Management Dynamics

Volume 9 | Number 2 Article 5

December 2009

Life Insurance as an Investment Option

Saima Rizvi
Jaipuria Institute of Management, Gomti Nagar, Lucknow, India

Recommended Citation

Rizvi, Saima (2009) "Life Insurance as an Investment Option," *Management Dynamics*: Vol. 9: No. 2, Article 5.
DOI: https://doi.org/10.57198/2583-4932.1167
Available at: https://managementdynamics.researchcommons.org/journal/vol9/iss2/5

LIFE INSURANCE AS AN INVESTMENT OPTION

Saima Rizvi*

Abstract

Insurance is defined as a cooperative device to spread the loss caused by a particular risk over a number of persons who are exposed to it and who agree to ensure themselves against that risk. The scenario as a whole is changing and life insurance is increasingly being considered as 'an investment option' by investors and companies. The objective of the study is to evaluate life insurance as an investment option post privatization and also to study a shift in people's preferences from other comparable investment avenues. For the purpose of study two populations were selected. First, was the population of investors across various towns and cities comprising of buyers of life insurance. Within this population various subpopulations were studied on the basis of profession, nature of job, education profile, age group income category, gender and marital status Second, was the population of life insurance companies and within this population sub populations of life insurance companies operating in cities and towns and also the sub populations of life insurance companies operating in public and private sector had been studied. A total of 500 investors and 12 life insurance companies (10 responses from each i.e. a total of 120 responses) were selected for the purpose of study.

INTRODUCTION

Insurance is defined as a cooperative device to spread the loss caused by a particular risk over a number of persons who are exposed to it and who agree to ensure themselves against that risk. Risk is uncertainty of a financial loss. Insurance is also a social device to accumulate funds to meet the uncertain losses arising through a certain risk to a person insured against the risk.

**Faculty Member, Jaipuria Institute of Management, Gomti Nagar, Lucknow. E-mail srizvi@jiml.ac.in*

Life insurance should essentially be to financially cover the risk of death. But here it is used for old age provisions, children's education, tax savings and what not.

Insurance thus, did not serve as an investment option before privatization as the premium was high and returns were low. One of the reasons encountered by the researcher for the low returns in the pre-liberalization era, during the search of secondary data, was the lack of unit linked plans in the product portfolio of LIC i.e. the returns were not linked to equity. Post privatization LIC is gearing up to face competition with a three pronged strategy of reduction of premium, higher returns and introduction of new products.

There are, broadly, four types of life insurance policies:-

Term Plans: They are the cheapest, purest form of insurance, which cover the risk of death for a specified period. If one survives the policy, one gets no returns; if one dies during the policy tenure, the nominee gets the sum assured.

Endowment Plans: They are insurance cum investment vehicles. They cover the risk of death for the policy tenure and additionally, offer a return on investment.

Money Back Policies: They are endowment plans in which the policyholder receives a part of the return on investment during the tenure of the policy.

Whole Life Policies: These policies cover the policyholder for the whole life and not just for fixed tenure.

Unit Linked Plans: Unit Linked plans combine probably the best of investment and protection. These plans are advantageous to customers chiefly due to the transparency and flexibility. These plans provide better return than other types of life insurance policies, because under this type of plan a large part of funds is invested in equities. The charges are known to the policyholder, one has a choice of funds, fund value is NAV (net asset value) based and the policy doesn't get lapsed if one is unable to pay the premiums. Almost all life insurance companies are now days offering unit-linked plans with three investment options, where the percentage of equity and debt is altered to suit the investment risks of policyholders. Policyholders can switch between plans depending upon their view on the market. Combining the protection and tax advantages of life insurance with the prospect of investing in securities, unit linked plans have come to dominate a large chunk

of the private insurer's portfolio. Annualized premium from these products contribute to over 70% in many cases.

