POLICYHOLDERS’ LIKING TOWARD MARKET LINKED INSURANCE PLANS
(WITH SPECIAL REFERENCE TO COIMBATORE CITY)

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Abstract

To meet the varying needs of various individuals, the insurance players have a vast foray of products in their bouquet. Besides this, almost all companies offer the flexibility to customers to choose the most suitable product for sample respondents’ selves by combining features of a number of products together. Thus, it can be rightly said that Unit-linked insurance products (ULIPs) have become very popular in the Indian markets. This research article aims to analyze Policyholders’ liking market linked insurance plans popularly known as ULIPs in Coimbatore city. Study adopted convenience sampling techniques was adopted. The study was confined to Coimbatore city only. The population size of the study constitutes 500 respondents’ (i.e.125 sample respondents from each geographical region were collected) that make a sum of 500 respondents. At the end of data collection it was observed that 20 interview schedules did not provide enough information, so those 20 interview schedules were defected. Thus, the total sample respondents surveyed are 480 subjects. The study observed that 50.60 per cent of the sample households’ do not have enough awareness about the ULIP offered by various insurance companies based in India. On the contrary, 40.40 per cent of households have said that they gained moderate level of awareness about unit-linked insurance plans that offer both insurance and investment returns. On an average out of 480 surveyed, have opined that investment in An ULIP scheme gives them both risk cover and secure insurance investment.

I. INTRODUCTION

The role of insurance is undergoing a phenomenal change today as is evident from the product bouquet and the product advertisements. The emphasis lies on insuring oneself and one’s close family members for self-reliance more-so because nuclear families are the emerging trend in the country today. To meet the varying needs of various individuals, the insurance players have a vast foray of products in their bouquet. Besides this, almost all companies offer the flexibility to customers to choose the most suitable product for sample respondents’ selves by combining features of a number of products together. Thus the products can be customized to suit the customer as per their needs. With this flexibility, comes the cost of comparing two all the products (with their riders) across the companies before judiciously investing in one of sample respondents’.

The increase in the number of players within the sector also led to the expansion of the product portfolio offered by sample respondents’. Greater focus began to be laid on not only meeting the customer’s need but surpassing his expectations in terms of product range, benefits offered in terms of return, premium payment options etc. The whole industry is thus moving towards mass customization to develop products which suit the customers’ needs perfectly. In recent years, Unit-
linked insurance products (ULIPs) have become very popular in the Indian markets. ULIP premiums have come to dominate the new premium incomes of private sector insurers and even that of the public sector giant Life Insurance Corporation of India. ULIPs are essentially savings vehicles with a very small component of life insurance. The policyholder retains the flexibility of investing his savings and switching sample respondents’ amongst the various styles of mutual funds operated by the insurance company. Unlike in traditional insurance products - term, whole-life or endowment insurance- the Policy holder bears all the investment risks in the hope of higher expected returns on his savings. As such, they compete mainly with plain mutual funds. In this research work researcher makes an attempt to analyses consumers’ (investors’) awareness and perception towards life and Unit-Linked Insurance Policies (ULIPs) available in the Indian market, the study also aims to analyze investors’ liking market linked insurance plans popularly known as ULIPs investments.

**Overview on ULIP**

ULIPs are a category of goal-based financial solutions that combine the safety of insurance protection with wealth creation opportunities. In ULIPs, a part of the investment goes towards providing investors life cover. The residual portion of the ULIP is invested in a fund which in turn invests in stocks or bonds; the value of investments alters with the performance of the underlying fund opted by investors. In short, ULIPs are structured in such that the protection element and the savings element are distinguishable, and hence managed according to individual specific needs. In this way, the ULIP plan offers unprecedented flexibility and transparency. Since the fund of investor's choice has an underlying investment—either in equity or debt or a combination of the two—individual fund value will reflect the performance of the underlying asset classes. At the time of maturity of the plan, investors are entitled to receive the fund value as at the time of maturity.

ULIPs are primarily savings oriented products. Unlike traditional insurance products, ULIPs offer a lot more flexibility to the policy holder in premiums, sum assured and investment choice amongst various styles of unit funds- equity, balanced, income funds etc. In return, the policyholder bears most of the investment risks. Some ULIPs may offer minimum guarantees on the maturity value of the unit fund.

