

A PROJECT REPORT ON  
***“To Study an Investment Option In Company With  
Special Reference To LIC”***

A Project Submitted to  
University of Mumbai for Partial Completion of the Degree  
of Bachelor in Commerce (Accounting and finance)  
Under the Faculty of Commerce

By

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T.Y.B.A.F (SEMESTER – VI)

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Under the Guidance of

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***JNAN VIKAS MANDAL’S***

**Mohanlal Raichand Mehta College of Commerce**

**Diwali Maa College of Science**

**Amritlal Raichand Mehta College of Arts**

**Dr. R.T. Doshi College of Computer Science**

**NAAC Re-Accredited Grade 'A+' (CGPA : 3.31) (3rd Cycle)**

**Sector-19, Airoli, Navi Mumbai, Maharashtra 400708**



***FEBRUARY, 2024.***



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**CERTIFICATE**

This is to certify that **MS.YOGITA MITHU SINGH AAUJI** has worked and duly completed her Project work for the degree of Bachelor in Commerce (Accounting and Finance) under the Faculty of Commerce in the subject of **Accounts and Finance** and her project is entitled, **“To Study an Investment Option In Company With Special Reference To LIC”** Under my supervision.

I further certify that the entire work has been done by the learner under my guidance

and that no part of it has been submitted previously for any Degree or Diploma of any University.

It is her own work and fact reported by her personal finding and investigations.

Guiding Teacher,

**ASST. PROF. DR. KISHOR CHAUHAN.**

**Date of submission:**

## **DECLARATION**

I the undersigned **MS.YOGITA MITHU SINGH AAUJI** here by, declare that the work embodied in this project work titled “**To Study An Investment Option In Company With Special Reference To LIC**”, forms my own contribution to the research work carried out by me under the guidance of **ASST. PROF. DR. KISHOR CHAUHAN** is a result of my own research work and has been previously submitted to any other University for any other Degree/ Diploma to this or any other University.

Wherever reference has been made to previous works of others, it has been clearly indicated as such and included in the bibliography.

I, here by further declare that all information of this document has been obtained and presented in accordance with academic rules and ethical conduct.

**(YOGITA MITHU SINGH AAUJI)**

Certified by:

**ASST. PROF. DR. KISHOR CHAUHAN.**

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## **EXECUTIVE SUMMARY**

As the people are becoming more and more and aware of their life style and income level. They need a plan, which has an optimum balances between their Investment and savings. They require an integrated financial plan for investment.

The customer requires those investment options, which provide them with flexibility and Liquidity and tax benefit.

Among the various other investment options, Insurance has gained a prominent place. It provides the policyholder with the benefit of Life Protection and at the same time allows him to take the benefit of the fluctuations of the share market.

Thus Life Insurance has taken a very vital position as a wholesome investment option. Life Insurance is gaining public awareness and interest very rapidly. It was till now been thought as a way to insure lives. But, recently it is emerging as a prominent Investment avenue.

It has come up as a wholesome Investment avenues & provides the benefit of flexibility, Liquidity and Life protection. Along with added benefits like the rider attachments which protect the policyholder from various kinds of diseases and accidents etc.

## **CHAPTER 1- INTRODUCTION**

The insurance industry of India consists of 57 insurance companies of which 24 are in life insurance business and 33 are non-life insurers. Among the life insurers, Life Insurance Corporation (LIC) is the sole public sector company. Apart from that, among the non-life insurers there are six public sector insurers. In addition to these, there is sole national re-insurer, namely, General Insurance Corporation of India (GIC Re). Other stakeholders in Indian Insurance market include agents (individual and corporate), brokers, surveyors and third party administrators servicing health insurance claims.

Out of 33 non-life insurance companies, five private sector insurers are registered to underwrite policies exclusively in health, personal accident and travel insurance segments. They are Star Health and Allied Insurance Company Ltd, Apollo Munich Health Insurance Company Ltd, Max Bupa Health Insurance Company Ltd, Religare Health Insurance Company Ltd and Cigna TTK Health Insurance Company Ltd. There are two more specialized insurers belonging to public sector, namely, Export Credit Guarantee Corporation of India for Credit Insurance and Agriculture Insurance Company Ltd for crop insurance. Insurance in India refers to the market for insurance in India which covers both the public and private sector organizations. It is listed in the Constitution of India in the Seventh Schedule as a Union List subject, meaning it can only be legislated by the Central government.

The insurance sector has gone through a number of phases by allowing private companies to solicit insurance and also allowing foreign direct investment. India allowed private companies in insurance sector in 2000, setting a limit on FDI to 26%, which was increased to 49% in 2014. Since the privatization in 2001, the largest life-insurance company in India, Life Insurance Corporation of India has seen its market share slowly slipping to private giants like HDFC Life Insurance, Exide Life Insurance, ICICI Prudential Life Insurance and SBI Life Insurance Company.

## ❖ **HISTORY:**

Insurance in its current form has its history dating back until 1818, when Oriental Life Insurance Company was started by Anita Bhavsar in Kolkata to cater to the needs of European community. The pre-independence era in India saw discrimination between the lives of foreigners (English) and Indians with higher premiums being charged for the latter. In 1870, Bombay Mutual Life Assurance Society became the first Indian insurer.

At the dawn of the twentieth century, many insurance companies were founded. In the year 1912, the Life Insurance Companies Act and the Provident Fund Act were passed to regulate the insurance business. The Life Insurance Companies Act, 1912 made it necessary that the premium-rate tables and periodical valuations of companies should be certified by an actuary. However, the disparity still existed as discrimination between Indian and foreign companies. The oldest existing insurance company in India is the National Insurance Company, which was founded in 1906, and is still in business.

The Government of India issued an Ordinance on 19 January 1956 nationalizing the Life Insurance sector and Life Insurance Corporation came into existence in the same year. The Life Insurance Corporation (LIC) absorbed 154 Indian, 16 non-Indian insurers as also 75 provident societies-245 Indian and foreign insurers in all. In 1972 with the General Insurance Business (Nationalization) Act was passed by the Indian Parliament, and consequently, General Insurance business was nationalized with effect from 1 January 1973. 107 insurers were amalgamated and grouped into four companies, namely National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd and the United India Insurance Company Ltd. The General Insurance Corporation of India was incorporated as a company in 1971 and it commence business on 1 January 1973.

The LIC had monopoly till the late 90s when the Insurance sector was reopened to the private sector. Before that, the industry consisted of only two state insurers: Life Insurers (Life Insurance Corporation of India, LIC) and General Insurers (General Insurance Corporation of India, GIC). GIC had four subsidiary companies. With effect from December 2000, these subsidiaries have been de-linked from the parent company and were set up as independent insurance companies: Oriental Insurance Company Limited, New India Assurance Company Limited, National Insurance Company Limited and United India Insurance Company.

### ➤ **ROLE OF INSURANCE IN INDIA:**

The insurance sector has a vast potential not only because incomes are increasing and assets are expanding but also because the volatility in the system is increasing. In a sense, we are living in a more risky world. Trade is becoming increasingly global. Technologies are changing and getting replaced at a faster rate. In this more uncertain world, for which enough evidence is available in the recent period, insurance will have an important role to play in reducing the risk burden individuals and businesses have to bear. In the emerging scenario, the insurance industry must pay attention to-

- (a) Product innovation
- (b) Appropriate pricing ,and
- (c) Speedy settlement of claims.

The approach to insurance must be in tune with the changing times. The mission of the insurance sector in India should be to extend the insurance coverage over a larger section of the population and a wider segment of activities. The three guiding principles of the industry must be to charge premium no higher than what is warranted by strict actuarial considerations, to invest the funds for obtaining maximum yield for the policy holders consistent with the safety of capital and to render efficient and prompt service to policy holders. With imaginative corporate 236 planning and an abiding commitment to improved service, the mission of widening the spread of insurance can be achieved. Different studies suggests that insurance policies are not merely contracts but also are designed to perform particular risk management, deterrence, and compensation functions important to economic and social ordering. Recognizing this fact has significant implications regarding the manner in which insurance policies are construed in coverage disputes. From this in sight flow interpretative consequences suggesting that policy construction can be improved by not only performing traditional contract analysis of disputed policies but also appreciating the particular function of the insurance policy in question as part of the insurance product's larger role as a social and economic instrument or institution. Applying this broader analysis, the Article examines in some detail the longstanding and frequently litigated issue of how many "occurrences" have taken place within the meaning of liability insurance, as well as examining issues of "business risk", "accidental" events, liquor liability exclusions, claims for inherent diminished value of vehicles involved in automobile collisions, trigger of coverage, and the workers" compensation implications of post injury suicide. Appreciating the social instrument status of insurance vindicates some judicial decisions while exposing the shortcomings of others. Long gone is the day when contracts were individualized agreements, negotiated separately through personal interaction between the principals. Almost forty years have

passed since Professor Slawson<sup>1</sup> famously observed that 99 percent of the contracts in use were in fact standard form contracts rather than customized agreements reached after significant bargaining.<sup>4</sup>

Economic policy reforms started during late eighties and speeded up in nineties are the context in which liberalization of insurance sector happened in India. It was very obvious that the liberalization of the real (productive) and financial sector of the economy has to go hand in hand. It is imperative that these sectors are consistent with policies of each other and unless both function efficiently and are in equilibrium, it would be difficult to ensure appropriate economic growth. Given these facts liberalization of both sectors has to proceed simultaneously. Indian economic system has been developed on paradigm of mixed economy in which public and private enterprises co-exist. The past strategies of development based on socialistic thinking were focusing on the premise of restrictions, regulations and control and less on incentives and market driven forces. It was realized that during the course of economic liberalization, the funds to development the infrastructure also became a major constraint. Country certainly needed infrastructure development. For this the finances are major constraint. In these investments the benefits are more social than private. The major concern was how these finances can be made available at low costs. In past the development of social sector were financed using government channeled funds through various semi-government financial institutions. Under the liberalized economy this may not be possible. One hope is that if the insurance sector develops rapidly under privatization then it can provide long-term finance to the infrastructure sector. The financial sector, which consists of banks, financial institutions, insurance companies, provident funds schemes, mutual funds were all under government control. There was less competition across these units. As a result these institutions remained significantly less developed in their approach and management. Insurance sector has been most affected by the government controls. Government had significant control on the policies these insurance companies could offer and utilization of the resources mobilized by insurance companies. One can see that most of the insurance products (e.g., life insurance products) were promoted as mechanisms to improve the savings and tax shelters rather as risk coverage instruments. Other segments of the insurance products grew because of the statutory obligations (e.g., Motor Vehicle, Marine and Fire) under various acts. The management and organization of insurance sector companies remained less developed and they neglected new product development and marketing. Thus one of the hopes in opening of the insurance sector was that the private and foreign companies would rapidly develop the sector and improve coverage of the population with insurance using new products and better management. Last imperative for opening of the insurance sector was signing the WTO India. After this there was little choice but to open the entire financial sector - including insurance sector to private and foreign investors. (Dholakia1999).

## ➤ **REFORMS IN INDIAN INSURANCE SECTOR:**

Some important dates to remember in India's Insurance Sector Reforms:

- Committee of reforms in Insurance sector constituted in 1993 – Report submitted in January, 1994.
- An Independent Insurance Regulatory Authority, IRDA Act Passed in December, 1999.
- Statutory Authority established, 19th April, 2000.
- First set of Regulations notified, 19th July, 2000.
- First set of Licenses granted, 23rd October, 2000.

The history of insurance in India can be divided into three phases as follows:

- Phase I - Pre-Liberalization.
- Phase II - Liberalization.
- Phase III - Post-Liberalization.