Life insurance policies in India can be generally classified into three categories. 1) Policies providing death coverage only 2) Policies primarily serving as a saving vehicle and 3) Policies providing both death coverage and saving components. Policies, which come under the first category, are extremely popular, whereas demand for policies under the second category has been increasing. Whole life and universal life comes under the third category. In addition to life insurance policies, life insurers sell annuity and various pension plans. Indians purchase insurance for old age security, risk coverage, tax rebate, money for child marriage and money for child's education in that order with diminishing importance.

The next few paragraphs provide an insight into the various reasons for which life insurance policies are being purchased in India based on the studies conducted by researchers.

Tripathi R.R. (2000) in an article sheds light on the fact that tax incentives play a vital role in determining the attractiveness of life insurance policies. And this is a global phenomenon. He cites the example of France (per capita life premium of $1,510), where the market is so well developed largely due to favorable tax incentives.

Garg M.C. (2001) in his paper has brought to light the fact that Indian consumers consider life insurance as an instrument providing merely tax exemption/ deduction. He further adds that this perception may change gradually with the opening of insurance sector and increase in competition.

Kazmi. A and Washid M. (2000) in their paper, argue that Indian consumers place less emphasis on life insurance as a means of financial security and view it as yet another investment option. This could be so since families and extended social networks do provide a social security net in large parts of urban and semi urban India. Investment in gold and real estate as also the perceived safety in bank deposits are often seen as better option for financial security measures.

Parera. R.I. (2001) in his paper states that life insurance policies compete with investment and saving options like mutual funds. But it is imperative that they should offer comparable returns and flexibility. Pure protection products like term assurance account for up to 20% of policies sold in developed countries

but in India, the figure is less than 1%. Pension products also have the potential to become effective saving instruments with increase in innovativeness.

Walton. J (2003) in his paper emphasizes that post privatization the initial innovations came in the form of rider benefits. Product innovation followed, especially in the area of children's education on the traditional products side; and whole life and retirement planning products on the unit linked platform. As the market matures further, there would be more willingness by the customer to take on more risk and less guarantee as is evidenced by the upsurge in unit linked policies. The existing products of endowment and unit linked will evolve to more sophisticated entities.

Satwalekar. D (2003) in his paper argues that customer in India is increasingly becoming aware and is actively managing his/her financial affairs. He further emphasizes that the boundaries between financial products are getting blurred; people are increasingly looking not just at products but an integrated financial solution that can offer them stability of returns along with total protection. The key to success therefore would be in providing insurance solutions, not insurance products.

Gupta. S (2003) in his paper argues that life insurance has long been regarded as expensive, rigid, difficult to understand and good only for tax saving. But now life insurance is increasingly been seen as a complete solution to meet one's myriad needs-health, wealth, life, child protection and retirement. It's a financial product that provides a stable return on investment, protects life at affordable cost, secures a child's future, does retirement planning in the most effective way and provides additional health protection. It is now an integral part of the consumer's wealth management basket.

METHODOLOGY

Before privatization, the insurance sector was dominated by the public sector player-Life Insurance Corporation of India. Life insurance was mainly used as a risk cover or a tax saving instrument. The amount of premium was more than the returns. After privatization, the entry of private players and foreign players made the environment more competitive. The amount of premium payable is waning and the returns are increasing.

The scenario as a whole is changing and insurance is increasingly being considered as an investment option by investors and companies. This can be represented in the following figure.

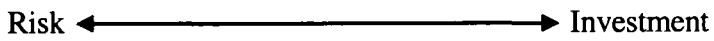

Figure 4.1: Risk- Investment continuum

The following are the objectives of the study:-

1) To evaluate insurance as an investment option after privatization.
2) To study a shift in people's preferences from other comparable investment avenues.

Both primary and secondary sources of data are used for the study. Secondary data is collected from newspapers, magazines, websites, journals and books. Primary data is collected from investors and life insurance companies through questionnaires.

For the purpose of study the population of investors comprising of buyers of life insurance was selected. Within this population various subpopulations were studied on the basis of profession, nature of job, education profile, age group income category, gender and marital status Second, was the population of life insurance companies and within this population sub populations of life insurance companies operating in cities and towns and also the sub populations of life insurance companies operating in public and private sector were studied. A total of 500 investors and 12 life insurance companies (10 responses from each i.e. a total of 120 responses) were selected for the purpose of study. Purposive / Judgmental sampling is used for selecting the sample. This is usually done for the purpose of selecting (not randomly) the individuals that will provide the best information for the study. This is non probability sampling.

