A Study on Decision Factors for Life Insurance Investments

R. KARTHIK
Reg No: 71205631023

Of

Kumaraguru College of Technology

COIMBATORE - 641006

SUMMER PROJECT REPORT
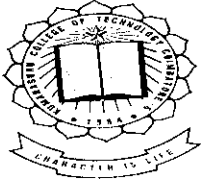
Submitted to the

FACULTY OF MANAGEMENT STUDIES

In partial fulfillment of the requirement
for the award of the degree

Of

MASTER OF BUSINESS ADMINISTRATION

October, 2006

BONAFIDE CERTIFICATE

Certified that this project titled *"A Study on Decision Factors for Life Insurance Investments"* at ICICI Prudential Life Insurance Company Limited is the bonafide work of Mr. R. KARTHIK (Reg no : 71205631023) , who carried this research under my supervision. Certified further , that to the best of my knowledge the work reported herein does not form part of any other project report or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any other candidate.

Prof. K. R. Ayyaswamy
Project Guide

Dr. S. Ganesan
Director

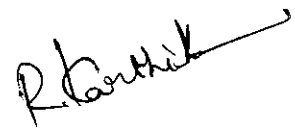Evaluated and Viva voce conducted on 10 : 11 - 2006

Examiner 1

Examiner 2

DECLARATION

I, hereby declare that this project report entitled as "A Study on Decision Factors for Life Insurance Investments" with ICICI Prudential Life Insurance Company Ltd, Coimbatore has been undertaken for academic purpose submitted to Anna University in partial fulfillment of the requirements for the award of the degree of Master of Business Administration. The project report is the record of the original work done by me under the guidance of Prof. K. R. Ayyaswamy during the academic year 2006 – 2007.

I, also declare hereby, that the information given in this report is correct to best of my knowledge and belief.
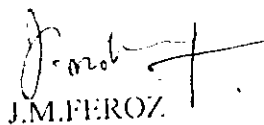
(R. Karthik)

Place: Coimbatore

05-OCT-2006

TO WHOMSOEVER IT MAY CONCERN

This is to certify that **Mr.R.KARTHIK REG NO 71205631023,** II Year M.B.A. Student, KCT Business School, Kumaraguru College of Technology, Saravanampatty, Coimbatore, He has done a Project **'A STUDY ON DECISION FACTORS FOR LIFE INSURANCE INVESTMENTS'** From the Period of June 29th to August 9th 2006.

He has successfully completed his project abided by the rules and regulation of the company.

We wish him all Success for his future endeavors.

J.M.FEROZ
SALES MANAGER
CHANNEL DEVELOPMENT

ACKNOWLEDGEMENT

Few people are as fortunate as I have been. Throughout my life I have always benefited from many wonderful people around me, and the last two months of my final project have been no exception. I have many people to be thankful to.

I adore the almighty and extol his glory by paying my contribution of thankfulness for blessing me with all knowledge required to complete this project successfully.

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ABSTRACT

If you want to buy an insurance policy, you called a Life Insurance Corporation of India agent referred to you by a friend or a relative. Things have changed a lot. The entry of private players in the Indian insurance industry has seen a veritable explosion of products that offer customers a much richer menu of options. New products, innovative distribution, and better use of technology have been helping the new brand of private life insurers take the market share of monopolists of yesterday. As of now ICICI Prudential Life Insurance Company Limited is the number one private sector player in the life insurance business in India. At present the company has three types of distribution channel which are tied-up channel, alternative distribution channel, and through the private insurance brokers.

This project has been carried out to find the predominant reasons that induce an individual to invest in Insurance plans. For a person to invest or opt a insurance policy there are certain major reasons like, Life cover & security for family, Tax Savings, Long term investment and some specific purpose savings like children's marriage, children's education, retirement income etc. Of these reasons the project endeavors to find out the primary reason that the investor choose to invest. Survey method was adopted for data collection using questionnaires targeted over people chosen through convenient sampling.

The project findings includes that the primary reason for choosing a Life Insurance is Life cover & security for family followed by the order of tax benefits, specific purpose savings and long term investment. The study further identifies people with medium income and high income soliciting insurance products. So, the advisors and unit managers of ICICI Prudential Life Insurance Company Limited should focus on segment of medium income people with considerable concern for life cover and security of their family and high income people with focus on tax savings. The study also bring out facts on specific factors that influence the purchase of insurance products by people belonging to different occupation, Income range, gender and age group etc. The company may focus its business over these categories by offering suitable plans that satisfy their needs and expectations.

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Introduction to Insurance

Chapter 1
Introduction to Insurance

1.1 Evolution of Insurance

Late seventeenth century was an era of growing international trade. New shipping routes were discovered and adventurous sailors brought exotic products from strange and alien lands. But their journeys across the oceans were fraught with danger and unknown risks. They required some kind of protection against the peril lurking in high seas.

This gave rise to a new breed of entrepreneurs - marine underwriters - who agreed to cover the losses in return for a fixed amount of premium. Their business depended on current information about the sea routes, pirates, political condition, weather patterns, conditions aboard the ship, and consumer tastes for exotic products. In order to acquire business information, many marine underwriters began to frequent Edward Lloyd's coffeehouse in London. This was the place where they could share business intelligence with other underwriters and captains of trading ships.

In 1771, seventy nine underwriters who did business at Lloyds' got together to form a society that went on to become the most famous of all insurance companies - Lloyd's of London. The very 'Business Intelligence' that brought together the marine underwriters at Lloyds' is, if anything, much more crucial for the insurance industry today. It pervades almost every aspect of the value chain and technology has the potential of making it ubiquitous across the organization. Today, an underwriter would not go to a coffeehouse to gain business intelligence; but, probably, to get away from it. And one thing is sure: she cannot afford to stay in the coffeehouse for long.

The insurance industry is totally dependent on the ability to convert raw data into intelligence - intelligence about customers, markets, competitors, and business environment. Over the years data processing technology has progressed phenomenally and tools like data warehousing, OLAP and data mining, which constitute the cornerstone of effective business intelligence (BI)

environment, have been widely accepted across industries. However, insurance companies have been relatively slow in adopting these tools, primarily because of lack of competition due to protective regulations. But now, they can no longer afford to be complacent as the Internet, deregulation, consolidation, and convergence of insurance with other financial services are fast changing the basic structure of the industry.

1.2 Insurance Industry Overview and Major Trends

The insurance industry is quite diverse in terms of portfolio of products provided by different companies. The products can be broadly classified into two product lines: property and casualty (P&C) and life insurance. Life insurance product line can be further sub-divided into life insurance, health insurance and annuity products.

Growing consolidation and change in the regulatory framework has led many insurers to add new products to their portfolio. This presents its own unique challenge to the insurer in leveraging its greatest asset - data. A number of other trends in the insurance industry have also exponentially increased the importance of an effective business intelligence environment; at the same time, these trends are responsible for increasing the complexity of building such an environment. People generally regard insurance as a scheme when and where you have to lose a lot to gain a little. Nevertheless, insurance is still the most reliable tool an individual can use to plan for his future.

1.3 Insurance as Investment

People invest in life insurance owing to a few key reasons, mainly

- Insurance creates financial provisions for the deceased's dependants.

- Insurance provides for the policyholder's old age after his earning power diminishes. After all, interest rates may fall and invested holdings may lose

value and stop gaining dividends, but the value of an insurance policy once set, never reduces.

- Insurance also provide a legally authorized way to reduce the incidence of Income Tax.

Agreed, insurance may not be the best place to invest your hard-earned money. But there are sufficient reasons for one to believe that it can be a highly lucrative avenue to facilitate savings. People often talk about yield on investment and tend to compare their values with those available on various insurance schemes. This is particularly typical within the Indian sub-continent where one conveniently forgets the element of risk covered by life insurance.

It is extremely unfair to compare the performance of insurance against other investments without considering the core features of insurance. The very essence of insurance is to protect your family from the uncertainty of your life. Hence it proves very logical to evaluate the costs involved towards this feature. Ask yourself this question. When you pay insurance premium for your car, do you get anything if fortunately no mishap happens? This means that you spent the amount to secure a valuable property. Hence you must accept that out of the total amount paid by you for your life insurance, a certain amount is used for providing the risk cover and only the balance can be utilized as savings.

1.4 Need for Life Insurance

The need for life insurance comes from the need to safeguard our family. If you care for your family's needs you will definitely consider insurance. Today insurance has become even more important due to the disintegration of the prevalent joint family system, a system in which a number of generations co-existed in harmony, a system in which a sense of financial security was always there as there were more earning members.

Times have changed and the nuclear family has emerged. Apart from other pitfalls of a nuclear family, a high sense of insecurity is observed in it today besides, the family has shrunk. Needs are increasing with time and fulfillment of these needs is a big question mark. How will you be able to satisfy all those needs? Better lifestyle, good education, your long desired house etc. But again - you just cannot fritter away all your earnings. You need to save a part of it for the future too - a wise decision.

This is where insurance helps you. Factors such as fewer number of earning members, stress, pollution, increased competition, higher ambitions etc are some of the reasons why insurance has gained importance and where insurance plays a successful role. Insurance provides a sense of security to the income earner as also to the family. Buying insurance frees the individual from unnecessary financial burden that can otherwise make him spend sleepless nights. The individual has a sense of consolation that he has something to fall back on. From the very beginning of your life, to your retirement age insurance can take care of all your needs. Your child needs good education to mould him into a good citizen. After his schooling he need to go for higher studies, to gain a professional edge over the others - a necessity in this age where cut-throat competition is the rule. His career needs have to be fulfilled.

1.5 Ten Commandments of life insurance

Insurance, in India, has generally been bought or sold not for what it is intended — the risk cover. It may be useful to keep the following 10 commandments in-mind when buying an insurance policy, to be able to make an informed decision.

1. Thou shall buy insurance for risk cover

The purpose of an insurance policy is to protect the family members of a person from any financial difficulties in case of his/her untimely death. Such unfortunate eventuality to a breadwinner in the house can put the

other family members in serious financial difficulty. Insurance seeks to provide financial help in such times. This, therefore, should be the main objective for buying an insurance policy. Any other benefit such as tax advantage etc. should be of secondary consideration.

2. Thou shall not consider insurance as an investment option

The primary objective of the insurance policy is to provide a risk cover. Hence a part of the premium paid is first appropriated towards this purpose. The balance amount is invested in financial instruments, which are usually very safe ones. Also, the commissions and charges are appreciably higher than other investment options. Consequently the returns from an insurance policy are nothing much to talk about and hence it cannot be considered as a viable investment option vis-à-vis other competing financial products.

3. Thou shall preferably buy only a term policy

Term policies are pure insurance products with no investment add-on. They are the cheapest and the simplest of the variety. As far as the basic objective of risk cover is concerned, there is no difference. And usually for most of us this term policy should be more than sufficient. In such policies the premium paid is foregone at the expiry of the policy and one does not get anything if one survives the policy. This fact that one does not get anything back is perhaps the most important psychological factor for the low popularity of a term policy.

4. Thou shall preferably buy savings-linked insurance policies

In contrast to the term policies are the savings-linked insurance policies such as money-back, endowment and whole-life. These policies provide the risk cover and also give back some returns to the insured at the end of the policy, in case nothing happens to him/her in the interim. The premiums of such policies are much higher compared to the term policies. This assurance of getting

some returns at the end of the policy term is why most people opt for such savings-linked policies vis-à-vis term policies.

5. Thou shall be wary of the hype

From their business perspective the insurance companies and the agents may be keener to sell saving-linked policies vis-à-vis the term policies, as the premiums and commissions are much higher. And hence the advertisements and sales promotions may speak more about such policies. Therefore, it is for the insured to keep his interests & needs in mind and not be carried away by persuasive agents and publicity.

6. Thou shall buy ULIP only if your horizon is long term

Unit ·Linked Insurance Policies (ULIPs) offer an alternative to traditional policies where the returns can be market-linked. Further, one can also choose one's own investment objective amongst equity, debt and balanced. However, the charges in the initial years are quite high. Thus the actual benefit of ULIP starts accruing only if one has a long-term investment horizon. The minimum lock-in period of 3-5 years may look attractive, but is too short a period to fully compensate for the high charges in the first 2-3 years. ULIP can prove to be a good investment option (together with insurance) if one keeps paying premium for at least for 10-12 years.

7. Thou shall not insure yourself if you a lone bird

Insurance is for the benefit of the dependents. Thus, if you are single with no one being financially dependent on you, it may not really be necessary for you to buy an insurance policy.

8. Thou shall not insure if you are wealthy

You are person of abundant means. You have lots of wealth — properties, bank balances, investments, etc. In your absence, this may be more than sufficient for your family and dependents to continue living comfortably. A

few lakhs of rupees from an insurance company may not make any material difference to their future financial well-being. If such were the case, then you may not need any insurance.

9. Thou shall not insure the child

Any unfortunate eventuality involving a child is no doubt emotionally very traumatic. But it usually does not hurt the family financially. Whereas, insurance cover is for mitigating the financial difficulty, that may arise with the death of the insured. Hence, taking a policy for a child is meaningless. It is an unnecessary expense.

10. Thou shall read the fine print carefully

As they say 'the devil is in the details'. Therefore, understand the features of the policy, the charges etc., before you buy an insurance policy. Further, most insurance companies offer a 15-day look-in period after you have taken the policy. Go over the terms and conditions in the policy very carefully. And if you feel that it does not meet your requirement, you can cancel the policy. You may have to pay some administrative charges, but this would be much better than holding on to a bad policy for years to come. Insurance is a long-term contract usually spanning over decades. Also, these contracts have very little flexibility.

1.6 When should you take insurance?

Your need for life insurance changes with the stages of your life, starting with no need when you're young, progressing to greater and greater levels as you take on more and more responsibility and finally beginning to diminish as you grow older, which is when you should commence planning for your retirement.

• When you're single

Sad though your death would be, it would create financial hardship for no one. Any honest financial assessment of your situation would have to conclude that you have little or no need for life insurance. But then, as you grow older you will be assuming new roles and taking on larger responsibilities too. Costs of living will rise and you will have to plan for your marriage, your children's future and many other interconnected expenses. So we recommend that you buy a policy now while you're young and rates are low. And if someone like a parent depends on you for financial support, then by all means consider life insurance.

• Double income no kids

Married couples with no children may need little or no life insurance, especially if both spouses contribute equally to the household income. The death of either spouse would not be financially catastrophic; the other could presumably survive on his or her own income. Still, it could be a strain. Perhaps the survivor couldn't afford the rent payments on a single income, or maybe you have to repay debts. Each of you should probably buy a substantial amount of life insurance .

• Married with children

A single-income family with young children is the classic high-need situation. Basically, all of these people are dependent on one breadwinner for their total support, so insurance on that life is vital. And if the non-earning spouse should die, the other would have to pay for foster care - a very expensive proposition that argues for insurance on both lives. This same high-need situation exists for dual-income households with children, for single parents, and for anyone caring for elderly parents who have limited resources of their own.

- **The golden years**

  The kids have grown and are making it on their own. You have a pension and considerable assets that can generate good income with suitable retirement planning that will provide for the remainder of your life, independently.

1.7 Industry Profile

Life insurance in India made its debut well over 100 years ago. In our country, which is one of the most populated in the world, the prominence of insurance is not as widely understood, as it ought to be. What follows is an attempt to acquaint readers with some of the concepts of life insurance, with special reference to LIC. The insurance sector India has come a long way from being an open to nationalization and back to a liberalized market again. Tracing the developments in the Indian insurance sector reveals the 360-degree turn witnessed over a period of almost two centuries.

In the 1940s there more than 220 insurance company in India. There was no control over starting and closing of insurance companies. Customer's money was that at stake. After independence, the business of insurance grew at a faster pace as the competition among the Indian companies intensified.

At this juncture, the government of Indian decided to merge all the insurance companies and thus, 245 Indian and foreign insurers and provident societies were taken over by the central government and nationalized in the year 1956. The merger and nationalized of all existing life insurance company resulted in giving birth to the life insurance corporation of India (LIC), which was formed with a capital contribution of Rs. 5 crore from the government of India. Industry was run by the government for 40 years through LIC and four general insurance companies that spanned the length and the breadth of the country. LIC enjoyed a monopoly for more than four decades.

