



LIFE INSURANCE POLICIES AS AN INVESTMENT OPTION FOR INVESTORS.

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Abstract

Life insurance policies can be used as an investment option for investors, but it is important to understand that the primary purpose of life insurance is to provide financial protection to your loved ones in the event of your death. While some types of life insurance policies, such as whole life or universal life insurance, have an investment component, they may not be the best investment option for everyone.

As the life of a human is the most precious asset in the world, life insurance is treated as one of the important means to provide protection to a person and his family members at the time of disaster. The main aims of life insurance are providing protection as well as safety to the life of individuals, boosts savings among people etc. LIC is the most trusted and the most popular brand in the life insurance sector. Thus the market share of LIC is gradually increasing due to common people trust. LIC always focuses on coming with innovative products and services to retain their existing customers and attract new customers. Through this way LIC achieved monopoly in the business of life insurance in India. They are taking a great effort to increase the awareness level among customers by using innovative advertising techniques. Like any other sector, privatization witnessed dynamic changes in the insurance industry. Most of the private insurance companies are joint ventures with recognized foreign players across the world to keep their profits high. In order to sustain in the industry every company is trying to have a proper understanding of customers as they are the main pillar of life insurance business. The customers need and expectations help insurance providers to bring improvements in product as well as services offered. This study is mainly conducted to identify various factors influencing investment decision of customers in life insurance. It also tries to analyze the awareness and satisfaction level of investors towards life insurance policies.

Keywords: Life Insurance, Investment

Introduction

Insurance sector in India plays a dynamic role in the economic development of the country. Indian insurance sector provides opportunity for savings amongst the individual, protects their future, which helps to makes the country a massive pool of funds. These funds highly contributes to the Indian capital market, thereby accelerate the infrastructure development of the nation.



The Indian insurance sector is broadly classified into two categories- Life insurance and Non- life insurance. The non-life insurance sector is also called as general insurance. Both the Life insurance and General insurance are governed by the Insurance Regulatory and Development Authority of India (IRDAI). Life insurance is an insurance on life. It can be defined as a form of protection that originated in man's desire to provide for the support of his dependence after his death. The principle of life insurance also aims to protect the loss of income arising from old age, disablement accident etc. Insurance contract that do not come under the ambit of life insurance are called general insurance. Fire insurance, marine insurance, motor insurance etc are the examples of general insurance.

Life insurance is a contract between the life insurance company (insurer)and the policy holder (insured). It is a contract where the insurer agrees to pay a specified sum of the money to the insured individual family (beneficiary) upon the death of the insured in exchange for a specific sum of money called premium.Insurance premium can be paid in periodic intervals such as monthly, quarterly, half yearly or yearly. Here the policy holder has the right to choose the payment type and the periodic interval of premium payment.

On the basis of short term and long term needs of the insured, life insurance is classified into two types. They are term life insurance and permanent life insurance. Term life insurance lasts for a certain number of years like 10, 20, 30 years and then comes to an end. It does not accrue any cash value.In this type of insurance the death benefit on life insurance policy is defined as the



amount that is payable to the beneficiary when an insured person passes away. On the other hand permanent life insurance stays in effect as long as the policy holder pays the premium. It offers cash value which allows the insured to get more value out of the plan than he/she would with a policy that only pays out the death benefit.

Life insurance has many pros and cons. The main advantages are life insurance enjoys a lot of favourable tax benefits unlike any other financial instrument. Death benefit on life insurance policies are income tax free to the beneficiary. Policy loans are also treated as income tax free. Policy loans are those loans granted by the insurer to the insured for an amount not greater than the policy amount. Under section 80 C of Income Tax Act, 1961, premium paid under life insurance policy is eligible for tax deduction. All these things make life insurance schemes as a better investment option for investors.

Policy holder has to forego some current expenditure to pay policy premiums. In majority cases life insurance is purchased for the benefit of others. Sometimes cashsurrender values are less than the premium paid in first several policy years. These are some of the demerits of life insurance policies.

Literature review

- **Balusamy.S, Kavitha Rani (2016)**, conducted a study to identify the awareness and satisfaction level of policy holders regarding insurance policies. Only percentage method was used to analyze the same. They also explained that income tax rebate, savings, investment etc were the main reasons behind opting insurance policies as an investment option by the customers.
- **Balaji (2015)** has of opinion that majority of policy holders prefer endowment policy and money back policies as their investment alternative. All the customers are aware of different types of insurance policies and insurance agents plays an important role in providing valuable information to the customers about various insurance products and services.