Undisguised and structured questionnaires had been used containing close ended questions. Two sets of questionnaires were used for individuals and companies separately.

Non parametric tests were used for the analysis of data as they are suitable for a non probability sampling (purposive / judgmental sampling) used in the present study.

Following statistics and statistical tests were applied in the analysis of the present study:-

1) Frequency Analysis: Frequency is defined as the number of measurements in an interval of a frequency distribution.

2) Wilcoxon – Mann Whitney test: When at least ordinal measurement has been achieved for the variables being studied, the Wilcoxon-Mann Whitney test may be used to test whether two independent groups have been drawn from the same population.

ANALYSIS

Frequency Analysis of 500 individual investors' data reveals that about 35% of the respondents do not have any life insurance policy and hence they fall in the non-buyer's category whereas 65% of the respondents have bought life insurance and fall in the buyer's category. Frequency Analysis of Buyers of life insurance is carried out across different group variables-Profession, Nature of job, Education profile, Age group, Income category, Gender and Marital Status (Appendix).

Company Analysis (questions about their customers/ buyers)

Company Analysis is carried out by using the area of operation variable (town/city) for various attributes. Mann-Whitney test is applied for this 'two variable' analysis.

Table 1: Table showing company's perception towards the importance of certain attributes of life insurance (using area of operation variable)

S.No.	Attributes	Company's area of operation	N	Mean Rank	Sum of Ranks	U	Sig. (p)
1.	Important for tax saving	Town	22	37.18	818.00		
		City	98	65.73	6442.00	565.000	<.001
2.	Important for protection	Town	22	69.95	1539.00		
		City	98	58.38	5721.00	870.000	.140
3.	Important for returns	Town	22	63.61	1399.50		
		City	98	59.80	5860.50	1009.500	.604
4.	Important for protection cum saving cum investment	Town	22	80.68	1775.00		
		City	98	55.97	5485.00	634.000	<.001

There exists a significant difference of .000 (i.e. p<.001) in the importance given to life insurance for tax saving by customers, across the life insurance companies operating in town and city. Since, the sum of ranks of companies operating in city is greater than that in town, hence the perception of the former is stronger.

There also exists a significant difference of .000 (p<.001) across the companies operating in town and city, in the importance given to life insurance for protection cum saving cum investment by their customers. Since, the sum of ranks of companies operating in city is greater than that in town, hence the perception of the former is stronger.

Table 2: Table showing company's degree of promotion of plans among customers (using area of operation variable)

S.No.	Attributes	Company's area of operation	N	Mean Rank	Sum of Ranks	U	Sig. (p)
1.	Degree of promotion of Pension Plan among customers	Town	22	76.68	1687.00	722.000	.010
		City	98	56.87	5573.00		
2.	Degree of promotion of Children's Plan among customers	Town	22	67.50	1485.00	924.000	.261
		City	98	58.93	5775.00		
3.	Degree of promotion of Term Plan among customers	Town	22	54.95	1209.00	956.000	.393
		City	98	61.74	6051.00		
4.	Degree of promotion of Unit Linked Plan among customers	Town	22	71.89	1581.50	827.500	.032
		City	98	57.94	5678.50		
5.	Degree of promotion of Money Back Plan among customers	Town	22	81.86	1801.00	608.000	.001
		City	98	55.70	5459.00		
6.	Degree of promotion of Endowment Plan among customers	Town	22	87.23	1919.00	490.000	<.001
		City	98	54.50	5341.00		
7.	Degree of promotion of Whole Life Plan among customers	Town	22	74.91	1648.00	761.000	.027
		City	98	57.27	5612.00		

There exists a significant difference of .010 in the extent /degree of promotion of pension plan (among customers) across companies operating in town and city.

Furthermore, the sum of ranks of companies operating in city is greater than that of companies operating in town. Therefore, the degree of promotion is stronger in case of companies operating in city.