With an annual growth rate of 15-20% and the largest number of life insurance policies in force, the potential of the Indian insurance industry is huge. Total value of the Indian insurance market (2004-05) is estimated at Rs. 450 billion (US$10 billion). According to government sources, the insurance and banking services' contribution to the country's gross domestic product (GDP) is 7% out of which the gross premium collection forms a significant part. The funds available with the state-owned Life Insurance Corporation (LIC) for investments are 8% of GDP. Till date, only 20% of the total insurable population of India is covered under various life insurance schemes, the penetration rates of health and other non-life insurances in India is also well below the international level. These facts indicate the of immense growth potential of the insurance sector.

The year 1999 saw a revolution in the Indian insurance sector, as major structural changes took place with the ending of government monopoly and the passage of the Insurance Regulatory and Development Authority (IRDA) Bill, lifting all entry restrictions for private players and allowing foreign players to enter the market with some limits on direct foreign ownership. Though, the existing rule says that a foreign partner can hold 26% equity in an insurance company, a proposal to increase this limit to 49% is pending with the government. Since opening up of the insurance sector in 1999, foreign investments of Rs. 8.7 billion have poured into the Indian market and 21 private companies have been granted licenses. Innovative products, smart marketing, and aggressive distribution have enabled fledgling private insurance companies to sign up Indian customers faster than anyone expected. There are presently 12 general insurance companies with four public sector companies and eight private insurers. According to estimates, private insurance companies collectively have a 10% share of the non-life insurance market.

The life insurance industry grew by 28%, in terms of weighted new premium income, in the period April to December 2005 over the corresponding period in 2004. ICICI Prudential remained the top private life insurer, with a new business market share of 11.9% of the total market. Bajaj Allianz Life was in second place amongst the private players, with a market share of 5.6%, followed

by HDFC Standard Life with a market share of 4.2%. Birla Sun Life slipped to fourth position, with a market share of 2.9%, due to an 8.5% fall in its weighted new business premium income during April to December 2005 over the corresponding period last year. The new business market share of the Life Insurance Corporation of India ("LIC") fell to 64.3%, down from 75.0% in the first nine months of FY2004/05. The Life Insurance companies that are operating in India and their market share in percentage, (reports as on December 2005)

S.No	Name of the Company	Percentage
1	LIC	64.3%
2	ICICI PRUDENTIAL	11.9%
3	HDFC STANDARD	4.2%
4	BAJAJ ALLIANZ	5.6%
5	TATA AIG	3.2%
6	BIRLA SUN LIFE	2.9%
7	SBI LIFE	2.6%
8	MAX – NEW YORK LIFE	2.1%
9	OM KOTAK	2%
10	ING VYSYA	1.6%
11	AVIVA	1.3%
12	MET LIFE	0.6%
13	RELIANCE	0.5%

Table 1

1.8 Company Profile

ICICI Prudential Life Insurance Company is a joint venture between ICICI Bank, a premier financial powerhouse and Prudential plc, a leading international financial services group headquartered in the United Kingdom. ICICI Prudential was amongst the first private sector insurance companies to begin operations in ·December 2000 after receiving approval from Insurance Regulatory Development Authority (IRDA).

ICICI Prudential's equity base stands at Rs. 11.85 billion with ICICI Bank and Prudential plc holding 74% and 26% stake respectively. In the financial year ended March 31, 2005, the company garnered Rs 1584 crore of new business premium for a total sum assured of Rs 13,780 crore and wrote nearly 615,000 policies. The company has a network of about 56,000 advisors; as well as 7 banc assurance and 150 corporate agent tie-ups. For the past four years, ICICI Prudential has retained its position as the No. 1 private life insurer in the country, with a wide range of flexible products that meet the needs of the Indian customer at every step in life.

1.8.1 Vision of the Company

To make ICICI Prudential the dominant Life and Pensions player built on trust by world-class people and service.

This we hope to achieve by:

- Understanding the **needs of customers** and offering them superior products and service
- Leveraging **technology** to service customers quickly, efficiently and conveniently
- Developing and implementing superior **risk management and investment strategies** to offer sustainable and stable returns to our policyholders

- Providing an enabling environment to foster growth and learning for our **employees**
- And above all, building transparency in all our dealings.

The success of the company will be founded in its unflinching commitment to 5 core values -- Integrity, Customer First, Boundary less, Ownership and Passion. Each of the values describes what the company stands for, the qualities of our people and the way we work. We do believe that we are on the threshold of an exciting new opportunity, where we can play a significant role in redefining and reshaping the sector. Given the quality of our parentage and the commitment of our team, there are no limits to our growth.

1.8.2 The Promoters

ICICI Bank

ICICI Bank (NYSE:IBN) is India's second largest bank and largest private sector bank with over 50 years of financial experience and with assets of Rs. 1812.27 billion as on 30th June, 2005. ICICI Bank offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and through its specialised subsidiaries and affiliates in the areas of investment banking, life and non-life insurance, venture capital and asset management. ICICI Bank is a leading player in the retail banking market and has over 13 million retail customer accounts. The Bank has a network of over 570 branches and extension counters, and 2,000 ATMs.

Prudential plc

Established in London in 1848, Prudential plc, through its businesses in the UK and Europe, the US and Asia, provides retail financial services products and services to more than 16 million customers, policyholder and unit holders worldwide. As of June 30, 2004, the company had over US$300

billion in funds under management. Prudential has brought to market an integrated range of financial services products that now includes life assurance, pensions, mutual funds, banking, investment management and general insurance. In Asia, Prudential is the leading European life insurance company with a vast network of 24 life and mutual fund operations in twelve countries - China, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, the Philippines, Singapore, Taiwan, Thailand and Vietnam.

CHAPTER - 2

Objectives, Scope and Limitations of the Study

Chapter 2

OBJECTIVES, SCOPE AND LIMITATIONS OF THE STUDY

2.1 PRIMARY OBJECTIVE

The study was aimed at finding out the reasons why people opt for life Insurance. Among the under mentioned benefits, the most influencing benefit is to be found out.

- ❖ Tax Savings
- ❖ Life cover and security for family
- ❖ Long term investment
- ❖ Specific purposes like Children Education Children marriage Medical Expenses and Plans for retirement income.

2.2 SECONDARY OBJECTIVE

- ❖ To provide suggestions and recommendations to the organization on the segment of market that has to be focused.
- ❖ To understand the basis on which people choose the life insurance products.

2.3 SCOPE OF THE STUDY

The study also aims in finding out the reasons why people prefer to invest in insurance among the other savings instruments viz., Bank Deposit, Post office savings, provident fund, national savings scheme etc.

-This study gives information regarding the sources of market contacts for soliciting insurance policies. The buying behavior of different insurance products and different areas were insurance come in to ones life is studied, which may help the company to plan on their actions. This research was initiated with the intention to find out the preference of investors investing in Life Insurance with regards to other financial objectives in addition to protection.

Reasons for having and not having Life Insurance policy are to be considered. The study also gives the information for the company about the occupation, income range, and age group of people with regard to their preferences in insurance products. This will serve as fundamental information for the company for effective selling of their products. The receptiveness of a product is the critical stage of any product life cycle because it is the initial introduction and promotional level of the product. This study helps to ascertain the extent of receptiveness of the new products that have been introduced by ICICI Prudential.

This study at the initial evolution of the product would help the company in identifying the set of people who would buy the product with special attention to the demographic profile such as age, income, gender and occupation. Thus the company would find it easy as to which segment of the market it has to focus in order to promote their products.

2.4 INFORMATION NEEDED TO FULFILL THE OBJECTIVE

- ❖ Information about the awareness and preference level for various investment avenues.
- ❖ Information about the investors view with special reference to Life Insurance.
- ❖ The main reasons for having Life Insurance policy.
- ❖ Type of insurance plan that was preferred and the timing of that investment.
- ❖ Information related to the choice of duration of investment.
- ❖ Alternative views on Life Insurance as tool to meet financial goals in addition to protection.

2.5 LIMITATION OF THE STUDY

❖ The data were collected during the period May-06. The respondents may vary over a period of time.

❖ The sample is chosen on the basis of convenient sampling of 150 persons.

❖ The sample area is restricted to Coimbatore.

❖ The respondents consisted of various classes of people with varying levels of education. hence there is a possibility of a bias in their response.

❖ As the survey was pertaining to the investment habits of the individual, the respondents may have withheld some sensitive information.

CHAPTER ~ 3

Research Methodology

Chapter 3

RESEARCH METHODOLOGY

3.1 INTRODUCTION

A research cannot be conducted abrupt. Researcher has to proceed systematically in a planned direction with the help of a number of steps in sequences. To make the research systemized the researcher has to adopt certain sequence of procedures or methods. The method adopted by researcher for completing the project is called Research Methodology.

In other words, Research Methodology is simply the plan of action for a research project, which explains in detail how data are to be collected, analyzed and interpreted. Data become information only when a proper methodology for analysis is adopted. Thus we can say Methodology is a tool that processes the data to reliable information. This chapter attempt to highlight the research methodology adopted in this project.

3.2 THE RESEARCH DESIGN

1	Research Design	Descriptive Research
2	Sampling Units	House holds of Coimbatore city.
3	Sample Technique	Convenient sampling
4	Sample Size	150.
5	Sampling Unit	Business Men, Professionals, Service personnel, Retired and Others like House wives.
6	Data Collection	Primary Data Collection
7	Data Collection Tools	Questionnaire

3.2.1 RESEARCH DESIGN

A research design is an arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the success of the research purpose with economy in procedure. Fundamental to the success of any research project is the sound research design. A research design is purely and simply the framework and for the study that guides the collection and analysis of data. It is a blue print that is followed for completing a study.

The descriptive approach attempts in describing the characteristics of a particular individual, or a group. The study is concerning whether certain variables are associated with sampling units or not. In this method , the researcher must be able to define clearly, what he wants to observe and must find adequate methods for measuring it along with a clear cut definition of 'population he wants to study'

3.2.2 EXPLORATORY PHASE

The basic area to be addressed is the awareness for the respondents of the various investment avenues that are popularly available for the investors with special reference to Life Insurance. In order to gain a sharper perspective of the problem and develop the research dilemma into a more precise formulation and state the problem clearly, a few days was spend in studying the actual problem. The objectives and the problem became clear when the researcher started interacting with the various people. As a part of the exploration process the researcher had a look at the reasons for having Life Insurance policy, various types of insurance plans, timing of investment, and choice of duration etc., this process facilitated in starting the objectives of the study clearly.

3.3 SAMPLING TECHNIQUE

Sampling is the use of a subset of the population to represent the whole population. Probability sampling or random sampling is a sampling technique in which the probability of getting any particular sample may be calculated. Non probability sampling does not meet this criterion and should be used with caution. Convenience sampling - members of the population are chosen based on their relative ease of access. To sample friends, co-workers, or shoppers at a single mall, are all examples of convenience sampling.

Researchers usually cannot make direct observations of every individual in the population they are studying. Instead, they collect data from a subset of individuals – a sample – and use those observations to make inferences about the entire population.

Ideally, the sample corresponds to the larger population on the characteristic(s) of interest. In that case, the researcher's conclusions from the sample are probably applicable to the entire population. This type of correspondence between the sample and the larger population is most important when a researcher wants to know what proportion of the population has a certain characteristic – like a particular opinion or a demographic feature. Public opinion polls that try to describe the percentage of the population that plans to vote for a particular candidate, for example, require a sample that is highly representative of the population. Samples are evaluated primarily according to the procedures by which they were selected rather than by their final composition or size.

Convenience sampling is used for the exploratory research where the researcher is interested in getting an inexpensive approximation of the truth. As the name implies, the sample is selected because they are convenient. This non probability method is often used during the preliminary research efforts to get a gross estimate of the results, without incurring much cost or time required to select a random sample.

3.4 DATA SOURCES

3.4.1 Primary Data

The primary data was collected through an administered Questionnaire. The Questionnaire was designed to collect varied information to elucidate the objectives of the study.

3.4.2 Secondary Data

Secondary data was collected using the internet, books, journals and magazines. General information about ICICI Prudential Life Insurance Ltd. was gathered from the company's website and annual report.

3.5 Data Collection Method

The Direct – Structured type of data collection method was used for data collection purpose. The interview mode was adopted for the collection of data.

3.5.1 Questionnaire Design

The questionnaire includes both open ended and closed ended questions with multiple choices, Open-ended questions enable wide range of responses, and this enables the respondent to express his views in his own words. However this is difficult to tabulate and analyze.

Close-ended questions offer a limited choice of response. Respondents find these easier to complete. Close-ended questions can also be tabulated and analyzed more easily. The copies of the questionnaire used in the study are at Annexure I.

Proper care has been taken to ensure that the information needs match the objectives, which in turn match the data collected through the questionnaire. The basic cardinal rules of Questionnaire design like using simple and clear words, the logical and sequential arrangement of questions has been taken care of.

3.5.2 Tools Used

❖ Weighted Average

❖ Simple percentage analysis

3.5.2.1 Weighted Average

This type of analysis is particularly useful when the purpose of the question is to identify the preferences of the sample respondents among different choices. The respondents indicated the importance they assign to different types of policies. The ranking was in the order of "1" for most important and "7" for the least important. While doing the analysis the first rank was given a weightage of 7 and the least rank was given the weightage of 1. The rank assigned by all the respondents was cumulated using the weightage. Accordingly, the type of policy with the least cumulative weightage was ranked No.1 and so on. The weighted score of all the ranking questions are calculated and the overall ranks are assigned to the various factors based on the weighted score.

3.5.2.2 Simple Percentage Analysis

Data analysis plays a major role in any research because ultimately it is an apt analysis, which would be of great use to the organization. A simple percentage analysis was carried out for the major part of the data analysis. Without this percentage, the researcher would face difficulty in interpreting results.

This method is implemented to find the percentage of any single factor or a combination of factors with respect to the total population. It is applied to identify the percentage of contribution of various segments in buying of the insurance product.

CHAPTER - 4

Analysis and Interpretation

Chapter 4

4.1 ANALYSIS AND INTERPRETATION

4.1.1 Analysis

Analysis is the process of placing the data in an ordered form, combining them with the existing information and extracting the meaning from them. In other words, analysis is an answer to the question "what message is conveyed by each group of data" which are otherwise raw facts and are unable to give a meaningful information. The raw data become information only when they are analyzed and put in a meaningful form.

4.1.2 Interpretation

Interpretation is the process of relating various bits of information to other existing information. Interpretation attempts to answer, "What relationship exists between the findings to the research objectives and hypothesis framed for the study in the beginning".

4.2 Profile of the respondents

The survey was conducted conveniently done with a choice of 150 people of Coimbatore city. Off the 150 people 108 are male and 42 are female.

Gender	Martial Status		Total
	Single	Married	
Male	45	63	108
Female	11	31	42
Total	56	94	150

Table 2

Gender Vs Martial Status
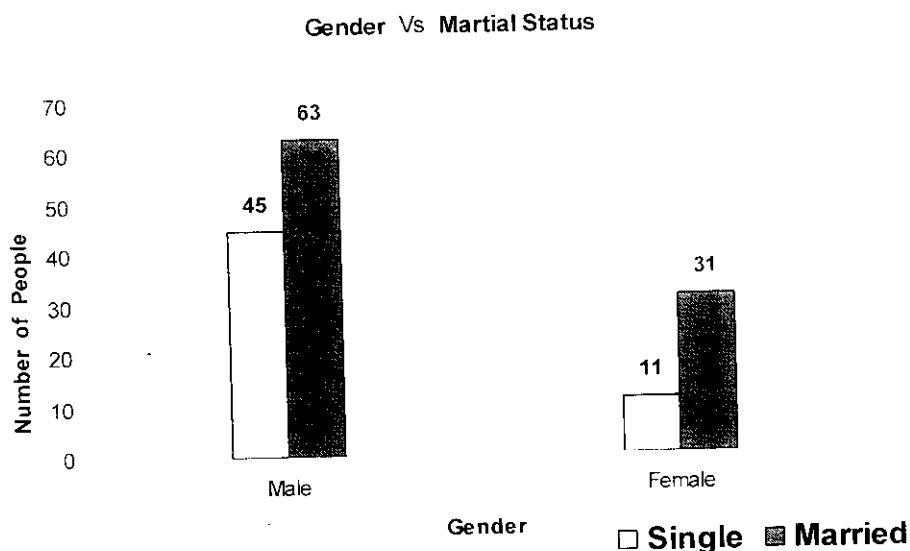
Graph 1

Inference

     Table 1 gives gender Vs martial status analysis, among 108 male respondents 63 were married and remaining 45 were unmarried and on the other side among 42 female respondents 31 were married and the remaining 11 were unmarried.