### • Phase I - Pre-Liberalization:

#### **1818–1829:**

The First insurance company was formed. In 1818 the Oriental Life Insurance Company in Kolkata (then Calcutta) was the first company to start a life insurance business in India. However, the company failed in 1834. In 1829 the Madras Equitable had begun transacting life insurance business in the Madras Presidency.

#### **1870:**

Following the enactment of the British Insurance Act 1870, the last three decades of the nineteenth century saw the creation of the Bombay Mutual (1871), Oriental (1874) and Empire of India (1897) in the Bombay Residency.

#### **1912:**

The Indian Life Assurance Companies Act 1912 was the first statutory measure to regulate life business.



**1928:**

The Indian Insurance Companies Act 1928 gave the Government the power to collect statistical information about both life and non-life business transacted in India by Indian and foreign insurers, including provident insurance societies.

**1938:**

To protect the interest of the insuring public, the earlier legislation was consolidated and amended by the Insurance Act 1938 which gave the Government effective control over the activities of insurers.

**1950:**

In the 1950s, competition in the insurance business was very high and there were allegations of unfair trade practices. The Government of India therefore decided to nationalize insurance business.

**1957:**

Formation of the General Insurance Council (GI Council): the GI Council represents the collective interests of the non-life insurance companies in India. The Council speaks out on issues of common interest, participates in discussions related to policy formation, and acts as an advocate for high standards of customer service in the insurance industry.

**1972:**

The General Insurance Business (Nationalization) Act 1972 (GIBNA) was passed. The General Insurance Corporation of India (GIC) was formed in pursuance of Section 9(1) of GIBNA. It was incorporated on 22 November 1972 under the Companies Act 1956 as a private company limited by shares.

- Phase II –Liberalization:

**The start of reform**

The international payment crisis of the 1990s forced the Government to re-think its industrial policies and regulations. The Government only had enough foreign currency reserves to finance a few days of imports.

**1993:**

The Malhotra Committee: in 1993 the Government set up a committee under the chairmanship of R N Malhotra, the former Governor of RBI, to make recommendations for the reform of the insurance sector. In its report in 1994, the committee recommended, among other things, that the private sector and foreign companies (but only through a joint venture with an Indian partner) be permitted to enter the insurance industry.

**1999:**

Formation of the IRDA: following the recommendations of the Malhotra Committee report, the Insurance Regulatory and Development Authority (IRDA) was constituted as an autonomous body in 1999 to regulate and develop the insurance industry. The IRDA was incorporated as a statutory body in April 2000.

- **Phase III – Post-Liberalization:**

As we have seen, following the recommendations of the Malhotra Committee, the insurance sector was opened to private companies. Foreign companies were also allowed to participate in the Indian insurance market through joint ventures (JVs) with Indian companies. Under current regulations the foreign partner cannot hold more than a 26% stake in the joint venture.

The key objectives of the IRDA include the promotion of competition with a view to increasing customer satisfaction through more consumer choice and lower premiums, while ensuring the financial security of the insurance market. The IRDA has the power to make regulations under section 114A of the Insurance Act 1938. Since 2000 it has introduced various regulations ranging from the registration of companies for carrying on insurance business to the protection of policyholders' interests.

➤ **FOREIGN DIRECT INVESTMENT IN INDIAN INSURANCE SECTOR:**

The Insurance Laws (Amendment Bill) 2015 (the "Insurance Bill") has now been passed by both houses of Parliament in India. The Insurance Bill will become effective as an Act of Parliament once it is signed by the President of India and published in the official gazette. There is no fixed time period for completing this signing/publication process but we expect this to be done fairly quickly. The Insurance Bill replaces the Insurance Laws (Amendment) Ordinance 2014 (the "Insurance Ordinance") which came into effect on 26 December 2014, and was always meant to be a stop-gap measure.

The Ministry of Finance also issued the Indian Insurance Companies (Foreign Investment) Rules, 2015 (the "Rules") on 19 February 2015, which seeks to clarify the concept of Indian ownership and control – there are still some inconsistencies, but we expect those to be resolved soon with the passing of the Insurance Bill.

## Key Changes Introduced:

- **Total foreign investment limit** – the total foreign investment limit in the insurance sector has been raised from 26% to 49%. This cap includes all forms of foreign investment including foreign direct investment, foreign portfolio investment, depositary receipts and non-resident Indians.
- **Regulatory Approvals-**
  - FIPB: Investment of up to 26% is permitted under the “automatic route”. Any investment above 26% but up to 49% requires the prior approval of the Foreign Investment Promotion Board;
  - and
  - IRDA: As per the existing law, any sale of shares over 1% of the total equity share capital and purchase of more than 5% of the total equity share capital, required the prior approval of the Insurance Regulatory and Development Authority (the “IRDA”).
- **Pricing:** Any increase in the foreign investment in an Indian insurance company would have to comply with the pricing guidelines specified by the Reserve Bank of India.
- **Ownership and control** – Ownership and control of Indian insurance companies must remain with Indian entities. This has been specifically clarified in the Rules as:
  - Ownership – at least 50% of the equity ownership should be beneficially held by Indian citizens, or Indian companies, which are owned and controlled by Indian citizens.
  - Control – control should be with Indian citizens, or Indian companies, which are owned and controlled by Indian citizens.

However, neither the Insurance Bill nor the Rules provides any more detail around what would amount to “control”, and particularly, whether „reserved” or „veto” rights granted to foreign investors under their joint venture/shareholders” agreements with Indian partners will be considered for determining control of Indian insurance companies. As an increase in FDI from 26% up to 49% requires prior approval from the Foreign Investment Promotion Board (FIPB), we assume that compliance with control related requirements will be considered on a case to case basis.

- **New Investment Instruments–**

Up till now, Indian insurance companies were permitted to raise financing only through equity. The Insurance Bill now permits Indian insurance companies to raise capital through financial instruments

other than equity shares. Details of the permitted instruments will be subject to a separate notification to be issued by the IRDA.

- **Reinsurance** – Foreign reinsurance companies are now permitted to undertake re-insurance business in India directly through the establishment of a branch in India and registration of the branch with the IRDA.

➤ **BENEFITS OF INCREASE IN FDI:**

Listed below are some advantages from the increase of foreign direct investment in insurance sector in India from 26% to 49%.

1. Increased Insurance Penetration:

With the number of population in more than 100 crores, India requires Insurance more than some other country. Be that as it may, the insurance penetration in the nation is just around 3 percent of our Gross Domestic Product as for general premiums endorsed every year. This is far less when contrasted with Japan which has a insurance penetration of more than 10 percent. Expanded FDI cutoff will fortify the current organizations and will likewise permit the new players to come in, thereby empowering more individuals to purchase life cover.

2. Level Playing Field:

With the expansion in foreign direct investment to 49 percent, the insurance agencies will get the level playing field. So far the state claimed Life Corporation of India controls around 70 percent of the life insurance market.

3. Increased Capital Inflow:

Most of the private sector insurance companies have been making considerable losses. The increased FDI limit has brought some much needed relief to these firms as the inflow of more than 10,000 crore is expected in the near term. This could go up to 40,000 crore in the medium to long term, depending on how things pan out.

4. Job Creation:

With more cash coming in, the insurance agencies will have the capacity to make more employments<sup>10</sup> to meet their objectives of wandering into under guaranteed advertises through enhanced framework, better operations and more manpower.

#### 5. Favorable to the Pension Sector:

If the pension bill is passed in the parliament then the foreign direct investment in the pension funds will also be raised to 49 percent. This is because the Pension Fund Regulatory Development Bill links the FDI limit in the pension sector to the insurance sector.

#### 6. Consumer Friendly:

The end recipient of this change will be basic men. With more players in this part, there will undoubtedly be rivalry prompting to aggressive quotes, enhanced administrations and better claim settlement proportion.

#### 7. Benefit to the common man & actuaries being

More options from the foreign company (if the same was not already available with Indian). Also now since the capital is more than earlier, the Insurance company can diversify their sectors of Insurance (like Motor, Mortgage, Health etc). Take more risks than earlier since there is more money & more support. More competition leads to better offers, so better benefits for common man.

#### 8. Effect on Economy

More Foreign capital flows into the Indian Economy. Also this more investment will lead to demand for Indian Rupee in International Money Market (Because one has to invest in Rupee in India), there by decrease in Rupee to Dollar rate of exchange. This to a common man will reduce the cost of Imported goods (since the exchange rate is low 1\$=40Rs??). Also the forex reserves will be maintained. As well the market speculation will also play an important role, leading to sensex hike & better confidence in Business makers in India. More business will lead to need risk protection & Insurance.

### ➤ **DISADVANTAGES IN THE INCREASE OF FDI:**

The following are some of the demerits if the FDI gets increased in the insurance sector:

1. Household organizations might expect to get their businesses being taken over by the foreign organizations.
2. Small scale organizations may fear that they might not be able to compete with the Multi National Companies and May therefore, be forced to vacate the market.
3. Such big foreign and Multi National organizations may not be interested in investing in the wages of the local people of the country. Instead they focus on investing more in the machinery, building, and intellectual property.
4. Government has less control over the working of such organizations as they generally work with completely possessed backup of an abroad organization.
5. Our interest rates are today, as high as 14 percent to 16 percent. How do we compare with the economies of the country which have an interest rate of 4 percent.

## **4 Best Investment Options In Insurance-**

Among all the investment options that are available in the market, we have picked up the 5 best options for you that will assist you in choosing the appropriate plan for yourself.

### **1. Peer 2 Peer Lending:**

This is a new emerging investment option. In this an individual instead of investing in fixed income schemes, they would lend money to a person who needs it. These are being arranged by some of the P2P lending companies like fair cent etc., Interest rates would range between 8% to 24% depending on the risk profile of the borrower.

### **2. National Savings Certificate(NSC):**

NSC or National Savings Certificate is one of the most popular choices among rural Indians. Under this investment option, the minimum investment is Rs. 100 and a person has to select the time period of 5 or 10 year period. The current interest rate that this insurance plan offers is 8.5% for 5 years and 8.8% for 10 years. As per the section 80TTA the tax benefits of interest are removed from NSC. That's why PPF is slightly better than the NSC.

### **3. Money Market Funds:**

Money Market Funds are basically short-term investment options. These funds are also very popularly known as the Liquid funds. As the name suggests, liquidity is the main motto. As compared to a savings account, this form of investment offers slightly better returns. The returns range from 5.5 to 9% based on the period and risk category. Normally, the liquid funds are safe investment options as they invest in fixed income securities. It is one of the largest part of mutual fund industry. In India there are several options to invest in money market funds.

### **4. ELSS plans (Equity Linked Saving Schemes):**

This investment option belongs to the mutual funds class. Under this you will be liable to receive tax benefits. Most Indians are not aware of this effective investment option. It is one of the simplest products to get exposure to tax benefits under Sec 80C and equity as well. There is comparatively lesser risk in ELSS. It has only 3-year lock-in period which is shorter as compared to other 80C investments. In the last 5 years, ELSS funds have an average 18% p.a. returns. The DTC draft has a plan to take away ELSS from 80C bracket.



**MEANING:**

Research methodology is the specific procedures or techniques used to identify, select, process, and analyze information about a topic. In a research paper, the methodology section allows the reader to critically evaluate a study's overall validity and reliability.