Also, there exists a significant difference of .032 in the degree/ extent of promotion of unit linked plan (among customers) across companies operating in town and city. Furthermore, the sum of ranks of companies operating in city is greater than that of companies operating in town. Hence, the degree of promotion is stronger in case of companies in city.

There exists a significant difference of .001 in the degree/ extent of promotion of money back plan (among customers) across companies operating in town and city. Since, the sum of ranks of companies operating in city is greater than that of companies operating in town. Hence, the degree of promotion is stronger in case of companies in city.

There exists a significant difference of .000 ($p<.001$) in the degree of promotion of Endowment plan across companies operating in town and city. Since, the sum of ranks of companies in city is greater than in town, hence the degree of promotion is stronger in case of former.

There also exists a significant difference of .027 in the extent/ degree of promotion of whole life plan across companies in town and city. Since, the sum of ranks of companies operating in city is greater than that in town. Therefore, the degree of promotion is stronger in case of companies in city.

Table 3: Table showing company's perception of the importance given to certain features of Pension Plan (using area of operation variable)

S.No.	Attributes	Company's area of operation	N	Mean Rank	Sum of Ranks	U	Sig. (p)
1.	Importance of post retirement income in Pension Plan (PP)	Town	22	75.95	1671.00	738.000	.004
		City	98	57.03	5589.00		
2.	Importance of life cover in PP	Town	22	43.55	958.00	705.000	.009
		City	98	64.31	6302.00		
3.	Importance of tax saving in PP	Town	22	48.68	1071.00	818.000	.028
		City	98	63.15	6189.00		

There exists a significant difference of .004 in the importance of post retirement income in PP (given by customers) across the companies in town and city. Since, the sum of ranks of companies in city is greater than that in town, hence the perception of the former is stronger.

There exists a significant difference of .009 in the importance of life cover in

Table 4: Table showing company's perception of popularity of insurance plans among customers (using area of operation variable)

S.No.	Attributes	Company's area of operation	N	Mean Rank	Sum of Ranks	U	Sig. (p)
1.	Popularity of Pension Plan	Town	22	64.82	1426.00	983.000	.497
		City	98	59.53	5834.00		
2.	Popularity of Children's Plan	Town	22	56.27	1238.00	985.000	.506
		City	98	61.45	6022.00		
3.	Popularity of Term Plan	Town	22	30.61	673.50	420.500	<.001
		City	98	67.21	6586.50		
4.	Popularity of Unit Linked Plan	Town	22	56.00	1232.00	979.000	.432
		City	98	61.51	6028.00		
5.	Popularity of Money Back Plan	Town	22	74.25	1633.50	775.500	.029
		City	98	57.41	5626.50		
6.	Popularity of Endowment Plan	Town	22	89.84	1976.50	432.500	<.001
		City	98	53.91	5283.50		
7.	Popularity of Whole Life Plan	Town	22	52.36	1152.00	899.000	.207
		City	98	62.33	6108.00		

PP (given by customers) across the companies in town and city. Since, the sum of ranks of companies in city is greater than that in town, hence the perception of the former is stronger.

There also exists a significant difference of .028 in the importance of tax saving in PP (given by customers) across the companies in town and city. Since, the sum of ranks of companies in city is greater than that in town, hence the perception of the former is stronger.

There exists a significant difference of .000 ($p<.001$) in the perceptions of companies regarding the popularity of term plan across town and city. Since, the sum of ranks of companies in city is greater than in town, hence the perception of the former is stronger.

There exists a significant difference of .029 in the perceptions of companies regarding the popularity of money back plan across town and city. Furthermore, the sum of ranks of companies in city is greater than in town, hence the perception of the former is stronger.

There also exists a significant difference of .000 ($p<.001$) in the perceptions of companies regarding the popularity of endowment plan across town and city. Since, the sum of ranks of companies in city is greater than in town, hence the perception of the former is stronger.