**Statement of Problem**

ULIPs are structured in such a way that the protection element and the savings element are distinguishable, and hence managed according to customers’ specific needs. In this way, the ULIP plan offers unprecedented flexibility and transparency. So with many players around for a company to really be successful it has to really be very efficient on all fronts. It has to constantly adapt to the changing consumer preferences with a lot of new innovations and implementing new technology try to different from the lot. Especially if it is a new player in the market the company has to really work very hard to get into the completion and stay afloat. Based on the discussion made above this research article aims to analyze Policyholders’ liking market linked insurance plans popularly known as ULIPs investments.

**Aim of the Study**

This research article aims to analyze Policyholders’ liking market linked insurance plans popularly known as ULIPs in Coimbatore city.

**Hypothesis of the Study**

H0: There exist no similarities in the policy holders’ opinion on the reason for considering ULIP policy as prosperous.
Research Methodology

Study adopted convenience sampling techniques was adopted. The study was confined to Coimbatore city only. There are in total 23 life insurance companies are functioning in India. Out of these 23, 16 insurance companies have their offices in Coimbatore city. All the 16 major insurance companies are actively function in Coimbatore city. Thus all the sixteen companies are taken for the study as sample group. The data bases of the customers are partially collected from the insurance office, insurance advisors, friends and affluent persons. The population size of the study constitutes 500 respondents’ (i.e. 125 sample respondents from each geographical region were collected) that make a sum of 500 respondents. At the end of data collection it was observed that 20 interview schedules did not provide enough information, so those 20 interview schedules were defected. Thus, the total sample respondents surveyed are 480 subjects.

Results and Discussions

Unit Linked Insurance Plans are more popular among many insurance investors as its offers beneficial plans like: high growth of investment, life risk cover, transparency, tax benefits and premium payment flexibility etc. ULIP is one of the best methods of investments if one is living in an economy that is booming and is on the path to growth. The units that are part of the share market are bought with money invested by the investor and as the equity market grows, the money invested by the investor also increases and gives a good return. This research article aims to analyze investors’ liking market linked insurance plans popularly known as ULIPs in Coimbatore city.

The empirical findings of the study revealed that out of 480 respondents surveyed 74.60 per cent of sample respondents are male. Rests of the 25.40 per cent of respondents are female and 68.40 per cent of the households surveyed have started their saving at the age group of 26-30 years, i.e., once they started working. The study observed that 50.60 per cent of the sample households’ do not have enough awareness about the ULIP offered by various insurance companies based in India. On the contrary, 40.40 per cent of households have said that they gained moderate level of awareness about unit-linked insurance plans that offer both insurance and investment returns.

It has been found that majority i.e. 55 per cent of sample households have opined that they are well aware of retirement based ULIP policy(s) and 70.40 per cent of households have said that they are aware of various types of ULIP fund plans available for investment. Majority of the sample population are aware of equity funds-(medium to high risk) investment pattern in ULIP and the study has found that 41.50 per cent of the households have expressed their liking towards invested in cash funds (i.e., low risk investments), therefore their risk appetite for ULIP is low and they are considered as risk averters. The sample households have expressed moderate level of awareness towards reputation and performance about ULIP products. Sample subject (investors) are very much aware about the fact that investment in ULIP may give them huge returns but it has high risk too (i.e., no guarantee of even minimum returns), this variable is rated first with an average score of 3.22. Study inferred that 55.80 per cent sample households are aware of the changes in lock-in-period (increased to 5 years) made by IRDA in related to ULIP operations. Further it has been found that 65.80 per cent (mean score of 3.29) of the surveyed investors have expressed that they are aware of fund management charge applicable in ULIP policy operations. Through this study, an analysis has been made to reveal the reasons that
have motivated the investors to select ULIP Plans/schemes for investments.