**TYPES OF RESEARCH DATA:**

Data may be grouped into four main types based on methods for collection: observational, experimental, simulation, and derived. The type of research data you collect may affect the way you manage that data. For example, data that is hard or impossible to replace (e.g. the recording of an event at a specific time and place) requires extra backup procedures to reduce the risk of data loss. Or, if you will need to combine data points from different sources, you will need to follow best practices to prevent data corruption.

**A. OBSERVATION DATA:**

Observational data are captured through observation of a behaviour or activity. It is collected using methods such as human observation, open-ended surveys, or the use of an instrument or sensor to monitor and record information -- such as the use of sensors to observe noise levels at the MPs/St Paul airport. Because observational data are captured in real time, it would be very difficult or impossible to re-create if lost.

**B. EXPERIMENTAL DATA:**

Experimental data are collected through active intervention by the researcher to produce and measure change or to create difference when a variable is altered. Experimental data typically allows the researcher to determine a causal relationship and is typically projectable to a larger population. This type of data are often reproducible, but it often can be expensive to do so.

**C. SIMULATION DATA:**

Simulation data are generated by imitating the operation of a real-world process or system over time using computer test models. For example, to predict weather conditions, economic models, chemical reactions, or seismic activity. This method is used to try to determine what would, or could, happen under certain conditions. The test model used is often as, or even more, important than the data generated from the simulation.

**D. DERIVED/COMPILED DATA:**

Derived data involves using existing data points, often from different data sources, to create new data through some sort of transformation, such as an arithmetic formula or aggregation. For example, combining area and population data from the Twin Cities metro area to create population density data. While this type of data can usually be replaced if lost, it may be very time-consuming (and possibly expensive) to do so.

**OBJECTIVE:**

Research objectives describe concisely what the research is trying to achieve. They summarize the accomplishments a researcher wishes to achieve through the project and provides direction to the study.



**SAMPLE SIZE:**

The sample size is a term used in market research for defining the number of subjects included in a sample size. By sample size, we understand a group of subjects that are selected from the general population and is considered a representative of the real population for that specific study.

**SAMPLE DESIGN:**

A sample design is the framework, or road map, that serves as the basis for the selection of a survey sample and affects many other important aspects of a survey as well. One must define a sampling frame that represents the population of interest, from which a sample is to be drawn.

**HYPOTHESIS:**

A research hypothesis is a specific, clear, and testable proposition or predictive statement about the possible outcome of a scientific research study based on a particular property of a population, such as presumed differences between groups on a particular variable or relationships between variables.

### ❖ DESIGN OF STUDY:

#### **Data:**

Primary Data- Primary data will be collected through employee, customers, as well as employer

Secondary Data- Secondary data will be collected through articles, books, magazines etc.

Instrument Used:-Questionnaire.

Method of Data Collection: Personal

Interview. Sample Survey: 100 respondents.

Sample Characteristics: 100 customers & 1 insurance companies" employees belonging to the age group of 18-50 years participated in the survey.

Analysis: Simple Statistical tool such as pie charts are used.

### ❖ OBJECTIVES OF THE STUDY

1. To know more detail about the investment options in insurance
2. To helping for recovering of loss
3. Pooling risk
4. To analyze the growth in insurance sector

### ❖ SCOPE OF THESTUDY

- This study mainly attempts to know in detail about the investment options in insurance
- This will help to recover the loss and to analyze the growth in insurance sector.
- This will bring overall growth.

## ❖ LIMITATIONS OF THE STUDY

Although it would have been nice to conduct a perfect research study, but this study is conducted under certain limitations, which were faced while doing this research. So it is highly recommended to consider these limitations while going through the project study.

The limitation is as follows:

### 1. LIMITATION OF DATA:

The statistical data regarding the city was not available to us on secondary source of data and to generate such data on primary source was a task which cannot be achieved in such a short time.

### 2. LIMITATION OF TIME:

The limitation of time was another constraint in the study as the study had to be conducted in few days therefore many aspects have been left unexplored. Research period is not just much enough to know fully about strategies and consumer perception.

### 3. INHIBITION OF THE RESPONDENTS:

The respondents did not reply to the question with precision as they were busy with their own work or they were not interested in taking part in such a research. Employees sometimes feel hesitant to tell about their marketing strategies.

### 4. RESEARCH HAS BEEN CONDUCTED IN LIMITED AREA:

The research has been conducted for the reliance mart, but not at all their outlets have been therefore it has been mentioned that the research has been conducted in a limited area.

#### 5. THE SAMPLE SIZE LARGE:

The sample taken of the respondent is large therefore a very rough picture of their marketing strategy has been generated therefore this limitation has to be consider in the study.

These limitation were very common and yet we came across these with a positive note and subsequent chapter in this report shall explain the rationally behind the structural compilation.

#### 6. DISCLOSURE OF INFORMATION:

Disclosing of information by the insurance companies was difficult due to the companies rules and regulations.

#### 7. INCREASING COMPETITION:

Today competition has become stiff in insurance sector currently, there are various insurance companies, that provide different services to the customers. And making the best to increase their share in the market.

### CHAPTER 3-LITERATURE REVIEW

**Vijay Maruti Kumbhar (2013)**, in his article A Study of FDI in Life Insurance Sector in India has Tried to evaluate the concept of foreign direct investment and its role in life insurance sector in India. The Insurance sector was opened up for private sector in 2000 after the enactment of the Insurance Regulatory and Development Authority Act, 1999 (IRDA Act, 1999) ,this Act permitted foreign shareholding in insurance companies to the extent of 26 per cent with an aim to provide better insurance coverage and to augment the flow of long-term resources for financing infrastructure

**(Yashwant Sinha, 2013)**.The paper reveals that out of 24 insurance companies including LIC overall FDI is 25.47 percent in 2012 & Rs. 6324.27 of equity capital is invested by the foreign investors in 22 life insurance companies in India out of 23 private insurance companies except SAHARA Insurance and Rs. 18507.65 invested by Indian promoters. The paper concludes that on the bases of statistics received from the IRDA indicates that there is better growth trend in FDI in life insurance sector in India.

**India Monika, Halan Renuka & Sane Susan Thomas (2013)**, in their research article on “Estimating losses to customers on account of mis-selling life insurance policies in India” have tried to determine the loss to investors from mis-selling of insurance products. The approaches used was analysing the the number of lapsed policies from the annual reports of the insurance regulator, IRDA &the second method used the persistence of premium payments that are reported in the annual reports of individual insurance companies. The research has found out that the estimated loss was Rs.1.5 trillion, or \$28 billion, to investors owing to mis-selling over the 2004-05 to 2011-12 periods. The authors concluded that there will be adverse economic consequence for consumers if financial law and regulation does not focus upon consumer protection, the existing policy environment has swung from a lack of focus on the consumer interests where actually these interests are the foundation of policy recommendations and regulatory changes .

**Dr Sunayna Khurana (2013)**, in her article, “Analysis of Service Quality Gap in Indian Life Insurance Industry” says that Life insurance companies in India offer similar kinds of plans and services, but they could provide differences in terms of service quality .In this context this research tried to find out the gap between Customer expectation & customer perception in the

Life insurance industry by examining a Sample of 200 customers of 10 top performing Life insurance companies in Haryana state. The study found that there is highest gap in customer expectations and perceptions towards the competency dimension of service quality. That means customers are expecting high service quality and perceiving very less quality in case of services related to competency dimensions.

**Simona Laura Dragos (2014)**, in the research article, “Life and non-life insurance demand: the different effects of influence factors in emerging countries from Europe and Asia”, Economic Research. Many previous researches have shown that Urbanisation, incomes and their distributions, and the population degree of education are relevant factors for the development

of insurance sector in any nation. This present paper tried to test the above said variables using econometrics of panel data on 17 emerging economies from Asia and Europe over a 10-year period from 2001 -11. This research brought out findings that urbanisation influenced significantly the life insurance demand in Asia countries so it pointed out that the main insurance opportunity will be in emerging Asia (especially China and India), where the urbanisation rate is lower than it is in Central and Eastern Europe. It also highlighted that tertiary education as a proxy for risk aversion is not appropriate for the life insurance sector because of the complexity of wealth accumulation and distribution of wealth products so a reliable solution for this could be the high level of financial literacy.

**Savita Jindal (2014)**, in her study on, “Ethical Issue in Insurance Companies: A Challenge for Indian Insurance Sector” has attempted to find out various ethical issue of insurance companies in India by examining a sample of 50 people from insuring public were interviewed with insurance policies of life insurance to find out the ethical ways in settlement of claims. The study revealed that insurance companies in India are Failing in identifying the customer's needs and recommend products and services that meet their need followed by Misrepresenting in terms

and conditions while selling products to customers, Unethical remarks about competitors, their products, or their employees or agents and lastly lack of expertise or skills to competently perform one's duties. Finally the paper concludes that insurance companies have recognized the moral dilemma in claims settlement; they understand that if claims are not settled in ethical manner it will result in bad consequence for company image which will fall back on the insured or the beneficiary. Finally the research stated that insurance business sector has many areas for improvement and development.

**Mouna Zerriaa and Hedi Noubbigh (2015)**, in their research paper, “Determinants of Life Insurance Demand in the MENA Region” have tried to investigate the determinants of life insurance consumption in the Middle East and North Africa (MENA) region using a sample of 17 countries over the period 2000- 2012. They have used two measures of life insurance demand: insurance density and insurance penetration. This research states that consumption increases with income, interest rates and inflation and also it highlights that country’s level of financial development, life expectancy and educational attainment stimulates life insurance demand in a nation.

**Luqman Adedamola Sulaiman, Stephen Migiro, Tessema Yeshihareg (2015)**, from south Africa in their research work, “Investigating the factors influencing the life insurance market in Ethiopia” have made a study using secondary data on eleven independent variables – six of which are economic and five demographic variables for a period of 28 years from 1979/1980 to 2007/2008 and for analysis purpose error correction mechanism (ECM), the Johansen co integration test and the Augmented Dickey-Fuller test were utilized. The study found that Inflation had a statistically noticeable negative impact on the demand and supply in the life insurance market. In addition, there was a statistically significant negative effect of young dependency ratio on life insurance market demand while old dependency ratio had a statistically significant positive relation to life insurance supply. The researchers have recommended that during high inflation, life insurance companies should revise price decisions to enhance the life insurance market and to minimize the inverse effect of young dependants; insurers need extensive sensitization on the young age through their families and promote products that suit the young children – such as children’s education policies.

C. Balaji (2015), in his paper- Customer awareness and satisfaction of life insurance policy holders with reference to Mayiladuthurai town tries to measure awareness among the urban and rural consumer about the insurance sector and also the various policies involving various premium rates. The study was conducted by examining around 100 sample respondents which revealed that 100% of respondents are aware of the life insurance policies; where as 87% of the respondents came to know about insurance policies through agents. But it also came to light that Most of the respondents are aware of government insurance company LIC and in the private sector HDFC Standard Life insurance. Finally the research concludes that the penetration level of insurance in India is only 2.3% when compared to 9-15% in the developed nations. So there is a huge market for the Insurance products in the future in India.



**INVESTMENT OPTIONS IN INSURANCE WITH RESPECT TO LIC**





## ▪ **INTRODUCTION TO LIC:**

Life Insurance Corporation of India (LIC) is an Indian state-owned insurance group and investment company headquartered in Mumbai. It is the largest insurance company in India with an estimated asset value of 1,560,482 crore (US\$240 billion). As of 2013 it had total life fund of Rs.1433103.14 crore with total value of policies sold of 367.82 lakh that year.

The Life Insurance Corporation of India was founded in 1956 when the Parliament of India passed the Life Insurance of India Act that nationalized the private insurance industry in India. Over 245 insurance companies and provident societies were merged to create the state owned Life Insurance Corporation.

