



# INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

## A Study On Factors Affecting Customer Preference Towards Life Insurance Policies

**Author: Kunal Mitra Mustaphi**  
Research Scholar, FPM, ISBR, Bangalore

### Introduction

**A.** The insurance industry of India has 57 insurance companies - 24 are in the life insurance business, while 33 are non-life insurers. Among the life insurers, Life Insurance Corporation (LIC) is the sole public sector company. There are six public sector insurers in the non-life insurance segment. In addition to these, there is a sole national re-insurer, namely General Insurance Corporation of India (GIC Re). Other stakeholders in the Indian Insurance market include agents (individual and corporate), brokers, surveyors and third-party administrators servicing health insurance claims.

### B. Market Size

In India, the overall market size of the insurance sector is expected to US\$ 280 billion in 2020.

Government's policy of insuring the uninsured has gradually pushed insurance penetration in the country and proliferation of insurance schemes.

Gross premium collected by life insurance companies in India increased from Rs 2.56 trillion (US\$ 39.7 billion) in FY12 to Rs 7.31 trillion (US\$ 94.7 billion) in FY20. During FY12–FY20, premium from new business of life insurance companies in India increased at a CAGR of 15% to reach Rs 2.13 trillion (US\$ 37 billion) in FY20.

Overall insurance penetration (premiums as% of GDP) in India reached 3.69% in 2017 from 2.71% in 2001. The market share of private sector companies in the non–life insurance market rose from 15% in FY04 to 56% in FY21 (till April 2020). In life insurance segment, private players had a market share of 31.3% in new business in FY20.

### C. Investments and Recent Developments

The following are some of the major investments and developments in the Indian insurance sector.

- Enrolments under the Pradhan Mantri Suraksha Bima Yojana (PMSBY) reached 154.7 million till December 2019 since its launch.
- Over 53.8 million farmers were benefitted by the Pradhan Mantri Fasal Bima Yojana (PMFBY) in FY20.
- In April 2020, Axis Bank acquired an additional 29% stake in Max Life Insurance.
- In November 2019, Airtel partnered with Bharti AXA Life to launch prepaid bundle with insurance cover.
- In September 2019, Competition Commission of India (CCI) approved acquisition of shares in SBI General Insurance by Napean Opportunities LLP and Honey Wheat.

### D. Government Initiatives

The Government of India has taken number of initiatives to boost the insurance industry. Some of them are as follows:

- As per Union Budget 2019–20, 100% foreign direct investment (FDI) was permitted for insurance intermediaries.
- In September 2018, National Health Protection Scheme was launched under Ayushman Bharat to provide coverage of up to Rs 500,000 (US\$ 7,723) to more than 100 million vulnerable families. The scheme is expected to increase penetration of health insurance in India from 34% to 50%.
- The Insurance Regulatory and Development Authority of India (IRDAI) plans to issue redesigned initial public offering (IPO) guidelines for insurance companies in India, which are to looking to divest equity through the IPO route.
- IRDAI has allowed insurers to invest up to 10% in additional tier 1 (AT1) bonds that are issued by banks to augment their tier 1 capital, in order to expand the pool of eligible investors for the banks.

### Objective:

- To analyse the factors affecting customer preference towards Life Insurance

### Literature Review:

#### A. Why buy Life Insurance?

Life Insurance is a financial cover for a contingency linked with human life, like death, disability, accident, retirement etc. 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 loss of income to the household.

Though human life cannot be valued, a monetary sum could be determined based on the loss of income in future years. Hence, in life insurance, the Sum Assured ( or the amount guaranteed to be paid in the event of a loss) is by way of a 'benefit'. Life Insurance products provide a definite amount of money in case the life insured dies during the term of the policy or becomes disabled on account of an accident.

### Why you should buy Life Insurance:

All of us face the following risks:

- Dying too soon
- Living too long

### Life Insurance is needed:

- To ensure that your immediate family has some financial support in the event of your demise
- To finance your children's education and other needs
- To have a savings plan so that you have a constant source of income after retirement
- To ensure that you have extra income when your earnings are reduced due to serious illness or accident
- To provide for other financial contingencies and lifestyle requirements

## Who needs Life Insurance:

Primarily, anyone who has a family to support and is an income earner needs Life Insurance. In view of the economic value of their contribution to the family, housewives too need life insurance cover. Even children can be considered for life insurance in view of their future income potential being at risk.

## How much Life Insurance is needed?

- The amount of Life Insurance coverage you need will depend on many factors such as:
- How many dependants you have?
- What kind of lifestyle you want to provide for your family?
- How much you need for your children's education
- What your investment needs are
- What your affordability is

You should seek the help of an insurance agent or broker to understand your insurance needs and suggest the right type of cover.

## **B. How to Buy Life insurance and From Whom**

### Insurance Intermediaries

- a. Insurance is a complex product representing a promise to compensate the insured or third party according to specified terms and conditions in the event of the occurrence of a covered contingency. In most insurance transactions there is usually an intermediary - an insurance agent (individual or corporate) or an insurance broker.
- b. Insurance intermediaries serve as a bridge between consumers (seeking to buy insurance policies) and insurance companies (seeking to sell those policies).
- c. Insurance brokers are licensed by the IRDAI and governed by the Insurance Regulatory and Development Authority (Insurance Brokers) Regulations, 2002. Individual insurance agents and corporate agents are also licensed by the IRDAI and governed by the Insurance Regulatory and Development Authority (licensing of Individual Insurance Agents) Regulations, 2000 and the Insurance Regulatory and Development Authority (Licensing of Corporate Agents) Regulations, 2002, respectively. These Regulations lay down the Code of Conduct for the respective intermediaries.
- d. An intermediary has a distinct role to play in the entire life cycle of a product, from the point of sale through policy servicing, up to claim servicing. An intermediary shall provide all material information with respect to a proposed cover to enable the prospect to decide on the best one. The intermediary is expected to advise the prospect with complete disclosures and transparency. After the sale is affected, the intermediary must coordinate effectively between the customer and the insurer for policy servicing as well as claim servicing.
- e. IRDAI has prescribed regulations for protecting the interests of policyholders casting obligations not only on Insurers but also Intermediaries. These prescribe obligations at the point of sale as well as policy servicing and claims servicing.