Portfolio Analysis to determine the shift in preference of individuals from other investment options to insurance

Table 5: Table showing the shift in preference of individuals from bank deposits to life insurance

Investment Portfolio	N	Mean Rank	Sum of Ranks	Mann-Whitney U	Sig. (p)
Life Insurance	289	312.66	90357.50	35068.500	.01
Bank Deposits	289	266.34	76973.50		

There exists a significant difference of .01 in the individuals' perceptions regarding the shift in preference from bank deposits to life insurance in the investment portfolio. Furthermore, the sum of ranks of life insurance is greater than that of bank deposits, therefore the preference for life insurance in the individuals' investment portfolio is stronger.

Table 6: Table showing the shift in preference of individuals from shares to life insurance

Investment Portfolio	N	Mean Rank	Sum of Ranks	Mann-Whitney U	Sig. (p)
Life Insurance	289	390.23	112777.50	12648.500	.01
Shares	289	188.77	54553.50		

There exists a significant difference of .01 in the individuals' perceptions regarding the shift in preference from shares to insurance in the investment portfolio. Since, the sum of ranks of life insurance is greater than that of shares, hence the preference for life insurance in the individuals' portfolio is stronger.

Table 7: Table showing the shift in preference from bonds to life insurance

Investment Portfolio	N	Mean Rank	Sum of Ranks	Mann-Whitney U	Sig. (p)
Life Insurance	289	393.31	113666.00	11760.000	.01
Bonds	289	185.69	53665.00		

There exists a significant difference of .01 in the individuals' perceptions regarding the shift in preference from bonds to life insurance in the investment portfolio. Since, the sum of ranks of life insurance is greater than that of bonds, hence the preference for life insurance is stronger in the individuals' portfolio.

Table 8: Table showing the shift in preference from mutual funds to life insurance

Investment Portfolio	N	Mean Rank	Sum of Ranks	Mann-Whitney U	Sig. (p)
Life Insurance	289	401.97	116170.50	9255.500	.01
Mutual Funds	289	177.03	51160.50		

There exists a significant difference of .01 in the individuals' perceptions regarding the shift in preference from mutual funds to life insurance in the investment portfolio. Since, the sum of ranks of life insurance is greater than that of mutual funds, hence the preference for life insurance in the individuals' portfolio is stronger.

Table 9: Table showing the shift in preference of individuals from PPF to life insurance

Investment Portfolio	N	Mean Rank	Sum of Ranks	Mann-Whitney U	Sig. (p)
Life Insurance	289	324.54	93792.00	31634.00	.01
PPF	289	254.46	73539.00		

There exists a significant difference of .01 in the individuals' perceptions regarding the shift in preference from PPF to life insurance in the investment portfolio. Since, the sum of ranks of life insurance is greater than that of PPF, hence the preference for life insurance in the individuals' portfolio is stronger.

Company Analysis using type of company variable

Table 10: Table showing company's degree of promotion of plans among customers (using the type of company variable)

S.No.	Attributes	Type of Company	N	Mean Rank	Sum of Ranks	U	Sig. (p)
1.	Degree of promotion of Pension Plan among customers	Public Sector	20	71.40	1428.00	782.000	.099
		Private sector	100	58.32	5832.00		
2.	Degree of promotion of Children's Plan among customers	Public Sector	20	60.85	1217.00	993.000	.958
		Private sector	100	60.43	6043.00		
3.	Degree of promotion of Term Plan among customers	Public Sector	20	50.25	1005.00	795.000	.137
		Private sector	100	62.55	6255.00		
4.	Degree of promotion of Unit Linked Plan among customers	Public Sector	20	77.50	1550.00	660.000	.002
		Private sector	100	57.10	5710.00		
5.	Degree of promotion of Money Back Plan among customers	Public Sector	20	99.70	1994.00	216.000	<.001
		Private sector	100	52.66	5266.00		
6.	Degree of promotion of Endowment Plan among customers	Public Sector	20	89.38	1787.50	422.500	<.001
		Private sector	100	54.72	5472.50		
7.	Degree of promotion of Whole Life Plan among customers	Public Sector	20	33.28	665.50	455.500	<.001
		Private sector	100	65.94	6594.50		

There exists a significant difference of .002 in the degree of promotion of unit linked plan (among customers) across companies in public and private sector. Since, the sum of ranks of companies in private sector is greater than that in public sector, hence the degree of promotion is stronger in case of the former.