4.3 Occupation status of respondents

Gender	Occupation	
	Business	Service / Private Sector
Male	43	65
Female *	9	18

Table 3

Gender	Martial Status	Business	Occupation Service / Private Sector
Male	Single	9	36
	Married	34	29
Female *	Single	5	6
	Married	4	12

Table 4

(* 15 were housewife's)
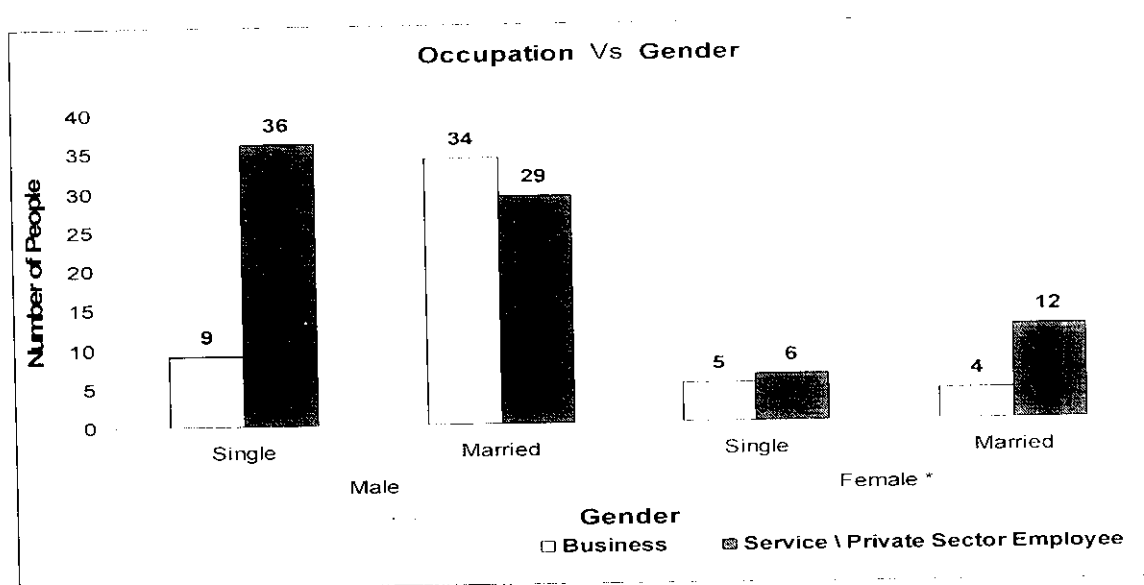
Graph 2

Inference

The respondents were categorized as per their occupation and gender. The occupations were segmented into people doing own business and employees of either service sector or private industrial sector. This classification shows that out of 108 male respondents 43 were doing their own business while 65 were working either in service sector or in private individual sector. Among the females 9 were engaged in their own business while the remaining 18 were working in service and private sector (Table 3 & 4).

4.4.1 Number of Persons Insured and Not Insured

Gender	Male	Female	Total
Insured	72	25	97
Not Insured	36	17	53
Total	108	42	150

Table 5

Insured Vs Gender
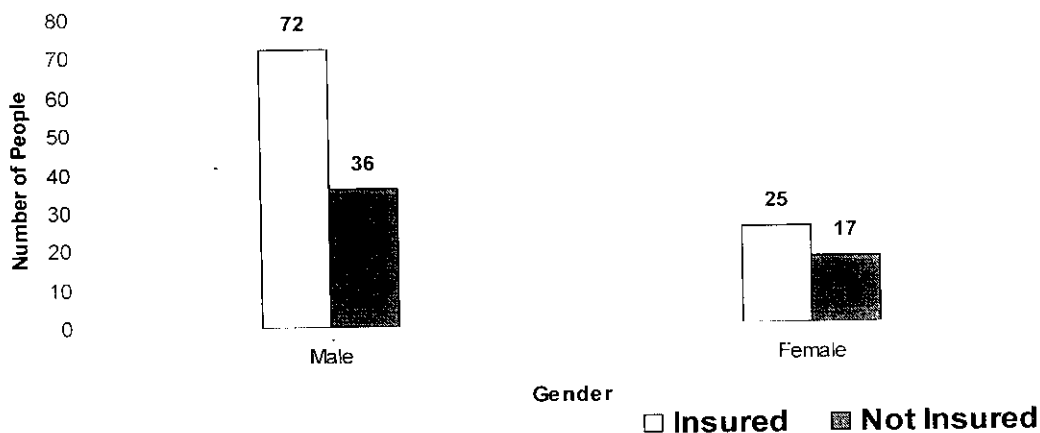
Graph 3

Gender	Martial Status	Insured	Not Insured	Total
Male	Single	28	17	45
	Married	44	19	63
Female	Single	6	5	11
	Married *	19	12	31
Total		97	53	150

Table 6 (The husbands of every married Insured women are also insured)

Insured Vs Gender
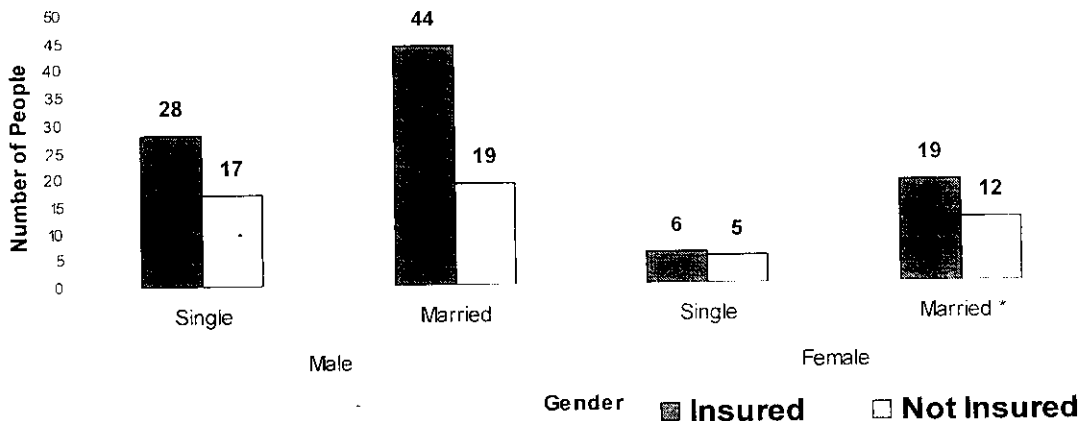
Graph 4

Inference

From the above Table 5 & 6 and its corresponding charts we get the segmentation of people those who have insured among the 150 respondents. Number of persons insured out of 150 respondents was 97 persons. Number of males insured is 72 out of 97 (74.2 %). Number of females insured is 17 out of 36 (47.2 %). Out of 72 males owning a life insurance policy 28 were unmarried and 44 were married. Among the 25 females holding an insurance policy 6 was unmarried and remaining 19 were married. The proportion of unmarried male and female holding an insurance policy is 28: 6 and the proportion of married male and female holding a insurance policy is 44:19.

4.4.2 Persons Insured Vs Income Range

| Gender | Martial Status | Insured | Monthly Income Range | | | |
			Less than 10,000	10,000 to 15,000	15,000 to 20,000	Above 20,000
Male	Single	28	2	3	8	15
	Married	44	4	7	12	21
Female	Single	6	-	1	2	3
	Married	19	2	6	4	7
Total		97	8	17	26	46
Percentage %		100	8.2	17.5	26.8	47.4

Table 7

Income Range Vs Insured
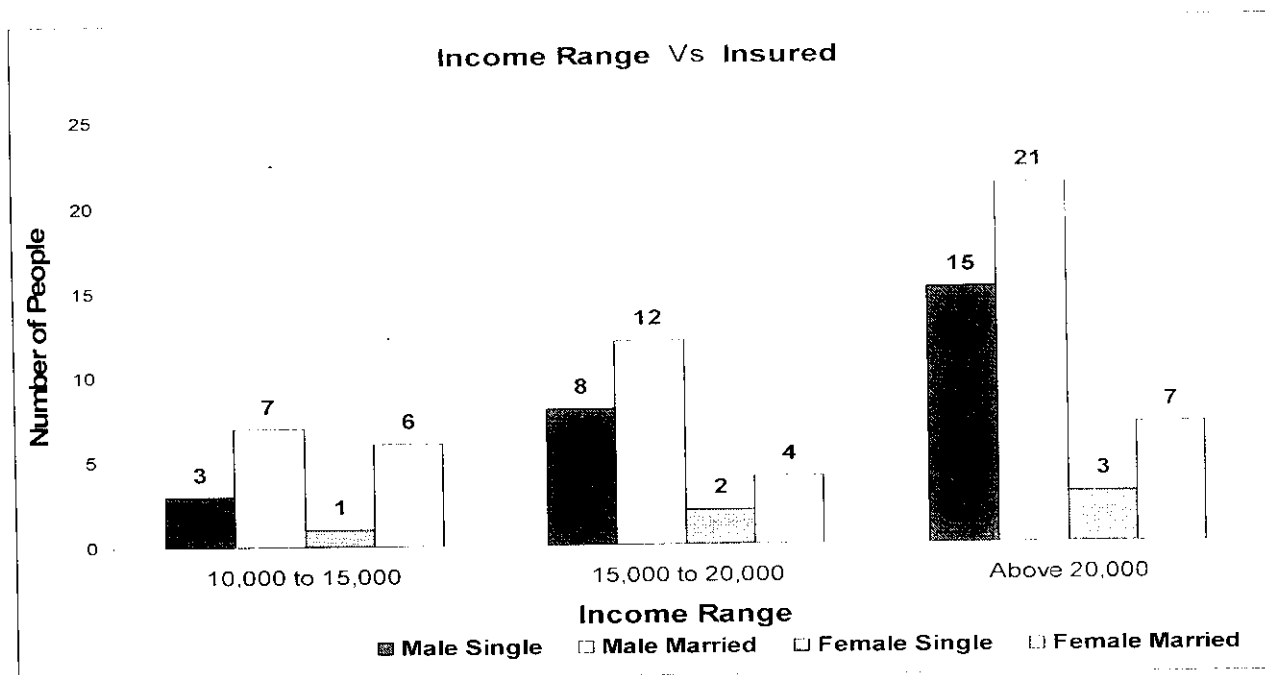
Graph 5

Inference

Table 7 shows the relationship among people who are insured against their martial status in relationship of their range of monthly income. From Table 7 it is obtained 8 out of 97 insured earn a monthly income of less than Rs 10,000, 17 out of 97 insured earn a monthly income in between Rs 10,000 to Rs 15,000. 26 out of those 97 insured earn in-between Rs15,000 to Rs 20,000. And finally the remaining 46 fall under the monthly income category of above Rs 20,000 rupees. Their percentages work to 8.2%, 17.5%, 26.8% and 47.4% respectively.

4.4.3 Persons Insured Vs occupation

Gender	Martial Status	Occupation Business	Insured	Occupation Service / Private Sector	Insured
Male	Single	9	9	36	19
	Married	34	28	29	16
Female *	Single	5	4	6	2
	Married	4	3	12	11

Table 8 (* Out of 15 House Wife's 5 are Insured)
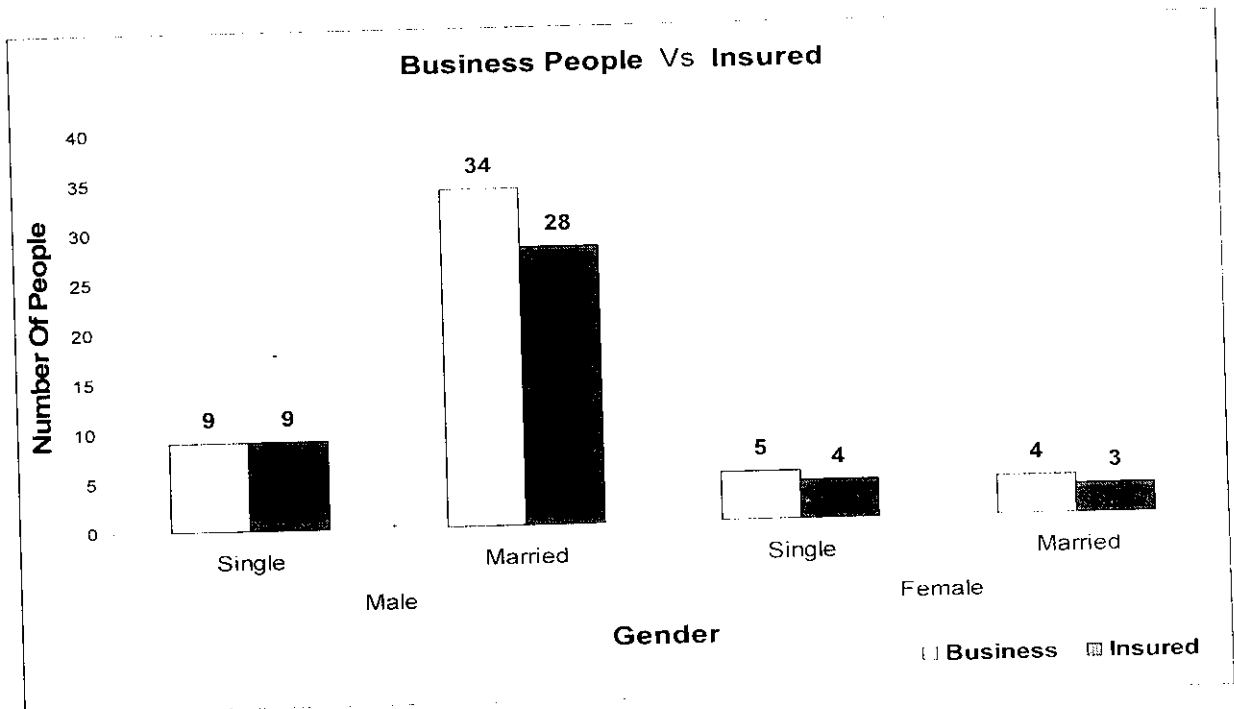
Graph 6

Graph 7
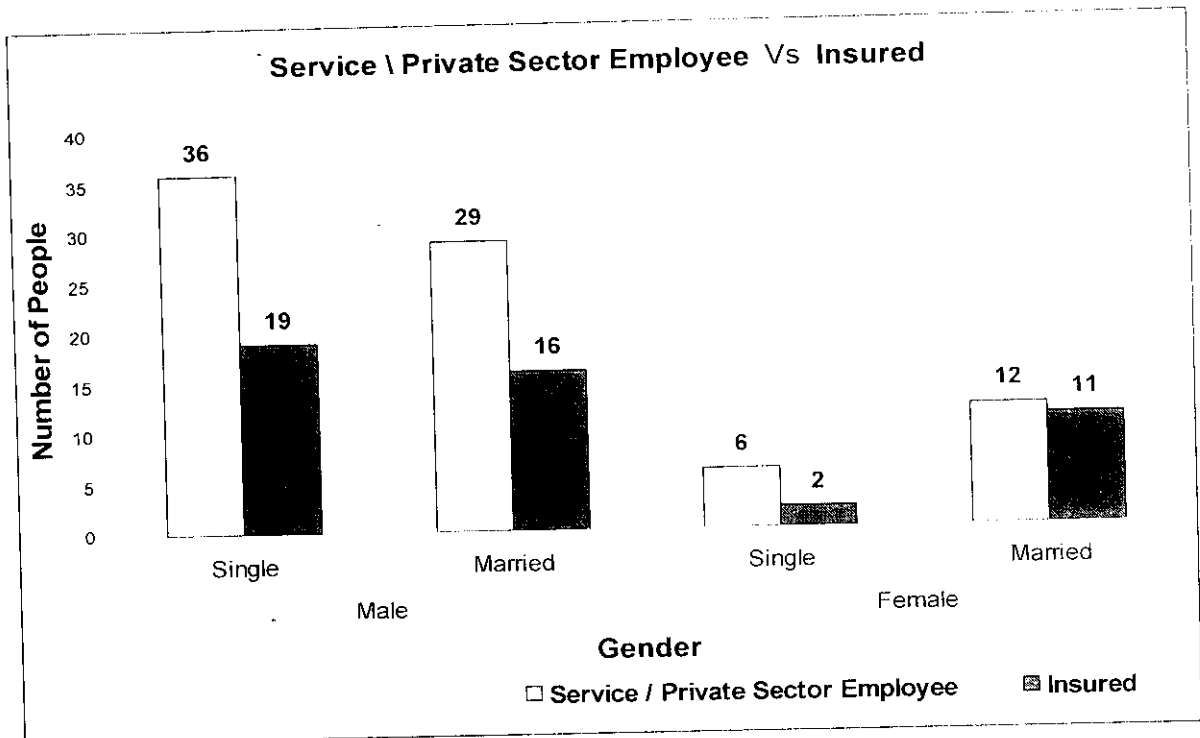
Inference

If the insured people are categorized according to their occupation, then 44 people out of 52 doing business are insured. On the other side 48 out of 83 people working in a service / private sector are insured. The persons insured depending upon their occupation category fall in the proportion 44: 48, where the remaining 5 insured people are house wives. In this context the highlight that should be noted is that if the house wife's are insured their spouses are also insured. These details are given in the Table 8. It is also clearly shown in the Graph 6 and Graph 7 respectively.