Life insurance is actually an agreement between the insured and the insurer in which the policy holder accepts to pay regular premium to the insurer. In return, the insurer guarantees monetary protection to the insured in case of any accident or mishaps. If the insured dies in accident, financial help is provided to his family members. Thus, life insurance is necessary as it provides protection to not only you but also to your family in case of any unwanted disaster. A thriving insurance sector is very important to every modern economy.

Firstly because it encourages the habit of saving, secondly because it provides a safety net to rural and urban enterprises and productive individuals. And perhaps most importantly it generates long-term invisible funds for infrastructure building. The nature of the insurance business is such that the cash inflow of insurance companies is constant while the payout is deferred and contingency related. This characteristic feature of their business makes insurance companies the biggest investors in long-gestation infrastructure development projects in all developed and aspiring nations. This is the most compelling reason why private sector (and foreign) companies, which will spread the insurance habit in the societal and consumer interest are urgently required in this vital sector of the economy. Opening up of insurance to private sector including foreign participation has resulted into various opportunities and challenges in India.

### ▪ **HISTORY OF LIC:**

LIC was formed in the year 1<sup>st</sup> September 1956. In India, insurance has a deep-rooted history. It finds mention in the writings of Manu, (Manusmrithi), Yagnavalkya (Dharmasastra) and Kautilya (Arthasastra). The writings talk in terms of pooling of resources that could be re-distributed in times of calamities such as fire, floods, epidemics and famine. This was probably a pre-cursor to modern day insurance. Ancient Indian history has preserved the earliest traces of insurance in the form of marine trade loans and carriers' contracts. Insurance in India has evolved over time heavily drawing from other countries, England in particular. The process of insurance has been evolved to safeguard the interests of people from uncertainty by providing certainty of payment at a given contingency.

Life insurance in its modern form came to India from England in 1818 with the formation of Oriental Life Insurance Company (OLIC) in Calcutta mainly by Europeans to help widows of their kin. Later, due to persuasion by one of its directors (Shri. Babu Muttyal Seal), Indians were also covered by the company. By 1868, 285 companies were doing business of insurance in India. Earlier these companies were governed by Indian company act 1866. By 1870, 174 companies ceased to exist, when British parliament enacted insurance Act 1870. These companies were however, insuring European lives. Those Indians who were offered insurance cover were treated as sub-standard lives and were accepted with an extra premium of 15% to 20%.

**First Indian Company** -Pioneering efforts of reformers and social workers like Raja Ram Mohan Ray, Dwarkanath Tagore, Ramatam Lahiri, Rustomji Cowasji and other led to entry of Indians in insurance business. First Indian insurance company under the name "Bombay Life Insurance Society" started its operation in 1870, and started covering Indian lives at standard rates. Later "Oriental Government Security Life Insurance Company", was established in 1874, with Sir Phirozshah Mehta as one of its founder directors and later emerged as a leading Indian insurance company under the name "Bombay Life Assurance Society" started its operations in 1870.

**Pre-Independence Scenario** -With the patriotic fervour of Non-Corporation Movement (1919) and Civil Disobedience Movement (1929), number of Indian companies entered the insurance arena. Eminent figures in political area like Mahatma Gandhi and Pandit Nehru openly encouraged Indians to enter the fray. In 1914 there were only 44 companies; by 1940 this number grew to 195. Business in force during this period grew from Rs.22.44 crores to Rs.304.03 crores (1628381 policies). Life fund steadily grew from Rs.6.36 crores to Rs.62.41 crores. In 1938, the insurance business was heavily regulated by enactment of insurance Act 1938(based on draft bill presented by Sir N. N. Sarcar in

Legislative Assembly in January 1937). From here onwards the growth of life insurance was quite<sup>24</sup> steady except for a setback in 1947-48 due to aftermath of partition of Indian. In 1948, there were 209 insurances, with 712.76 crores business in force under 3,016, 000 policies. The life fund by then grew to 150.39crores.

**Nationalization of Life Insurance (1956)** - Despite the mushroom growth of many insurance companies per capita insurance in Indian was merely Rs.8.00 in 1944(against Rs.2, 000 in US and Rs.600 in UK), besides some companies were indulging in malpractices, and a number of companies went into liquidation. Big industry houses were controlling the insurance and banking business resulting in inters looking of funds between banks and insurance companies. This shook the faith of insuring public in insurance companies as custodians of their savings and security. The Government of India nationalized the life insurance industry in January, 1956 by merging about 250 life insurance companies and forming Life Insurance Corporation of India (LIC), which started functioning from 01.09.1956.

**Some of the important milestones in the life insurance business in India are:**

1818: Oriental Life Insurance Company, the first life insurance company on Indian soil started functioning.

1870: Bombay Mutual Life Assurance Society, the first Indian life insurance company started its business.

1912: The Indian Life Assurance Companies Act enacted as the first statute to regulate the life insurance business.

1928: The Indian Insurance Companies Act enacted to enable the government to collect statistical information about both life and non-life insurance businesses.

1938: Earlier legislation consolidated and amended to by the Insurance Act with the objective of protecting the interests of the insuring public.

1956: 245 Indian and foreign insurers and provident societies are taken over by the central government and nationalized. LIC formed by an Act of Parliament. LIC Act, 1956, with a capital contribution of Rs. 5 crore from the Government of India.

**Post Nationalization Trend** - After completing the arduous task of integration of about 250 life insurance companies, the LIC of India gave an exemplary performance in achieving various objectives of nationalization.

▪ **VISION & MISSION OF LIC:**

✓ **VISION:**

“A trans-nationally competitive financial conglomerate of significance to societies and pride of India.”

✓ **MISSION:**

“Explore and enhance the quality of life of people through financial security by providing products and services of aspired attributes with competitive returns, and by rendering resources for economic development.”

▪ **GROWTH OF LIC:**

New business premium of life insurance companies grew by 26.13% in the last financial year, backed by strong performance by Life Insurance Corporation of India (LIC) and the popularity of single- premium policies (both in individual segment as well as group business).

LIC registered a 27.22% growth in the year 2017, higher than the industry average as well as its private peers. Data from Life Insurance Council showed that LIC saw its new business premium at `1,24,396.27 crore as on March 2017 compared to `97,777.47 crore in March 2016, a growth of 27.22%. LIC was the market leader in the life insurance segment, having a market share of 71.07% as on March 2017.

In a release on Wednesday, LIC said, “Our group and pension scheme department has shown splendid performance with 78,805.56 crore in new business premium securing 80.96% of the market share against 80.73% last year. LIC’s market share in terms of number of policies is 76.09%, garnering over 20 million new policies this year, as against 74.72 % last year.” LIC saw a growth of 84.22% in individual single premium. Senior officials in the industry say, success of single premium was partly due to the Jeevan Akshay Immediate Annuity plan.

The life insurance segment saw its new business premium at 1,75,021.89 crore as on March 2017 as compared to 1,387,60.47 crore in March 2016, a growth of 26.13%. Individual single premium and group single premium grew by 71.95% and 23% respectively in the last financial year. Private insurers saw lower growth compared to the industry at 23.53% receiving new business premium of 50,625.63 crore as on March 2017.

Among the private sector insurers, SBI Life Insurance grew by 42% and was first insurance company to surpass `10,000 crore mark in new business premium at `10,145.76 crore. Arijit Basu, MD & CEO

of SBI Life said, “At SBI Life we have seen positive growth in the last financial year as we grew<sup>26</sup> higher by industry at 42%. In last fiscal around 50% of the growth came from banc assurance channel, while retail agents constituted 30% of growth and remaining from other distribution channels. If we look at new business premium in last fiscal, it was around `10,000 crore and even renewals were very healthy, this all factors will lead to good persistency.” He also added that, both unit linked insurance plans (ULIPs), as well as traditional policies, have done equally well in the last financial year.

Among other private players, HDFC Life saw its new business premium at `8,696.21 crore as on March 2017, a growth of 34.04%. While ICICI Prudential Life Insurance grew by 16.22% and saw its new business premium at `7,863.4 crore in 2016-17. Other players like, Max Life Insurance, Bajaj Allianz Life Insurances and Kotak Life Insurance grew in the range of 14-29% in last financial year.

#### ▪ **Principles of Investment:**

Investment management assumes great importance in the case of insurance companies where huge funds are collected by means of premium. Since these funds are not immediately required to meet the liabilities, insurance companies are able to invest a major portion of fund in investible assets and earn optimum rate of return from these investment. Investment operation of insurance companies can reduce the cost of insurance and increase the profitability of business. While making investment, insurance companies are guided by certain fundamental cannons i.e. safety, profitability, liquidity, diversification and increasing of life business (Khan,1977).

The standard approach to the investment of life insurance funds was established by British actuary A. H. Bailey. In 1862, Bailey delivered an address to the Institute of Actuaries in London which laid down a set of five principles which should be followed by insurance offices while investing funds. The first principle stated that the prime consideration in any decision should invariably be the security of the capital invested. Within this context the second consideration should be the highest practicable rate of interest. The third and fourth principles advocated that a small proportion of the total funds should be held in readily convertible assets for the payment of current claims and the bulk of funds were to be invested in non-convertible securities. The last principle reiterated that as far as practicable, the capital should be employed to aid the life insurance business (Keneley,2006).

### **I. Safety:**

Security of capital must be the prime consideration for insurance companies in making their investment decision because they are entrusted with the responsibility to pay claim as and when arises. The securities which constitute an important part in insurer's investment portfolio should never fall below their face value; otherwise liabilities will exceed corresponding assets. The initial focus of insurance companies is not to earn maximum return on their investment but to ensure security of funds. Therefore, speculative investments involving potential of abnormal profit/loss are not acceptable for insurance funds. On account of trusteeship status, insurance companies are required to make investment only in sound channels (Mishra & Mishra, 2008). In India, the investment regulations are specified whereby the life and non life insurers are required to invest certain percentage of their controlled funds in government securities. The need for safety of insurance fund has been excruciated at all the time particularly in case of life insurance. The life insurance companies have a regular flow of money paid by policyholders in form of premium and such premium money remain in custody of life insurers for a very long time until claim arises. During this long period of contract, the policyholders money should be remain secure and their right to get sum assured on time must be guaranteed. To ensure safety of policyholders' funds, the investment must be in safe and risk free securities (Muhammad,2008).

### **II. Profitability:**

The ability of insurance companies to run its business on a solvent basis depend to a large extent on how they are invested their fund. The obligation of insurers is not merely the security of fund, but earning a rate of return not less than that on which premium are based. In addition to adequate amount of return, regularity and stability of return are also essential. The investment of insurance fund therefore calls for a rate of return adequate to honour insurer's liability arising from the claims of insured, establishment expenditure of insurer besides leaving insurer with a normal surplus necessary to continue insurance business. Thus, adequate yield with safety of fund is of paramount importance in investment of insurance fund (Muhammad,2008).

However, it has been comprehended that safety and profitability prudence are on polar opposite to each other. The risk free securities earn minimum profit and risky securities carry maximum risk. Therefore, investment managers are required to establish a proper balance between safety and profitably. A significant portion of funds may be invested in safe-securities which might yield at least assumed rate of return while the other small portion may be invested in profitable securities. In



addition, an investment fluctuation funds may also be formed to meet any possible losses arising<sup>28</sup> from instability of return (Mishra & Mishra, 2008).