### Tips on dealing with Insurance Intermediaries

- ✓ While dealing with Insurance Intermediaries, check out the following:
- ✓ Ask for and check whether the person holds a valid license and is authorized for the business. For example, the Intermediary should be licensed to sell life insurance or general insurance or both (holding a composite license). A referral always helps.
- ✓ Check whether he or she has a good knowledge of various insurance products/policies
- ✓ He or she should understand your needs and what you are seeking. Always ensure that you consider only products that you can afford. Beware of tall promises and over-selling tactics. Consider only what you can afford.
- ✓ Ask questions and understand the policy terms and conditions of the policy the Intermediary is trying to explain to you.
- ✓ You must be satisfied that you understand what your commitments are. What are the payments or amounts that you must bear not only when you take the policy but when you surrender it or when you make a claim?
- ✓ Ask for brochures and sales literature pertaining to the product you are considering, or the intermediary is trying to sell. Get the intermediary to explain the full facts of the products, scope of cover and exclusions, as applicable.
- ✓ Insist on quality delivery and timely service. You can judge this by the turnaround time of the intermediary during the period of pre-sale when he or she is dealing with you.
- ✓ Fill up the proposal form yourself. Never ever sign on a blank proposal form. If you find terms in the proposal form that you do not understand, ask the intermediary to explain it to you.
- ✓ When you make premium payments through an Intermediary, check whether he is authorized to do so by the insurance company and insist on a duly signed receipt immediately.
- ✓ After receipt of your policy, go through it thoroughly and if you do not understand certain terms contact your intermediary and get them explained. Remember, for all life insurance policies and for health insurance policies of a term of three years or more, there is a free-look period within which you may return the policy if you do not agree with the terms and conditions therein.
- ✓ Ask the intermediary questions about documents and procedures involved in making a claim and understand them completely. In the event of a claim, there may be other agencies you may have to intimate apart from the insurance company. Get complete details about what you are expected to do.

### C. 5 Different Types of Life Insurance Policies

**Term Plan:** A term insurance policy is a pure life cover, and its structure is very simple to understand. You pay a premium to an insurance company for a specific number of years and in return, in case you were to meet with an untimely death, the insurer promises to pay the sum assured to your family. It does not come with any maturity benefit (apart from Term Plan with Return of Premium or TROP).

#### Benefits of Term Insurance Plan:

- It provides higher cover for lesser premium as compared to other life insurance products.
- TROP comes with a maturity benefit, which is the sum total of all premiums paid. No interest amount is paid on that.

**Whole Life Insurance Policy:** As the name suggests, a whole life insurance policy gives you a cover for life. If the premium amount is paid regularly, the insurer promises to pay the sum assured to the nominee of the policyholder after the death of the policyholder. Apart from the sum assured, it also includes a saving component.

Benefits of Whole Life Insurance Policy:

- Unlike other insurance policies, it does not have a defined term. The sum assured is paid to the dependent upon the death of the policyholder.
- Apart from the sum assured upon your death, it also has a saving component. You can re-invest it letting the cash amount grow or can remit a part of the cash value during your lifetime. You can also avail a loan against the saving component.

**Endowment Policies:** Endowment plans are again a combination of savings and protection. If the premiums are paid on schedule for a specific number of years, insurers promise to pay the assured sum to the nominee in case of the untimely death of the policyholder. Meanwhile, if the policyholder survives the policy term, he/she receives a lump sum pay-out as the maturity benefit.

Benefit of Endowment Policies:

- Apart from the sum assured there is a saving component. You can use this to make goal-based savings and in case of financial emergencies, you can avail of a loan against it.

**Moneyback policy:** Moneyback policies are also a combination of savings and protection. But the key advantage of this policy is that a portion of the sum assured is paid to you at a regular interval during the policy tenure. The remaining amount along with the bonus is paid at maturity. This benefit is not available for any other life insurance policy. However, if the policyholder dies during the policy tenure then the entire sum assured is paid to the nominee, this is despite the survival benefits that the policyholder has already received.

Benefit of moneyback policies:

- The biggest advantage of moneyback policies is the liquidity it provides, i.e. you receive a percentage of the sum assured at the regular interval.

**Unit Linked Insurance Plans (ULIPs):** Unit linked insurance plan, better known as ULIP, is a combination of insurance and investment. The investments are made in debt and equities by a fund manager assigned by the insurance provider. However, the policyholders can choose whether he/she wants to invest in debt or equity and in what proportion. Though there are no guaranteed returns, a lump sum amount is paid to the policyholder at maturity. However, if he/she dies during the policy tenure, the insurer pays him/her a sum assured.

Benefit of ULIP:

- Though there is no guaranteed return, ULIP provides a higher return than traditional policies with a savings component.



## **Bottom-line**

Term plan is a pure life cover that focuses on offering your dependents the sum assured in case you were to die. Hence, it is a must-have for every earning member of a family.

However, if you are planning to buy a second life insurance policy, try to assess what you need it for. And once you know the purpose, evaluate all the policies to understand which one will give you maximum benefit. Your decision to buy life insurance should be determined by three factors – requirement, the benefits you get from the policy, and your ability to pay the premium.

### **D. Top insurance companies in India**

#### 1. Life Insurance Corporation of India

Life Insurance Corporation of India popularly known as LIC is the largest life insurance company in India owned by the Government of India. LIC, one of the top 10 insurance companies in India, came into existence in the year 1956. LIC makes insurance accessible for every person in any corner of the country with 2048 branch offices, 113 divisional offices, 8 zonal offices and 1381 satellite offices. Currently, LIC's total asset under management is INR 3,111,847 crores (USD 450 billion). LIC being the dominant insurance player has a huge customer base of over 29 crores policyholders. LIC is a trusted insurance brand that offers great convenience to its customers through its excellent customer services on the digital platform and also through branch offices and various other tie-ups. LIC offers numerous life insurance products that can meet the unique needs of a variety of customer segments. For all the milestones it has achieved, LIC has been consistently recognised and awards. Following are some of the awards received by LIC:

- LIC has been consistently winning the Reader's Digest Trusted Brand Award
- According to the Brand Trust Report, LIC has been consistently voted as 'India's Most Trusted Brand' in BFSI category
- LIC has won 'Best Life Insurance Company of the Year' and 'Most Preferred Life Insurance Company of the Year' award

In fact, the flexibility offered with the LIC plans are so diverse that choosing a LIC policy itself can be quite a dilemma. To make things easier for you, we have compared the top policies offered by LIC along with their features and benefits in the post linked below.

