Project Dissertation Report on

# PERCEPTION OF PEOPLE TOWARDS LIFE INSURANCE


**Submitted By**

**Yash Priya**

**2K20/DMBA/152**

**Under the Guidance of**

**Dr. Saurabh Agrawal**

**Associate Professor**

**DELHI SCHOOL OF MANAGEMENT**

**Delhi Technological University**

**Bawana Road Delhi 110042**

# CERTIFICATE

This is to certify that the Project Report titled "**Perception of People towards Life Insurance**", is a bonafide work carried out by **Yash Priya** of DMBA 2020-2022 and submitted to Delhi School of Management, Delhi Technological University, Bawana Road, Delhi-42 is a partial fulfilment of the requirement for the award of the degree of Master of Business Administration.

Signature of Guide                                                                 Signature of Head

Place:

Date:

## DECLARATION

I the undersigned solemnly declare that the project report titled "**Perception of People towards Life Insurance**" is based on my own work carried out during the course of our study under the supervision of Dr. Saurabh Agrawal.

I assert the statements made and conclusions drawn are an outcome of my research work. I further certify that

- The work contained in the report is original and has been done by me under the general supervision of my supervisor.
- The work has not been submitted to any other Institution for any other degree/diploma/certificate in this university or any other University of India or abroad.
- I have followed the guidelines provided by the university in writing the report.

Name: Yash Priya

Roll No. 2K20/DMBA/152

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Acknowledgement of a task with desired success calls for dedication towards work and promoting guidance, co-operation and deliberation from seniors.

At the outset, I would like to thank Dr. Saurabh Agrawal, Associate Professor, Delhi School of Management for his support and professional approach in guiding me through the careful details of the project.

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Summary

## EXECUTIVE SUMMARY

In India, the insurance business is extremely consolidated, with the Life Insurance Corporation of India (LIC) controlling over 70% of the market. Market knowledge asymmetry is exacerbated by high levels of financial illiteracy. Many families do not have bank accounts and have no access to the relevant financial services. Agents are frequently the only source of information in this situation. Even though the profits from this manner of investing may be less than optimum, insurance is usually regarded as a viable alternative investment choice. According to a 2014 survey, between 2004 and 2011, consumers lost around $ 28 billion due to lapsed insurance coverage.

In developed markets, consumer preference in the insurance business has been thoroughly worked upon. Many of these studies assume that given wealth and information restrictions, customers make rational decisions in order to maximise their utility. The demand for life insurance is frequently driven by risk minimization, bequest, and investment objectives.

The objective of the current study is to know the perception of individuals towards insurance. This research is based on the primary data of 138 respondents.

Following a review of the literature, I came to the conclusion that there was a considerable quantity of life insurance policy mis-selling in India. Mis-selling occurred not just in terms of requirement of the insurance, but also in terms of the type of coverage he or she should buy. This was the driving force behind this section of the research. I was curious as to why people chose some rules over others. I looked at many reasons why people bought insurance, including (i) tax savings, (ii) saving for future needs, (iii) bequest for the family in the event of an unexpected death, and (iv) social factors such as the insurance and bank agents. Tax savings reasons were the primary motives for term policy purchases, whereas savings and bequest motives were found to be factors behind endowment policy purchases. The key motivation for purchasing numerous plans was social influence.

The findings show that when it comes to purchasing an insurance coverage in India's rising economy, many clients rely on the recommendations of their brokers. It's also been discovered that social influence has an impact on policy decisions. This may lead to clients making poor judgments, such as purchasing insurance plans that do not meet their financial needs. In this fast increasing market, there is a need for more consumer education and awareness activities.

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# 1. INTRODUCTION

## Background

The Indian economy is one of the world's rapidly growing, with GDP per capita increasing at a pace of 7.1 percent each year. In 2017, nearly 35% of the population was between the ages of 15 and 34, indicating that the country is seeing a demographic transition towards a younger population. Unprecedented numbers of young people are predicted to enter the labour in the next decades, earn, and save a portion of their earnings. In the fiscal year 2016-17, Financial savings of Indian households were expected to represent over 8.1 percent of its Gross National Disposable Income (GNDI), or nearly $26 trillion. A quarter of these funds are put into insurance. As a result, the insurance industry is vast and will continue to grow in the future years. Different participants in the market, such as regulators and insurance firms, need to understand customer behaviour and what drives buying decisions.

Individuals can get life insurance to protect their family' financial future in the case of their own early death. It also meets the savings and investment needs of people who are unfamiliar with or suspicious of mutual funds or the stock market. Unlike in other nations, India's social security schemes and pension plans are only available to a limited percentage of the population. The majority of individuals save and invest via savings account, term deposits, post office savings schemes, and public provident fund (PPF). Life insurance plays a major role in the financial well-being of a huge segment of the population due to a lack of access to formal financial markets, as well as a lack of awareness and financial literacy. It is particularly crucial for rural and lower-income people.

In comparison to many other nations, India's life insurance industry has low penetration rates, notwithstanding recent expansion. Financial inclusion is a major problem for policymakers all around the world. "Financial inclusion" is known as individuals can easily use various financial services through a vast network of financial institutions. Access to and usage of insurance services has been recognised as an intrinsic aspect of financial inclusion in the World Bank definition. Financial inclusion is especially important in an economy like India, where a large proportion of people are financially disadvantaged. In 2014 and 2015, the Indian government implemented a number of initiatives to achieve the objective of greater financial inclusion. The Pradhan Mantri Jan Dhan Yojana (PMJDY) is the first of them, and it seeks to give basic financial services to every citizen. In 2015, the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY) were launched with the goal of providing low-cost life and accident insurance.

**How Life Insurance evolves in India**

Until the late 1990s, India's insurance industry was owned by the government. The Insurance Regulatory and Development Authority Act (IRDA) was created in 1999 to regulate and promote the insurance business in India, after the liberalisation of the insurance market. The Insurance Regulatory and Development Authority of India (IRDAI) was established as a regulatory agency to regulate and safeguard the interests of stakeholders in the Indian insurance and reinsurance markets. With the Insurance Law (Amendment) Bill 2021, the Indian insurance market was further liberalised, and the foreign direct investment (FDI) restriction was raised from 49% to 75%. The life insurance industry of India is now one of the world's largest, both in terms of overall premium spending and the number of policies sold. India is rated 10th in the life insurance industry.

Until the year 2000, the Indian life insurance industry was monopolised, with the Life Insurance Corporation of India (LIC) being the sole supplier of insurance. After the year 2000, the market was liberalised, allowing private players to participate. In India, there are now 24 life insurance companies registered. The only public-sector enterprise is the Life Insurance Corporation of India (LIC). Despite the fact that there are more private companies in the market, the Life Insurance Corporation of India (LIC) remains the largest insurer, accounting for 71.8 percent of the market. LIC has a broad network of insurance agents. LIC had 1.13 million agents at the end of the 2016-17 fiscal year, compared to 0.96 million for private sector insurers. LIC occupies a unique position in the Indian market as the country's most dependable life insurance provider. According to the IRDA, India's insurance industry was worth roughly 328,000 crores (or about $48 billion) in premiums collected. The three major private sector firms, ICICI Prudential Life Insurance, SBI Life Insurance, and HDFC Life Insurance, together account for around 15% of the market.

