH METHODOLOGY

The primary data refers to the data collected from direct questioning and which has not been collected or gathered earlier by any other research study. The data for this study has been collected by interacting with the branch manager of ICICI Prudential Life Insurance of Ramanathapuram branch, Coimbatore. This type of data refers to the gathering of information from the sources that have “ready- made data” already in possession. This data has already been collected and compiled. This data has been collected from the existing surveys in the company. Information has been gathered from the company brochures, periodicals, websites and other books. After gathering the data from the sources, the data were analyzed, tabulated, interpreted and final conclusion were made regarding the entire project. The data were analyzed through Simple percentage method. Chi-square test and Weighted mean method.

## 8. LIMITATIONS OF THE STUDY

The study is limited only to ICICI prudential life insurance. Focused only on ULIP products and the study does not include any comparison with product of other companies

## 9. REVIEW OF LITERATURE

**Thakkar (2014)** found that to know the investment behavior of individuals with related to life insurance and also to know the problems faced by them. The study was conducted amongst the investors (policy holders) of Kolhapur city. His study revealed that Insurance Advisor is the main influencer in buying decision of life insurance consumers. They depend largely on the insurance advisor.

**Mushtaq (2015)** determined that defines the effect of services provided by the insurers and its role in building customer attitude. Every business these days of cut throat competition need to focus on their customer to maintain themselves in the market. Moreover their competence depends more on the attribute that how they treat their customers their needs, demands and attitudes. The current study is conducted in the city of Lucknow – India concerning about 150 respondents all of which are the insurance customers. This study tries to analyze the attitudes of the customers regarding the services especially after sale services provided by their insurers and also tries to give results accordingly

**Borah (2016)** explained that the modern concept of marketing emphasizes on the satisfaction of customers. Marketing begins and end with the customers. Customers are the King in business. The study analysis the service quality perception of 50 customers in Jorhat, Assam chosen from Kotak Mahindra Life Insurance Company to access their satisfaction level and also identify service factors which have the maximum impact on customers’ satisfaction. For choosing the sample, non-probabilistic judgment-cum-convenience sampling technique was used. The finding of the study shows that most of the customers are satisfied.

## 10. ANALYSIS AND RESULTS

Table 1: Demographic Variables of the respondents

Sl. No.	Demographics	Frequency	Percentage
1.	<b>Age</b>		
	Below 30 years	23	22.8
	31 to 40 years	28	27.7
	41 to 50 years	29	28.7
	Above 50 years	21	20.8
2.	<b>Sex</b>		
	Male	71	70.3
	Female	30	29.7
3.	<b>Educational Qualification</b>		
	Higher Secondary	5	5.0
	Graduation	23	22.8
	Post-Graduation	45	44.6
	Others Diploma, ITI, professional, etc.)	28	27.7
4.	<b>Occupation</b>		
	Government Sector	28	27.7
	Private Sector	32	31.7
	Self Employed	13	12.9
	Professionals	14	13.9
	Others	14	13.9
5.	<b>Monthly Income</b>		
	Less than Rs.300000	26	25.7
	Rs.300001 to Rs.500000	38	37.6
	Rs.500001 to Rs.1000000	20	19.8
	Above Rs.1000000	17	16.8

It is clear from the table that maximum (28.7%) of the respondents are in the age group of 41 to 50 years, 27.7% of the respondents belong to the age between 31 and 40 years, 22.8% of the respondents are below 30 years of age and the remaining 20.8% of the respondents are above 50 years of age. It is understood from the table that majority (70.3%) of the respondents are male and 29.7% of the respondents are female. It is evident that less than half (44.6%) of the respondents are post graduates, while 22.8% of the respondents are graduates, 27.7% of the respondents are having various other qualifications (Diploma, ITI, Professional, etc.) and the remaining 5% of the respondents studied upto higher secondary. It is clear that maximum (31.1%) of the respondents are working in Private Sector, 27.7% of the respondents are working in Government Sector, 13.9% each of the respondents are professionals and engaged in other categories (unemployed, part-time employed, home maker, etc.) and the remaining 12.9% of the respondents are self-employed. It is understood that most (37.6%) of the respondents are having family income between Rs.300001 to 500000, while 25.7% of the respondents are having income less than Rs.3,00,000, 19.8% of the respondents are having income between Rs.5,00,001 and Rs.10,00,000 and the remaining 16.8% of the respondents are having income above Rs.10,00,000.