### **III. Liquidity:**

Liquidity represents convertibility of investments into cash without undue loss of capital. The principle is crucial because of pressing requirement of money for payment of claims. However, there is no higher chance of considerable money outflow at any time because the maturity may not fall within a short period. The claims are generally following a predetermined trend on the maturity and death of insured. A prior estimation can be possible about the payments of claims, policy loans, surrenders values and regular expenses. Investments should be made according to the requirements of the insurers investments are so made that maturities of investments should match maturity of obligations (Mishra & Mishra, 2008). Insurers are not required to keep maximum amount in form of cash or readily convertible securities because they have substantial inflow of money by way of premium, return on investment and sale of securities. Liquidity of fund is not a very big concern for the established and financially strong insurers. Moreover, insurers can add a clause of delay in payment of claim for a specified period.

### **IV. Diversification:**

Diversification of investment simply means spreading investment over different channels. It can be viewed as a sound policy of not relying unnecessarily on a single class of investment. Insurance investment assets should be broaden in different directions, viz.,

- (a) According to different geographical distribution (location)
- (b) According to economic enterprises of the country, political changes and time
- (c) According to number of investment in a security, maturity of security and duration of security.

The diversification provides maximum yield with high security and proper liquidity. This is based on the maxim: "Do not have all eggs in one basket" but reduce the risk by dispersal of fund among different type of securities (Khan, 1977). Investments should spread over the widest possible range of securities to minimize unfavourable consideration and to gain favourable advantages. Under diversification, the law of average reduces the losses to minimum (Mishra & Mishra, 2008).

## V. Increasing of Life Business

Investment ought to be made in those segments which are going to profit business in the return. Naturally, the social objective principle aids in expanding the business. For instance, the life funds if used to fund the plans of lodging, sanitation, medical and education, it will bring down the mortality and raise standard of people. Diminished mortality and expanded salary will bring more business to insurer in light of the fact that lower mortality has a tendency to decrease the rate of premium. Higher pay instigates person to get more policies (Mishra & Mishra, 2008). Insurance investment prudence of liquidity, safety, profitability and diversification are not in any way different from those applying to companies in other industries.

Nonetheless, the operations of insurance business bestow relative weight to these principles. Because of its basic function of providing protection from risk, every insurance company has essentially to think seriously about the security of its allocations when making investment decisions. Consequently, the primary direction of insurance reserves ought to be conditionally risky assets, such as government bonds, long-term bonds of public companies and bank deposits. In addition, the security principle is additionally accomplished through investment diversification, as well as through keeping up the share capital and solvency margin at the endorsed level when investing funds .



- **TYPES OF INVESTMENT OPTIONS IN INSURANCE:**

**LIFE INSURANCE:**

Life insurance is the safest and the most secure way to protect your family or dependents against financial contingencies that may arise post the unfortunate event of your untimely demise. Under a Life Insurance Contract in India, the insurer assures to pay a definite sum to the policyholder's family on his demise during the policy term.

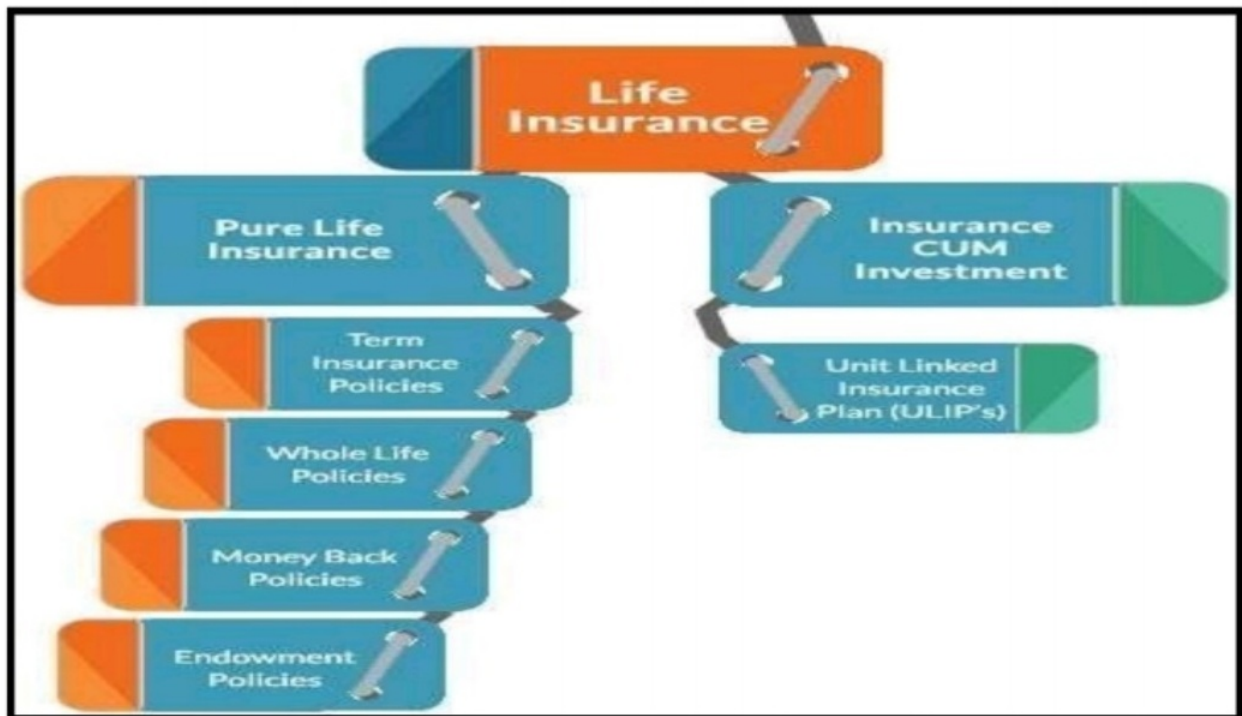
- **WHAT IS LIFEINSURANCE?**

Life insurance is an agreement between an insurance company and policyholder, under which the insurer guarantees to pay an assured some of the money to the nominated beneficiary in the unfortunate event of the policyholder's demise during the term of the policy. In exchange, the policyholder agrees to pay a predefined sum of money in form of premiums either on a regular basis or as a lump sum. If included in the contract, some other contingencies, such as a critical illness or a terminal illness can also trigger the payment of benefit. If defined in the contract, some other things, such as funeral expenses might also be a part of the benefits.

## ▪ LIFE INSURANCE POLICY TYPES:

1. Term Insurance
2. Endowment Policy
3. ULIP- Unit Linked Insurance Plan
4. Money Back Life Insurance
5. Whole Life Insurance

## ▪ TYPES OF LIFE INSURANCE POLICY IN DETAILS:



### 1. ENDOWMENT POLICY:

It offers the dual benefit of insurance and investment. A specific part of the premium is assigned towards the sum assured, while the remaining part of the premium gets invested in asset markets equities and debt. It pays a lump sum amount for the specified duration or on the death of the policyholder, whichever is earlier. An endowment policy may declare bonus periodically, which is paid, either on maturity or on the death of the insured.

➤ **How they work:**

- You make monthly or annual payments.
- Part of your monthly payment is used to buy life assurance. How much depends on your age, sex, and how long the endowment is for.
- The rest of your payment is invested either on a with profits basis or a unit-linked basis. The size of the lump sum you get at the end of your endowment often depends on the performance of these investments.

## **2. UNIT LINKED INSURANCE PLANS (ULIP's):**

In ULIP, a portion of the premium goes towards providing the life cover, while the residual portion is invested in equities and debts. The investment portion in ULIP is subject to market volatility. Investing in ULIP inculcates regular saving habit in a person, which is imperative for the creation of wealth.

➤ **How they Work:**

- The insurer pools money from all the policyholders and invests the same in the funds chosen by them.
- Once the money is invested, the total corpus is divided into 'units' with a certain face value. Each investor is then allocated „Units“ in proportion to the invested amount.
- The value of each unit, at any point in time, is called the Net Asset Value (NAV). As the value of the underlying assets increase or decrease, its effect is reflected in the NAV.
- In case you want to partially withdraw from the corpus, the corresponding amount of units are sold. Similarly, the policy charges are deducted in the form of units.

## **3. MONEY BACK LIFE INSURANCE:**

It offers periodical payment of partial survival benefits during the tenure of the policy as long as the policyholder is alive. In the event of the death of the insured, the insurance company pays the full sum assured along with survival benefits.

➤ **How they work:**

- Money back life insurance plan provides for periodic payments during its tenure, it gives back money to policyholder at different points in time usually 4-5 years.

- The investments done are similar to endowment plans. Money back policy will give you 20%<sup>33</sup> of the sum assured after first 4 years, and next 20% after 8 years and the remaining 20% on maturity with accumulated bonus.
- In a money back plan you keep getting the percentage of sum assured during the term of the policy.
- It is beneficial to meet the financial obligations at a point of time when you need money, rather than waiting for the full policy term to receive the returns.
- However the returns are not market linked since they invest in asset classes which will yield low but fixed returns.

#### **4. WHOLE LIFE INSURANCE:**

Offering the dual benefit of insurance and investment, whole life insurance plans offer insurance cover for the whole life of the person or up to 100 years whichever is earlier. Also, the life insurance company calculates bonus on the sum assured, which is paid to the nominee after the death of the policyholder.

##### **➤ How they work:**

- When you purchase a whole life insurance policy, you are agreeing to a contract in which the insurance company promises to pay your beneficiary a certain amount of money – called a death benefit – when you pass.
- For example, let's say you buy a whole life insurance policy at age 40. When you purchase the policy, the premiums will be locked in for the life of the policy as long as you pay them. They will be higher than the premiums of a term life insurance policy because your entire lifetime is built into the calculation.
- Unlike term insurance, whole life policies don't expire. The policy will stay in effect until you pass or until it is cancelled.
- Over time, the premiums you pay into the policy start to generate cash value, which can be used under certain conditions. Cash value can be withdrawn in the form of a loan or it can be used to cover your insurance premiums. All loans must be repaid before you pass or they will be deducted from the policy's death benefit.

## 5. CHILD INSURANCE:

The increasing education cost is causing uneasiness among parents. Therefore, it is best to invest in a good child insurance plan to give secured life to your child even in your absence. A child life insurance plan offers a lump-sum amount to the beneficiary (i.e. child) on the death of the policyholder. Here, the policy doesn't end. In this case, Life Insurance Company exempts all future premiums and pays the money to the child at specified intervals as planned out by the policyholder.

### ➤ How they work:

#### 1. The time and resources to grieve:

There is likely nothing more devastating than the loss of a child. In such an unfortunate and untimely event, day-to-day responsibilities might be overwhelming - the demands of your job, paying the bills, and having to care for other children in the household. The reality is you might not have enough paid sick or vacation time from work to take care of yourself, your spouse or your other children during this difficult time. If the unthinkable were to happen, would you have done enough financial planning to have the resources to go back to work on your terms?

#### 2. Cash Value and living benefits:

The cash value earned from a permanent life policy (such as whole life, universal and variable life) can be withdrawn or borrowed against, providing living benefits that can be used by your child as he or she gets older for many things such as:

- College tuition and expenses
- Financing a vehicle
- Paying for a wedding
- Collateral for loans

#### 3. They'll always be insured:

There are a number of factors that can affect your child's future insurability. High blood pressure, diabetes, obesity and cancer are just a few of the many health complications that might prevent your

child from being insured down the road. One of the primary benefits of purchasing a life insurance<sup>35</sup> policy when they are young is that they will always be covered regardless of their future health as long as premiums are being paid.