#### 2. Max Life Insurance Company

Max Life Insurance Company founded in the year 2000 is the largest non-bank private sector insurance company in India. Max Life Insurance Company is a joint venture between Indian Max India Ltd, a multi-business Indian corporate and Mitsui Sumitomo Insurance Company, a Japanese Insurance Company. It is one of the fastest-growing insurance companies in India and Max Life's asset under management has now touched the mark of INR 50,000 crores. Max Life has a customer base of more than 30 lakhs. With strong online presence, wide portfolio of products, multi-distribution channel and 1090 offices across the country, Max Life Insurance Company provides high-quality customer services. Max Life has been receiving awards and recognitions consistently. With high claim settlement ratio, Max Life has been awarded as 'Claims Service Leader' and 'Excellence in Claims Service' by CMO Asia Awards.

Max Life Insurance allows you to select from multiple types of products being offered by them in the market. You can read more about Max Life Insurance and check their insurance plans below.

### 3. HDFC Life Insurance Company

HDFC Life Insurance Company, one of the top insurance companies in India is a joint venture between HDFC Ltd, leading housing finance institution in India and Standard Life Aberdeen, a global investment company. Founded in the year 2000, HDFC Life offers a wide array of insurance and investment solutions to various customer segments. HDFC Life serves its customers across the country through 412 branches and additional distribution touchpoints and bancassurance partners. With strong digital platform, services are accessible easily to the customers. HDFC Life has received many accolades and awards for its continuous contribution to the Indian Insurance Industry. Following are some of the details:

- HDFC Life is ranked as 'Most Valuable Private Life Insurance Indian Brand'
- HDFC Life has received 'Creative Excellence Award' at INDIAA awards 2018
- HDFC Life has received 'Best Life Insurance Company', 'Best Analytic Initiative of the Year' and 'Best Underwriting Initiative of the Year' at BFSI awards.
- HDFC Life is recognised as the Best 50 PCI Companies for 2019

HDFC life insurance offers considerable flexibility with their insurance policies, at 99.07%, their claim settlement ratio is quite impressive as well. Click the link below to know more about the life insurance plans offered by HDFC.

### 4. ICICI Prudential Life Insurance

ICICI Prudential Life Insurance Company is promoted by ICICI Bank Limited and Prudential Corporation Holdings Limited. Founded in the year 2000, ICICI Prudential Life is one of the best insurance company in India having its presence all over the country today with its strong bancassurance channel and multiple distribution channels. Total assets under management of the company are INR 1,604.10 billion. With the customer-centric approach, ICICI Prudential Life offers various long-term protection and savings plans for a diverse customer segment. For its excellence in the field of insurance, ICICI Prudential Life Insurance Company has been receiving many accolades and awards. Let's take a look at a few of such recognitions.

- ICICI Prudential Life has received 'Life Insurance Company of the Year' award at India Summit and Awards 2019
- ICICI Prudential Life has received 'Life Insurance Provider of the Year' by Outlook Money Awards 2018
- ICICI Prudential Life has received 'Best Term Insurance Provider of the Year' award by Money Today Financial Awards 2017-18
- ICICI Prudential Life is awarded as 'Best Customer Orientation in Life Insurance' award by Emerging Asia Awards 2018
- ICICI Prudential Life is awarded as 'Best Growth in Life Insurance' category by Emerging Asia Awards 2018

## 5. Tata AIA Life Insurance Company

Tata AIA Life Insurance Company is a joint venture between Tata Sons Private Limited, one of the largest business groups and AIA Group Limited, Asia's largest insurance group. Tata AIA Life Insurance Company's asset under management in 2019 is INR 28,430 crores. Being one of the trusted insurance brands in India, Tata AIA Life offers numerous insurance solutions starting from protection to wealth creation. The policies provide simple solutions for unique insurance needs along with excellent customer service.

## 5. Bharti AXA Life Insurance Company

Bharti AXA Life Insurance was founded in the year 2006. It is a joint venture between AXA Group and Bharti Enterprises. Strong financial expertise and domestic business excellence of these companies have laid a strong background for the company. Bharti AXA Life has introduced various innovative insurance products to cater to the unique needs of customers. Bharti AXA Life's distribution network is spread across 123 cities in the country. The company has a customer base of more than 10, 50,000. The company offers various plans starting from protection plan to save, health and group plans and most of them are offered conveniently on an online platform.

Bharti AXA won the ASSOCHAM Award in March 2019 in recognition of excellence in the field of insurance!

## 7. Bajaj Allianz Life Insurance Company

Bajaj Allianz Life Insurance Company founded in the year 2001 is a joint venture between Bajaj Finserv Limited of Bajaj Group. Bajaj Allianz Life has 759 branches across the country to offer innovative insurance solutions to various customer segments. Bajaj Allianz Life Insurance is known for its strong innovative products and timely customer service. The company has won various awards and recognition for its contribution to the insurance industry. Following are some of the awards received by Bajaj Allianz Life Insurance:

- Bajaj Allianz Life has been recognised as the 'Digital Marketer of the Year 2018' in the insurance category
- Bajaj Allianz won the 'Customer Service Excellence Award' at the NASSCOM BPM Strategy Summit 2018.
- Bajaj Allianz Life ranked amongst the Top-75 Most Valuable Indian Brands

Ranked amongst the Top 75 Most Valuable Indian Brands 2019, Bajaj Allianz is one of the leading Indian insurance providers.

## 8. SBI Life Insurance Company

SBI Life Insurance Company is a joint venture between State Bank of India (SBI), India's largest bank and BNP Paribas Cardif, French multinational bank and financial services company. Currently, SBI Life Insurance has an authorised capital of INR 20 billion (USD 290 million). SBI Life was first started as a bancassurance business which is now extended to the multi-distribution channel. With customer service excellence and product innovations, the company has been growing year on year. SBI Life has received many awards and accolades for the work in the field. Following are some of them:



- SBI Life has won 'Brand of the Year 2016-17' award in the insurance category
- SBI Life has won 'Private Sector Life Insurance Company of the Year' award at Fintelekt Insurance Awards
- SBI Life has won 'Bancassurance Leader, Life Insurance' in large companies category.

SBI Life Insurance is one of the market leaders for life insurance policies in India. It offers different policies with several benefits for the policyholders.

#### 9. Reliance Nippon Life Insurance Company

Reliance Nippon Life Insurance Company founded in the year 2001 is one of the leading insurance companies in India catering to various segments of people. Reliance has more than 10 million policyholders. The company has made insurance accessible for many through its strong distribution network of 727 branches. Reliance Life has a product for every possible need of the individual. Currently, the company's assets under management is INR 20,281 Cr. The company has received many awards.