There exists a significant difference of .000 (p<.001) in the degree of promotion of money back plan (among customers) across the companies in public and private sector. Since, the sum of ranks of companies in private sector is greater than that in public sector, hence the degree of promotion is stronger in case of the former.

There exists a significant difference of .000 (p<.001) in the degree of promotion of endowment plan (among customers) across the companies in public and private sector. Since, the sum of ranks of companies in private sector is greater than that in public sector, hence the degree of promotion is stronger in case of the former.

There exists a significant difference of .000 (p<.001) in the degree of promotion of whole life plan (among customers) across the companies in public and private sector. Since, the sum of ranks of companies in private sector is greater than that in public sector, hence the degree of promotion is stronger in case of the former.

Table 11: Table showing company's perception of the importance given to certain features of Money Back Plan (using type of company variable)

S.No.	Attributes	Type of Company	N	Mean Rank	Sum of Ranks	U	Sig. (p)
1.	Importance of money back feature in Money Back Plan (MBP)	Public sector	20	71.88	1437.50	772.5	.030
		Private sector	100	58.22	5822.50		
2.	Importance of bonus addition in MBP	Public Sector	20	36.95	739.00	529.000	<.001
		Private sector	100	65.21	6521.00		
3.	Importance of protection in MBP	Public Sector	20	66.78	1335.50	874.500	.355
		Private sector	100	59.24	5924.50		
4.	Importance of tax saving in MBP	Public Sector	20	51.13	1022.50	812.500	.169
		Private sector	100	62.38	6237.50		

There exists a significant difference of .030 in the importance of money back feature in MBP (given by customers) across companies in private and public sector. Since, the sum of ranks of companies in private sector is greater than that in public sector, hence the perception of the former is stronger.

There exists a significant difference of .000 (p<.001) in the importance of bonus addition in MBP (given by customers) across companies in private and public sector. Since, the sum of ranks of companies in private sector is greater than that in public sector, hence the perception of the former is stronger.

Table 12: Table showing company's perception of popularity of insurance plans among customers (using type of company variable)

S.No.	Attributes	Type of Company	N	Mean Rank	Sum of Ranks	U	Sig. (p)
1.	Popularity of Pension Plan	Public Sector	20	71.13	1422.50	787.500	.115
		Private sector	100	58.38	5837.50		
2.	Popularity of Children's Plan	Public Sector	20	49.95	999.00	789.000	.117
		Private sector	100	62.61	6261.00		
3.	Popularity of Term Plan	Public Sector	20	24.30	486.00	276.000	<.001
		Private sector	100	67.74	6774.00		
4.	Popularity of Unit Linked Plan	Public Sector	20	49.72	994.50	784.500	.076
		Private sector	100	62.65	6265.50		
5.	Popularity of Money Back Plan	Public Sector	20	91.25	1825.00	385.000	<.001
		Private sector	100	54.35	5435.00		
6.	Popularity of Endowment Plan	Public Sector	20	84.35	1687.00	523.000	<.001
		Private sector	100	55.73	5573.00		
7.	Popularity of Whole Life Plan	Public Sector	20	33.63	672.50	462.500	<.001
		Private sector	100	65.88	6587.50		

There exists a significant difference of .000 (p<.001) in the perceptions of companies regarding the popularity of term plan (among customers) across public and private sector. Since, the sum of ranks of companies in private sector is greater than that in public sector, hence the perception of the former is stronger.

There exists a significant difference of .000 (p<.001) in the perceptions of companies regarding the popularity of money back plan (among customers) across

public and private sector. Since, the sum of ranks of companies in private sector is greater than that in public sector, hence the perception of the former is stronger.

There exists a significant difference of .000 (p<.001) in the perceptions of companies regarding the popularity of endowment plan (among customers) across public and private sector. Since, the sum of ranks of companies in private sector is greater than that in public sector, hence the perception of the former is stronger.