4.4.4 Persons Insured Vs age group

Gender	Martial Status	Insured	Age (years)			
			20 – 25	26 – 30	31 – 35	Above 35
Male	Single	28	6	9	11	2
	Married	44	3	23	6	12
Female	Single	6	1	4	1	-
	Married *	19	2	7	4	6
Total		97	12	43	22	20
Percentage %		100	12.3	44.3	22.6	20.6

Table 9 (* Out of 15 House Wife's 5 are Insured)

Persons Insured Vs Age Group
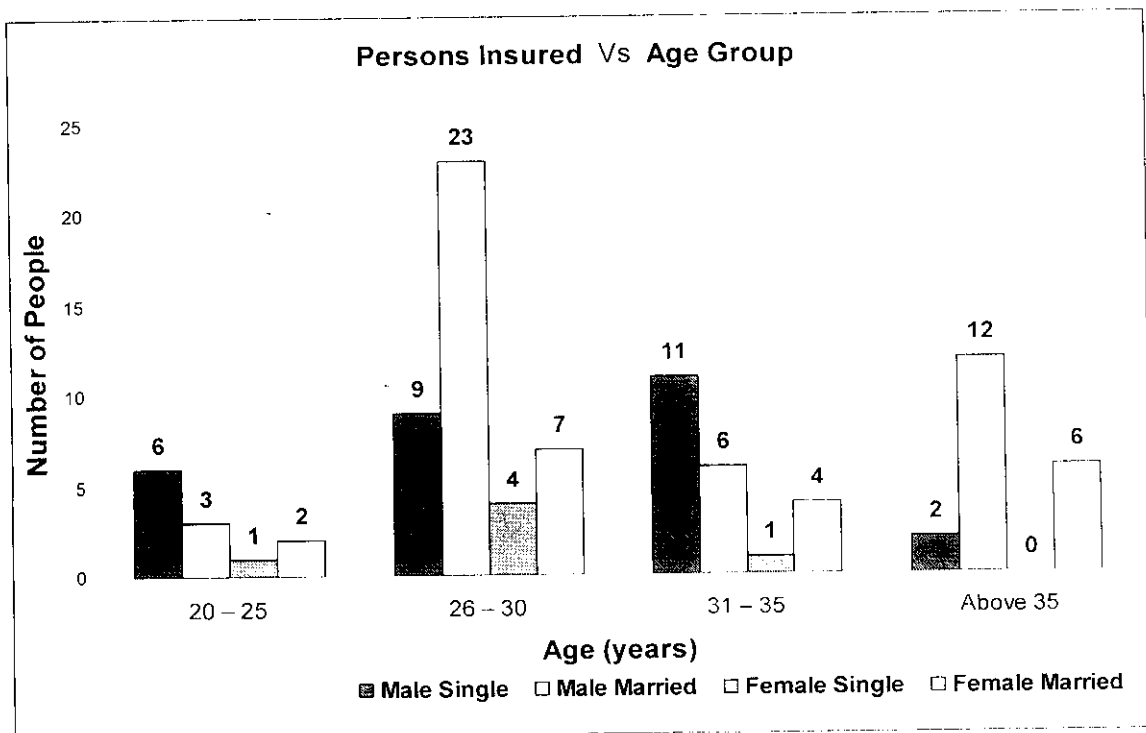
Graph 8

Inference

In another analysis as shown in Table 9 the insured people are grouped according to their age , out of 97 persons, 12 people fall in the age group of 20 to 25 years, 43 people fall in the age group of 26 to 30 years, 22 people fall in the age group of 31 to 35 years and the remaining 20 are above 35 years. This table also shows the martial status of the different age group of the people who have insured.

4.5.1 Reasons for Opting Life Insurance

Reasons	Rank				Total
	1	2	3	4	
Tax Savings	52	27	27	44	150
Life cover and Security for family	67	26	42	15	150
Long Term Investment	17	52	50	31	150
Savings for Specific Purposes (Children education, Marriage etc)	14	45	31	60	150
Total	150	150	150	150	600

Table 10

Inference

The respondents were asked to give their reasons for availing of insurance policy, viz Tax Savings, Life cover and Security for family, Long Term Investment and Savings for Specific Purposes. From the Table 10 it can be seen that out of 150 respondents 67 gave first rank for life cover (41 %) followed by 52 preferring tax savings (37%). It can also been observed that the public do not save money for their long term social commitment like children marriage, education etc.

4.5.2 Persons Opting Tax Savings Vs Insured & their Income Range

		Rank			
		1	2	3	4
Tax Savings		52	27	27	44
Insured		36	19	20	22
Monthly Income Range	Less Than 10,000	2	3	2	3
	10,000 to 15,000	5	4	3	3
	15,000 to 20,000	12	4	6	7
	Above 20,000	17	8	9	9

Table 11

Inference

Table 11 illustrates the details of persons opting life insurance for the purpose of "Tax Savings" in 4 different categories and number of persons insured among them. The monthly income ranges of the respondents under those 4 categories are also shown. From the table we can summarize that most of people earning above Rs 20,000 per month give high preference for tax savings. People with monthly income below Rs 15,000 give less preference for tax saving objective. So it is clearly evident from this that availing of insurance for tax savings grows from higher to lower with a high correlation on the monthly income of the respondents.

4.5.3 Persons opting Life Cover & Security for family Vs their family Size & Income Range.

		Rank			
		1	2	3	4
Life cover and Security for family		67	26	42	15
Family size	3 Members	14	5	9	2
	4 Members	38	14	23	9
	5 members	15	7	10	4
Monthly Income Range	Less than 10,000	12	3	11	7
	10,000 to 15,000	28	13	8	3
	15,000 to 20,000	15	3	16	2
	Above 20,000	12	7	7	3

Table 12

Inference

Table 12 shows the relationship between income range and family size with preference to Life Insurance for the purpose of "Life cover and security for family". It is observed from the table that persons with more family members give higher importance for "Life cover and Security for Family". People with family size of four members and above evenly give their preference for life cover and security for their family. The preference for life security for family lies from highest to lowest with high correlation with family size.

4.5.4 Persons Preferring Tax Savings Vs Insured

Reasons	Rank			
	1	2	3	4
Tax Savings	52	27	27	44
Insured	36	19	20	22

Table 13
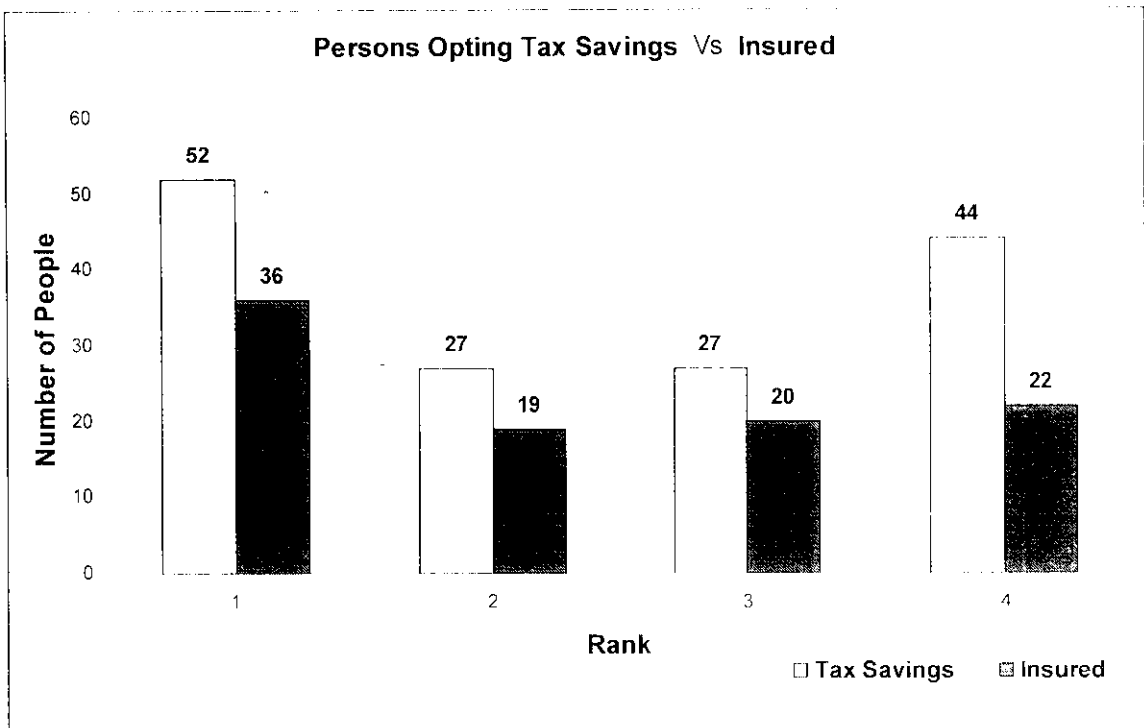
Graph 9

Inference

The Table 13 and its corresponding Graph 9 represents the number of persons insured among those preferring tax savings as a tool for choosing Life Insurance. In all the four rank groupings nearly 60 percent of persons prefer Tax Savings through insurance.

4.5.5 Persons Preferring Life cover and Security for family Vs Insured

Reasons	Rank			
	1	2	3	4
Life cover and Security for family	67	26	42	15
Insured	41	21	26	9

Table 14
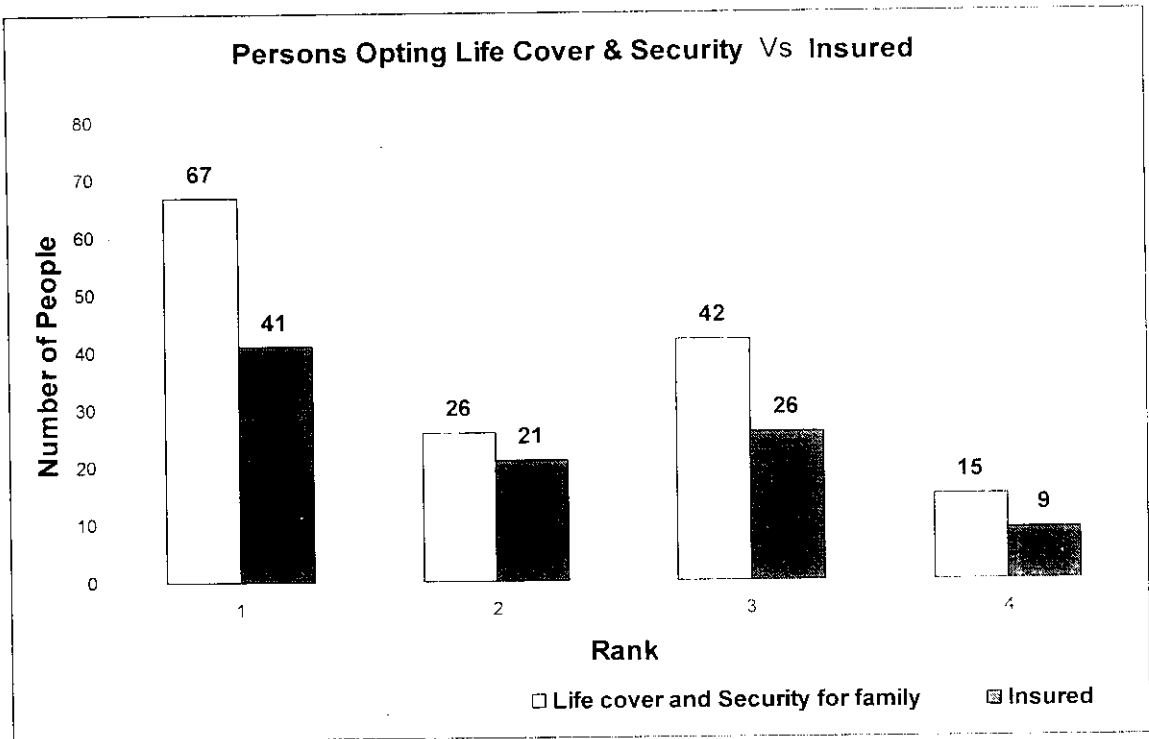
Graph 10

Inference

Table 14 and its corresponding Graph 10 shows the number of persons insured among those preferring Life cover and Security for family as a tool for choosing Life Insurance. It illustrates high preference is given for Life cover and Security for their family among most of the respondents.

4.5.6 Persons Opting Long term Investment Vs Insured

Reasons	Rank			
	1	2	3	4
Long Term Investment	17	52	50	31
Insured	9	32	32	24

Table 15
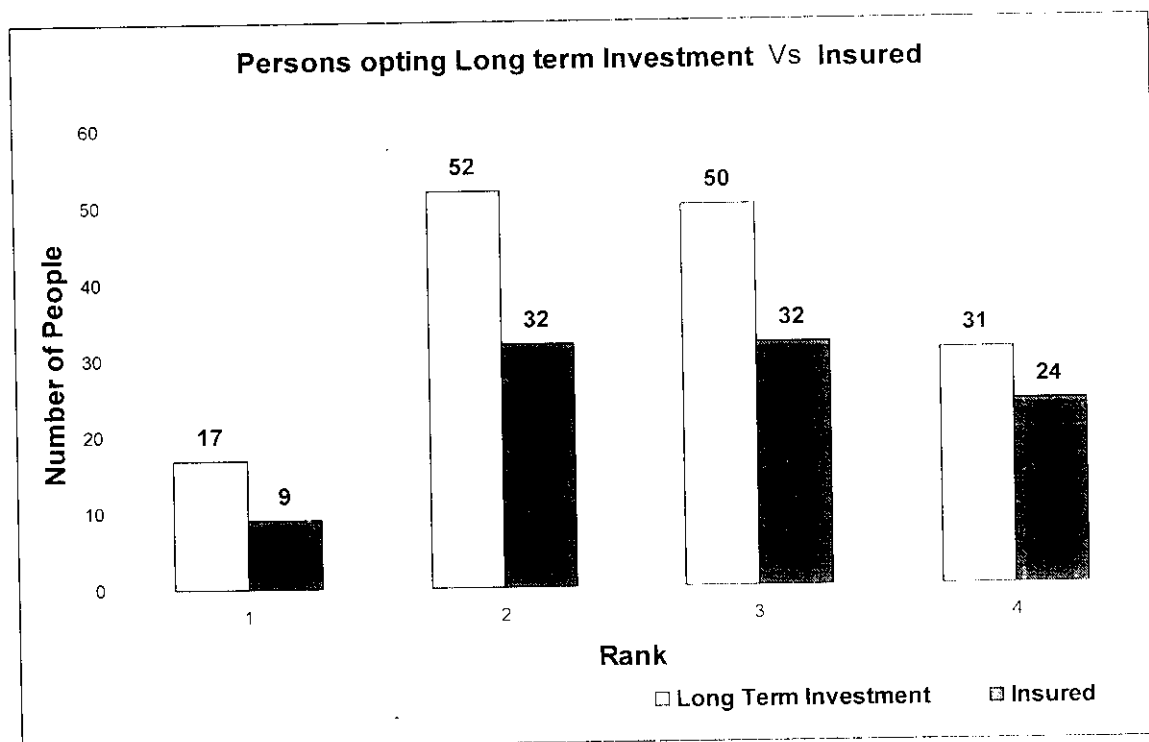
Graph 11

Inference

The above table and its corresponding graph show the number of persons insured among those preferring Long term Investment as their purpose for choosing Life Insurance. It illustrates, generally least preference is given for Long Term Investment among most of the respondents.