- Reliance Life has received 'Innovative Insurance Provider of the Year' at ET BFSI Excellence Awards 2019
- Reliance Life has received 'Best Risk Innovation of the Year' award
- Reliance Life has won 'Best Life Insurance Company (innovative Products)' title



#### 10. AEGON Life Insurance Company

AEGON Life Insurance Company founded in the year 2008 is one among the best to offer various life insurance solutions to various customer segments. AEGON Life is the new age company with a strong digital presence and a diverse product portfolio. The company has received many awards and recognition

- AEGON Life has received 'E-business Leaders Award' at Indian Insurance Awards
- AEGON Life has received 'Celent Model Insurer Asia Award'
- AEGON Life has won 'Most recommended Life Insurance Brand 2013'

#### **E. Top 10 Life Insurance Companies in Mumbai**

A total of 24 life insurers operate in India. Maharashtra is by far the largest source of insurance premiums in the country. Almost one-third of overall premiums collected in the country were from Maharashtra, a large chunk of which came out of Mumbai.

All of the life insurance companies operating in India have offices in Mumbai. Some of the largest life insurance companies have their head offices situated in Mumbai e.g. Birla Sun Life Insurance, HDFC Standard Life Insurance, ICICI Prudential Life Insurance, Kotak Mahindra Life Insurance, SBI Life Insurance, Tata AIA Life Insurance, Reliance Life Insurance, and Bharti AXA Life Insurance among others.

The top companies in Mumbai are:

1. LIC has 4 LIC Customer Zones in Mumbai apart from numerous offices located around the city, and the company also houses its head office here. LIC of India is the biggest player in the Indian insurance sector and is also the top earner in Mumbai.
2. ICICI Prudential is the largest private firm in the Indian insurance market. Also headquartered in Mumbai, there are 16 branches of the company in the city. With its wide array of products, ICICI Prudential is a good option.
3. Max Life is another great option for residents of Mumbai. The company has a significant presence with 16 branches.
4. HDFC Standard Life Insurance operates 12 branches in and around Mumbai, and also has its head office here. HDFC Standard is among the top 5 insurance firms in terms of premium collection in the country.
5. SBI Life Insurance is another major insurance provider with 8 branches throughout Mumbai. It is the second largest public insurance firm and is also among the top 10 insurance companies in India.
6. Birla Sun Life is the insurance arm of the Aditya Birla business conglomerate. Birla Sun Life Insurance also operates 12 branches in Mumbai.
7. Reliance Life is the insurance arm of Reliance Industries. There are 11 Reliance Life branches located in Mumbai including the company's head office.
8. Kotak Life Insurance is based out of Mumbai and is among the top 10 firms here. At present there are 9 offices of Kotak Life located throughout Mumbai.
9. With an agency force in excess of 75,000, Shriram Group is among the larger private sector firms, and operates in the insurance sector through its arm Shriram Life Insurance. The company has a strong presence in Mumbai with 10 branches.
10. Bajaj Allianz also operates 10 branches in Mumbai. It is a joint venture between Bajaj FinServ and Allianz group. The company offers a range of policies and interest rates for all types of clients.

Apart from the firms given above, Mumbai is also home to almost all the major insurance providers with significant number of offices. Edelweiss Tokio Life and Bharti AXA Life both have 7 branches in Mumbai, followed by IDBI Federal Life, PNB MetLife India Insurance, and Aviva Life Insurance operating 5 offices each in the city.

Customers in Mumbai can obtain life insurance from any of these companies. Almost all the insurance firms offer their prospects the opportunity to enroll online as well as pay their premiums from the comfort of their homes.

#### **F. Business volumes of all life insurance players**

The business volumes of all the life insurance players in India were hit in Q1 of FY21 on account of the lockdown impact leading to reported declines in their total Annual Premium Equivalents (APE) since March 2020.

Overall, in Q1 FY21, life insurers, with the exception of Max Life, reported a 30–44 per cent plunge in total APE, affected by a sharp decline in ULIP sales across insurers. On the other hand, Max Life reported a 4 per cent decline in the total APE as per a recent report by Motilal Oswal Financial Services.

Among the business segments of all the life insurers, individual protection trends remain strong, rather than a savings linked investment product. That means life protection products such as term insurance gained momentum.

The report further states that due to the April-May lockdown and choppy markets, persistency trends were weak across cohorts as customers utilized the grace period in making renewal payments. Among the segments, decline was seen in persistency in ULIPs, while improving trends were observed in protection.

With the unlocking underway and a gradual return of normalcy, most insurers have now indicated that renewal trends are gradually picking up and better trends are expected in the coming quarters. Overall, the share of market linked savings products was significantly higher in the total premium mix.

It is expected that the COVID-19 pandemic will push the importance of life insurance as a risk cover rather than a savings linked investment product. Hence, demand for protection from life insurers is expected to gain momentum in the coming months. Protection products from life insurers is expected to further momentum as it is a simple product rather than market linked products and can be comfortably bought digitally as it also has an advantage of being compared and bought through digital channels, especially in a world with social distancing norms.

This trend is expected to drive the margin expansion of many of the life insurance players. It is expected that insurers may gain in market expansion through term linked insurance products by increasing the pricing of such products and also by launching new products to neutralize the impact of the reinsurance hike.

The report further points out that while cost ratios have improved in the savings business products, they remain high in the protection segment. Besides this, rising digital penetration may lead to continued investments in technology platforms to improve customer onboarding, client servicing through chatbots and many other new things. In the near term most of the life insurance companies would focus on controlling cost in a low business volume environment.

Thus, key focus areas such as controlling discretionary expenses, making cost more variable, and renegotiating branch rentals, is expected to drive improvement. Hence cost metrics would be a key monitorable in the near term for life insurance players.

During the quarter it was also observed that private life insurance players' individual weighted received premium (WRP) declined by around 7 per cent YoY in July 2020. However, LIC reported a growth of 10 per cent YoY and its market share increased versus private life insurance players.

The life insurance industry declined by 0.3 percent and the overall decline had moderated considerably from the levels seen over Mar to May 2020. Amongst listed players, HDFC Life reported a positive trend with a growth of 12 percent YoY whereas Max Life witnessed a modest decline of 2 percent while SBI Life witnessed a decline of 14 percent YoY.

The Motilal report also points out that the combined market share of all listed players such as SBI Life, ICICI Prudential Life, HDFC Life and Max Life stood at 63.2 percent on an individual WRP basis as of July 2020.