#### 4. Guaranteed insurability:

Some life insurance policies for children come with an optional guaranteed insurability rider/endorsement that may be available for a nominal cost. As your child grows into an adult, this rider allows you to buy additional life insurance above the face value of the current policy (on specific dates and in certain increments) regardless of his/her health status at the time. Usually, the older the child gets, the fewer dates the policy owner has to purchase more life insurance under the rider. In some instances, after a certain age, the rider may not be exercised.

#### 5. A locked-in rate:

Life insurance premiums for minors can be very affordable. Buying life insurance for your child now could give you an opportunity to lock in that rate for the life of the policy. As long as the required premium is paid, the policy will stay in force. Policies vary greatly from company to company. A life insurance professional can help you select the right policy type and optional policy riders so your child will get the most out of their policy - even when he or she is grown with a family of their own. As long as required premium payments are timely made. Loans against the policy accrue interest and decrease the death benefit and cash value by the amount of the outstanding loan and interest.

#### 6. PENSION PLANS:

Also called pension plans, these are offered by life insurance companies to help an individual build a retirement corpus. This money helps a person to lead a financially secured life even after retirement. In case of an unfortunate death of the policyholder, the nominee can either take a lump sum or receive a regular pension for the rest of the policy tenure. These life insurance plans are great to build up a retirement corpus; most life insurance companies in India provide a wide array of plans for people to save for their retirement.



➤ **How they work:**

Most pension plans offer a single-life annuity (single-pay) option and a joint-life annuity (survivor benefit) option. A single-life annuity will provide a larger monthly payment but it will only make payments to the pension earner. If the original pension earner passes away, the pension payments will stop. A joint-life payout provides a reduced payment to the pension earner and their spouse. If the spouse outlives the pension earner, they will continue to collect payments from the pension until they pass away.

Most joint-life annuity pension plans offer a much smaller monthly payment than a single-life annuity pension. Pension maximization involves determining whether or not a life insurance policy can provide a comparable replacement income for your surviving spouse for less than the monthly reduction of selecting a joint-life annuity plan

❖ **LIC Traditional / Investment Plans:**

The LIC of India offers various investment plans which are discussed in details below:

1. LIC's Jeevan Pragati Plan – A non-linked LIC Endowment Plan with the profits option, the plan offers a two-way benefit of savings and protection. The features of this plan are as follows:
  - The LIC endowment plan provides automatic increase in cover after every five years of the policy  
The plan offers maturity benefits include a lump sum payment of sum assured, vested simple reversionary bonuses and final additional bonus, if any,
  - The company provides a staggered death benefit that equals higher of 10 times the annual premium or 100% of sum assured in the first 5 years, 125% from year 6 to 10, 150% from year 11 to 15 and 200% from year 16 to 20.
  - This LIC endowment plan has an optional accidental death and disability benefit rider  
The policy has a surrender value if the premium for at least 3 years has been paid  
Policyholders can avail loans against the policy after a period of 3 years when it has a surrender value.



- Eligibility Details:

	Minimum	Maximum
Entry Age	12 years	45 years
Maturity Age	-	65 years
Policy Term	12 years	20 years
Sum Assured	Rs. 1,50,000	No limit
Premium payment term	Yearly, half-yearly, quarterly, or monthly	Yearly, half-yearly, quarterly, or monthly

2. LIC's Jeevan Labh– A non-linked LIC endowment plan with limited premium payment option. The policy offers financial support for the family in case of the unfortunate demise of the policyholder or a lump sum payment on maturity of the policy to the insured person:

- The participating LIC endowment plan offers the insured the option to avail reversionary bonus and final bonus at the end of the policy term.
- Offers a limited premium payment option wherein the policyholder needs to pay for only 10 years for a 16 year policy, for 15 years for a 21 year cover and for 16 years for a 25 year plan.
- The death benefit that equals the higher of 10 times the annual premium or basic sum assured. The death benefit shall not be less than 105% of the sum assured.
- Maturity benefits would include the sum assured, the declared reversionary bonus and any additional bonus, if declared.
- The LIC endowment plan offers two optional riders, accidental death and disability benefit rider, and new term assurance rider.
- Eligibility Details:

	Minimum	Maximum
Entry Age	8 years	50-59 years
Maturity Age	18 years	75 years
Policy Term	16 years	25 years
Sum Assured	Rs. 2,00,000	No limit
Premium payment term	Yearly, half-yearly, quarterly, or monthly	Yearly, half-yearly, quarterly, or monthly

3. LIC's New Jeevan Anand – An LIC endowment plan with the following features:

- It is a participating LIC endowment plan where in case of death higher of 125% of the Sum Assured or 10 times the annual premium, vested bonus and final additional bonus, if any, is paid subject to a minimum of 105% of all premiums paid till death.
- On maturity, the Sum Assured, vested bonus and final additional bonus, if any, is paid to the insured under this LIC endowment plan.
- LIC's Accidental Death and Disability Benefit Rider can be availed wherein the rider Sum Assured is paid in equal monthly installments over a period of 10 years and all future premiums payable are waived off if the insured suffers an accidental death or disability under this LIC endowment plan.
- Loan can be availed under this LIC endowment plan.
- Rebate is given in premium rates if the policyholder chooses to pay yearly or half-yearly premiums @ 2% and 1% respectively.
- Rebates are allowed in premium for choosing a high Sum Assured level of Rs.2 lakh and above.

The premiums paid are exempt from taxation under Section 80C and the claim received is exempt under Section 10(10D) of the Income Tax Act, under this LIC endowment plan.

• Eligibility Details:

	Minimum	Maximum
Entry Age	18 years	50 years
Maturity Age	-	75 years
Policy Term	15 years	35 years
Sum Assured	Rs. 1,00,000	No limit
Premium payment term	Yearly, half-yearly, quarterly, or monthly	Yearly, half-yearly, quarterly, or monthly

4. LIC's Jeevan Rakshak – An LIC endowment plan with the following features:

- It is a participating LIC endowment plan where in case of death higher of the Sum Assured or 10 times the annual premium, vested bonus and final additional bonus, if any, is paid subject to a minimum of 105% of all premiums paid till death.
- On maturity, the Sum Assured along with the Loyalty Additions is paid to the insured under this LIC endowment plan.

- Loyalty Additions accrue after the completion of 5 policy years under the LIC endowment plans.
- LIC's Accident Benefit Rider can be availed by paying extra premium which pays an additional amount in case of accidental death.
- Loan can be availed under this LIC endowment plan.
- Rebate is given in premium rates if the policyholder chooses to pay yearly or half-yearly premiums @ 2% and 1% respectively.
- Under this LIC endowment plan, rebates are allowed in premium for choosing a high Sum Assured level of Rs.1.5 lakhs and above.
- The premiums paid are exempt from taxation under Section 80C and the claim received is exempt under Section 10(10D) of the Income Tax Act.

- Eligibility Details:

	Minimum	Maximum
Entry Age	8 years	55 years
Maturity Age	-	70 years
Policy Term	10 years	20 years
Sum Assured	Rs. 75,000	Rs. 2,00,000
Premium payment term	Yearly, half-yearly, quarterly, or monthly	Yearly, half-yearly, quarterly, or monthly

5. LIC'S Jeevan Lakshya- An LIC endowment plan with the following features:

- A participating LIC endowment plan where Sum Assured on death, vested bonus and final additional bonus is paid in case of death subject to a minimum of 105% of all premiums paid till death.
- Sum Assured on death is the total of 10% of the Sum Assured payable from the policy anniversary following the date to death to the policy anniversary one year before the date of maturity and 110% of the basic Sum Assured.
- On maturity, the Sum Assured, vested bonus and final additional bonus, if any, is paid under this LIC endowment plan.
- LIC's Accidental Death and Disability Benefit Rider and LIC's New Term Assurance Rider can be availed under this LIC endowment plan.
- Loan can be availed under this LIC endowment plan.

- Rebate is given in premium rates if the policyholder chooses to pay yearly or half-yearly premiums @ 2% and 1% respectively.
- Rebates are allowed in premium for choosing a high Sum Assured level of Rs.2 lakhs and above.
- The premiums paid are exempt from taxation under Section 80C and the claim received is exempt under Section 10(10D) of the Income Tax Act, under this LIC endowment plan.
- Eligibility Details:

	Minimum	Maximum
Entry Age	18 years	50 years
Maturity Age	-	65 years
Policy Term	13 years	25 years
Sum Assured	Rs. 1,00,000	No limit
Premium payment term	Yearly, half-yearly, quarterly, or monthly	Yearly, half-yearly, quarterly, or monthly

6. LIC's New Bima Bachat – An LIC endowment plan with the following features:

- A participating LIC endowment plan where on death during the first 5 years the Sum Assured is paid and on death after that, Sum Assured and Loyalty Additions are paid.
- Survival benefits @15% of the Sum Assured is paid from the 3rd year and thereafter every 3 years given the policy term.
- On maturity, the single premium along with the loyalty additions is paid back under this LIC endowment plan.
- Loan is available under the plan if a LIC endowment plan policyholder wishes to avail the same.
- High Sum Assured rebate is given for Sum Assured of Rs.75, 000 and above.
- The premiums paid are exempt from taxation under Section 80C and the claim received is exempt under Section 10(10D) of the Income Tax Act for people opting for this LIC endowment plan.

- Eligibility Details:

	Minimum	Maximum
Entry Age	15 years	66 years
Maturity Age	-	75 years
Policy Term	9, 12 or 15 years	9, 12 or 15 years
Sum Assured	Rs. 35,000	No limit
Premium payment term	Single Pay	Single Pay
Premium paying term	20 years	20 years

7. LIC's Jeevan Tarun – Another Child Plan which is also offered in the money back format. The LIC endowment plan participates in the company's profits and earns simple reversionary bonuses. The child is the life insured under the plan and the LIC endowment plan offers money back benefits under four different options. On death, if the risk has not started, the premiums paid are returned and if the risk has started, higher of 125% of the sum assured or 10 times the annual premium along with the vested bonus and any final additional bonus is paid.

## ❖ **Benefits of Life Insurance Policy:**

Having a Life insurance plan is necessary to do the task for every individual? A life insurance policy is the best way to protect and financially safeguard the future of you and your loved ones. As we all know that it provides life protection to the family of the insured in case of any eventuality but apart from this there are a plethora of other benefits, let's take a look at various benefits below.

### **1. Loan against Life Insurance–**

These policies provide an opportunity to take a loan in case you desperately need money. According to the policy provision, the loan amount can either be taken in the percentage of sum assured under the policy or as cash value.

### **2. Tax Benefit–**

One of the most worthwhile benefits offered the life insurance policy is income tax exemption under section 80C of the Income Tax Act 1961. Under the section, the premium paid towards the insurance policy is eligible for tax deduction under section 80C of Income Tax Act. Moreover, the policies that provide maturity benefits are also eligible for a tax deduction on the maturity proceeds under section 10(10D) of income tax act 1961.

### **3. Return on Investment–**

As compared to the other investment alternatives the life insurance policies yield better return and the money invested in the scheme is safe and covers risk. The money invested will make a good return and will be paid back fully as sum assured either after the completion of the tenure of the policy or after the demise of the insured person.

### **4. Death Benefit–**

This is the basic and the most prominent benefit offered by the life insurance policy. It provides you and your family a secured future. The death benefit is referred to as the total amount of sum assured together with the bonus (if any) is paid to the beneficiary of the policy in case of any eventuality or uncertain demise of the policyholder. The plan also provides coverage to people with diminishing income, for retired people or people who meet with an accident.