There also exists a significant difference of .000 (p<.001) in the perceptions of companies regarding the popularity of whole life plan (among customers) across public and private sector. Since, the sum of ranks of companies in private sector is greater than that in public sector; hence the perception of the former is stronger.

Table 13: Table showing company's perception of popularity of distribution channels among customers (using type of company variable)

S.No.	Attributes	Type of Company	N	Mean Rank	Sum of Ranks	U	Sig. (p)
1.	Popularity of Agent channel	Public Sector	20	65.50	1310.00	900.000	.142
		Private sector	100	59.50	5950.00		
2.	Popularity of Broker channel	Public Sector	20	42.13	842.50	632.500	.006
		Private sector	100	64.18	6417.50		
3.	Popularity of Bank channel	Public Sector	20	50.40	1008.00	798.000	.137
		Private sector	100	62.52	6252.00		
4.	Popularity of Internet channel	Public Sector	20	55.03	1100.50	890.500	.408
		Private sector	100	61.60	6159.50		

There exists a significant difference of .006 in the perceptions of companies regarding the popularity of broker channel (among customers) across public and private sector companies. Since, the sum of ranks of companies in private sector is greater than that in public sector; hence perception of the former is stronger.

RECOMMENDATIONS

Life insurance companies operating in town need to build a strong viewpoint regarding life insurance as an investment option. They also need to push the saving oriented and investment oriented plans. More so, they need to adopt other channels of distribution of life insurance products.

LIC, on the other hand, needs to recognize the importance of life insurance for protection, saving and investment. It needs to push saving oriented and investment oriented plans amongst their target audience.

The awareness of Unit linked plans among customers is not very encouraging so companies need to spread the awareness of Unit Linked Insurance Plans among customers. Only a small percentage of respondents have invested in child's plans, pension plans and investment plans, so companies need to make these plans more popular.

Life insurance companies should highlight the returns from life insurance schemes vis-à-vis other investment options.

CONCLUSION

Life insurance has long been bought for tax saving and risk coverage from the pre liberalization era. Life insurance as an 'investment option' is a relatively new concept. Unit Linked Insurance Plans which have made their entry post privatization in the product portfolio of life insurance are becoming popular among customers.

Individuals are finding the premium amounts quite reasonable, thus returns on these policies must be high.

The perception of life insurance companies in cities regarding life insurance as an investment option is stronger than their counterparts in towns. Moreover, the product portfolio of companies is a clear indication that savings and investment plans make up large part of it.

Post privatization return is among a strong reason for customers to buy insurance plans. Thus it can be said that life insurance is increasingly being promoted and viewed as an investment option by companies and individuals.

LIMITATIONS

Some matter may have been inadvertently overlooked, which would have enabled a more critical identification of the research gap and setting of objectives of this study. The geographic distribution of the populations of life insurance companies and investors was too wide to be covered within the time and financial constraints. Moreover, the study is urban biased i.e. the rural population has not

been included in the study. The whole picture could have been different had the opinion of rural masses taken into account.

REFERENCES

Garg M.C. (2001), 'New Paradigms in Indian insurance industry', Yojana, Volume 45 (4), pp. 28-30.

Gupta. S (2003), 'Building a Brand- the ICICI Prudential Experience', IRDA Journal, Volume 1 (12), pp. 20-21.

Handbook on Insurance, OutlookMoney.

Kazmi. A and Washid. M. (2000), 'Strategic investment decisions of transnational corporations in the Indian insurance sector', Paradigm, Volume 4 (2), pp. 83-86.

Khan M.Y. (2001). Financial Services, Tata Mc Graw Hill, New Delhi.

Management of Financial Services, Deep and Deep Publications, New Delhi, Chapter 10, 136-145.

Parera R.I. (2001). Privatization of insurance, *The Chartered Accountant*, 35 (1): 26.

Satwalekar. D (2003), 'Intense learning', IRDA Journal, Volume 11 (1), p. 26.