Among the insurance players Tata AIA, Bajaj Allianz and Birla Sun Life are also getting firmly positioned amongst the 5 to the 7th largest private insurers on individual WRP.

## **G. Insurance penetration in India**

LexisNexis Risk Solutions India recently conducted research\*, together with global market research firm KS&R, into attitudes to insurance and the reasons why insurance penetration is at a low level in India (at around 3.3% of population and one-third of the developed markets of the world).

We carried out the survey to better understand the information sources consumers use to find out about insurance and their buying behaviour, and to identify opportunities for better awareness and product education.

The results show that a large majority of Indian consumers (76%) depend on agents to learn about life insurance products before taking a decision.

Only just over one-third of consumers who participated in the study said they carry out a great amount of research before purchasing life insurance. This suggests a fairly low awareness about life insurance and its purpose, and a need to strengthen the agency relationship and other sales channels.

Other parts of the survey looked at how data and digital channels can be used to improve customer education and retention. In a series of blogs we analysed the survey results related to public awareness of insurance benefits, the attitudes of the uninsured group, attitudes to using smart phones for insurance, attitudes to e-applications and automation of form filling and attitudes to agents and brokers, and how to improve the monitoring and performance of sales channels.

The survey results show that less than half of people with life insurance (42%) are 'greatly confident' that they purchased the right life insurance policy or believe their life insurance policy is 'unbelievably valuable'.

With large numbers of consumers unsure if they have been sold the correct life insurance policy for their needs, this points to a trust deficit in the way insurance is sold, and the information given, contributing to an insurance awareness gap.

More than half of the uninsured group taking part in the survey (51%) said that insurance policies are either difficult to understand, they perceive the claims process to be difficult, or they perceive the application process to be difficult.

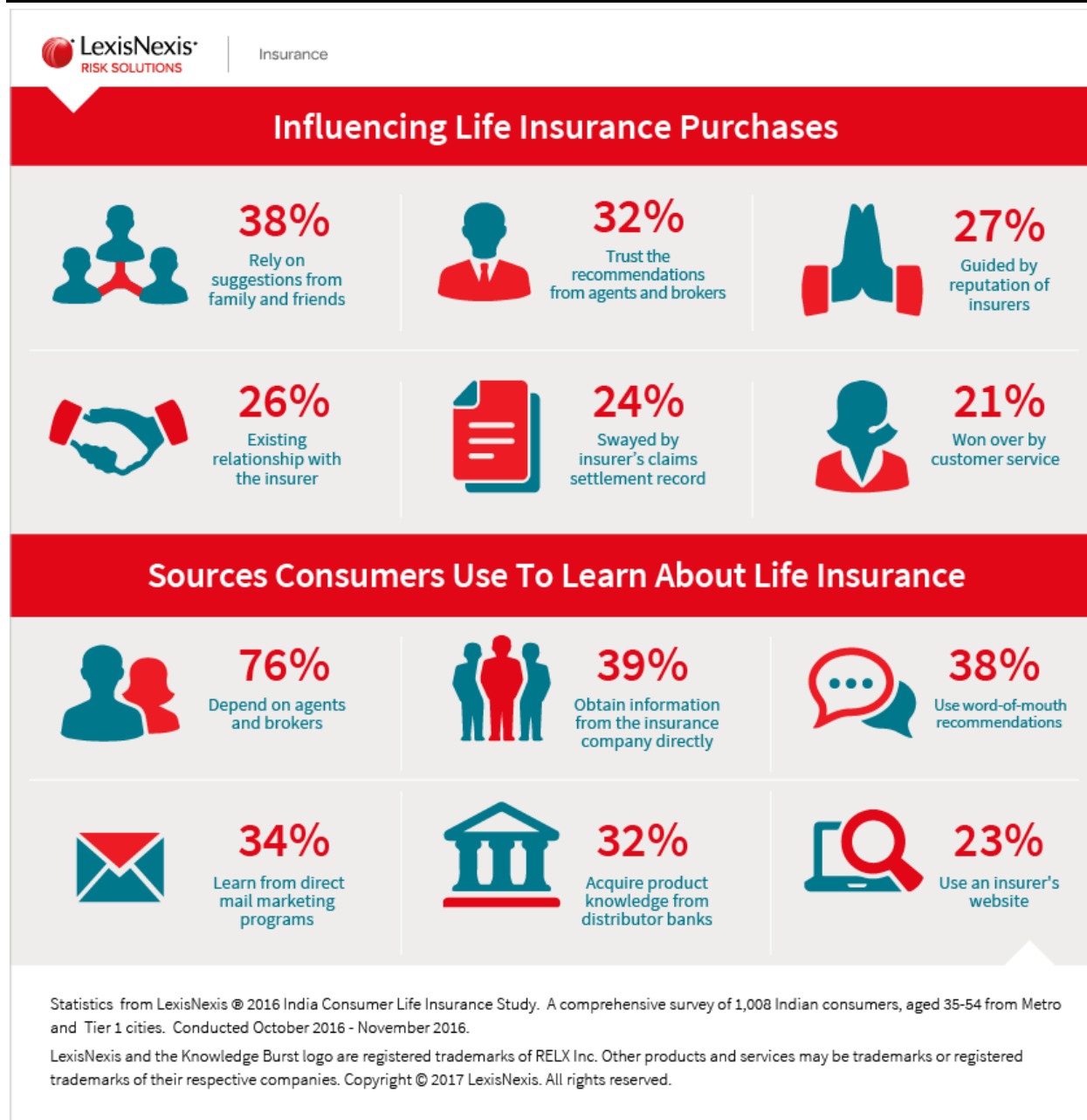
Almost equal numbers of consumers with life insurance said that products are too complicated to understand (38%) or the products demanded expert assistance (33%).

So, whilst consumers overwhelmingly use agents (76%) to learn about life insurance, the agents are doing much less well at advancing trust and appropriate customer information.

At LexisNexis Risk Solutions we view this as an opportunity to use data analytics to curb the worst practices of commission-driven agents and salespeople, whilst also empowering them with the better tools they need – and the data insight – for policy enforce management and better customer relationships.

A sample of the survey results is shown in the infographic below.

\*With KS&R, a global market research firm, LexisNexis Risk Solutions India carried out a comprehensive survey of 1,902 Indian insured and uninsured consumers, ages 35-54 from both Metro and Tier 1 cities, November-December 2016. Metro and Tier 1 cities defined as cities with 1 million-plus population and 100,000-plus population respectively (as per census data 2011).