4.5.7 Persons Opting Specific Savings Vs Insured

Reasons	Rank			
	1	2	3	4
Savings for Specific Purposes (Children education, Marriage etc)	14	45	31	60
Insured	11	25	19	42

Table 16
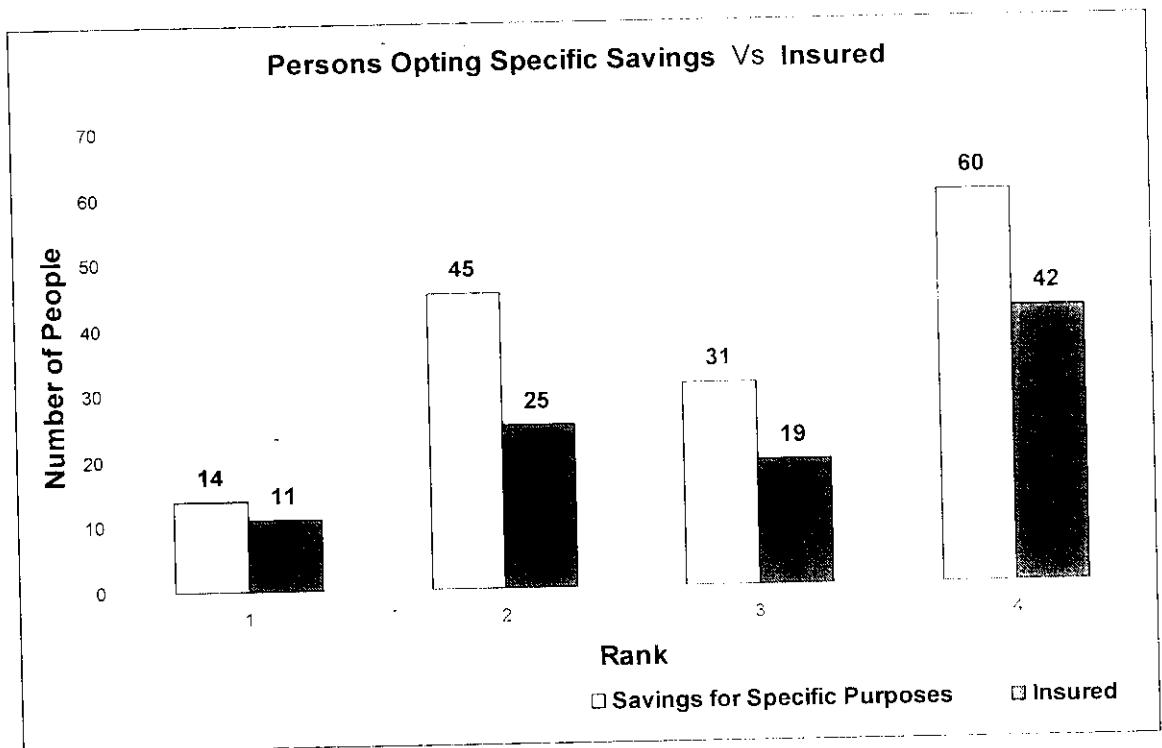
Graph 12

Inference

The above and its graph show the number of persons insured among those preferring Specific purpose savings as basis for choosing Life Insurance. It indicates that specific purpose savings is evenly preferred by all respondents under the four categories.

4.5.8 Reasons for Opting Life Insurance Vs Insured

Reasons	Persons Insured Rank				Total
	1	2	3	4	
Tax Savings	36	19	20	22	97
Life cover and Security for family	41	21	26	9	97
Long Term Investment	9	32	32	24	97
Savings for Specific Purposes (Children education, Marriage etc)	11	25	19	42	97
Total	97	97	97	97	388

Table 17

Proportion of Life Insurance Preferences

Savings for
Specific Purposes
11%

Long Term
Investment
9%

Tax Savings
37%

Life cover and
Security for family
43%
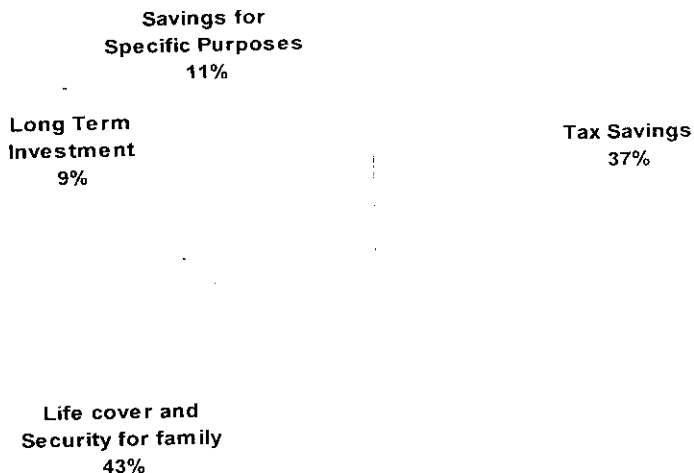
Graph 13

Inference

Among the insurance benefits mentioned in the Table 17, the most preferred benefit among the respondents is found to be life cover and security for family (43%) followed by tax savings (37%), specific purpose saving (11%) and long term investment (9%).

4.5.9 Specific Saving Purposes in opting Life Insurance

Specific Purposes	Rank				Total
	1	2	3	4	
Children Education	74	28	24	24	150
Children Marriage	16	38	63	33	150
Medical Expenses	44	53	31	22	150
Plans For Retirement Income	16	31	32	71	150
Total	150	150	150	150	600

Table 18

Inference

With a view to identify specific purposes of savings among those who prefer life insurance as long term savings a categorization was made as Children education, children marriage, Medical expenses and Plans for retirement income. The respondents were requested to rank these specific purposes. The preferences of these purposes by the respondents are indicated in the Table 18.

Specific Purposes	Rank				Total
	1	2	3	4	
Children Education	48	17	17	15	97
Children Marriage	10	29	39	19	97
Medical Expenses	27	32	21	17	97
Plans For Retirement Income	12	19	20	46	97
Total	97	97	97	97	388

Table 19

Proportions of Specific Purpose Savings

Plans For
Retirement Income
12%

Medical Expenses
28%

Children Education
50%

Children Marriage
10%
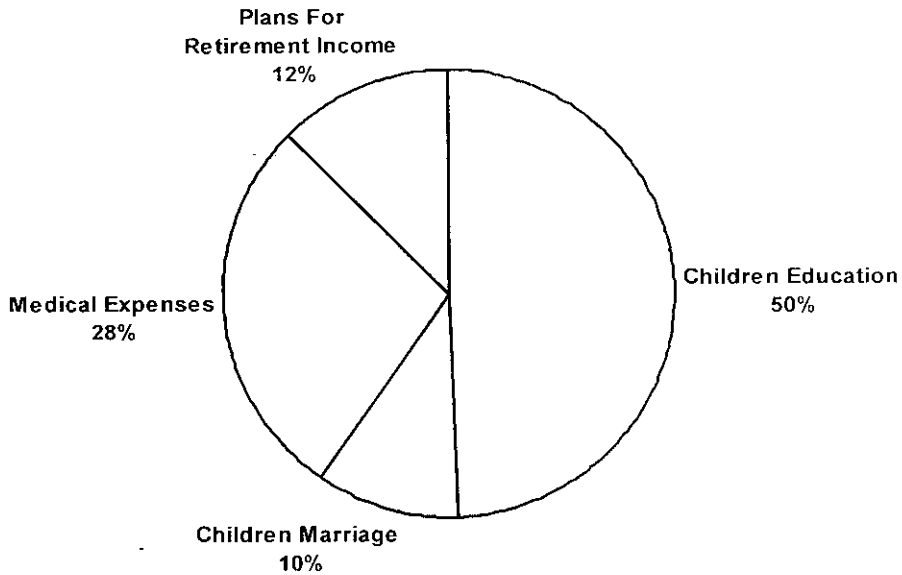
Graph 14

Inference

With a view to identify proportions of specific purposes of savings among those who prefer life insurance table 19 was generated. As long term savings a categorization was made as Children education, children marriage, Medical expenses and Plans for retirement income. The respondents highly preferred children education (50%) followed by medical expenses (28%), retirement income (12%) and children marriage (10%).

4.6 Income Range Vs Reasons for opting Life Insurance

4.6.1 Tax Savings

Annual Income Range (Rs)	Rank				Total
	1	2	3	4	
Less than 10,000	2	2	15	17	36
10,000 to 15,000	13	7	6	12	38
15,000 to 20,000	15	7	4	11	37
20,000 and above	22	11	2	4	39
Total	52	27	27	44	150

Table 20

Inference

It is observed from the Table 20, people with high income range (i.e. monthly income above Rs 20,000) prefer insurance as means of tax savings as the first option, while people with low income range (i.e. less that Rs 10,000) would prefer tax savings as the last option for tax savings purposes.

4.6.2 Life Cover and Security for Family

Annual Income Range (Rs)	Rank				Total
	1	2	3	4	
Less than 10,000	17	8	6	5	36
10,000 to 15,000	18	6	9	4	37
15,000 to 20,000	16	7	10	4	37
20,000 and above	16	5	17	2	40
Total	67	26	42	15	150

Table 21

Inference

From Table 21 it can be seen that out of 150 respondents, people with monthly income range of less than Rs 10,000 attribute higher preference for "life cover and security for family" while people with higher monthly earnings give least preference.

4.6.3 Long Term Investment

Annual Income Range (Rs)	Rank				Total
	1	2	3	4	
Less than 10,000	6	18	16	11	23
10,000 to 15,000	3	12	16	7	51
15,000 to 20,000	4	15	11	8	40
20,000 and above	4	7	7	5	36
Total	17	52	50	31	150

Table 22

Inference

For long term investment purposes it is seen that insurance is given higher importance by people with high monthly income (i.e. above Rs 20,000). Table 22 show the long term investment preference by people with different monthly ranges.

4.6.4 Savings for Specific Purpose

Annual Income Range (Rs)	Rank				Total
	1	2	3	4	
Less than 10,000	3	9	5	8	25
10,000 to 15,000	4	17	10	20	51
15,000 to 20,000	3	13	5	18	39
20,000 and above	4	6	11	14	35
Total	14	45	31	60	150

Table 23

Inference

In case of preferring Insurance as savings for specific purposes like children's education, children's marriage etc., high preferences are given by people belonging to high income range (above Rs 20,000) and low income range (less than Rs 10,000). People with income range from Rs 10,000 to Rs 20,000 give less preference to specific savings purposes. Table 23 shows the variations in preferences for specific purpose savings among the respondents.

4.6.5 Children Education

Annual Income Range (Rs)	Rank				Total
	1	2	3	4	
Less than 10,000	10	7	5	8	30
10,000 to 15,000	25	8	5	5	43
15,000 to 20,000	22	3	8	7	40
20,000 and above	17	10	6	4	37
Total	74	28	24	24	150

Table 24

Inference

The above Table 24 shows that among long term insurance savings , higher order preferences is given for children's education by people with monthly income range of Rs 10,000 to Rs 20,000. While people with monthly income range less than Rs 10,000 and above Rs 20,000 give least preference for children's education purposes.

4.6.6 Children Marriage

Annual Income Range (Rs)	Rank				Total
	1	2	3	4	
Less than 10,000	4	15	13	11	43
10,000 to 15,000	3	12	19	9	43
15,000 to 20,000	2	7	16	8	33
20,000 and above	7	4	15	5	31
Total	16	38	63	33	150

Table 25

Inference

In case of long term insurance savings like children's marriage, higher preference is given by people with monthly income less than Rs 15,000. And people with income of greater than Rs15, 000 have sufficient funds for future expenses, so they give minimum preferences to save funds for their children's marriage.

4.6.7 Medical Expenses

Annual Income Range (Rs)	Rank				Total
	1	2	3	4	
Less than 10,000	12	8	5	4	29
10,000 to 15,000	13	19	10	7	49
15,000 to 20,000	9	17	9	5	40
20,000 and above	10	9	7	6	32
Total	44	53	31	22	150

Table 26

Inferences

The Insurance products as a tool of savings for medical expenses are given high priority by people with monthly income ranging between Rs 10,000 to Rs 20,000 rupees. People with income range less than Rs 10,000 give least priority due to lack of adequate surplus funds (Table 26).

4.6.8 Plan for Retirement Income

Annual Income Range (Rs)	Rank				Total
	1	2	3	4	
Less than 10,000	4	4	9	14	31
10,000 to 15,000	5	8	7	27	47
15,000 to 20,000	4	10	10	17	41
20,000 and above	3	9	6	13	31
Total	16	31	32	71	150

Table 27

Inference

Savings for retirement income is given higher importance by people with monthly income of Rs 10,000 to Rs 20,000 rupees. They are basically employees of service sector depending upon their salary alone for their family expenses. While people in self employed / business / private sector give least preference because of their thinking of permanent sources for their expenses. The people giving low preference for retirement income belong to business category (Table 27).

4.7 Plans for Tax Planning

Modes of Tax Planning	Rank							Total
	1	2	3	4	5	6	7	
Insurance Policy	61	16	10	13	7	24	19	150
Eligible Mutual Fund	10	12	13	24	19	19	53	150
National Savings Certificate	15	28	24	18	37	17	11	150
National Savings Scheme	6	21	36	26	19	22	20	150
Housing Loan	42	32	13	26	10	20	7	150
Provident Fund	9	28	25	27	34	17	10	150
Public Provident Fund	7	13	29	16	24	31	30	150
Total	150	150	150	150	150	150	150	1050

Table 28

Proportions of Tax Planning Tools

Public Provident
Fund
5%

Provident Fund
6%

Insurance Policy
40%

Housing Loan
28%

National Savings
Scheme
4%

National Savings
Certificate
10%

Eligible Mutual
Fund
7%
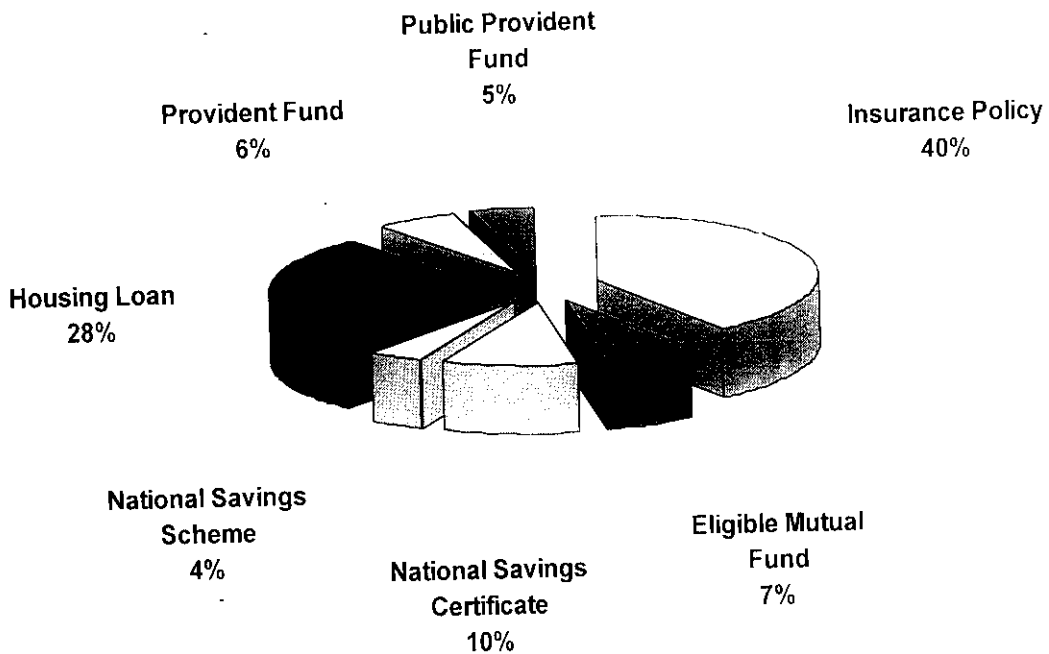
Graph 15

Inference

The respondents were asked to rank their preferences for tax planning among given seven important tax planning savings schemes as given in Table 28. The summary of preferences of these seven choices is shown in the table. The table and its graph shows that Insurance policy has broader preference (40 %) among the respondents followed by housing loan (28 %), NSS & NSC (14 %), PF and PPF (11%) and at last mutual fund (7%).