Table: 1 Reasons Stated by The Investors’ for Considering Ulip Policy as Prosperous

<table>
<thead>
<tr>
<th>Reasons</th>
<th>Sum</th>
<th>Mean</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuously monitoring of chance</td>
<td>2078</td>
<td>4.33</td>
<td>2</td>
</tr>
<tr>
<td>Planning the policy holding according to the need at any point of time</td>
<td>2039</td>
<td>4.25</td>
<td>3</td>
</tr>
<tr>
<td>Directing the protection aspects savings of the policy</td>
<td>1904</td>
<td>3.97</td>
<td>5</td>
</tr>
<tr>
<td>Transparency (investors are aware of the status of their investment at all times)</td>
<td>1535</td>
<td>3.20</td>
<td>7</td>
</tr>
<tr>
<td>Liquidity (partial withdrawal)</td>
<td>1672</td>
<td>3.48</td>
<td>6</td>
</tr>
<tr>
<td>High return (can give huge return but high risk)</td>
<td>1995</td>
<td>4.16</td>
<td>4</td>
</tr>
<tr>
<td>Combination or risk cover and insurance</td>
<td>2227</td>
<td>4.64</td>
<td>1</td>
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Source: Primary Data

Table data indicates that the 4.64 mean value of investors, on an average out of 480 surveyed, have opined that investment in ULIP schemes gives them both risk cover and secure insurance investment. Followed an average 4.33, 4.25, 4.16 and 3.97 investors prefer continuously monitoring of chance, planning the policy holding according to their need at any point of time, high return (can give huge return but high risk) and directing the protection aspects savings of the policy. These variables have secured second, third, fourth and fifth rank. Investors liking towards liquidity (partial withdrawal) and transparency (investors are aware of the status of their investment at all times) have secured sixth and seventh rank with an average score of 3.48 and 3.20.

To measure the existence of uniformity in the investors’ opinion on the reason for considering ULIP policy as prosperous, the following hypothesis is framed and it is tested with the support of Kendall’s Co-efficient of Concordance.

H0: There exist no similarities in the policy holders' opinion on the reason for considering ULIP policy as prosperous.

Table: 2 Result of Kendall’s Concordance of Co-Efficient on Reasons for Considering Ulip Policy as Prosperous

<table>
<thead>
<tr>
<th>W</th>
<th>S</th>
<th>Chi-Square Value</th>
<th>Table Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.920</td>
<td>28</td>
<td>6.000</td>
<td>12.592</td>
</tr>
</tbody>
</table>

Level of Significant: 5 per cent

The calculated chi-square for the Kendall’s value 6.000 is less than the table value 12.592 at 5 per cent level of significance. Therefore, the hypothesis framed is accepted. Hence, it is inferred that there exists no similarities in the policy holders' opinion on the reason for considering ULIP policy as prosperous. Today’s investor has a variety of options to choose from while making his/her investment decision. Keeping pace with the changing times and under the liberalized financial sector regime, the financial institutions are also decorated with innovative instruments to meet the growing demand of modern investors. This influences on the policy holders' perception for considering ULIP policy as prosperous.

II. CONCLUSION

Insurance markets around the world are changing. Policyholders want to enjoy the benefits of equity investment in conjunction with insurance protection, and insurers around the world have developed equity-linked contracts to meet this challenge. Evaluation of these products is not straight and easy, if not complicated, as the product...
has both insurance and investment elements. Investment performance and charges are the two main components determining the level of return in this nascent market as far India is concerned. From the detailed data analysis, it has been inferred that 50.40 per cent of sample households do not have enough awareness about the ULIP (market linked insurance) offered by various insurance companies based in India, thus duly influences their preferences i.e., liking of ULIP policy schemes.

Thus, it is suggested to the Life Insurance Companies functioning in India must realize the fact that consumer education about market-linked not only helps individuals understand the products and risks involved better, but is also a necessity for market efficiency, as it contributes to more transparent and competitive practices by the insurance service providers. It also produces better educated citizens who can monitor markets through their own decisions. Though IRDA continues its consumer awareness initiatives through various media-print, radio and television on various policyholder protection subjects such as rights and obligations of policyholders, information regarding grievance redress channels and also about developments on the regulatory front for protecting policyholders in the area of insurance product features, etc. It cannot succeed in this venture until the new private sector life insurance companies extent their support and strategic vision in promotion of ULIPs.

### III. REFERENCES

1) Abhishek Kumar Mahto (2011); Analyzing the Consumer Preference Towards Various Unit Linked Insurance Plan In India of IDBI FORTIS, Submitted For the Partial Fulfillments of, Post Graduate Diploma In Mangement 2010-2011, IIMT Professional College, Meerut.