## Functioning of Life Insurance

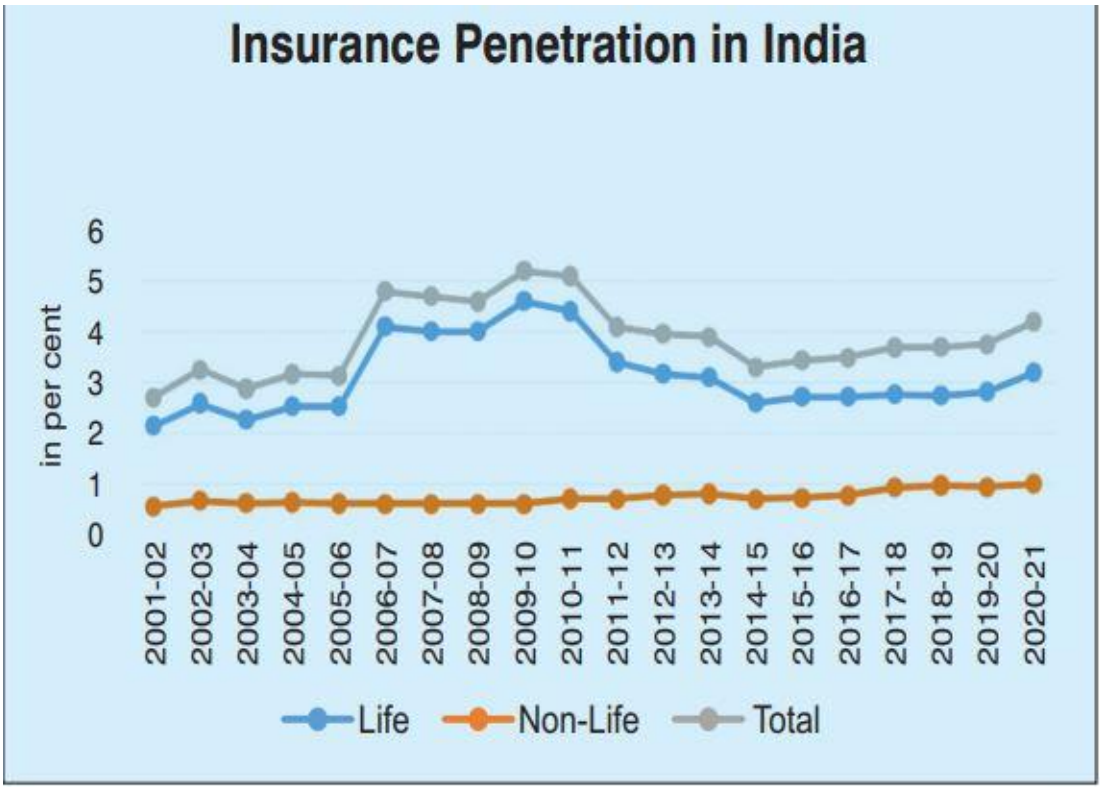
In India, life insurance is mostly employed as a tool for saving and investing through endowment plans, despite the fact that it is essentially a way of avoiding financial risks connected with premature death. Only a tiny percentage of the population has access to social security or government pension plans. For risk reduction, Indian households frequently rely on unorganised schemes instead of conventional life insurance market. This social assistance may not be provided to all members of society equitably. As a result, life insurance plays a critical role in maintaining the financial security of a substantial segment of the individuals.

one of the fascinating elements of India's life insurance sector is the widespread presence of agents, many of whom are associated with the country's largest life insurance firm (Life Insurance Corporation of India, LIC). These agents are frequently selected from the local community and assist a huge number of financially inexperienced consumers in achieving their financial objectives. The majority of life insurance plans sold in India are investment-linked policies with low returns, rather than term-life policies. Because life insurance is used for the purpose of risk sharing as well as investment, its demand is influenced by a family's shifting financial resources and demands.

While there is significant mis-selling of life insurance (see Halan et al., 2014), investment-linked life insurance policies serve a useful role in Indian society by providing access to investments with a reputable institution, as well as protection of these investment plans and premiums from the demands of extended family members.

**SOME FACTS AND FIGURES**

Fig.1.1




Source: IRDAI Annual Report

As we can infer from the above chart, insurance penetration has decreased significantly from the high in 2009-10. Insurance penetration is calculated by measuring the percentage of insurance premium received in a particular year to GDP of that year. So there might be two reasons for the fall of insurance penetration, one could be that insurance has become cheaper and other could be decrease in the sales of insurance policies.

Table 1.1

| Segment-wise Premium Underwritten by Life Insurers | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| S. No. | Segment | Item | LIC | | Private Sector | | Total | |
| | | | 2019-20 | 2020-21 | 2019-20 | 2020-21 | 2019-20 | 2020-21 |
| 1 | First Year Premium | Premium (₹crore) | 57,958.76 | 33,930.86 | 44,326.64 | 46,869.16 | 1,02,285.40 | 80,800.02 |
| | | Growth (%) | 85.02 | -41.46 | 5.82 | 5.74 | 39.71 | -21.01 |
| | | Market Share (%) | 56.66 | 41.99 | 43.34 | 58.01 | 100.00 | 100.00 |
| 2 | Single Premium | Premium (₹crore) | 1,20,317.48 | 1,50,498.69 | 36,659.50 | 47,401.21 | 1,56,976.98 | 1,97,899.90 |
| | | Growth (%) | 8.38 | 25.08 | 19.10 | 29.30 | 10.71 | 26.07 |
| | | Market Share (%) | 76.65 | 76.05 | 23.35 | 23.95 | 100.00 | 100.00 |
| 3 | New Business Premium (1+2) | Premium (₹crore) | 1,78,276.24 | 1,84,429.55 | 80,986.14 | 94,270.37 | 2,59,262.38 | 2,78,699.92 |
| | | Growth (%) | 25.25 | 3.45 | 11.45 | 16.40 | 20.59 | 7.50 |
| | | Market Share (%) | 68.76 | 66.17 | 31.24 | 33.83 | 100.00 | 100.00 |
| 4 | Renewal Premium | Premium (₹crore) | 2,01,113.36 | 2,18,857.00 | 1,12,534.45 | 1,31,174.11 | 3,13,647.81 | 3,50,031.11 |
| | | Growth (%) | 3.05 | 8.82 | 14.88 | 16.56 | 7.00 | 11.60 |
| | | Market Share (%) | 64.12 | 62.53 | 35.88 | 37.47 | 100.00 | 100.00 |
| 5 | Total Premium (3+4) = (6+7) | Premium (₹crore) | 3,79,389.60 | 4,03,286.55 | 1,93,520.59 | 2,25,444.48 | 5,72,910.19 | 6,28,731.04 |
| | | Growth (%) | 12.41 | 6.30 | 13.42 | 16.50 | 12.75 | 9.74 |
| | | Market Share (%) | 66.22 | 64.14 | 33.78 | 35.86 | 100.00 | 100.00 |
| Linked & Non-Linked Premium | | | | | | | | |
| 6 | Linked Premium | Premium (₹crore) | 761.58 | 1,407.16 | 82,288.08 | 89,599.49 | 83,049.66 | 91,006.65 |
| | | Growth (%) | -6.38 | 84.77 | 9.22 | 8.89 | 9.06 | 9.58 |
| | | Market Share (%) | 0.92 | 1.55 | 99.08 | 98.45 | 100.00 | 100.00 |
| 7 | Non-Linked Premium | Premium (₹crore) | 3,78,628.02 | 4,01,879.40 | 1,11,232.51 | 1,35,844.99 | 4,89,860.53 | 5,37,724.39 |
| | | Growth (%) | 12.46 | 6.14 | 16.73 | 22.13 | 13.40 | 9.77 |
| | | Market Share (%) | 77.29 | 74.74 | 22.71 | 25.26 | 100.00 | 100.00 |

Source: IRDAI Annual Report

In 2020-21, the life insurance industry's first-year premium declined by 21.01 percent, compared to 39.71 percent rise the previous year. While LIC had a 41.46 percent decline in first-year premiums (85.02 percent growth in 2019-20), private life insurers saw a 5.74 percent increase (5.82 percent growth in 2019-20).