4.8 Income Range Vs Savings options

Annual Income Range (Rs)	Savings Options			
	Bank Deposits	Post Office Savings	Additional Provident Fund	Chit Funds
Less than 10,000	16	9	4	14
10,000 to 15,000	38	20	6	12
15,000 to 20,000	33	12	5	11
20,000 and above	26	12	7	9

Table 29
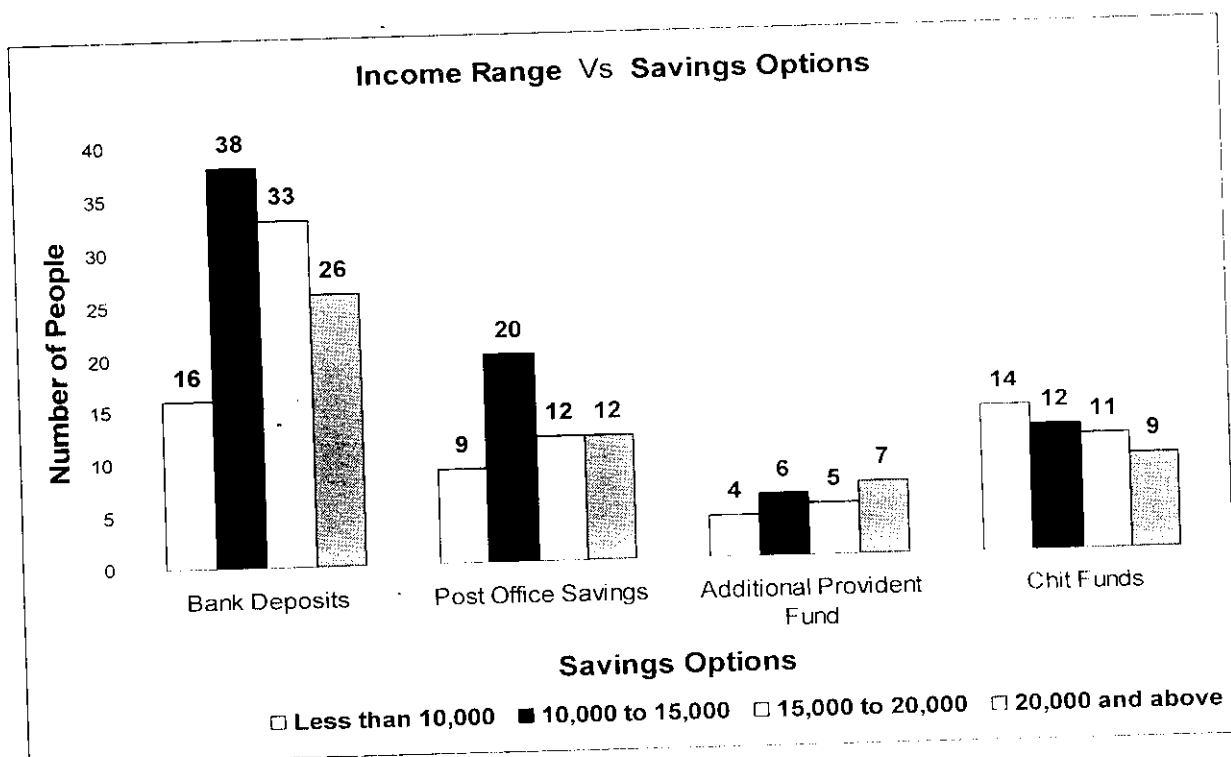
Graph 16

Inference

The questionnaire comprised four important saving options (viz bank deposits, post office savings, additional provident fund and Chit Funds) to which the respondents were to choose their preferences. The preferences of the options is grouped according to income range as shown in table 29 and pictured in graph 16. It can be deduced that bank deposits is preferred mostly among all income groups followed by post office savings and chit funds.

4.9 Insurance Benefits

Insurance Benefits	Rank						Total
	1	2	3	4	5	6	
Tax Savings	58	29	15	12	4	32	150
Life Protection / Security for Family	60	38	21	16	9	6	150
Education of Children	15	32	35	43	11	14	150
Daughter Marriage	7	15	29	29	51	19	150
Old Age Pension	3	14	22	27	40	44	150
Money Back Plans	7	22	28	23	35	35	150
Total	150	150	150	150	150	150	900

Table 30

Proportion of Insurance Benefit Preferences

Money Back Plans
8%

Old Age Pension
3%

Daughter Marriage
8%

Education of
Children
16%

Life Protection /
Security for Family
65%
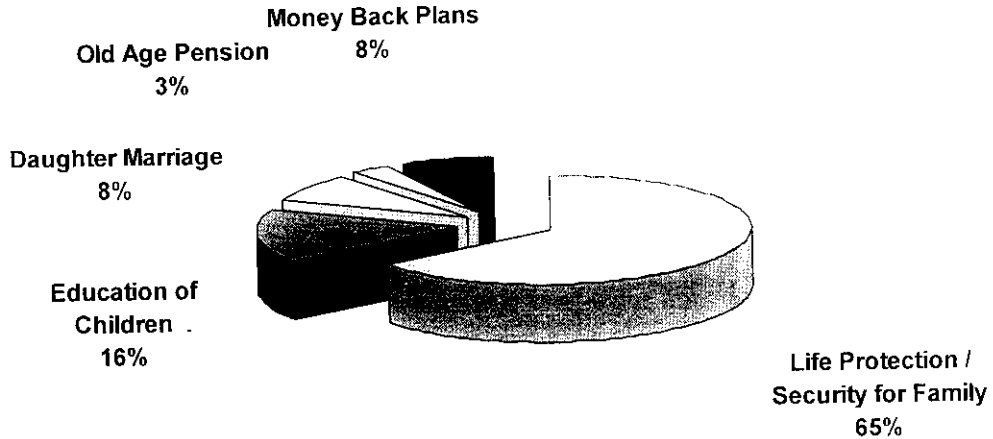
Graph 17

Inference

The benefit perception of a Life Insurance policy as preferred by people provides is ranked and tabulated in table 30. The diversified preferences is summarized and depicted in the Graph 17. From the graph it is evident that high preference is given for the benefit viz., Life Cover and Security for family followed by education of children, money back plans, daughter's marriage and old age pension.

4.10 Term of Insurance Investment Vs Gender

4.10.1 As per Gender

Gender	Term of Investment					Total
	5 Years	10 Years	15 Years	20 Years	25 Years	
Male	9	37	32	17	13	108
Female	10·	13	9	6	4	42
Total	19	50	41	23	17	150

Table 31
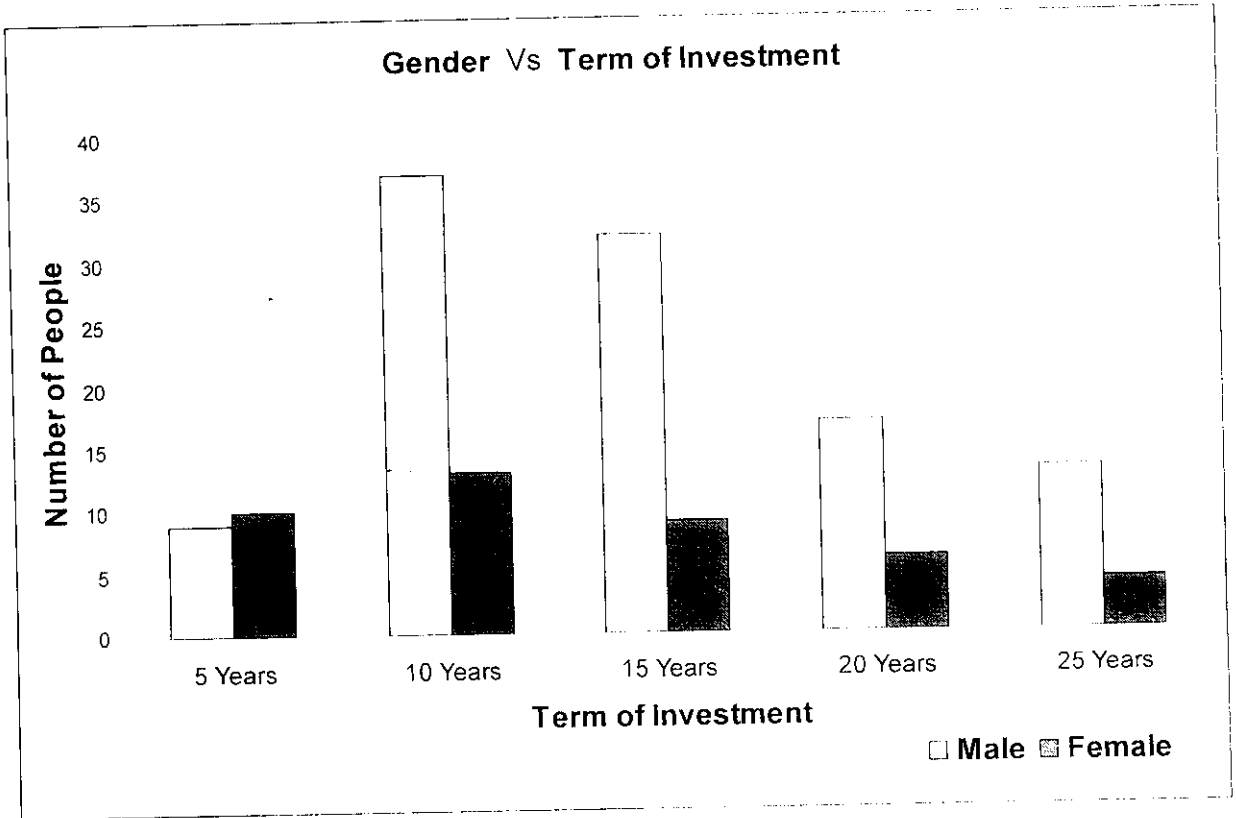
Graph 18

4.10.2 As per Martial Status

Gender	Martial Status	Term of Investment					Total
		5 Years	10 Years	15 Years	20 Years	25 Years	
Male	Single	6	13	11	11	4	45
	Married	3	24	21	6	9	63
Female	Single	2	1	3	3	2	11
	Married	8	12	6	3	2	31
Total		19	50	41	23	17	150

Table 32
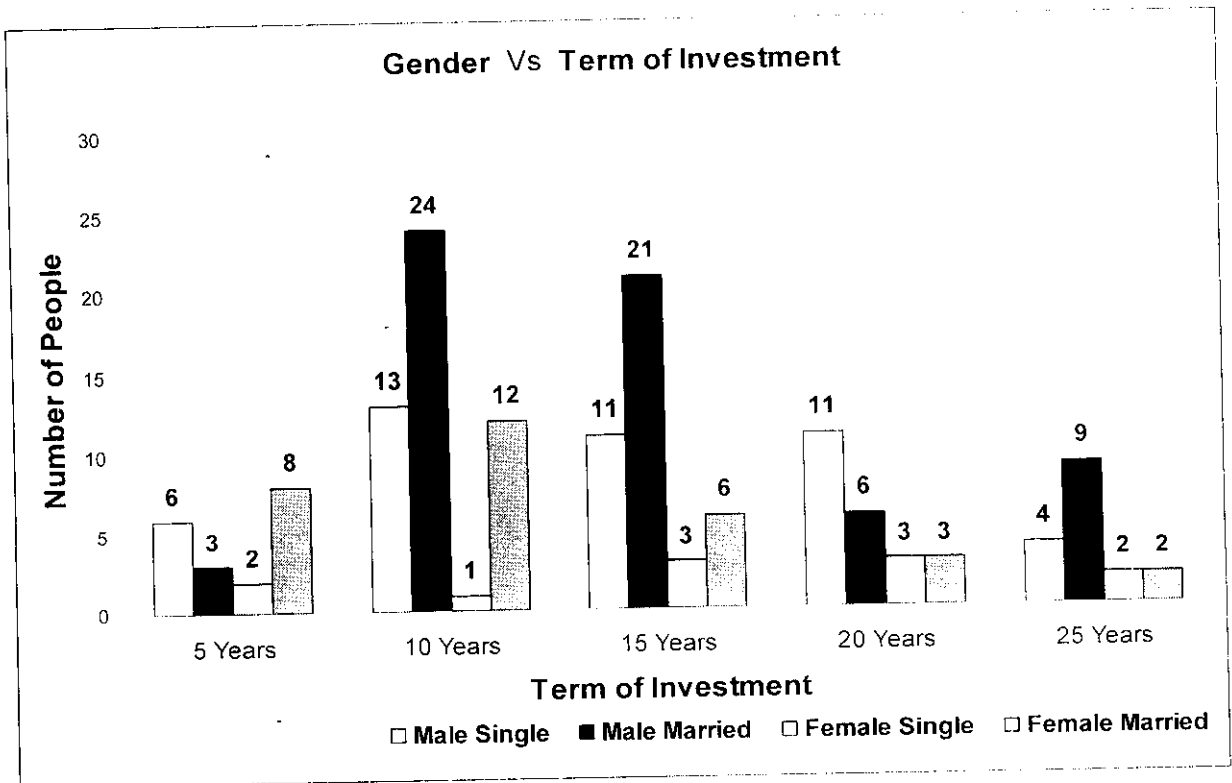
Graph 19

Inference

The questionnaire comprised of question to the respondents to indicate their preference of duration of investment. The duration time was given as 5, 10, 15, 20 and 25 years. Off these durations 10 year and 15 year time investments was highly preferred by most of male respondents. Female respondents highly preferred duration of 5 year and 10 year investments (Table 31 and 32)

4.11 Choice of Investment Vs Gender

4.11.1 As per Gender

Choice of Investment	Gender		Total
	Male	Female	
Short Term Investment (1 – 5 Years)	47	11	58
House Construction / Children Education (5 – 10 Years)	30	16	46
Children Marriage (10 – 15 Years)	16	10	26
Retirement Benefits (15 Years and above)	15	5	20
Total	108	42	150