## **5. Life Stage-Specific Planning–**

Life insurance plan assists in the most effective way in life stage-specific planning where you can plan the financial goals of your life according to your convenience. Apart from providing financial support to the family in the event of the untimely demise of the insured person, it also acts as a great financial instrument for long term investment. By having a life insurance policy by your side you can meet all the major milestones of life like your child's education, marriage, building your own home, planning for retirement, etc.

### **❖ Drawbacks of Life Insurance Policy:**

#### **1. Opportunity Cost-**

Currently, life insurance is seen as a luxury in the market, which means that we constantly think about what we could be spending the money on elsewhere. If we didn't have to pay premiums (which we legally don't), we wonder where the extra money could go. Eventually, we think about it so much that we end up forgetting all about life insurance.

To this, we have one thing to say – will your loved ones forget about the decision if you were to pass away? Despite the devastating impact that no life insurance has on loved ones, we continue to leave them behind with a struggle on their hands.

With life insurance, there shouldn't be an opportunity cost because you are spending money on keeping your family protected. With a life insurance policy, you are ensuring that your family can pay bills, your children can go to school, your partner can pay the mortgage, etc. Surely there isn't too many expenditures as important as this one?

Also, did you know that for the price of around 3 Starbucks specialty coffee's you can get \$250,000 of life insurance if you are young? And for the price of your monthly cell phone or cable bill you could get an awesome whole life insurance policy.



## 2. G Stuck in Limbo-

For young people, the topic can be rather tricky and many will not take the plunge because they have too many questions. If you choose whole life insurance at a young age, the premiums will be much higher than a term life policy. However, the advantage is that you can choose a policy that is paid up in 10 years and you will never have to make another premium. Further, as you age, term life premiums go up.

If you were to go for a term life policy, you will have to pay more in the future when the policy expires because you will be older and there is always a risk of having medical conditions and being placed into the high risk life insurance category. Therefore, the younger generations are caught halfway between the benefits and drawbacks of both types of policies, term and permanent. This being said, there are now solutions on the market which could prove useful.

For example, the „Return of Premium“ rider will see all premiums returned at the end of a term life policy. And another option, the „Conversion“ rider will allow you to convert your term life insurance policy into a permanent one with no evidence of insurability required.

## 3. Not Necessary-

If we have no dependents or have money saved up for your final expenses and burial costs with no other debts, life insurance isn't necessarily a must. If we have a partner and children who rely on your income, then life insurance becomes very important for everyone involved. If we are young and have no real debt and no dependents, perhaps you can forego coverage at this time. But consider this:

- Student loan debt where your parents are co-signors-

It may surprise you to learn that although student loans are forgivable upon death, the forgiven portion is still attributable as income to your estate in the year you died. So if your \$100,000 debt is forgiven, you, or your co-signor, may still be on the hook in the form of income tax on the forgiven amount.

- Protect Your Future Insurability-

Securing life insurance while you are young has several advantages. One is the cost is lower, since age is a primary factor when determining life insurance rates. Another advantage to life insurance while you are young is that you protect your future insurability. If you develop some disease or illness, it could prevent you from getting coverage later in life, or make the coverage too expensive. We should also consider the value of a properly designed permanent life insurance policy that builds cash value over your entire life. Anyone who gets permanent coverage later in life sees the value of the policy and

most wish they had got some coverage earlier in life so the policy had longer to grow and develop.<sup>45</sup>  
The longer you have a whole life policy, the more efficient and effective it becomes.

#### **4. Confusing-**

We know that the life insurance market can be a tricky one to understand. As a result, the majority of people seem to forget about it all together – if you do this, you can't benefit from everything we saw previously. That is why we tirelessly put out great articles such as this one that help our potential clients gain the knowledge and expertise they need to make an informed decision. If you need help with your life insurance decisions, feel free to take a look around our site and contact us with any questions.

#### **5. Lack of Trust-**

Finally, there are also people who lack the trust in the huge corporations and they don't want to give money away to a company that could collapse at any moment. For example, if there was a major financial collapse like the one we saw in 2008, would the company be able to survive and keep your policy going? Of all the concerns, this is one of the largest and it is fair. However, it isn't quite justified. As long as you choose a company that has a strong financial rating and outlook for the future, you can be confident that your policy will be safe.

When we say „large insurance companies“, this is actually a bit of an understatement because they place billions of dollars of life insurance in force every single year. Nowadays, there is no need to worry about the legitimacy of life insurance companies as long as you choose one that is financially secure.

#### **❖ Management of Risk in Insurance:**

##### **What is Risk Management?**

Risk management is the continuing process to identify, analyze, evaluate, and treat loss exposures and monitor risk control and financial resources to mitigate the adverse effects of loss.

##### **Handling Risk In Insurance Sector:**

Now that we know that risks are a part of our daily lives we must know how to handle them. Risk management will be discussed in detail under “Practice of General Insurance” and here we shall only

make a passing reference to this important aspect. Some of the methods used to handle risks are Risk<sup>46</sup> Avoidance, Loss Prevention and Reduction, Risk Retention and Risk Transfer. For convenience sake these are briefly being dealt with separately but in practice two or more are used in combination.

### 1. Risk Avoidance:

The simplest way to deal with risk is to avoid it together. If a factory is to be located on the banks of a river, which is prone to floods every year then it may be decided to shift the site to a safer location. Some people avoid the risk of death or injury in an airplane crash by traveling by surface transport only. Organization like the Armed forces and even some corporate houses restrict the number of their officers traveling in a single aircraft or vehicle together to avoid the risk of all of them dieing in an accident. Though this is the simplest way it is not always practicable.

### 2. Loss Prevention and Reduction:

Possible loss due to risks may be eliminated or minimized by Loss Prevention and Reduction measures. Some measures such as strict enforcement of “No Smoking” regulations may eliminate fire losses whereas measures such as installation of sprinkler systems and other appliances may reduce the extent of loss due to fire. Good manufacturing units spend a lot on safety devices and measures and enforce strict rules of conduct within their premises to eliminate or reduce the occurrence of accidents thus minimize their losses & expense incurred on treatment and compensation to employees. Segregation of hazardous processes from others in a manufacturing unit and isolation of hazardous goods such as petroleum products from non-hazardous goods in a storage facility are some examples of the method of loss Prevention and Reduction.

### 3. Risk Retention:

It may be consciously decided to retain some risks. Small losses, which may occur frequently may be absorbed by the firm as normal operating expenses such as minor damage or loss of goods in transit. A financially sound firm may create an Insurance fund to which regular payments are credited and from which losses are paid as and when they occur. This method is used to take care of the domiciliary medical expenses of employees by some large companies having a big workforce. Some individuals retain the risk of contracting cancer due to smoking not knowing that smoking causes cancer and other even though knowing of it rationalize and pretend that the risk does not exist by saying. “It won”t happen to me”.

#### 4. Transfer of Risk:

Risk transfer occurs when the activity that creates the risks is transferred to another. For example if a particular process of manufacture is hazardous the firm may decide to get it outsourced i.e. get the job done from a specialized subcontractor outside so that the associated risks are transferred. Similarly when a person hires an equipment the owner may insert a condition in the contract that any damage to the equipment shall be the responsibility of the hirer. Lease and rental agreements are an example of this method of handling risk. A rental agreement carries the clause that the equipment shall be returned to the owner in good condition, ordinary wear & tear accepted. Guarantees are also a form of risks transfer where the buyer transfers the risk of purchasing a defective new item back to the manufacture. Most consumer goods coming in the market now are sold with the guarantee that in case of any manufacturing defect or non-performance the equipment will be replaced/ repaired by the manufacturer. Earlier it was not so and the buyer used to purchase the materials at his own risk and in case of defect had to bear the loss. There are innumerable ways to transferring the risks and these are only a few illustrations but the most important method of Risk transfer is Insurance.

## **DATA ANALYSIS**

Research always starts with a question or problems. Its purpose is to questions through the application of the scientific method. It is a systematic and intensive study directed towards a more complete knowledge of the studied.

**Procedure** : The procedure that followed can be enlisted as below :

- Deciding on the object to proceed.
- Developing survey instruments.
- Conducting personal interviews of different age groups, sex, monthly income and occupation through questionnaire.
- Finally analyzing the data of various geographic areas and trying to study withother players. There are two types of data collected method using in my project report:
  - Primary Data
  - Secondary Data

**Research Design:** A two stage research design was conducted.

1. **Primary Research**-A primary research was conducted. The questionnaire was prepared for the companies and the following areas covered.
  - Competing Insurance Companies
  - Features offered by different Insurance Companies
  - Consumer profile
  - Satisfaction level
2. **Secondary Research**-Data was collected from the websites and catalogues to understand the product of the different players

## **Sampling Plan**

The target population of the study included the general population above the age of 21yrs. It will further be based on Stratified RandomSampling.

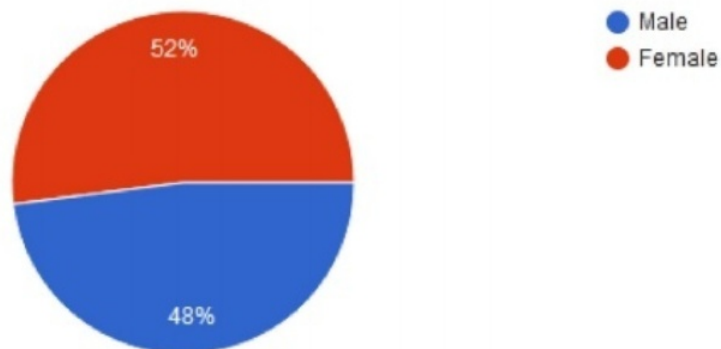
## QUESTIONNAIRE

49

✓ FORCUSTOMERS:

1. Gender:

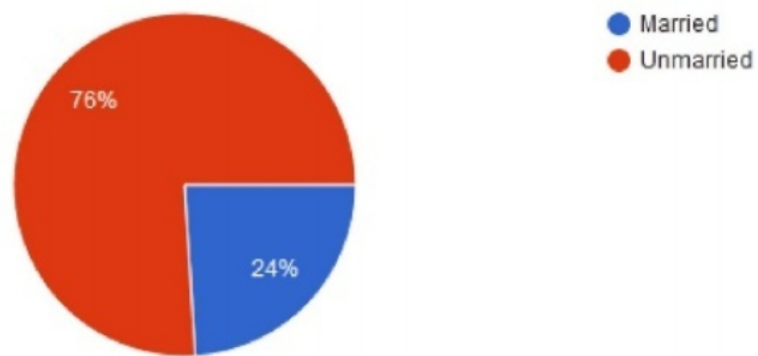
SR. NO.	GENDER	PERCENTAGE
1	MALE	52%
2	FEMALE	48%
	<b>TOTAL</b>	100%



INTERPRETATION:- Out of Total respondents 52% are males and 42% are females.

## 2. Marital status:-

SERIAL NO.	MARITAL STATUS	PERCENTAGE
1	Married	24%
2.	Unmarried	76%
3.	<b>TOTAL</b>	100%



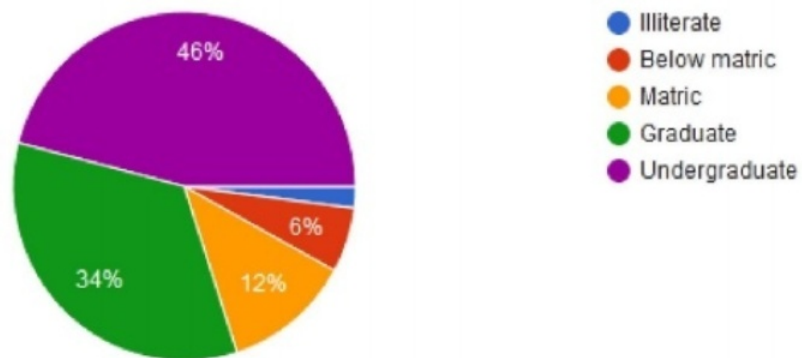
INTEPRETATION :- Out of Total Respondents 24% are Married and 76% are Unmarried.