In 2020-21, LIC had a market share of 66.17 percent in new business premiums (up from 68.76 percent in 2019-20), while private insurers had a market share of 33.83 percent (31.24 percent in 2019-20). Similarly, LIC continued to have a higher share of renewal premiums, with 62.53 percent (64.12 percent in 2019-20) compared to 37.47 percent for private insurers (35.88 percent in 2019-20).

Table 1.2

| Claims of Life Insurers | | | | | | | | (₹crore) |
|---|---|---|---|---|---|---|---|---|
| S. No. | Insurer | LIC | | Private Sector | | Total | | |
| | | 2019-20 | 2020-21 | 2019-20 | 2020-21 | 2019-20 | 2020-21 | |
| 1 | Death Claim | 17,505.36 | 23,878.62 | 12,288.51 | 18,079.81 | 29,793.87 | 41,958.43 | |
| 2 | Maturity | 1,51,159.70 | 1,65,659.20 | 21,348.71 | 25,845.12 | 1,72,508.41 | 1,91,504.32 | |
| 3 | Surrender/ Withdrawal | 70,148.12 | 80,101.00 | 47,117.12 | 49,315.89 | 1,17,265.24 | 1,29,416.88 | |
| 4 | Annuities/ Pensions | 13,015.29 | 14,571.36 | 949.42 | 1,406.32 | 13,964.71 | 15,977.68 | |
| 5 | Others | 932.15 | 911.63 | 17,002.32 | 19,003.52 | 17,934.47 | 19,915.15 | |
| | **Total** | **2,52,760.62** | **2,85,121.81** | **98,706.08** | **1,13,650.66** | **3,51,466.70** | **3,98,772.47** | |

Source: IRDAI Annual Report

In 2020-21, the life insurance market paid out 3.99 lakh crore in benefits (compared to 3.51 lakh crore in 2019-20), accounting for 63.42 percent of total premium covered (61.35 percent in 2019-20). Private insurers paid benefits worth Rs.1.13 lakh crore (Rs.98,706 crore in 2019-20), accounting for 50.15 percent of the premium covered (51.01 percent in 2019-20). In 2020-21, LIC paid benefits worth 2.86 lakh crore, accounting for 70.85% of the premium underwritten (compared to 2.53 lakh crore in 2019-20, accounting for 66.62 percent of the premium underwritten).

## Problem Statement

In this project, I am going to analyse the consumer perception towards life insurance. Life insurance becomes an essential need in today's world because it gives support to the family members especially when the single bread earner of the family had deceased.

The COVID-19 epidemic has highlighted the need of financial education in boosting the economy's growth. Millions of people lost their jobs in a couple of months, leaving them with mounting debt.

India is home to roughly one-fifth of the world's population and has an over 80% literacy rate. Unfortunately, just 24% of the country's population is financially educated.

**Objectives of the Study**

The main objectives of this study are given below:

- To find out understanding of people towards life insurance products.
- To know about people's preferences for private and public insurers.
- To explore at the features that people look for when buying a life insurance policy.

**Scope of the Study**

The existing research on life insurance market in India is primarily descriptive, with a few studies looking at both demographic and social factors that influence insurance demand. Consumer behaviour in the life insurance business has largely remained unstudied. Because of lower insurance penetration and its importance in improving financial well-being, it's crucial to know how Indians buy life insurance. The amount of financial awareness, the extent of social impact in the buying decisions, know the motives behind the purchase, and whether the current providers of insurance are satisfying the demands of the consumer are all topics of interest.

## 2. LITERATURE REVIEW

In the last five decades, there has been a lot of research on consumer choice in the life insurance industry. Numerous studies have looked at social, demographic, and psychological aspects that may influence demand of life insurance. In this part, I look at some recent studies on the socioeconomic and demographic factors that influence insurance status.

Several studies look at macroeconomic factors that may influence demand of life insurance. These studies provide information on the overall demand for insurance across whole economies. They do not, however, give insight into the elements that influence individual or family decision-making. Schlag provides an overview of 13 such macro-econometric research (2003). These studies are not included in the following literature review because, while they just provide a broad overview of the market, they do not illuminate the significant differences across different segments of society within a given nation.

Zietz (2003) conducted a comprehensive and extensive review of the empirical literature over the course of five decades. Age, income, education, marital status, family size, and employment were among the most important drivers of life insurance demand in the articles she analysed. Higher levels of income and education, as well as family size, were shown to be favourably connected to life insurance demand, whereas life insurance premiums and possessing other forms of social security were found to be adversely related. Some research showed confusing and contradictory results for key factors of demand of life insurance,  such as age and family size, according to Zietz.

Hecht et al. (2010) discovered that marital status, the number of children, financial literacy, and the number of dependents all had favourable effects on life insurance demand in Germany. Demographic and socioeconomic determinants have a considerable influence on life insurance purchase decisions in Lithuania, according to Ulbinaite et al. (2013). They discovered that families without children evaluate different range of considerations when buying a life insurance plan, but families with children only consider a handful.

Annamalah (2013) observed that income and education are positively connected to life insurance demand in Malaysia, but age, number of children, occupation, and working spouse are not. According to Arun et al. (2012), micro life insurance membership is strongly connected with the number of children or dependents in the home, indicating a possible bequest incentive.

Different individuals have different viewpoint in terms of purchasing life insurance and also regarding different variety of insurance products. According to Bodla and Verma (2007), middle-aged people dominate the rural life insurance market; insurance sales agents are important sources of information and influencers for purchasing life insurance; and the most preferred policy in rural areas is a money-back policy, followed by endowment policies.

Insurance products are difficult to understand, and insurance decisions are tough to make (Schwarcz, 2010). Risk assessment is complex, and investment-oriented life insurance returns are very speculative and unpredictable (Ericson and Doyle, 2006). Cash value insurance are abstract and complicated; their returns are not promised up front but are realised afterwards, and they are difficult to verify (Crosby and Stephens, 1987). Whole life insurance, according to Crosby and Stephens, is a credibility product whose sales are based on relationship marketing. Crosby and Stephens argue that insurance plans associated with the stock market i.e. Unit-linked Policies or ULIP are dangerous products. The combination of tax benefits with life insurance, as well as the increasing growth of investment-oriented life insurance products, has made the policy selection process more difficult for clients (Droms and Baldwin, 1989).

Understanding complicated financial products necessitates a high degree of financial knowledge and ability. Many consumers make financial mistakes, and bad financial decisions lead to significant financial losses for individuals (Agarwal et al., 2009). Financial literacy is often low across the world; even basic notions about saving and investing, such as interest compounding, are unfamiliar (Lusardi, 2008; Hung et al., 2009).