Table 33
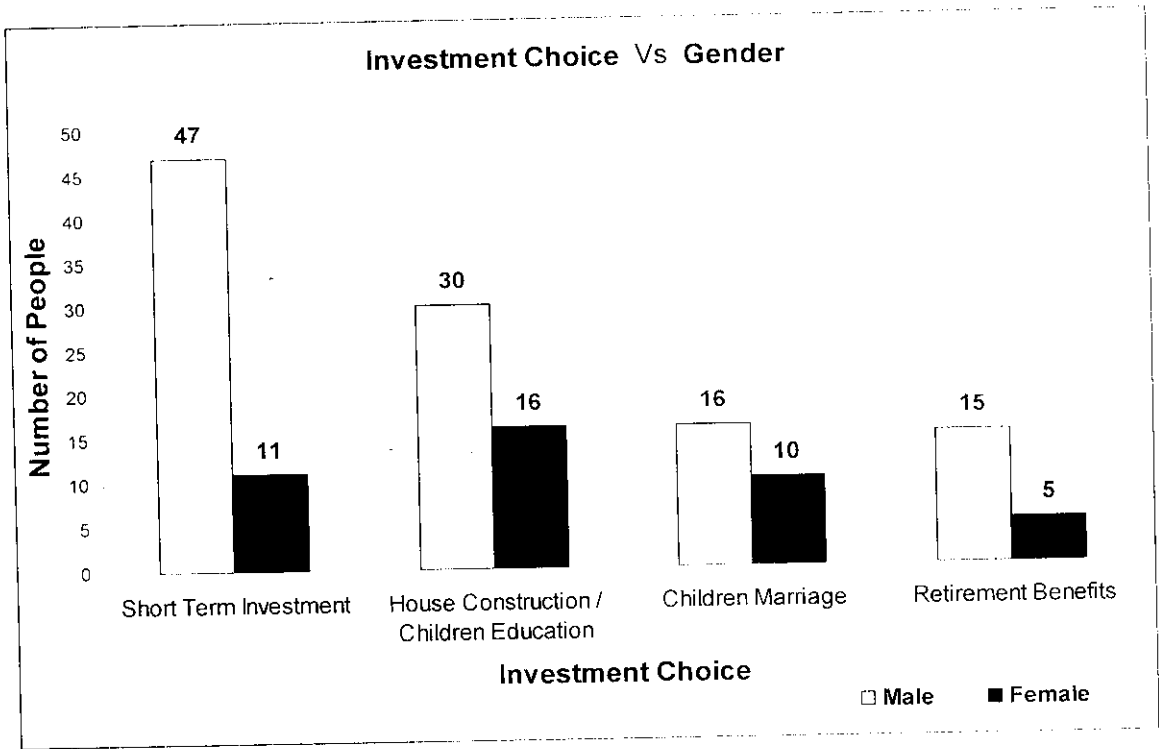
Graph 20

4.11.2 As per Martial Status

Choice of Investment	Gender				Total
	Male		Female		
	Single	Married	Single	Married	
Short Term Money Back Offer (1 – 5 Years)	16	31	3	8	58
House Construction / Children Education (5 – 10 Years)	15	15	4	12	46
Children Marriage (10 – 15 Years)	6	10	2	8	26
Retirement Benefits (15 Years and above)	8	7	2	3	20
Total	45	63	11	31	150

Table 34

Investment Choice Vs Gender
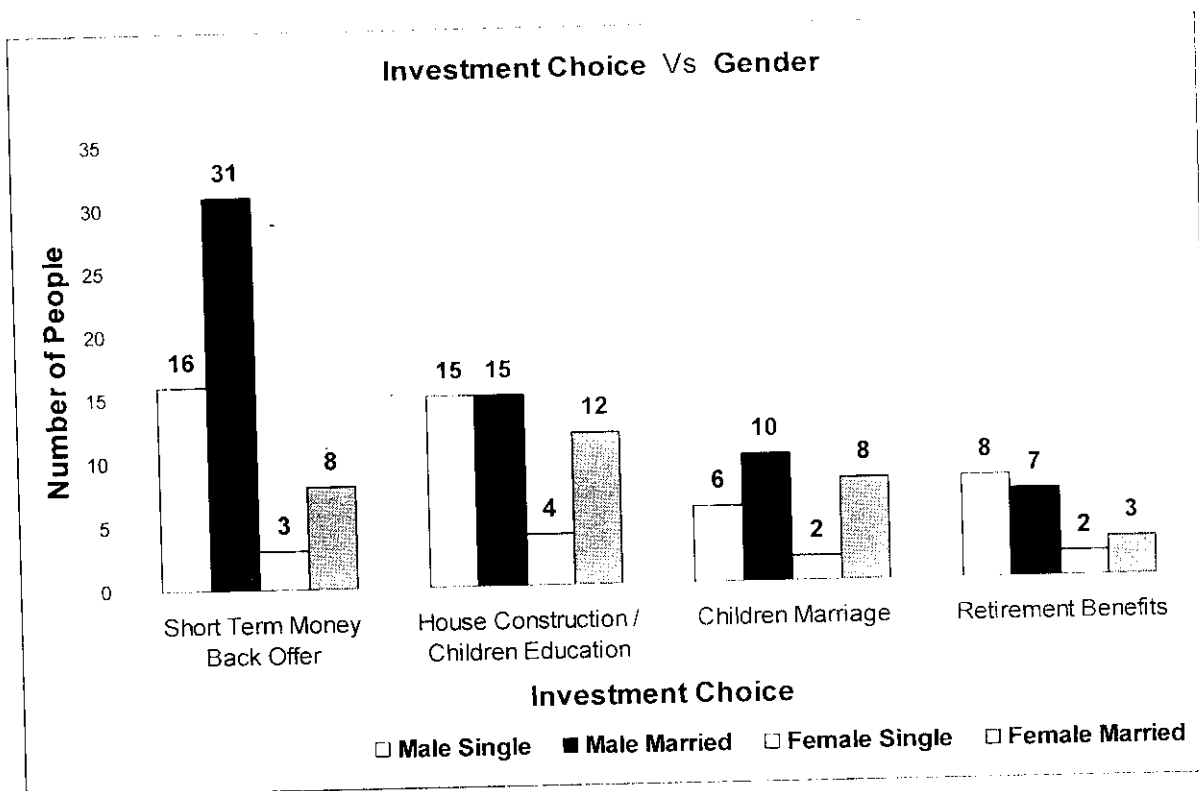
Graph 21

Inference

The respondents were asked to choose their preference for insurance plans based on duration of investment. Table 33 and 34 show that high preference is given by respondents for short term money back offers with duration of 1 to 5 years. Then the order of preference for insurance plans is followed by plans with duration of 5 to 10 years, 10 to 15 years and finally a long term of more than 15 years. Therefore people prefer to get back their money invested with in a short span of time.

4.12 Choice of Investment Vs Age

Choice of Investment	Age (years)				Total
	20 – 25	26 – 30	31-35	35 & above	
Short Term Money Back Offer (1 – 5 Years)	10	18	17	13	58
House Construction / Children Education (5 – 10 Years)	8	26	7	5	46
Children Marriage (10 – 15 Years)	0	14	8	4	26
Retirement Benefits (15 Years and above)	3	4	6	7	20
Total	21	62	38	29	150

Table 35
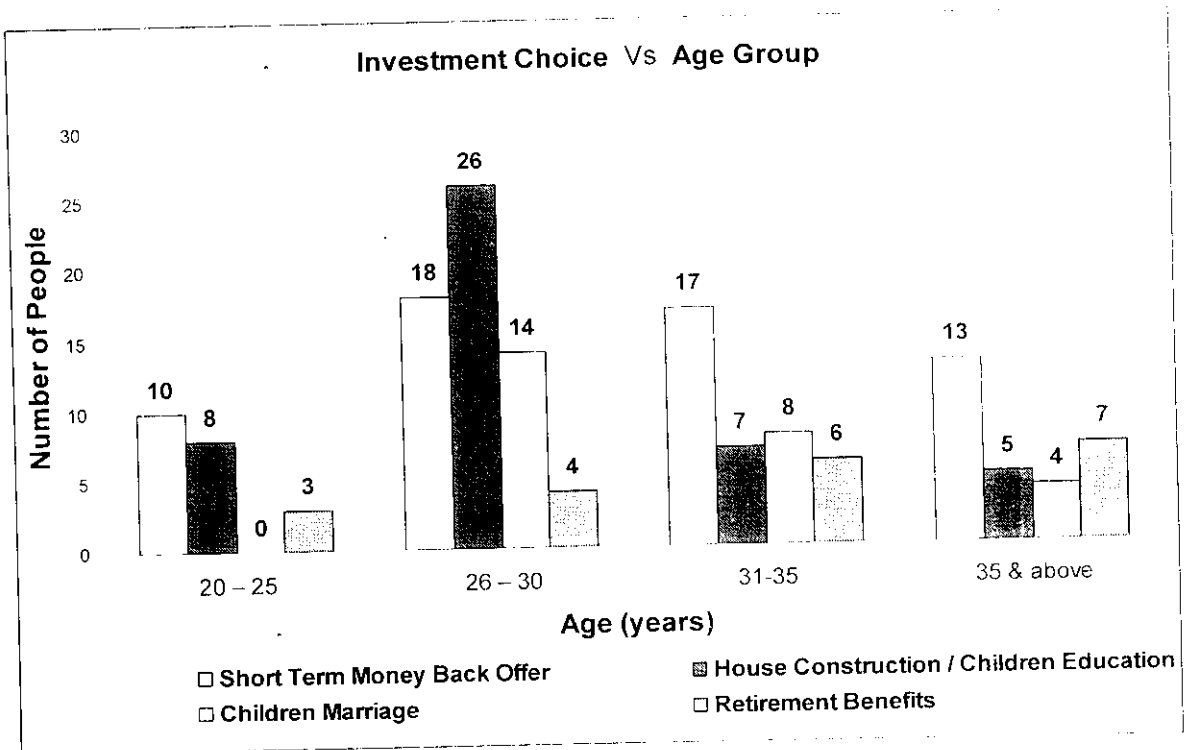
Graph 22

Inference

It can be deduced from Table 35 that people within age group of 20 to 30 years prefer short term insurance plans of 1 to 10 years while they give less preference for long term insurance plans above 15 years.

4.13 Perception about an Insurance Agent

Perceived as	Number of People	Percentage
Insurance Policy Seller	77	51.3 %
Tax Savings Promoter	10	6.6 %
Life Security Advisor	12	8 %
Income Savings Counselor	13	8.6 %
Family Advisor	38	25. 3 %
Total	150	100 %

Table 36

Perception about an Insurance Agent

Family Advisor
25%

Income Savings
Counselor
9%

Insurance Policy
Seller
51%

Life Security
Advisor
8%

Tax Savings
Promoter
7%
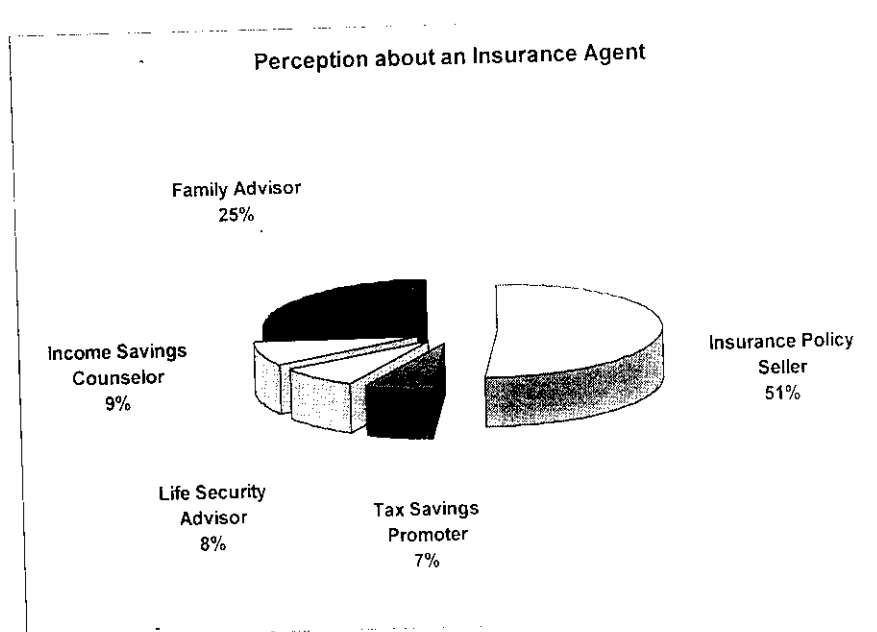
Graph 23

Inference

The questionnaire comprised of question to the respondents to indicate their perception about an Insurance agent. Among the 150 respondents 77 people (51%) perceived an insurance agent as an Insurance policy seller, 38 people (25%) perceived as family advisor, 13 people (9%) perceived as Income savings counselor, 12 people (8%) perceived as life security advisor and remaining 10 people (7%) perceived as tax savings promoter.

4.14 Weighted Average Analysis

4.14.1 Reasons for Opting Life Insurance

Reasons	Rank				Weighted Average	Rank
	1	2	3	4		
Tax Savings	52	27	27	44	36.3	2
Life cover and Security for family	67	26	42	15	30.5	1
Long Term Investment	17	52	50	31	39.5	3
Savings for Specific Purposes (Children education, Marriage etc)	14	45	31	60	43.7	4

Table 37
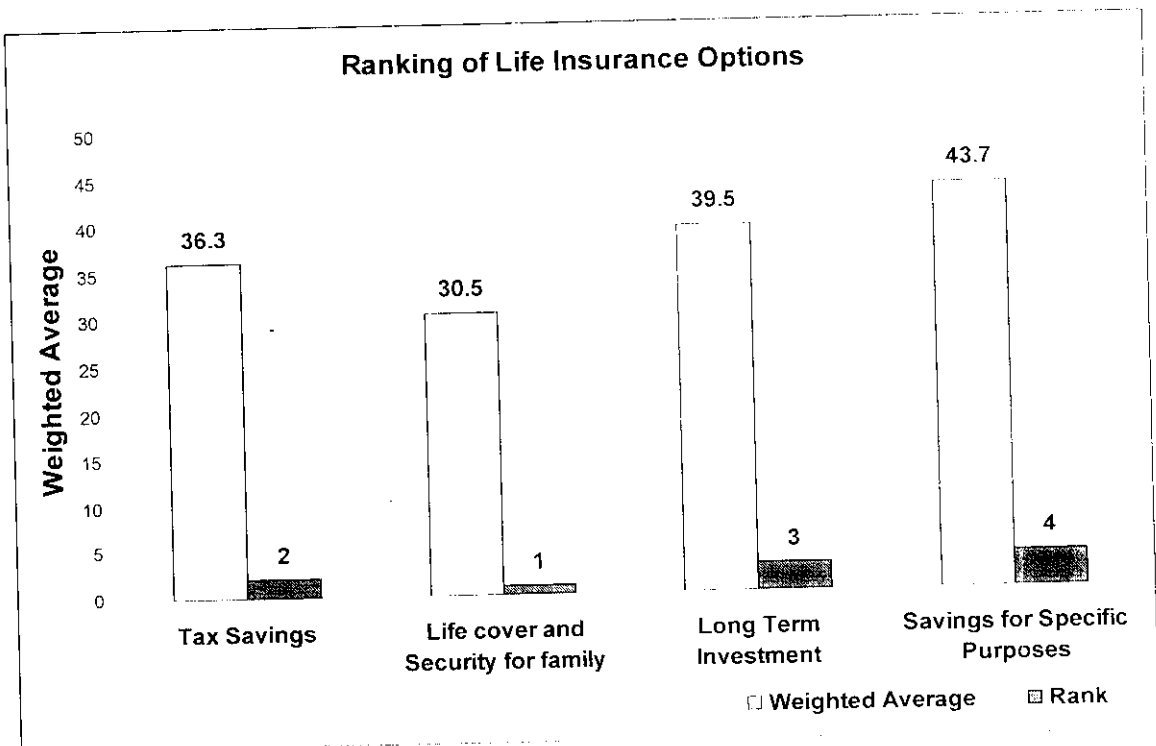
Graph 24

Model Calculation for weighted average value to rank reasons for opting Life Insurance

Weighted Average Formula = $\sum$ w x \ $\sum$ w

$\qquad$ = (52 * 1 + 27 * 2 + 27 * 3 + 44 * 4) \ (1+2+3+4)

$\qquad$ = 363 \ 10

$\qquad$ = 36.3

$\qquad$ Similarly weighted average is calculated for other factors also. Then each factor is ranked according to ascending order.

Inference

$\qquad$ Among the insurance benefits mentioned in the Table 37, the most preferred benefit among the respondents is found to be life cover and security for family (43%) so it is ranked 1. Followed by tax savings (37%) with rank 2, specific purpose saving (11%) with rank 3 and long term investment (9%) with rank 4.