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- **Choudhuri (2014)** found that policy holders are more conscious about their need and requirements towards insurance. There are some social, cultural and economical factors affecting the selection of various insurance policies by the customers. The study also highlights that majority of the customers prefer LIC's products and services rather than others. This is because of the reason that LIC has adopted different strategies to increase the awareness level of customers towards insurance policies. LIC also focused on meeting the customers demand through offering attractive plans and benefits.
 - **Narender and Sampath (2014)** identified that most of the customers prefer life insurance policies as their investment option. They are purchasing insurance policies with an objective of risk coverage, children's education, savings for future etc. It is also added that majority of the customers have positive attitude towards various types of insurance schemes and premium rates.
 - **AthmaP and kumar. R (2007)** the research paper titled "an explorative study of life insurance purchase decision making: influence of product and non-product factors", explained that an empirical study was conducted among a sample size of 200 people in the urban as well as in the rural market. The study was mainly done to analyze different product and non product factors influencing purchase decision of investors on life insurance products. From this survey it has been found out that urban market is influenced by product based factors such as risk coverage, tax benefit, return on investment etc. whereas rural market is influenced by non product factors like agent's credibility, insurance company's image, customer services etc
 - **Narayan. H. Jai (2009)** in his article gave an emphasis on the importance of customers in an insurance business. In this article he explained that mere importance should be given in designing the insurance product as the market is facing intense competition. In order to bring improvements in customer services, the company has to understand the need and preference of customers first. He has an opinion that the business is revolving around the customers, so that the insurance company has to take immense effort to win the customer's loyalty and trust. Effective redressals of customer grievances, fastest claim settlement are some of the means to ensure customer satisfaction. In short it is clear that the success of a life insurance business depend upon how effectively it serves the customers.



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- **Uma, Selvanayaki& Shankar(2011)**in their article titled,"A survey of life insurance customer's awareness, perception and preferences", explained that a survey is conducted among 100 customers of life insurance policy to understand the customer's awareness, perception and preference towards life insurance. The survey was based in Coimbatore city. The main objective behind this study was to analyze various factors influencing the choice of life insurance policy of a particular life insurance brand.
 - **M.Selva Kumar and J VimalPriyan(2012)** Concluded that LIC always dominates the insurance sector. All other private sector insurance companies were trying their best to increase the market share. Life insurance sector is offering a lot of opportunities to customers for gathering large sum of money for a longer period of time. This study also compares premiums, policies and market share of different insurance companies.
 - **Kalani, Salunkhe and Ahirrao(2013)**Identified claim settlement ratio of LIC with other Indian insurance companies. This study shows that many fraudulent practices are carrying out during claim settlement of customers. But if the customers are taking precautions, they can prevent themselves from such situations. LIC provides better corporate service in claim settlement process. They not only compared claim settlement ratio of LIC with other life insurance companies in India but also received policy holder's opinion regarding claim settlement.
 - **Balasubramanyam (2015)** concentrated on the overall development of Indian insurance companies. He had an opinion that the insurance sector must offer tailor made products in order to satisfy the future financial needs of policyholders.
 - **Ezilarasikavitha (2020)**Customer relationship management of Life Insurance companies in Chennai City. Journal of Interdisciplinary Cycle Research. Volume 12. Issue 6. In this study the researcher finds the customer relationship management with life insurance companies,



Here are some factors to consider when using life insurance policies as an investment option:

The cost: Life insurance policies can be expensive, especially if you opt for a policy with a significant investment component. Make sure you understand all the costs associated with the policy, including any fees or charges, and factor these into your investment decision.

The returns: While some types of life insurance policies may offer a guaranteed minimum return on your investment, they may not offer the same potential for growth as other investment options, such as stocks or mutual funds. Make sure you understand the potential returns of the policy before investing.

The liquidity: Life insurance policies may not be as liquid as other investments, meaning it may be more difficult to access your funds in the event you need them.

The risk: All investments come with some level of risk, and life insurance policies are no exception. Make sure you understand the risks associated with the policy, including the potential for loss of principal.