Classical theories presume that people are rational, that they seek and can make decisions that maximise their utility. Individuals have the freedom to choose and make their own decisions, which is the basic principle of rational action. In individualistic civilizations, this is typically the case. Individuals in collectivist cultures, on the other hand, may feel compelled to comply to societal standards, even if it means compromising that products that best describes their interest. Individuals construct their beliefs on the views of social influencers and depend on the their peers for the advise. As a result, in countries with collectivist cultures, a herd mentality is frequently noticed in their financial conduct (Zhan, 2013; Eun et al., 2015).

Consumers rely on sales agents to locate an appropriate life insurance plan since they are the first point of contact (Lawrence and Stephens, 1987; Anagol et al., 2017). They also serve as financial planners and build long-term relationships with their clients (Crosby and Cowles, 2008). The insurance provider's brand value, high degree of confidence in insurance agents, and low financial knowledge lead to an overreliance on insurance agent advice.

The intricacy of financial decisions, along with the dominant collectivistic mentality, may lead to fraudulent sales methods by agents in order to receive more commissions if clients are not properly educated (Ericson and Doyle, 2006; Leah, 1986). The current accountability structure is ineffective in assuring commission-motivated sales agents' fiduciary obligations. Their commissions are determined by the company's success, which may not always be in the best interests of the clients (Kurland, 1996). Independent sales agents have been discovered to work for various insurance firms (Leah, 1986); their unethical behaviour is influenced by managers and sales objectives (Haron et al., 2011). According to several writers, sales representatives give bad advise and market improper insurance products to financially inexperienced customers (Ericson and Doyle, 2006; Anagol et al., 2017; Halan et al., 2014).

Life insurance is employed in classical economics for precautionary savings, smoothing future spending, and as a bequest motivator (Yaari, 1965; Hakansson, 1969; Fischer1973; Karni and Zilcha1986; Bernheim 1991). It's also utilised to increase borrowing (Karni and Zilcha, 1986) and lending chances (Hakansson, 1969).

Life insurance, on the other hand, is sometimes misinterpreted as an investment instrument. Insurance is viewed as an investment tool by consumers who expect returns on their premiums (Slovic et al., 1977; Kunreuther and Slovic, 1978; Schoemaker and Kunreuther, 1979; Pope, 2003; Inkmann and Michaelides, 2012). Individuals with a restricted frame of reference see life insurance as a high risk investment that pays off only when the policy's profits exceed the whole price paid. Individuals who are concerned about losing their payment if a loss event does not occur refuse to get insurance (Gottlieb, 2012; Hwang, 2016). According to Pope (2003), life insurance is not a viable investment, and cash value plans have poorer returns than other accessible investment vehicles. According to some writers, purchasing a term insurance and putting the difference in a bank savings account would give a larger return than purchasing an endowment policy (Carney and Graham, 1998; Vijay and Tamilselvan, 2011; Anagol et al. 2017.). People generally regard cash value plans as investments because of the tax benefits they provide, according to studies (Winter, 1998; Hecht and Hanewald, 2010; Inkmann and Michaelides, 2012).

Life insurance is commonly utilised in India as a means of saving and investing (Ahmad, 2013). In India, the majority of life insurance plans sold are cash value policies rather than pure insurance. In India, endowment plans account for 87 percent of all life insurance products offered (Halan and Sane, 2017). The possibility for mis-selling in the Indian life insurance market has been recognised. The total loss to Indian clients as a result of life insurance mis-selling is estimated to be over US $ 28 billion. It is said that life insurance firms in India do not promote their plans in a fair and transparent manner. To entice buyers, they give a deceptive picture of life insurance plans (Vijay and Tamilselvan, 2011). Endowment plans are promoted by insurance sales agents in order to earn greater commissions, even though a term policy is more appropriate for a customer. They give bad advice and market improper insurance policies to people who aren't financially savvy (Anagol et al., 2017).

# 3. RESEARCH METHODOLOGY

## DATA COLLECTION

In this study primary data has been extracted from 138 respondents while keeping in view the objectives of the study. The primary data was collected through a questionnaire. The questionnaire contains certain question regarding thinking of people towards life insurance.

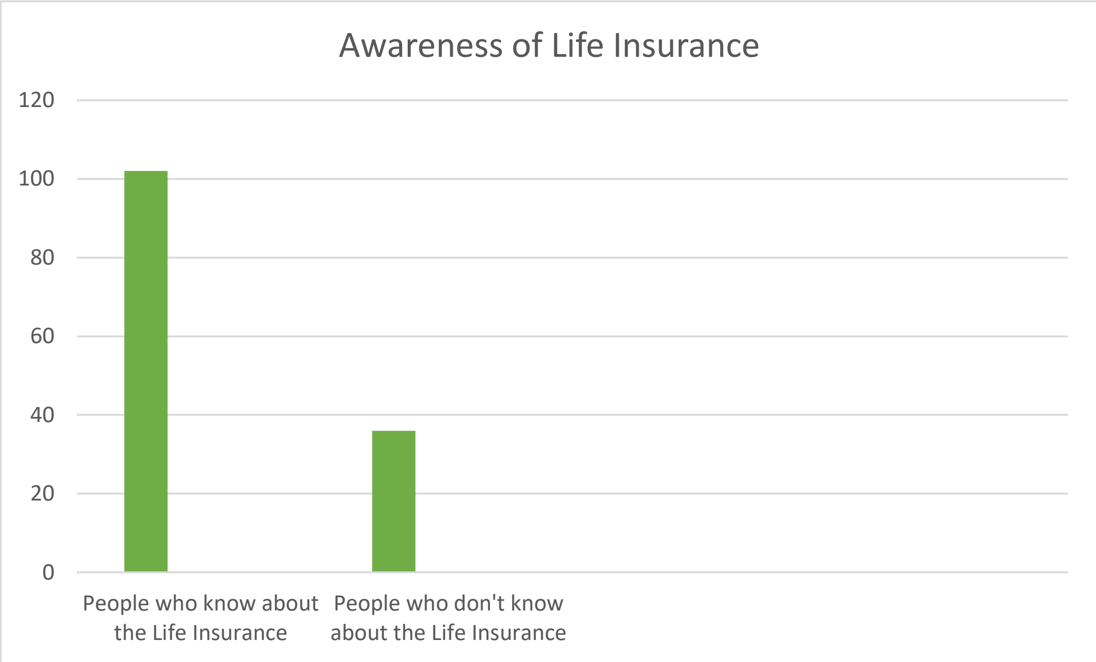
## STATISTICAL ANALYSIS

The aim of statistics in research is to serve as a tool for planning research, analysing data, and making conclusions. Most research investigations generate a great amount of raw data that must be appropriately reduced in order to be comprehended. As a result, it is evident that no researcher can afford to disregard statistics. Descriptive statistics and hypothesis testing were the statistical tools employed in this work.

# 4. ANALYSIS

We got to know that only 102 out of 138 people know about the life insurance. It is very shocking that around 26% of the people did not know about the term life insurance.