4.14.2 Specific Saving Purposes in opting Life Insurance

Specific Purposes	Rank				Weighted Average	Rank
	1	2	3	4		
Children Education	74	28	24	24	29.8	1
Children Marriage	16	38	63	33	41.3	3
Medical Expenses	44	53	31	22	33.1	2
Plans For Retirement Income	16	31	32	71	45.8	4

Table 38

Ranking of Specific Purpose Savings
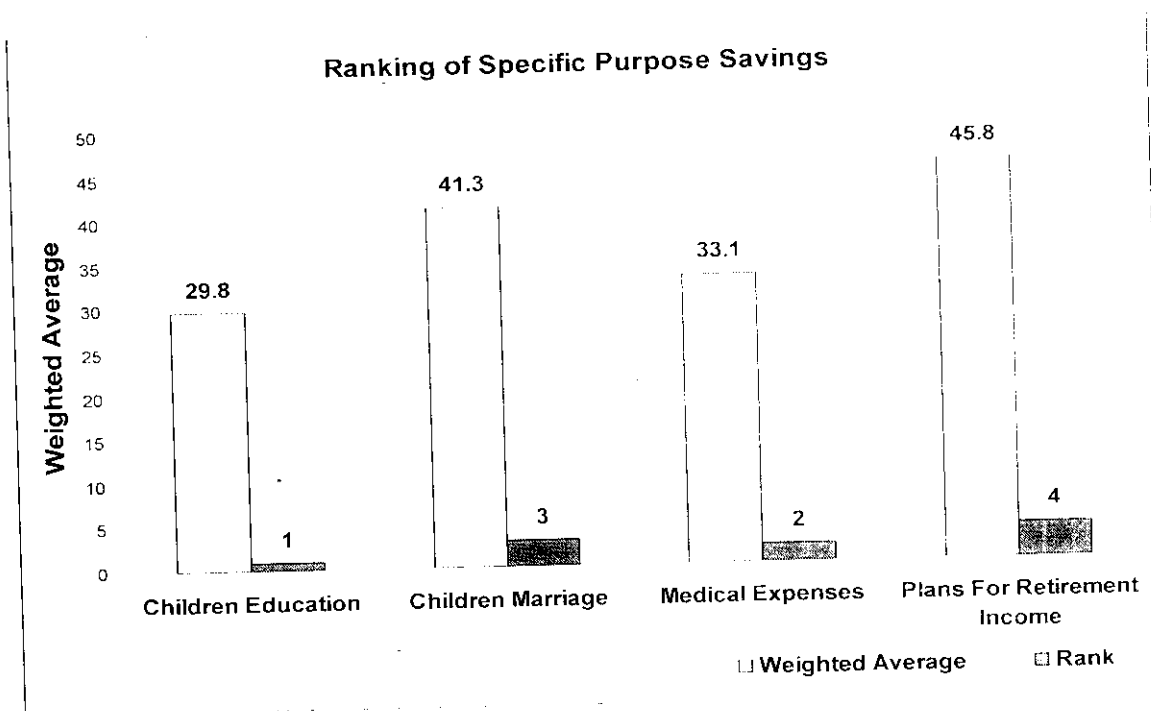
Graph 25

Model Calculation for weighted average value to rank specific purposes for opting Life Insurance

Weighted Average Formula = $\sum w x \setminus \sum w$

$= (74 * 1 + 28 * 2 + 24 * 3 + 24*4) \setminus (1+2+3+4)$

$= 298 \setminus 10$

$= 29.8.$

Similarly weighted average is calculated for other factors also. Then each factor is ranked according to ascending order.

Inference

With a view to identify the magnitude of specific purposes of savings among those who prefer life insurance table 38 was generated. As long term savings a categorization was made as Children education. Children marriage, Medical expenses and Plans for retirement income. The respondents highly preferred children education (50%) that is ranked 1, which is followed by medical expenses (28%) rank 2, retirement income (12%) rank 3 and children marriage (10%) rank 4.

4.14.3 Income Range Vs Reasons for opting Life Insurance

4.14.3.1 Tax Savings

Annual Income Range (Rs)	Rank				Weighted Average	Rank
	1	2	3	4		
Less than 10,000	2	2	15	17	11.9	4
10,000 to 15,000	13	7	6	12	9.3	3
15,000 to 20,000	15	7	4	11	8.5	2
20,000 and above	22	11	2	4	6.6	1

Table 39

Model Calculation for weighted average value to rank people's preferences for 'tax saving' option based on their income range

Weighted Average Formula $= \sum w x \backslash \sum w$

$= (2 * 1 + 2 * 2 + 15 * 3 + 17*4) \backslash (1+2+3+4)$

$= 11.9$

Similarly weighted average is calculated for other factors also. Then each factor is ranked according to ascending order.

Inference

It is observed from the Table 39, people with high income range (i.e. monthly income above Rs 20,000) prefer insurance as means of tax savings as the first option, while people with low income range (i.e. less that Rs 10,000) would prefer tax savings as the last option for tax savings purposes.

4.14.3.2 Life Cover and Security for Family

Annual Income Range (Rs)	Rank				Weighted Average	Rank
	1	2	3	4		
Less than 10,000	17	8	6	5	7.1	1
10,000 to 15,000	18	6	9	4	7.3	2
15,000 to 20,000	16	7	10	4	7.6	3
20,000 and above	16	5	17	2	8.5	4

Table 40

Model Calculation for weighted average value to rank people's preferences for 'life security' option based on their income range

Weighted Average Formula = $\sum w \, x \, \backslash \sum w$

$= (17 * 1 + 8 * 2 + 6 * 3 + 5 * 4) \backslash (1+2+3+4)$

$= 7.1.$

Similarly weighted average is calculated for other factors also. Then each factor is ranked according to ascending order.

Inference

From Table 40 it can be seen that out of 150 respondents, people with monthly income range of less than Rs 10,000 attribute higher preference for "life cover and security for family" and that category is ranked 1 while people with higher monthly earnings give least preference that are ranked accordingly in order.

4.14.3.3 Long Term Investment

Annual Income Range (Rs)	Rank				Weighted Average	Rank
	1	2	3	4		
Less than 10,000	4.	18	16	11	13.2	4
10,000 to 15,000	3	12	16	7	10.3	3
15,000 to 20,000	4	15	11	8	9.9	2
20,000 and above	6	7	7	5	6.1	1

Table 41

Model Calculation for weighted average value to rank people's preferences for 'long term investment' option based on their income range

Weighted Average Formula $= \sum w x \setminus \sum w$

$$= (4 * 1 + 18 * 2 + 16 * 3 + 11 * 4) \setminus (1+2+3+4)$$

$$= 13.2.$$

Similarly weighted average is calculated for other factors also. Then each factor is ranked according to ascending order.

Inference

For long term investment purposes it is seen that insurance is given higher importance by people with high monthly income (i.e. above Rs 20,000). Table 41 show the long term investment preference by people with different monthly ranges. They are ranked accordingly to their weightage. The income category ranked 1 has higher preference for long term investment while the income category ranked 4 has least preference for long term investment due to non availability of adequate surplus funds.

4.14.3.4 Savings for Specific Purpose

Annual Income Range (Rs)	Rank				Weighted Average	Rank
	1	2	3	4		
Less than 10,000	3	9	5	8	6.8	1
10,000 to 15,000	4	17	10	20	14.8	4
15,000 to 20,000	3	13	5	18	11.6	3
20,000 and above	4	6	11	14	10.5	2

Table 42

Model Calculation for weighted average value to rank people's preferences for 'specific saving purposes' option based on their income range

Weighted Average Formula = $\sum w x \setminus \sum w$

$= (3 * 1 + 9 * 2 + 5 * 3 + 8 * 4) + (1 + 2 + 3 + 4)$

$= 6.8$.

Similarly weighted average is calculated for other factors also. Then each factor is ranked according to ascending order.

Inference

In case of preferring Insurance as savings for specific purposes like children's education, children's marriage etc., high preferences are given by people belonging to high income range (above Rs 20,000) and low income range (less than Rs 10,000). People with income range from Rs 10,000 to Rs 20,000 give less preference to specific savings purposes. Table 42 shows the variations in preferences for specific purpose savings among the respondents and their rankings according to their weightage.

4.14.3.5 Plans for Tax Planning

Modes of Tax Planning	Rank							Weighted Average	Rank
	1	2	3	4	5	6	7		
Insurance Policy	61	16	10	13	7	24	19	17.3	2
Eligible Mutual Fund	10	12	13	24	19	19	53	26.7	7
National Savings Certificate	15	28	24	18	37	17	11	20.6	3
National Savings Scheme	6	21	36	26	19	22	20	22.3	5
Housing Loan	42	32	13	26	10	20	7	16.7	1
Provident Fund	9	28	25	27	34	17	10	21	4
Public Provident Fund	7	13	29	16	24	31	30	25	6

Table 43

Model Calculation for weighted average value to rank people's preferences for tax planning tools

Weighted Average Formula $= \sum w x \setminus \sum w$

$= (61*1+16*2+10*3+13*4+7*5+24*6+19*7) \setminus (1+2+3+4+5+6+7)$

$= 17.3.$

Similarly weighted average is calculated for other factors also. Then each factor is ranked according to ascending order.

Inference

The respondents were asked to rank their preferences for tax planning among given seven important tax planning savings schemes as given in Table 28. The summary of preferences of these seven choices is shown in the table. The table shows that Insurance policy and housing loan is given higher preference followed by NSS & NSC, PF and PPF and at last mutual fund.

4.14.3.6 Insurance Benefits

Insurance Benefits	Rank						Weighted Average	Rank
	1	2	3	4	5	6		
Tax Savings	58	29	15	12	4	32	20	2
Life Protection / Security for Family	60	38	21	16	9	6	16.3	1
Education of Children	15	32	35	43	11	14	23.5	3
Daughter Marriage	7	15	29	29	51	19	29	4
Old Age Pension	3	14	22	27	40	44	31.8	6
Money Back Plans	7	22	28	23	35	35	29.2	5

Table 44

Model Calculation for weighted average value to rank people's preferences
Insurance benefits

Weighted Average Formula = $\sum w x \setminus \sum w$

= (58*1+29*2+15*3+12*4+4*5+32*6) \ (1+2+3+4+5+6)

20.

Similarly weighted average is calculated for other factors also. Then each factor is ranked according to ascending order.

Inference

The benefit perception of a Life Insurance policy as preferred by people provides is ranked and tabulated in table 44.. From the ranking it is evident that high preference is given for the benefit viz., Life Cover and Security for family followed by education of children, money back plans, daughter's marriage and old age pension.

CHAPTER - 5

Summary of Findings & Suggestions

Chapter 5

SUMMARY OF FINDINGS, SUGGESTIONS

5.1 Findings from the study

❖ Higher percentage of men own insurance policies (48 %) when compared to females (16%)

❖ Higher percentage of married men own insurance policy more in number (61%) than unmarried men (28%)

❖ It is inferred that people doing their own business own a insurance policy more in number (96 %) than people working in service / private sector (57 %)

❖ People with income above Rs 20,000 own an insurance policy more in number (47.4 %) than people with income range from Rs 10,000 to Rs 20,000 (44.3 %) and people with income less than Rs 10,000 (8.2 %).

❖ People in the age group of 26 to 35 years own higher percentage of insurance policy (66.9 %) than people in the age group of 20 to 25 years (12.3 %) and in the age above 35 years (20.6 %).

❖ People prefer life cover and security for family as the first choice (43 %) than tax saving options (37 %), specific purpose saving (11 %) and long term investment (9 %).

❖ It is inferred that people with monthly income higher than Rs 15,000 (43%) prefer insurance for tax saving purpose.

❖ It is inferred that people with family size of four members & above prefer insurance for the purpose of life cover and security for their family.

❖ Among specific saving purposes, saving for children's education (50 %) is given higher preference followed by saving for medical expenses (28 %), followed by saving for retirement income (12 %) and saving for children's marriage (10 %).

❖ Among the various tax saving avenues, the respondents preferred insurance policy (40 %) as the major tool followed by housing loan (28%).

- ❖ All categories of people highly prefer bank deposits and post office savings as source for saving.

- ❖ Among the benefits that an insurance policy offers, people prefer life protection by about 65 %.

- ❖ Among the benefits that an insurance policy offers 16 % people prefer education for children.

- ❖ Term of insurance investments is preferred by investors in a span 5 to 15 years and not more than that.

- ❖ Generally public take insurance agents as insurance policy seller over 51 % and than as a family advisor 25 %.

- ❖ It is found that there is an association between the type of life insurance plans and a reason to opt those plans.

- ❖ It is found that there is a concern over duration of investment while choosing life insurance as a saving tool.

- ❖ It is found that there is a concern over duration of investment while choosing life insurance as a tax exemption tool.

- ❖ 72 % of people do not go for insurance policy because of inadequate surplus funds from their earnings.

- ❖ It is inferred that everyone in the population agrees that insurance policy offer high amount of security for family.

- ❖ It is inferred that everyone in the population agrees that there is a big returns and tax saving at the time of maturity.

5.2 Suggestions from the study

- ❖ Since safety and security for individuals and their dependents is the prime factor, which influence the investors mostly while making an investment decision, the company should project this aspect and shift towards insurance products that pass safety message.

- ❖ Company should make the investors aware about all the latest Investment opportunities available, which are less risky.

- ❖ Through the creating database, based on the income level, new insurance products and plans could be targeted for middle income category (Rs 5000 to Rs 10000)

- ❖ The importance of life insurance should be created through awareness programs for low income group.

- ❖ A large number of private employees choose insurance for saving tax. The company could benefit by coming up with appropriate measures to influence those people

- ❖ The company should introduce insurance products depending upon various factors identified in the study regarding investor's pattern.

ANNEXURE 1

KUMARAGURU COLLEGE OF TECHNOLOGY
DEPARTMENT OF MANAGEMENT STUDIES
COIMBATORE

A Study on Decision Factors for Life Insurance Investments

Questionnaire

1. Name

2. Age

3. Gender   Male / Female

4. Martial Status   Single/Married

5. Occupation

6. Number of family members   Male | | Female | |

7. Address & Phone Number

8. Do you have a Life Insurance Policy?

    a) Yes | | b) No | |

9. Name the Insurance Companies you are aware of

10. Your reason for opting the life insurance (order your preference)

    a) Tax Savings | |

    b) Life cover and security for family | |

    c) Long term investment | |

    d) Savings for specific purposes | |

        1) Children Education | |

        2) Children marriage | |

        3) Medical Expenses | |

        4) Plans for retirement income | |

11. Are you aware that redemption Insurance value is tax exempted?

      a) Yes | | b) No | |

12. Rank your choice of following preference plans for tax planning

      a) Insurance Policy | |

      b) Eligible Mutual Fund | |

      c) National Savings Certificate | |

      d) National Savings Scheme | |

      d) Housing Loan | |

      e) Provident Fund | |

      f) Public Provident Fund | |

13. Rank your choice of following insurance benefits

      a) Tax Savings | |

      b) Life Protection Plan / Security For Family | |

      c) Savings Options

          1) Education of Children | |

          2) Daughter Marriage | |

          3) Old Age Pension | |

      d) Money Back Plans | |

14. Income Range

      a) Less than 10000 | |

      b) 10000 to 15000 | |

      c) 15000 to 20000 | |

      d) Above 20000 | |

15. What is your Savings Percentage of your Income? (Approximate)

16. Choose your Savings Options?

     a) Bank Deposits | |

     b). Post Office Savings | |

     c) Additional PF | |

     d) Chit Funds | |

     e) Others (Please Specify)

17. If you are planning Insurance Investment as a tool for tax saving what would be your choice of term

    a) 5 years | | b) 10 years | | c) 15 years | | d) 20 years | |

    e) 25 years | | f) 30 years | |

18. If you plan insurance for savings what is the choice of your investment

    a) Short Term Money back offer (1 - 5 years) | |

    b) House Construction / Children Education (5 - 10 years) | |

    c) Children Marriage (10 - 15 years) | |

    c) Retirement Benefits (15 years and above) | |

19. How do you perceive the Insurance agent?

    a) Insurance Policy Seller | |

    b) Tax Savings Promoter | |

    c) Life Security Advisor | |

    d) Income Savings Counselor | |

    e) Family Advisor | |

20. If you are not holding an Insurance Policy then the reasons are

    a) Not aware | |

    b) No Investable surplus funds | |

    c) Inadequate financial resources in short term | |

    d) Poor growth in insurance value of investment in long term | |

21. Do you have any proposal to go for Insurance policy?

    a) Yes | | b) No | |

22. Would you prefer for an Advisor to contact you regarding Insurance Plans

    a) Yes | | b) No | |

Thank You

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