## H. How consumer behaviour has evolved in the life insurance sector

Consumer behavior is defined as the behaviour that consumers display in searching for, purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs. Consumer behaviour focuses on how individuals make decisions to spend their available resources (time, money, effort) on consumption-related items. That includes what they buy, why they buy it, when they buy it, where they buy it, how often they buy it, how often they use it, how they evaluate it after the purchase, the impact of such evaluations on future purchases, and how they dispose of it. Consumer Behavior Is Interdisciplinary

- Psychology (the study of the individual)
- Sociology (the study of groups)
- Social psychology (the study of how an individual operates in a group)
- Anthropology (the influence of society on the individual)
- Economics Needs and Motivation

Needs are the essence of the marketing concept. Marketers make consumers more keenly aware of unmet needs.

- Successful marketers define their markets in terms of the needs they presume to satisfy, not in terms of the products they sell.
- Motivation is the driving force within individuals that impels them to action.

Types of Needs

- Innate Needs
- Physiological (or biogenic) needs that are considered primary needs or motives. They include the needs for food, water, air, clothing, shelter, etc
- Acquired Needs
- Learned in response to our culture or environment. Are generally psychological and



considered secondary needs. These may include needs for self-esteem, prestige, affection, power and learning. Because acquired needs are generally psychological (i.e., psychogenic), they are considered secondary needs or motives.

**Goals** □ Goals are the sought-after results of motivated behavior □ Generic goals are general categories of goals that consumers see as a way to fulfill their needs □ Product-specific goals are specifically branded products or services that consumers select as their goals ➤ Marketers are particularly concerned with product-specific goals, that is, the specifically branded products and services that consumers select for goal fulfillment. Goals are of the following types 1) Ideals, which represent hopes, wishes and aspirations; and 2) Oughts, which represent duties, obligations, and responsibilities. The study showed that people concerned with ideals relied more on feelings and affects in evaluating advertisements, while people more concerned with oughts relied more heavily on substantive and factual contents of ads.

**Rational versus Emotional Motives** □ Rationality implies that consumers select goals based on totally objective criteria such as size, weight, price, etc □ Emotional motives imply the selection of goals according to personal or subjective criteria (e.g., pride, fear, affection, or status)

**Substitute Goals** □ Are used when a consumer cannot attain a specific goal he/she anticipates will satisfy a need □ The substitute goal will dispel tension □ Continued deprivation of a primary goal may result in the substitute goal assuming primary goal status. Eg: A man who cannot afford BMW may convince himself that a new sporty and less expensive car has an image he clearly prefers.

**Personality** □ The inner psychological characteristics that both determine and reflect how a person responds to his or her environment. □ The emphasis in this definition is on inner characteristics—those specific qualities, attributes, traits, factors, and mannerisms that distinguish one individual from other individuals.

**Theories of Personality** □ **Freudian theory** □ Unconscious needs or drives, are at the heart of human motivation and personality □ **Neo-Freudian personality theory** □ Social relationships are fundamental to the formation and development of personality □ **Trait theory** □ The orientation of trait theory is primarily quantitative or empirical; it focuses on the measurement of personality in terms of specific psychological characteristics, called traits. A trait is defined as “any distinguishing, relatively enduring way in which one individual differs from another.” Trait theorists are concerned with the construction of personality tests (or inventories) that enable them to pinpoint individual differences in terms of specific traits.

**Freudian Theory and “Product Personality”** □ Researchers who apply Freud’s psychoanalytic theory to the study of consumer personality believe that human drives are largely unconscious and that consumers are primarily unaware of their true reasons for buying what they buy. □ Consumer researchers using Freud’s personality theory see consumer purchases and /or consumption situations as a reflection and extension of the consumer’s own personality. □ In other words, they consider the consumer’s appearance and possessions—grooming, clothing, jewelry, and so forth—as reflections of the individual’s personality.

**Neo-Freudian Personality Theory** □ Neo-Freudians believed that social relationships are fundamental to the formation and development of Personality. □ We seek goals to overcome feelings of inferiority □ We continually attempt to establish relationships with others to reduce tensions

**Trait Theory** □ Personality theory with a focus on psychological characteristics □ Trait - any distinguishing, relatively enduring way in which one individual differs from another □ Personality is linked to how consumers make their choices or to consumption of a broad product category. □ Selected single-trait personality tests (which measure just one trait, such as self-confidence) are often developed specifically for use in consumer behaviour studies. These tailor-made personality tests measure such traits as consumer innovativeness (how receptive a person is to new experiences), consumer materialism (the degree of the consumer’s attachment to “worldly possessions”), and consumer ethnocentrism (the consumer’s likelihood to accept or reject foreign-made products)

Consumer Perception is defined as the process by which an individual selects, organizes, and interprets stimuli into a meaningful and coherent picture of the world. Sensation, Absolute Threshold and Differential Threshold are the three sensory dynamics of Perception.

Consumer Attitude is defined as a learned predisposition to behave in a consistently favorable or unfavorable manner with respect to a given object.

Learning is defined as the process by which individuals acquire the purchase and consumption knowledge and experience that they apply to future related behavior.

There are also External Influences on Consumer Buying Behaviour comprising of Reference Groups and Family.

New-age Indians are unlike their previous generations. As a demographic, India's population is getting younger and with more exposure to the world, the demands of the younger generation are changing. This change is forcing all industries to innovate, and the shift is more visible in the insurance space than anywhere else.

For instance, young people are considering life insurance not simply for protection but to achieve their life goals. Ambitions such as entrepreneurship, world travel, preventive healthcare and having a parallel career demand financial planning by young people.

According to a recent survey conducted by Kantar IMRB, 2 in 5 Indians have retirement related goals and the number is even higher in the metros with every second person wishing for a comfortable retirement as one of their life goals. In fact, retirement related life goals feature in the list of top 5 life goals for Indian millennials as well.

This has led to a paradigm shift in the way financial planning has been so far. Indians are now looking at planning their retirement early on in life to maintain their standard of living and achieve life goals even post retirement. There is a lot more interest towards long term life insurance products and the appearance of new-age online ULIPs has really helped the take-off for these products as they offer transparency and convenience.

Customers' expectations from insurance products are rapidly changing as they demand more efficient service which match their lifestyle and needs example, Digital touchpoints, self-service apps and automated payment reminders. Increasingly, the product demand is also shifting towards new-age products which can be bought and redeemed online, have more transparency and don't tangle the customers in complex terms and conditions.