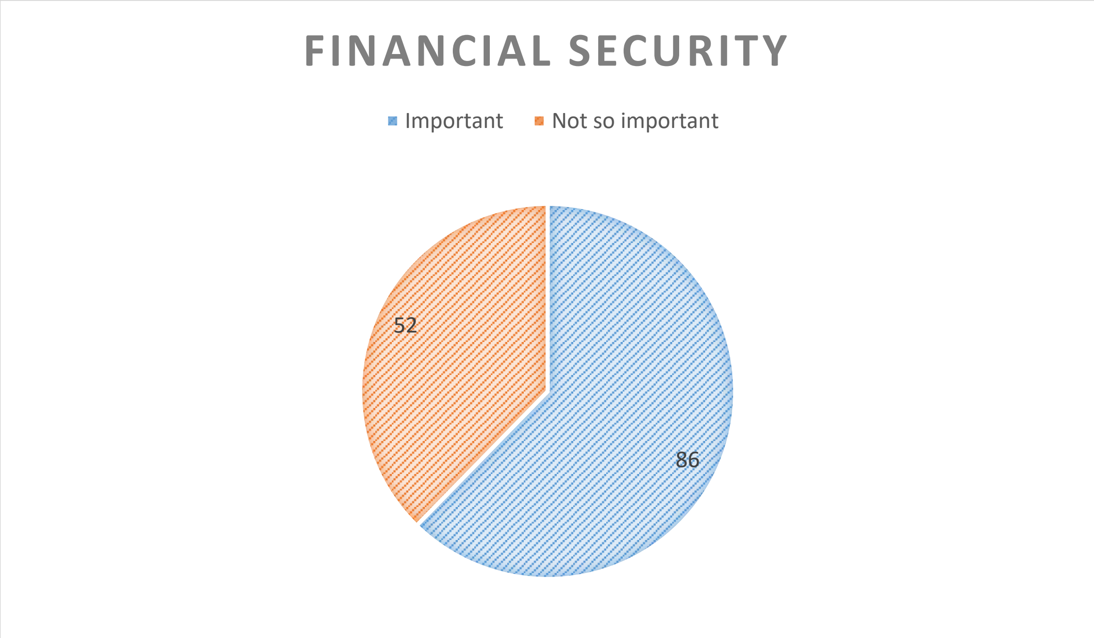
Fig. 4.1




Source: Own analysis

Insurance is one of the product to secure people from the uncertain situations like death and disability. That's why it is considered as the fourth basic need after food, clothes and shelter. By our study, we got to know that only 86 people out 138 give highest priority to financial security in the long run.

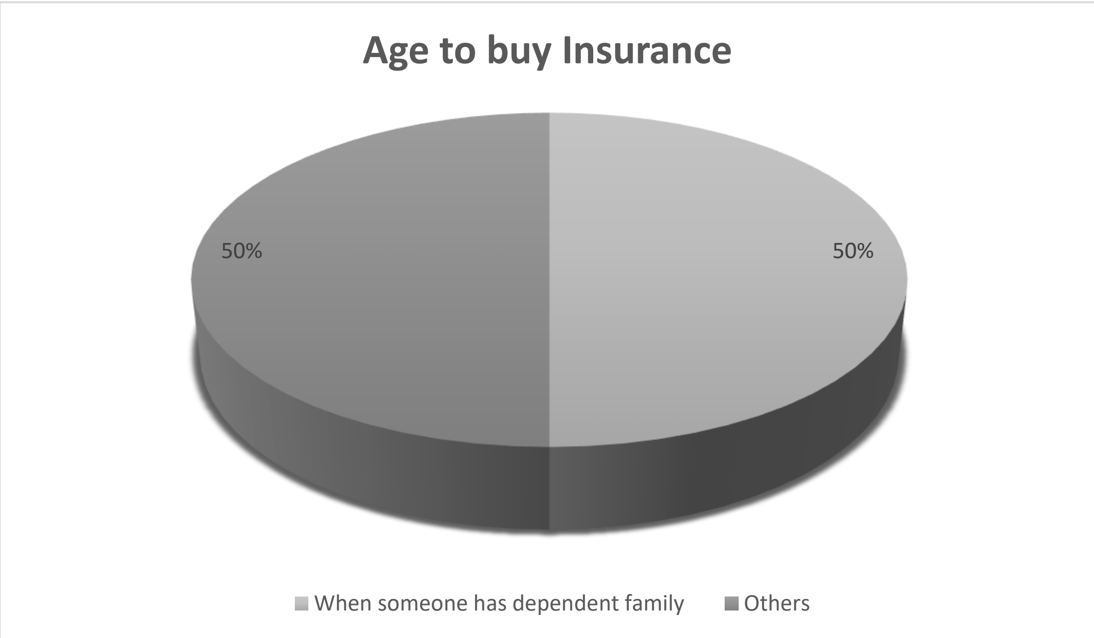
Fig. 4.2




Source: Own analysis

Now, Insurance is of the great use when someone has dependent family because it gives the benefit to the nominee of the policyholder after the death or at the end of the policy period depending upon the type of the policy. But the result is very shocking. We got to know that only 69 out of the 138 people know that.

Fig.4.3

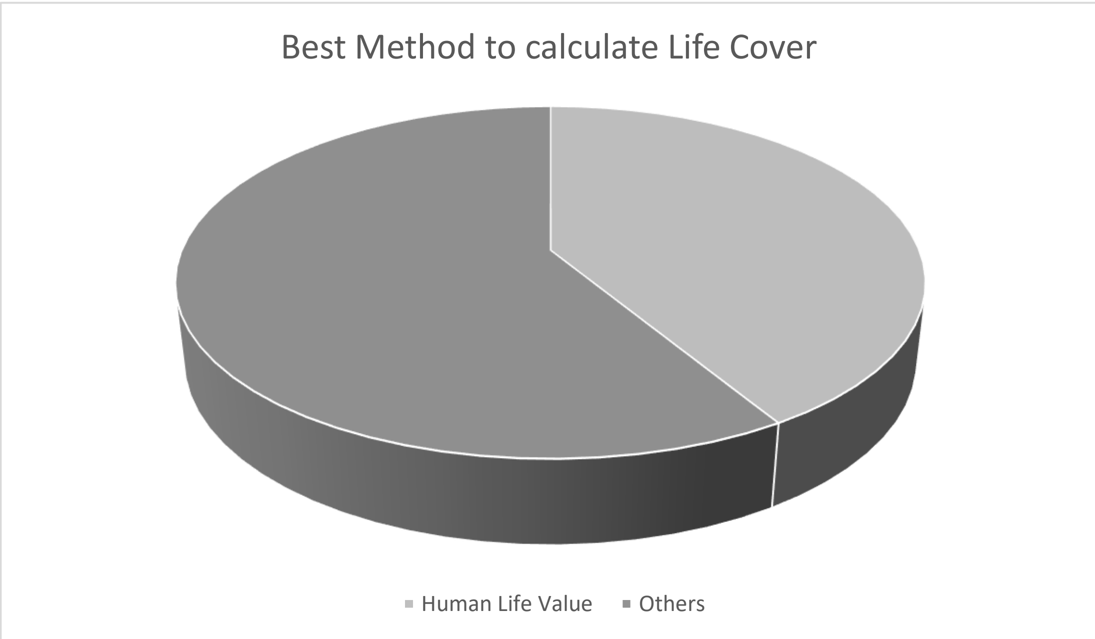


Source: Own analysis

Following the Covid-19 outbreak, there was a surge in demand for life insurance products. When it comes to life insurance, term policies are the most cost-effective because they provide the greatest coverage for the least amount of money. However, simply purchasing life insurance is insufficient. The goal is to secure a sufficient amount of insurance to cover your family's demands. But how much is sufficient? The cover is not based on current earnings; rather, it is based on the goals' future value. Human Life Value is one of the best methods for calculating this. This strategy takes into account a person's economic or human life value (HLV) to the family. The value of future income, expenses, liabilities, and investments is the main focus of the idea.