## INVESTMENT PERCEPTION

Table 2: Investment Perception of the respondents

Sl.No.	Investment Perception	Frequency	Percentage
1.	<b>Sector of Investment apart from ULIP</b>		
	Mutual Fund	45	44.6
	Insurance	29	28.7
	Shares	16	15.8
	Others	11	10.9
2.	<b>Reasons for Investment</b>		
	Tax Savings	29	28.7
	Returns	50	49.5
	Capital Appreciation	22	21.8
3	<b>Awareness</b>		
	Aware	101	100.0
	Not Aware	0	0.0
4.	<b>Media of Awareness</b>		
	Electronic Media	46	45.5
	Print Media	16	15.8
	Seminars / Workshops	13	12.9
	Posters / Hoardings	12	11.9
	Others	14	13.9
5.	<b>Type of Plan</b>		
	Savings Plan	23	31.1
	Pension Plan	11	14.9
	Protection Plan	12	16.2
	Children's Plan	28	37.8
6.	<b>Reasons for investment in ULIP</b>		
	Life Protection	18	17.8
	Investment and Savings	38	37.6
	Flexibility	19	18.8
	Liquidity	8	7.9
	Tax Planning	18	17.8
7.	<b>Returns expected from ULIP</b>		
	15 to 25%	21	20.8
	25 to 35%	43	42.6
	35 to 45%	22	21.8
	More than 45%	15	14.9
8.	<b>Rating about the ULIP Plan</b>		
	Excellent	27	26.7
	Good	26	25.7
	Fair	41	40.6
	Poor	7	6.9
9.	<b>Suggestions</b>		
	More promotional activities	15	14.9
	Arrange more workshops and seminars	26	25.7
	Reduce charges	25	24.8
	Create awareness through advisors	17	16.8
	Others	18	17.8

It is clear that maximum (44.5%) of the respondents have invested in Mutual fund plan apart from ULIP, while 28.7% of the respondents have invested in Insurance, 15.8% of the respondents have invested in Shares and the remaining 10.9% of the respondents have invested in other avenues. It is evident that most (49.5%) of the respondents made their investment for high returns on their investment, while 28.7% of the respondents had invested for tax savings and the remaining 21.8% of the respondents had invested for capital appreciation. It is clear that all (100%) of the respondents are aware about ICICI prudential life insurance and none of the respondents are not aware about ICICI Prudential Life Insurance. It is understood that less than

half (45.5%) of the respondents are aware through electronic media, while 15.8% of the respondents are aware through print media, 13.9% of the respondents are aware through other medias, 12.9% of the respondents are aware through seminars / workshops and the remaining 11.9% of the respondents are aware through posters / hoardings. It is observed from the table that 37.8% of the respondents are in the Children's plan, while 31.1% of the respondents are in the savings plan, 16.2% of the respondents are in the protection plan and the remaining 14.9% of the respondents are in the pension plan. It is evident from the table that most (37.6%) of the respondents stated investment and savings as the reasons for investing in ULIP, while, 18.8% of the respondents indicated flexibility, 17.8% each of the respondents expressed for Tax Planning and Life Protection respectively and the remaining 7.9% of the respondents opined for liquidity. It is clear from the table that most (42.6%) of the respondents expects 25% to 35% returns on their ULIP investment, while, 21.8% of the respondents expects 35% to 45% returns, 20.8% of the respondents expects 15% to 25% returns on their ULIP investment and the remaining 14.9% of the respondents expects more than 45% returns on their ULIP investment. It is understood that as high as 40.6% of the respondents stated fair about the ULIP Plan, while 26.7% of the respondents rated excellent, 25.7% of the respondents opined good and the remaining 6.9% of the respondents reported poor about the ULIP Plan. It is clear from the above table that 25.7% of the respondents expects to arrange more workshops and seminars to improve the popularity of ULIP Plans of ICICI prudential life insurance, while 24.8% of the respondents suggested to reduce charges, while 17.8% of the respondents recommended other steps to improve the popularity of ULIP, 16.8% of the respondents urged to create awareness through advisors and the remaining 14.9% of the respondents advocates for more promotional activities to improve the popularity of the ULIP Plans.

**Table 3: Advantages of investing in ULIP Plan**

Advantages	Very Low	Low	Moderate	High	Very High	Wtd. Mean	Rank
Participating in the Growth of Capital Market	7	17	10	48	19	3.545	1
	0.069	0.337	0.297	1.901	0.941		
ULIP is more popular and sole as an attractive asset	18	19	13	34	17	3.129	5
	0.178	0.376	0.386	1.347	0.842		
Combination of benefits like life insurance protection and investment	12	13	23	44	9	3.248	2
	0.119	0.257	0.683	1.743	0.446		
ULIP is the most famous and safe way of investment	20	12	12	47	10	3.149	4
	0.198	0.238	0.356	1.861	0.495		
Realize higher than the sum assured	10	27	17	29	18	3.178	3
	0.099	0.535	0.505	1.149	0.891		

Source: Primary Data

It is observed from the table that the respondents opinion towards advantages of investing in ULIP plan was high with respect to the statement "Participating in the Growth of Capital Market" with the weighted mean of 3.545,, followed by the second rank for the statement "Combination of benefits like life insurance protection and investment" with the weighted mean of 3.248, third rank was observed as advantages investing in ULIP by the respondents with respect to "Realize higher than the sum assured" with the weighted mean of 3.178, while the fourth rank was for "ULIP is the most famous and safe way of investment" with the weighted mean of 3.149 and finally, the least rating was for "ULIP is more popular and sole as an attractive asset" with the mean of 3.129.