It's not hard to see that the industry is responding to these shifts comprehensively. And regulatory changes by the Insurance Regulatory Development Authority of India have also helped. For instance, IRDAI's regular interventions have meant that products in the market are transparent and customer-friendly with more benefits than the terms and conditions attached to them. The intervention has also ensured that new products are innovative in terms of their structures and payouts rather than refurbished old schemes launched with newer names. This has led to renewal premium collections going up recently which has greatly helped affirmed people's faith in life insurance as a product.

Insurance premiums as a percentage of GDP have been steadily climbing up as it reached 3.69% in 2017 from 2.71% in 2001. Gross premiums in India reached Rs 5.53 trillion in FY18, with Rs 4.58 trillion contributed by life insurance and Rs 1.51 trillion coming from non-life insurance. Even though it's a significant development, the penetration level at 3.69% of the total addressable population remains quite low and provides itself as an opportunity for companies to innovate and reach the last mile.

The way to reaching new consumers is largely going to be -- physical + digital. A recent research survey by PwC stated 47% of people research insurance online before making a buying decision as compared to 22% relying on agents. Moreover, 49% of consumers said that they prefer digital mode as their preferred channel for purchasing insurance followed by 32% who still prefer to call an agent. Interestingly, 18% of people want their insurance companies to communicate with them through emails – clearly emphasizing the increasing importance of two-way communication rather than a one-time sale model.

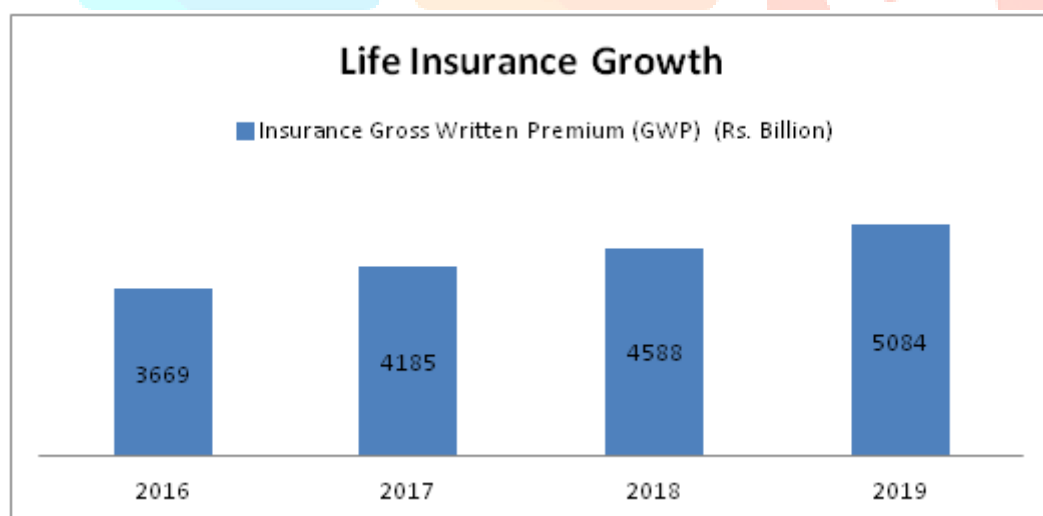
The life insurance sector is set for a big boost with the increase in digital proliferation and customer awareness. According to the Kantar IMRB survey, Indians choose life insurance as their preferred investment option for 60% of their life goals. This is a clear signal of the latent demand in the country which the insurance industry is eager to fulfil with innovative products, tech-enabled seamless services and newer distribution channels. Further, with the right pace of technology adoption and customer-centric business processes, India's life insurance sector is poised to be the fastest growing sector.

### What life insurers are looking now

Life Insurance industry is poised to grow at 15% CAGR in next three years and as the year ends, life insurers discuss how 2019 fared for the industry and what do they make of 2020.

The insurance sector continues to remain one of the fastest growing markets with a Compound Annual Growth Rate (CAGR) of 12% from FY14 to FY19 according to EY-ASSOCHAM report. As of FY18, India is the 11th largest insurance market in the world and has bagged the 10th position in the life insurance segment in terms of the total premium. There are 24 life insurance and 33 non-life insurance companies in the Indian insurance market currently competing on price and services to attract customers.

According to a report by the India Brand Equity Foundation (IBEF), the Indian insurance industry is expected to grow to Rs 19,56,920 crore (US\$ 280 billion) by FY2020, owing to the solid economic growth and higher personal disposable incomes in the country. The overall insurance penetration in India touched 3.69% in 2017 from 2.71% in 2001. Gross premiums written in India reached Rs 5,78,000 crore (US\$ 82.8 billion) in FY19, with Rs 4,08,000 crore (US\$ 58.5 billion) from life insurance and Rs 1,69,000 crore (US\$ 24.3 billion) from non-life insurance.



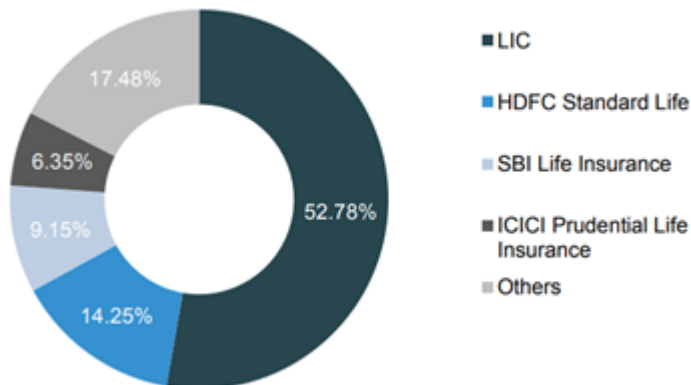
### Growth Check: 2019

According to insurance regulator IRDAI, the life insurance industry registered growth of 10.75% with premium collections of Rs. 508132.03 crore in FY 2018-19 as against Rs. 448809.44 crore in the previous financial year. Life Insurance Corporation of India (LIC), which is the only public sector life insurer in the country, continues to be the market leader with 52.78% share new business market share in FY19.

G. Murlidhar, MD & CEO, Kotak Life Insurance said, The New Business Premium (NBP) by the industry recorded a 37% year-on-year growth to Rs. 1.7 trillion year-to-date in November 2019. Further, Individual Adjusted Premium Equivalent (APE) grew by 17% this year so far and is expected to end around the same level in 2019. Sandbox initiative by the regulators will improve the proposition to customers on back of

innovative products. The recent product guidelines focusing on policyholder interests such as surrender values and relaxed revival period for lapsed policies have been a welcome initiative by the regulator.