By our results, we got to know that only 57 out of the 138 people knows that the appropriate life cover is better calculated by human life value.

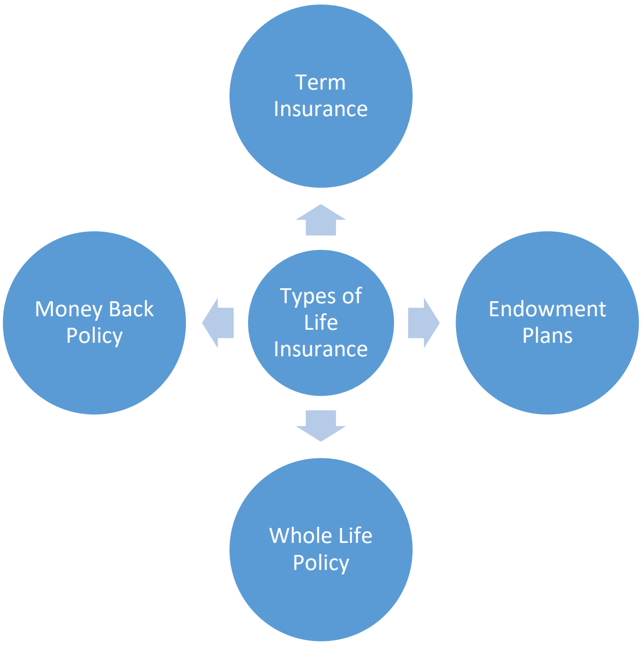
Fig. 4.4




Source: Own analysis

Now, the next thing to keep in mind is which life insurance policy to buy? There are majorly four types of Life Insurance which are given as below:

Fig. 4.5




Source: Own creation

**Term Insurance**: The most basic sort of life insurance is term policies. They offer life insurance without a savings or profit component. They are the most cost-effective kind of life insurance since their premiums are lower than those of other life insurance plans.

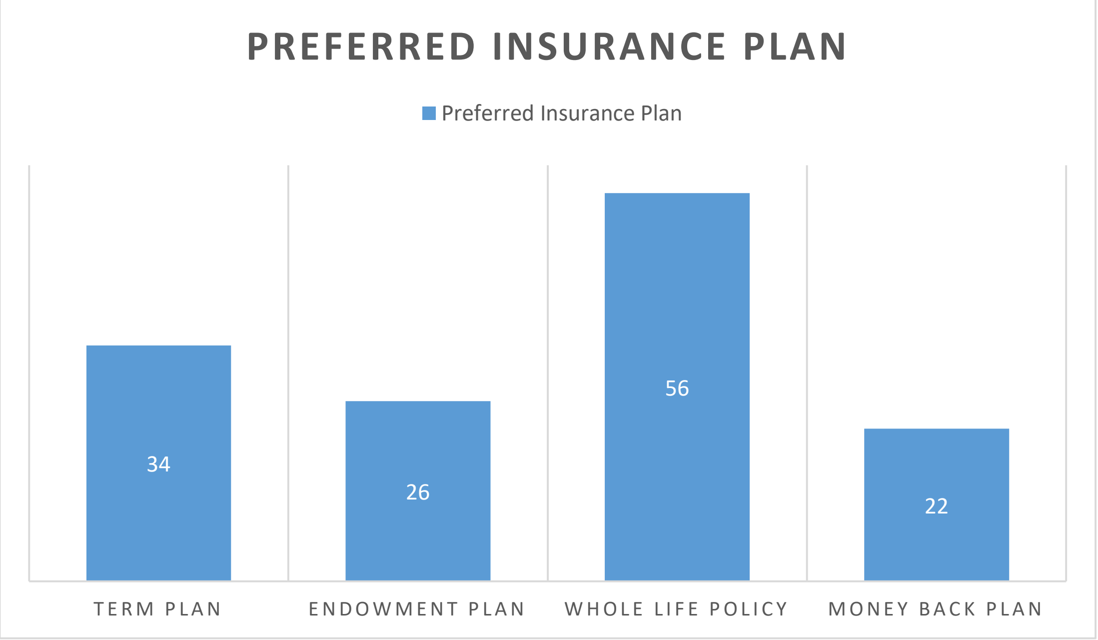
If the policyholder dies within the policy period, the beneficiaries will receive a fixed amount of currency called the sum assured. There is no payout if the policyholder lives.

**Whole Life Policy**: A policyholder's full life is covered under a whole life insurance policy. The fundamental feature of a whole life policy is that the policy's validity is not specified, therefore the individual can benefit from the life insurance coverage for the rest of his life. The insured pays recurring premiums until he dies, at which point the corpus is distributed to his family.

**Endowment Plans**: One important distinction between endowment and term plans is the maturity benefit. Unlike term plans, which pay out the sum promised plus profits only if anything happens during the policy period, endowment plans pay out the sum assured in both death and survival scenarios. Endowment plans, on the other hand, incur greater fees / expenditures – reflected in premiums – for paying out the sum promised, as well as profits, in either death or maturity scenarios. Premiums are invested in asset markets — stocks and debt – resulting in profits.

**Money Back Policy**: A money back plan is a type of endowment insurance. It pays out in instalments over the course of the policy's term. A portion of the cash insured is paid out at regular periods to this goal. If the policyholder lives to the end of the term, he is entitled to the remaining sum insured. The beneficiary receives the entire sum assured if the policyholder dies during the policy period.

Fig. 4.6




Source: Own analysis

If we look at our results, the most preferred type of life insurance is whole life policy followed by term plan, endowment plan, and money back policy. The reason for the preference of whole life policy could be it provides coverage for the entire life of the policyholder as the name suggests.

Now, next thing that is very important while buying the life insurance policy is Riders.

Life insurance riders are optional benefits that are added to a primary policy in the event of a certain occurrence. They provide financial protection in addition to the life insurance policy's basic sum insured.

Individuals can choose from a selection of riders to meet their needs. The following are some of the most important riders:

1. **Critical illness rider**

When a policyholder is diagnosed with a serious illness, he or she is eligible to extra benefits.

2. **Disability rider**

When the policyholder is diagnosed with an impairment covered by the rider, the policyholder receives benefits.

3. **Accidental death benefit rider**

In the event of a fatal accident, the policyholder receives benefits.