SEBI – NCAER, 2000, Survey of Indian Investors, SEBI, Mumbai

Walton. J (2003), 'No short cuts, no free spending', IRDA Journal, Volume 11 (1), p. 22

APPENDIX

Table A1: Table showing total number of buyers and non buyers

Buying the policy	Frequency	Percent
Non-Buyers	175	35.0
Buyers	325	65.0
Total	500	100.0

Table A2: Frequency Analysis of buyers on the basis of profession

Profession	Frequency	Percent
Business	22	6.8
Teaching	107	32.9
Technical	60	18.5
Doctor	7	2.2
Management	55	16.9
Any Other	74	22.8
Total	325	100.0

Table A3: Frequency Analysis of buyers on the basis of nature of job

Nature of job	Frequency	Percent
Govt. Sector	185	56.9
Private Sector	91	28.0
Self employed	30	9.2
Retired	19	5.8
Total	325	100.0

Table A4: Frequency Analysis of buyers on the basis of education level

Education	Frequency	Percent
School	17	5.2
Undergraduate/Graduate	75	23.1
Post-Graduate	232	71.7
Total	325	100.0

Table A5: Frequency Analysis of buyers on the basis of age group

Age Group	Frequency	Percent
21-30 yrs.	82	25.2
31-40 yrs.	97	29.8
41-50 yrs.	73	22.5
51-60yrs	50	15.4
Above 60 yrs.	23	7.1
Total	325	100.0

Table A6: Frequency Analysis of buyers on the basis of income category

Income Category	Frequency	Percent
10,000-20,000	98	30.2
20,001-30,000	112	34.5
30,001-40,000	72	22.2
More than Rs. 40,000	43	13.2
Total	325	100.0

Table A7: Frequency Analysis of buyers on the basis of gender

Gender	Frequency	Percent
Males	273	84.0
Females	52	16.0
Total	325	100.0

Table A8: Frequency Analysis of buyers on the basis of marital status

Marital Status	Frequency	Percent
Married	251	77.2
Unmarried	74	22.8
Total	325	100.0

Table A9: Showing investment in various life insurance plans by investors

Plans	Frequency	Percent
Savings Plan	151	46.5
Child's Plan	11	3.4
Retirement Plan	13	4.0
Term Plan	23	7.1
Savings & Child's Plan	33	10.2
Savings & Retirement Plan	22	6.8
Savings & Investment Plan	6	1.8
Savings & Term Plan	28	8.6
Child's & Investment Plan	3	.9
Child's & Term Plan	1	.3
Retirement & Investment Plan	2	.6
Retirement & Protection Plan	5	1.5
Savings, Child's & Retirement Plan	8	2.5
Savings, Child's & Investment Plan	3	.9
Savings, Retirement & Investment Plan	2	.6
Savings, Child's & Term Plan	5	1.5
Savings, Retirement & Term Plan	3	.9
Savings, Investment & Term Plan	1	.3
Child's, Retirement & Investment Plan	2	.6
Retirement, Investment & Term Plan	1	.3
Savings, Child's, Retirement & Term Plan	1	.3
Savings, Child's, Retirement, Investment & Term Plan	1	.3
Total	325	100.0

Table A10: Frequency Analysis of individual's opinion about premium amount

Premium Amount	Frequency	Percent
High	63	19.4
Low	32	9.8
Reasonable	200	61.5
Can't say	30	9.2
Total	325	100.0

Table A11: Frequency Analysis of distribution channels used by individual buyers

Channels	Frequency	Percent
Broker	10	3.1
Agent	266	81.8
Bank	17	5.2
Internet	8	2.5
Broker & Agent	3	.9
Broker & Bank	1	.3
Broker & Internet	1	.3
Agent & Bank	14	4.3
Agent & Internet	2	.6
Bank & Internet	2	.6
Agent, Bank & Internet	1	.3
Total	325	100.0

Table A12: Frequency Analysis of individual's opinion of comparison of returns with other investment option

Options	Frequency	Percent
No	55	16.9
Can't say	98	30.2
Yes	136	41.8
Total	289	88.9
Missing system	36	11.1
Total	325	100.0