Objectives of the study

- To understand the perception of customers towards life insurance policies as an investment option.
- To analyze the awareness level among customers regarding different life insurance policies
- To evaluate the factors affecting the investment decision of customers over life insurance policies.
- To assess the level of satisfaction among the customers towards services provided by LIC.



Hypothesis

- There is no significant influence of any factors over the investment decision of investors on life insurance schemes.
- There is no significant relationship between investment decision of investors on life insurance policies and their level of satisfaction.
- There is no significant influence of awareness level of life insurance policy investors towards their investment option.

Research methodology

Research design

Sample size: Data collected from 50 life insurance policy investors residing in Kochi city, Kerala.

Sampling technique: Questionnaire is distributed among a sample of 50 life insurance policy investors chosen by convenience sampling of random sampling method.

Area of research: The survey is conducted in Kochi city, Kerala.

Data collection

The present study is based on primary as well as secondary data. The primary data is collected using questionnaire; get it filled by 110 samples. The questions are well structured which is well suited to provide valuable information to the problem under study. The questionnaire is designed with both open ended and closed ended questions.

The secondary data is collected from sources like books, journals, and internet and from various studies on this subject. Such data helped in providing theoretical background regarding investment.

Tools of analysis

The data collected through the questionnaire were analyzed with percentage method.

Table1. Motivation behind investing in Life Insurance Policy

Response	No. of Respondents	Percentage
Personal interest	36	33
Friends and neighbours	3	3
Spouse and children	7	6
Parents	34	31
Agents	18	16
Advertisement	10	9
Other	2	2
TOTAL	110	100

Source: Primary data

According to the above table it is clear that the motivation of respondents behind investing in a life insurance plan. It shows that majority of respondents has a life insurance plan due to personal interest, and others are motivated by friends and neighbours, spouse and children, Parents, agents, advertisements and other motivators.

Table No.4: Reasons for making investment in Life Insurance Policies

	Regular Returns		Low Risk		Future Security		Long term benefits		Tax Benefits		Safety of Money	
	F	%	F	%	F	%	F	%	F	%	F	%
1 st Choice	13	12	23	21	11	10	22	20	18	16	23	21
2 nd Choice	18	16	10	9	26	24	16	15	25	23	15	14
3 rd Choice	22	20	14	13	32	29	8	7	12	11	22	20
4 th Choice	15	14	33	30	13	12	9	8	19	17	21	19
5 th Choice	20	18	18	16	15	13	23	21	22	20	12	11
6 th Choice	22	20	12	11	13	12	32	29	14	13	17	15
Total	110	100	110	100	110	100	110	100	110	100	110	100

Source: Primary data

Limitation of the study

- The lower time span is a major limitation of this study.
- The small size of sample also limits the accuracy of the study.
- Some of the investors were unwilling to share information.



Findings

- The consumer decision to purchase life insurance product from different companies can be affected by several factors like age, gender, income etc.
- LIC has largest number of policy holders as compared with other life insurance companies. They ranked as one among their competitors. Thus it can be inferred that they are the most trusted brand in insurance sector.
- It has been found out that life insurance is a good investment option when compared with other investment opportunities.
- It is evident from the study that the safety is the main reason behind the investment decision of investors on LIC. Customers opting for high returns follow private players.
- It is inferred from the above study that life insurance is highly beneficial for tax saving schemes.
- According to the study, majority of the respondents are aware of the different life insurance policies.
- Most of the respondents have an opinion that life insurance provides financial protection at the time of emergency situations like illness or death.

Conclusion

On the basis of study conducted, it is concluded that life insurance is an important form of insurance. As the customers are the real pillars of the success of life insurance business, it is very crucial for the life insurance company to keep their policy holders satisfied. The insurer has to take great effort not only to retain their existing customers as long as possible but also to attract new ones by offering them need based innovative products. This study attempted to show that the insurance is a safeguard against uncertain events that may occur in future. This is mainly because investors expect safety and security of money when they make investment in life insurance policies. When compared with other developed countries, the Indian life insurance sector has achieved only a little. The lack of awareness among people regarding insurance, low investment in insurance sector, ineffective and poor marketing strategies, profit motive minds of private insurance players are some of the reasons behind it.



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