4. **Term rider**

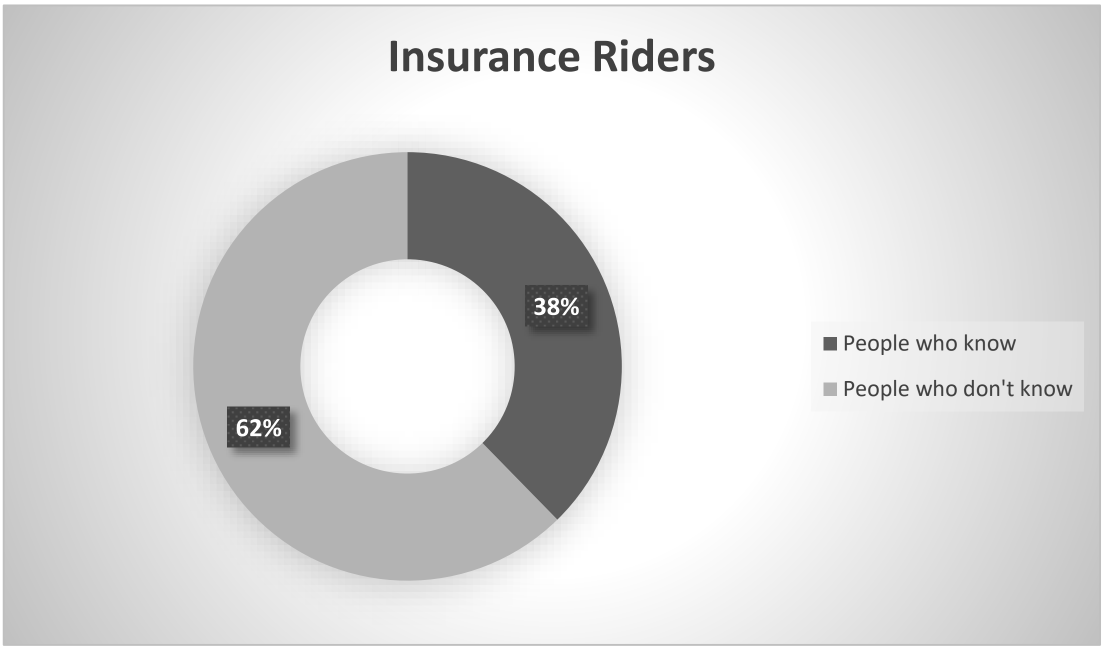
On the death of the life guaranteed, the nominee receives a monthly income.

5. **Premium waiver rider**

In the case of an accident or mishap as described by the rider, the policyholder is not obligated to pay future premiums on the policy.

In the time to come the Life insurance riders are of great use because they give the extra benefits with just a small charges. And there is an increase in uncertainty of life. In our study, we got to know that 86 out of 138 people even don't know about the riders. It can clear from the results that there is lack of proper knowledge in this sector.

Fig. 4.7

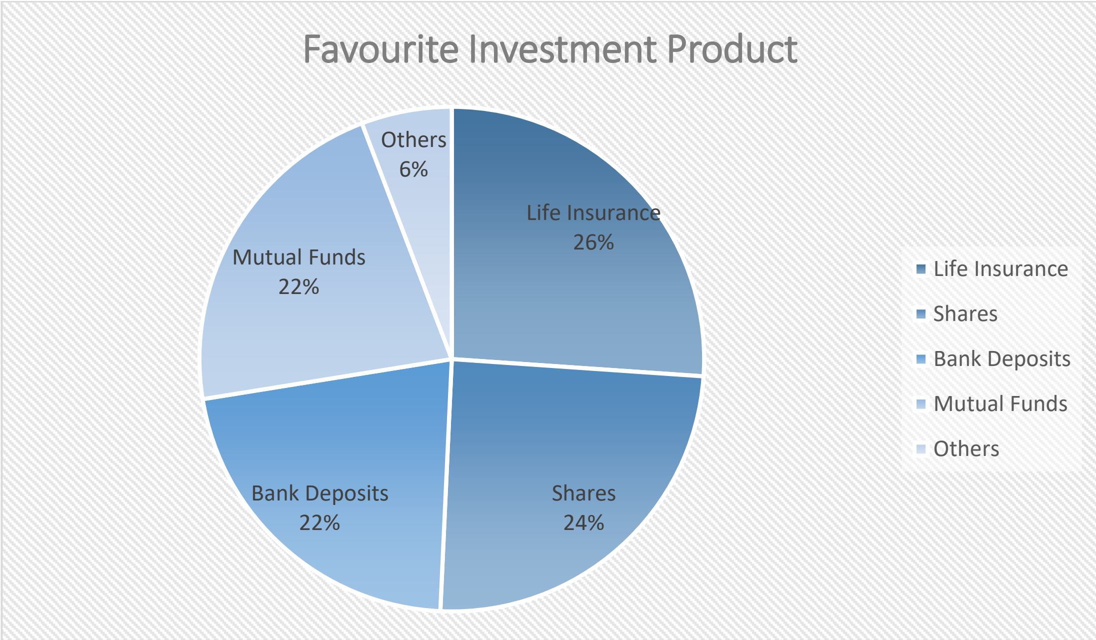



Source: Own analysis

To be clear, the vast majority of life insurance policies are bought to mitigate risk. The death benefit is a safety net that pays out if you die unexpectedly. However, due of the tax advantages, life insurance may also be utilised as an investment. And that's not only because permanent insurance has a financial value attached to it. In the previous ten years, there have been various programmes on the market that have provided a very strong return. The rates of return are somewhat greater than those offered by bank deposits. As a result, it provides two benefits at once: protection against unexpected situations and investment.

Through our study, we got to know that the Life Insurance is the mostly preferred by the people followed by Shares, Mutual Funds, and Bank Deposits.

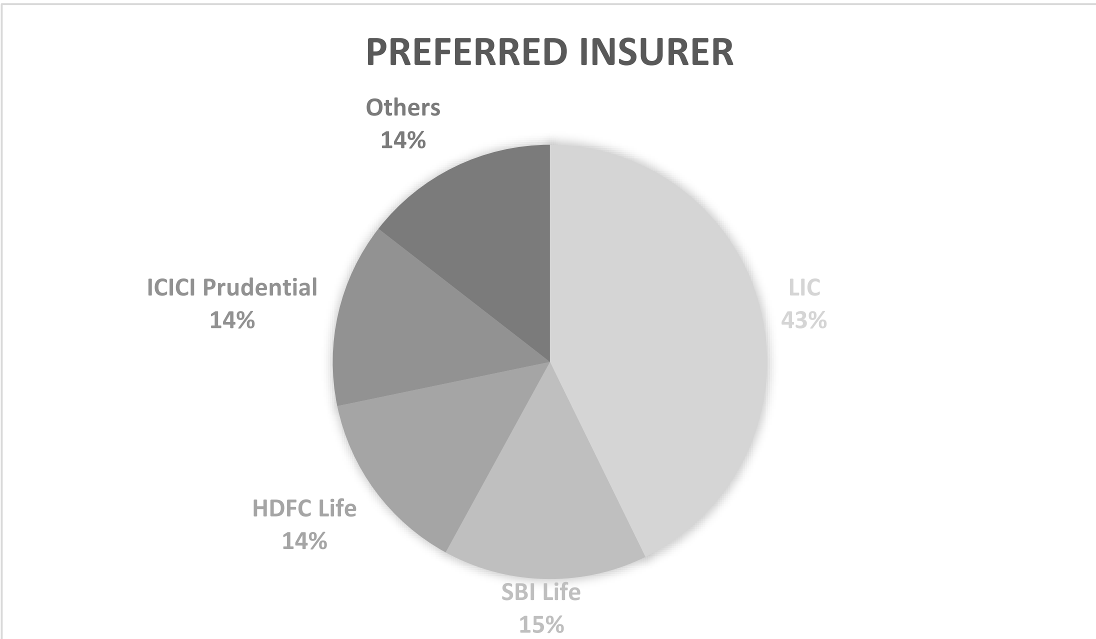
Fig. 4.8




Source: Own analysis

From our results, we also got to know that the most preferred insurer is LIC followed by SBI Life, HDFC Life, and ICICI Prudential Life. LIC is the first choice of the people in India because people have trust in it.

Fig. 4.9




Source: Own analysis

Hypothesis Testing

Now, we are going to apply the hypothesis testing in our study to know whether there is some kind of relationship between the variables or not. For this purpose, we are going to apply the chi square test and the ANOVA test.