In the private sector, HDFC Standard Life Insurance is leading with a share of 14.25% in new business premium, followed by SBI Life Insurance at 9.15% and ICICI Prudential Life Insurance at 6.35%.



Tarun Chugh, MD & CEO, Bajaj Allianz Life said, “The steps our regulator took towards ensuring more transparency for customers, along with opening up innovation for the industry (sandboxing) will come together in the new year to benefit customers with more value-added and simple products.” He further emphasized on the role and importance of digitisation across services within the industry.

The life insurance industry has welcomed the regulators move to bring regulatory sandbox for insurers to test new products.

Kamlesh Rao, MD & CEO, Aditya Birla Sun Life Insurance, said, 2019 was a year of disruption & transformation, regulatory changes in product was a huge step towards customer centricity. The companies had to bear some dip in margins but overall it was beneficial.

Rao adds, Another milestone was the introduction of the product suitability theme which will unfold in 2020 and will be something to look forward to. It will address one of the biggest pain areas of the life insurance sector and will aim at setting right the customer selling process.

The IBEF has estimated the Indian life insurance industry to grow by 12-15% annually for the next three to five years.

Ashish Kumar Srivastava, MD & CEO, PNB MetLife India Insurance Company Ltd said, “the life insurance industry has witnessed a growth in the new age customers opting for online insurance policies and the companies focusing on the segment.”

## Road Ahead

As the life insurance industry grows on back of digital approach and focusing on customized experience to customers, they will have to compete on price and margins.

Rao said, “The year ahead is set to offer a mix of opportunities and challenges. With one of the biggest reinsurers changing its rates of protection plans significantly, it is set to have some bearing. Whether the protection policies for customers will become dearer or the insurance firms will have to compromise on the margins of their protection business, will ascertain the penetration and growth of the segment. Amongst the highlights of the year, this happening at the end of the year will be something to watch out for.”

India accounts for merely 2% of the world's total insurance premium, indicating that the potential of growth is immense for the insurance sector.

Srivastava adds, "2020 is going to be yet another important year for the life insurance sector in India. The fundamentals underlying household savings are expected to help sustain growth in 2020, however, the sentiments will be impacted if India's economic growth continues to be slow."

Life Insurers are expecting growth from the household savings which will channelise in financial services.

Murlidhar added, "We expect the sector as a whole to grow around 15% annually over the next 3 years driven by increase in household financial savings by the consumers over the last few years as compared to investment in physical assets like gold. The reason for the shift in financial savings can be attributed to interest rates, industry initiatives and government policies. Other factors such as young population, growing working age group, rising income levels, increasing awareness about insurance and under-penetrated market have also boosted financial savings in recent years."

### **I. Life insurers record new premium growth for second straight month in August**

Mumbai: India's life insurance industry continued to see growth in new business premiums (NBP) in August for the second straight month. These companies had suffered four consecutive months of business contraction since the lockdown began late March.

NBP is the premium acquired from new policies for a particular year.

The industry recorded a consolidated NBP growth of 15% in August to Rs 27,040 crore, data from Insurance Regulatory and Development Authority (IRDAI) showed.

Growth in August was led by the strong performance of the IPO-bound Life Insurance Corp of India (LIC). The public sector insurer recorded a 15.19% jump in NBP to Rs 19,714.21 crore, the data showed.

Meanwhile, private insurers posted an NBP growth of 13.4% to Rs 7325.6 crore.

Life insurers, 24 in all, had posted a growth of 6.8% in July of 2020. This was after the sector had seen NBP decline 32.6%, 25.4% and 10.5% in April, May and June respectively. The NBP in March too had declined by 32% for the sector, when the nationwide lockdown was first introduced.

Among the listed insurers, HDFC Life NSE -0.24 %, SBI Life NSE -0.47 % and Max Life posted a 44.7%, 26% and 19.3% YoY growth in NBP respectively in August, whereas ICICI Prudential Life Insurance saw a 14.5% decline in new premiums, the data from IRDAI showed.

Despite the growth in new premiums for the industry in July and August, the cumulative NBP for life insurers in April – August period of FY21 still remained 6% lower at Rs 99,361.32 crore against the same period in FY20.

While LIC's NBP in FY21 has declined 7.5 per cent, private insurers too have seen their NBP decline about 2 per cent in FY21 over the corresponding period of last year.



Similarly, the number of policies sold by life insurers too remained about 20% lower in August against last year. While private sector insurers at 5.4 lakh new policies in August have sold 4% lesser policies than last year, LIC at 13.4 lakh policies has sold 24% lesser policies in August, the data showed.

Similarly, the number of policies sold by life insurers too remained about 20% lower in August against last year. While private sector insurers at 5.4 lakh new policies in August have sold 4% lesser policies than last year, LIC at 13.4 lakh policies has sold 24% lesser policies in August, the data showed.

The growth trajectory for life insurers is likely to continue for the upcoming quarters amid realignment of distribution channels in favour of digital and a demand for term covers among customers due to pandemic induced risk appreciation, experts said.

Similarly, despite a falling interest rate regime, savings-oriented guaranteed return products are doing well too.

Another discernible trend is revival in bancassurance sales with opening of branches to the public in July and August. Insurers such as IndiaFirst Life, Star Union Daichi and Canara HSBC Oriental Bank of Commerce Life which sell a sizable chunk of their policies in bancassurance tie-ups, all recorded growth in new premiums in August.

## Conclusion

Customers are the only significant factor that can lead to life insurance changes. The key to Success is insurance solutions, not the products. With the diversification of channels in recent years we saw the emergence of corporate agents, brokers direct sales force addition to individual financial advisor; Websites that provide rating services will appear in comparison of products of different insurers. There are many factors influencing the investment decisions of users in life insurance and demographic factors of the population play a significant role in purchasing life insurance policy. Others factors also include recommendation of Family and friends, recommendation from agents and brokers, etc

## Recommendation

We recommend insurance companies to understand customer needs and desire. Though companies are trying to understand but failing to deliver as good as LIC. For customers Tax saving is becoming a want and load of people opt for life insurance due to tax saving advantage. The government should provide additional tax benefits on life insurance. Companies should introduce life insurance for young singles. This will help them to save money at early age and get benefit of insurance.

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