**Table 4: Opinion on satisfaction towards investment**

Opinion	Frequency	Percent
Yes	74	73.3
No	27	26.7
<b>Total</b>	<b>101</b>	<b>100.0</b>

It is clear that majority (73.3%) of the respondents are satisfied towards their investment and 26.7% of the respondents are not satisfied with their investment.

## 11. CHI-SQUARE TEST

### HYPOTHESIS

**Null Hypothesis:** There is no significant relationship between Reasons for Investment and Opinion on satisfaction towards investment

**Alternative Hypothesis:** There is significant relationship between Reasons for Investment and Opinion on satisfaction towards investment

**Table 4: Reasons for Investment and Opinion on satisfaction towards investment**

Sector	Opinion		Total
	Yes	No	
Tax Savings	20 (21.2)	9 (7.8)	29
Returns	42 (36.6)	8 (13.4)	50
Capital Appreciation	12 (16.1)	10 (5.9)	22
<b>Total</b>	<b>74</b>	<b>27</b>	<b>101</b>

Note: Value in Parenthesis represent expected frequency

#### Result

Chi-Square Value	: 7.152
Degree of Freedom	: 2
Table Value	: 5.991
P-Value	: 0.028
Result	: Significant

The result of the chi-square test reveals that the calculated chi-square value (7.152) is more than the table chi-square value (5.991) at 5% level of significance and therefore, the relationship between Reasons for Investment and their opinion on satisfaction towards investment is significant. Thus the hypothesis is that the relationship between the two factors holds good and the null hypothesis is rejected.

## 12. SUMMARY OF RESULTS

- Maximum (28.7%) of the respondents are in the age group of 41 to 50 years,
- Majority (70.3%) of the respondents are male
- Less than half (44.6%) of the respondents are post graduates
- Maximum (31.1%) of the respondents are working in Private Sector
- Most (37.6%) of the respondents are having family income between Rs.300001 to 500000
- Maximum (44.5%) of the respondents have invested in Mutual fund plan apart from ULIP
- Most (49.5%) of the respondents made their investment for high returns on their investment.
- All (100%) of the respondents are aware about ICICI prudential life insurance
- Less than half (45.5%) of the respondents are aware through electronic media
- 37.8% of the respondents are in the Children's plan
- Most (37.6%) of the respondents stated investment and savings as the reasons for investing in ULIP
- Most (42.6%) of the respondents expects 25% to 35% returns on their ULIP investment
- As high as 40.6% of the respondents stated fair about the ULIP Plan
- 25.7% of the respondents expects to arrange more workshops and seminars to improve the popularity of ULIP Plans of ICICI prudential life insurance
- It is observed from the table that the respondents opinion towards advantages of investing in ULIP plan was high with respect to the statement "Participating in the Growth of Capital Market" and finally, the least rating was for "ULIP is more popular and sole as an attractive asset".
- Majority (73.3%) of the respondents are satisfied towards their investment

## WEIGHTED MEAN

- It is observed from the table that the respondents opinion towards advantages of investing in ULIP plan was high with respect to the statement "Participating in the Growth of Capital Market" and finally, the least rating was for "ULIP is more popular and sole as an attractive asset".

## CHI-SQUARE TEST

- The result of the chi-square test reveals that the relationship between Reasons for Investment and their opinion on satisfaction towards investment is significant to reject the null hypothesis.

### 13. SUGGESTIONS

- Few of the respondents felt market risk existing in mutual funds, therefore are found to have been hesitant opting mutual funds. It is recommended that the government initiative needed to make sure the returns are guaranteed while investing in mutual funds.
- Majority of the respondents choosing plans with respect to high returns, therefore it is suggested that the financial institutions shall bring in novel plans to attract more customers towards the insurance companies to achieve expected returns and also improve their customer base.
- Few of the respondents are not satisfied with respect their investment hence, immediate intervention needed from the financial companies to identify the lack of service that needed improvement to satisfy all the customers.
- Many of the respondents opted children's plan which is a good sign to tap the source, therefore considering the respondents much cautious in safe-guarding their children / dependents. New plans that will fulfill not only children's plan but also investment returns (ULIP) will bring in more customers for ICICI.
- Majority of the respondents opined investment and savings are the main reasons for choosing ULIP from ICICI, therefore it is recommended that the consistency in providing innovative ULIP plans will help to hold their customers in their fold and also bring in more customers through word of mouth advertisement.

### 14. CONCLUSION

Even though there are few investment related dissatisfaction identified in the study, majority of the respondents are highly satisfied and satisfied of the company and therefore the prediction shows that Source of Investment as well as Reasons for investment when compared with level of satisfaction towards investment was found to be significantly related. Therefore, it is recommended that the financial companies shall improve the services by detecting the pulse of the market and the respondents to help the company achieve greater heights.