**Problem**: Whether there is any significant difference among the different types of life insurance.

Ho: There is no significant difference between the different types of life insurance plans.

Ha: There is significant difference between the different types of life insurance plans.

We are going to test this problem at 5% level of significance.

**According to you, Which plan best suits for you?**

| | Observed N | Expected N | Residual |
|---|---|---|---|
| Endowment Plan | 26 | 34.5 | -8.5 |
| Term Plan | 34 | 34.5 | -.5 |
| Whole Life Plan | 56 | 34.5 | 21.5 |
| Money Back Policy | 22 | 34.5 | -12.5 |
| Total | 138 | | |

**Test Statistics**

| | According to you, Which plan best suits for you? |
|---|---|
| Chi-Square | 20.029[a] |
| df | 3 |
| Asymp. Sig. | .000 |

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 34.5.

In the results, we found that the p value is equal to .000

Since the p value is less than .05, we reject the null hypothesis. Thus, we can say that there is significant difference between the different types of life insurance plans.

Different types of insurance plans that I have explained above are different in terms of their utility, offerings, etc. Different plan is suggested to different peoples based on their requirements like whether they need only protection or they want earn some returns also or else.

**Problem**: Whether there is any significant difference between the different insurers.

Ho: There is no significant difference between the preferences of people in choosing the insurer.

Ha: There is significant difference between the preferences of people in choosing the insurer.

We are going to test this problem at 5% level of significance.

**Which is your preferred life insurer?**

| | Observed N | Expected N | Residual |
|---|---|---|---|
| LIC | 59 | 27.6 | 31.4 |
| HDFC Life | 19 | 27.6 | -8.6 |
| ICICI Prudential | 19 | 27.6 | -8.6 |
| SBI Life | 21 | 27.6 | -6.6 |
| Others | 20 | 27.6 | -7.6 |
| Total | 138 | | |

**Test Statistics**

| | Which is your preferred life insurer? |
|---|---|
| Chi-Square | 44.754[a] |
| df | 4 |
| Asymp. Sig. | .000 |

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 27.6.

In the results, we found that the p value is equal to .000

Since the p value is less than .05, we reject the null hypothesis. Thus, we can say that there is significant difference between the preferences of people in choosing the insurer.

Choosing the right insurance provider is very crucial because it gives assurance to the people for maintaining relationship with the company in the long run. There are few metrics that can be used to analyse the quality of insurers such as claim settlement ratio which basically tells that percentage of claims that had settled by the company during a particular financial year.

**Problem**: Whether there is any difference between the marital status of the person and the preferred insurance plan.

Ho: There is no significant difference between the marital status of the person and the preferred insurance plan.

Ha: There is significant difference between the marital status of the person and the preferred insurance plan.

We are going to test this problem at 5% level of significance.

**ANOVA**

According to you, Which plan best suits for you?

| | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Between Groups | .551 | 1 | .551 | .578 | .449 |
| Within Groups | 129.768 | 136 | .954 | | |
| Total | 130.319 | 137 | | | |

In the results, we found that the p value is equal to .449

Since the p value is more than .05, we accept the null hypothesis. Thus, we can say that there is no significant difference between the marital status of the person and the preferred insurance plan.

As per the result, we can say that there is not any difference between the preferred insurance plan and the marital status of the individual. While there could be some impact on the decision like married person having a child would prefer to have child plans rather than traditional term plans.

**Problem**: Whether there is any significant difference between age of the person, gender of the person and the level of awareness of different insurance plans.

Ho: There is no significant difference between the age, gender and the awareness level.

Ha: There is significant difference between the age, gender and the awareness level.

We are going to test this problem at 5% level of significance.

**Tests of Between-Subjects Effects**

Dependent Variable: Are you aware of different Life Insurance Plans?

| Source | Type III Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Corrected Model | 6.576[a] | 36 | .183 | 1.270 | .177 |
| Intercept | 65.875 | 1 | 65.875 | 458.043 | .000 |
| Gender | .031 | 1 | .031 | .215 | .644 |
| Age | 3.168 | 26 | .122 | .847 | .677 |
| Gender * Age | 2.241 | 9 | .249 | 1.731 | .091 |
| Error | 14.526 | 101 | .144 | | |
| Total | 216.000 | 138 | | | |
| Corrected Total | 21.101 | 137 | | | |

a. R Squared = .312 (Adjusted R Squared = .066)

In the results, we found that the p value is equal to .177

Since the p value is more than .05, we accept the null hypothesis. Thus, we can say that there is no significant difference between the age, gender and the awareness level of the person.

## 5. CONCLUSION

I discovered that age, annual income, and marital status were important predictors of policy choice among demographic characteristics. Then I looked at the impact of various buying incentives on the type of coverage purchased. Term plans are most commonly used to save money on taxes. Endowment insurance are purchased for bequest purposes rather than for particular financial objectives such as children's education or retirement. As a result, endowment plans are regarded as pure insurance. Multiple policies are purchased to satisfy certain financial goals, as well as due to social pressure from brokers and banks.

Individuals prefer to purchase endowment and multiple plans if they wish to save consistently or accomplish a future goal, as I predicted. People are more prone to choose term plans for saving taxes, which is interesting. This is odd because term insurance have the lowest premiums and hence deliver the smallest tax advantages. This indicates Indian life insurance purchasers' lack of financial education and product comprehension.

People acquire endowment and multiple insurance under societal pressure and under the pressure of insurance agents, according to the findings. This emphasises the role of social groupings and insurance sales agents in Indians' life insurance selections. This might indicate a lack of knowledge and comprehension among life insurance purchasers, as well as possible mis-selling by insurance sales agents and financial intermediaries such as banks.

To be precise, I conclude that there is very low awareness of people towards and insurance products. Government should take several steps towards increasing awareness level so that the people can take rational decisions while choosing the type of plan, and the amount of cover they will require.

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APPENDIX

## Questionnaire

Age

Gender

- Male
- Female

Marital Status

- Single
- Married

1. Do you know what life insurance is?

- No
- Yes

2. Do you feel that there is need for life insurance?

- Yes
- No

3. In the long term, how important is giving financial security to your family?

- 0 (Not Important)
- 1
- 2
- 3
- 4 (Extremely Important)

4. How do you take life insurance as a product?

- Expense
- Investment
- Retirement Income

5. According to you, at what age one should buy life insurance?

- 21
- When someone has dependent family
- When someone started earning
- At any age but less than 60 years

6. What are the different types of plans you are aware of?

- Term Plan
- Endowment Plan
- Whole Life Plan
- Money Back Plan
- All the above
- Don’t know any plan

7. According to you, which plan best suits for you?

- Term Plan
- Endowment Plan
- Whole Life Plan
- Money Back Plan

8. How the appropriate life cover is calculated?

- Income
- Expenses
- Human Life Value
- Don't Know

9. What are the different riders you are aware of?

- Premium Waiver
- Accidental Death
- Critical Illness
- Permanent Disability
- Income Benefit Rider
- Don't Know

10. According to you, what are the different riders one should have in their life insurance policies?

- Premium Waiver
- Accidental Death
- Critical Illness
- Permanent Disability
- Income Benefit Rider
- Don't know

11. What is your favourite investment product?

- Shares
- Mutual Funds
- Life Insurance
- Bank Deposits
- None of the above

12. Which is your preferred life insurer?

- LIC
- HDFC Life
- SBI Life
- ICICI Prudential Life
- Others