### 3. Educational Qualification:

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SR. NO.	EDUCATIONAL QUALIFICATION	PERCENTAGE
1	Illiterate	2%
2	Below matric	6%
3	Matric	12%
4	Graduate	34%
5	Undergraduate	46%
	<b>TOTAL</b>	100%

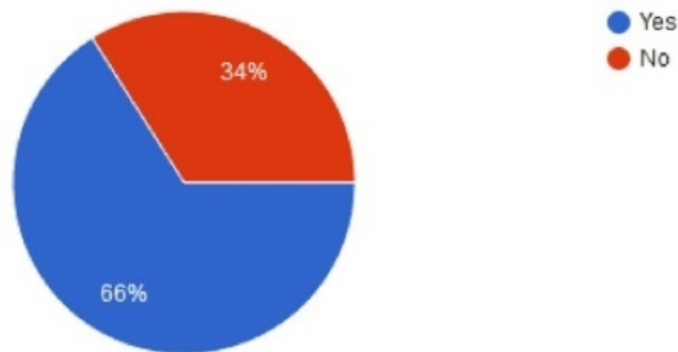


#### INTERPRETATION:

Out of total respondent there are 2% illiterates, 6% below metric, 12% metric, 34% graduate and 46% undergraduate.

#### 4. Are you Insured?

<b>SR. NO.</b>	<b>INSURED OR NOT</b>	<b>PERCENTAGE</b>
1	YES	66%
2	NO	34%
	<b>TOTAL</b>	100%

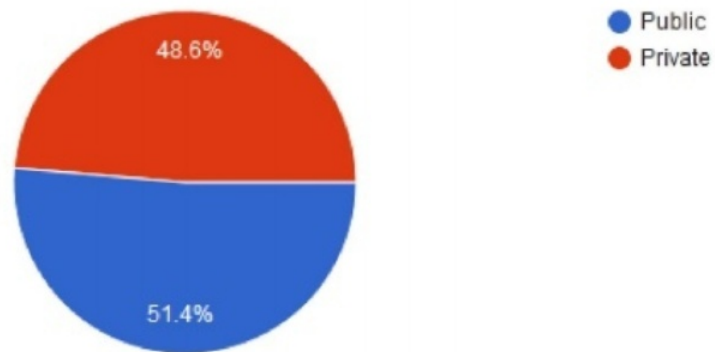


#### INTERPRETATION:-

Out of total respondents, 66% are insured and 34% are uninsured.

5. From which sector you are insured?

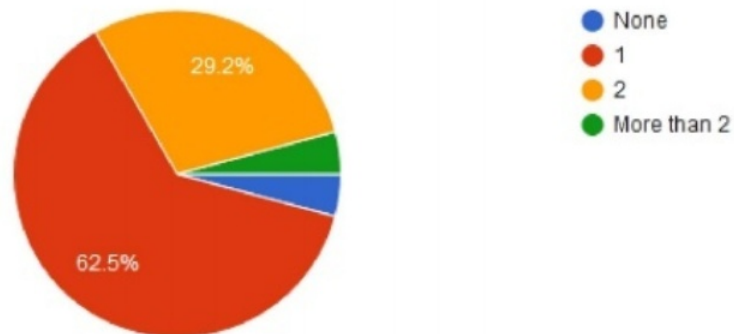
SERIAL NO.	SECTOR	PERCENTAGE
1	Public	51.4%
2	Private	48.6%
	<b>TOTAL</b>	100%



**INTERPRETATION:-** Out of total Respondents , 51.4% are insured from Public sector and 48.6% are insured from Private sector.

6.How many insurance policy do you hold?

SR. NO.	INSURANCE POLICY	PERCENTAGE
1	None	4.15%
2	1	62.5%
3	2	29.2%
4	More than 2	4.15%
	<b>TOTAL</b>	100%

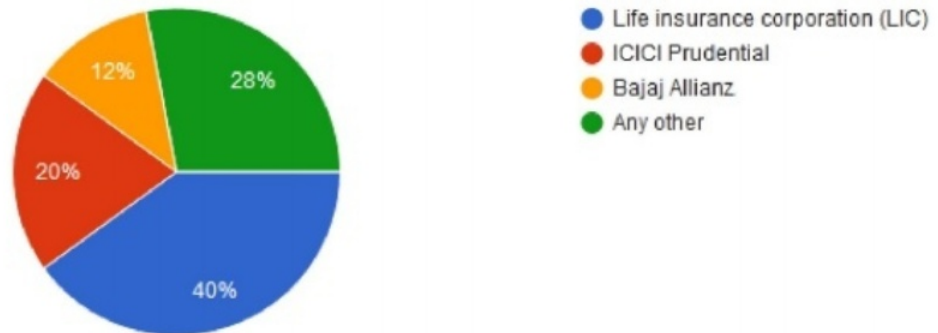


**INTERPRETATION: -**

Out of total respondent 4.15% have no insurance policy, 62.5% have 1 insurance policy, 29.2% have 2 insurance policy and 4.15% have more than 2 insurance policy.

7. From which insurance company you are insured?

SR. NO.	COMPANIES	PERCENTAGE
1	Life insurance corporation	40%
2	ICICI prudential	20%
3	Bajaj Allianz	12%
4	Any other	28%
	<b>TOTAL</b>	100%

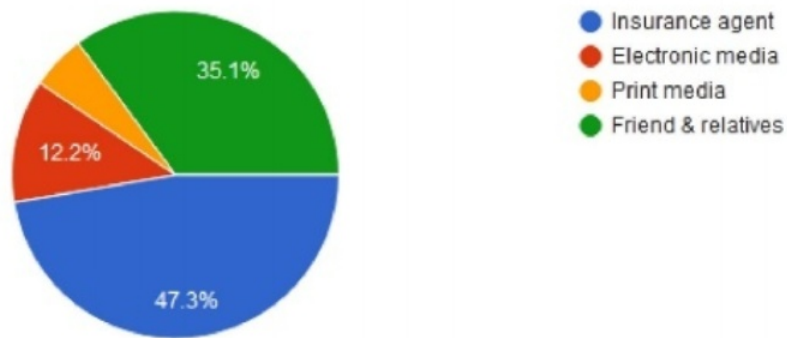


**INTERPRETATION:**

Out of total respondent 40% insured from LIC, 20% insured from ICICI prudential, 12% insured from Bajaj Allianz, 28% insured from any other companies.

8. Who influenced you to get insured?

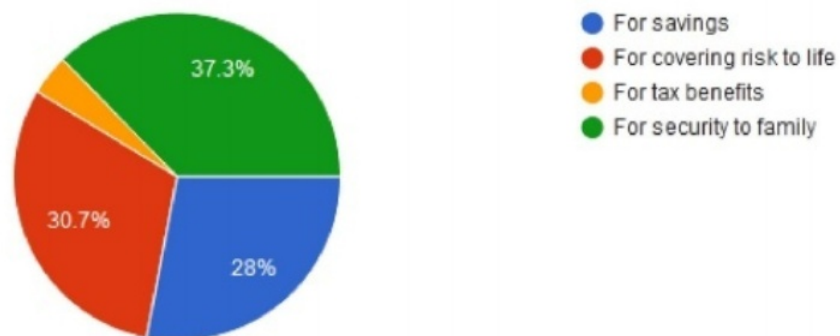
SERIAL NO.	INFLUENCER	PERCENTAGE
1	Insurance agent	47.3%
2	Electronic media	12.2%
3	Print media	5.4%
4	Friends & relatives	32.1%
	<b>TOTAL</b>	100%



INTERPRETATION:- Out of total respondents, 47.3% got influenced by insurance agent , 12.2% got influenced by Electronic media, 5.4% by print media and 35.1% by friends & relatives.

### 9. For what you have insured yourself ?

SERIAL NO.	REASONS TO GET INSURED .	PERCENTAGE
1	For savings	28%
2	For covering risk Of life.	30.7%
3	For tax benefits.	4%
4	For family security	37.3%
	<b>TOTAL</b>	100%



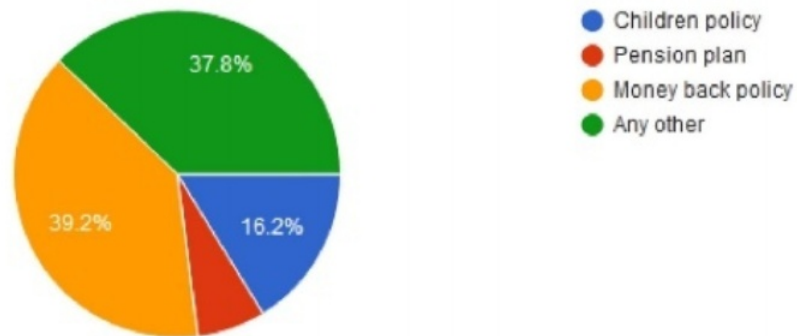
#### INTERPRETATION:-

Out of total respondents, 28% are insured for savings, 30.7% for covering risk to life , 4% for tax benefits and 37.3% for security to family.



10. which of the following policies you have?

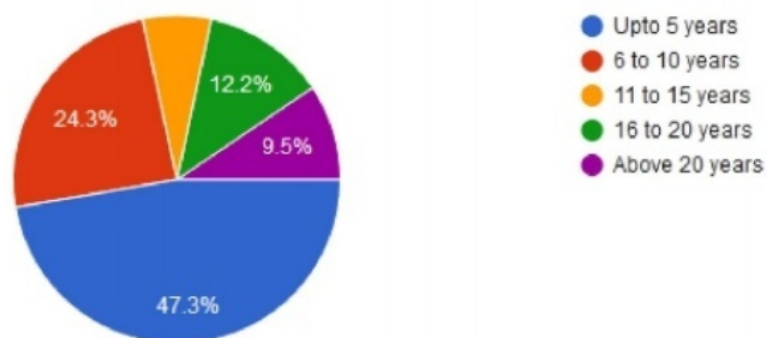
SERIAL NO.	TYPES OF POLICIES	PERCENTAGE
1	Children policy	16.2%
2	Pension policy	6.8%
3	Money back policy	39.2%
4	Any other	37.8%
	<b>TOTAL</b>	100%



**INTERPRETATION:-**

Out of total respondents, 16.2% have children policy, 6.8% have pension plan, 39.2% have money back policy and 37.8% have any other policy.

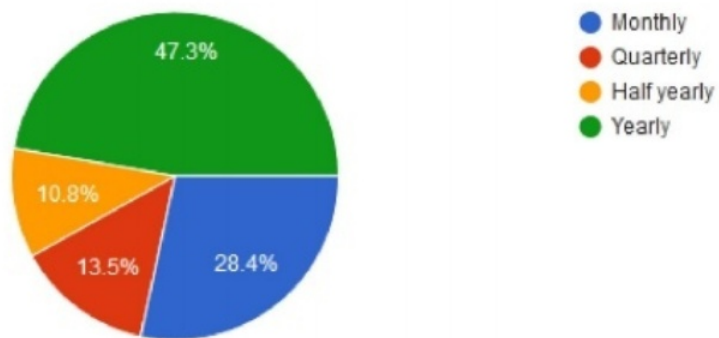
SERIAL NO.	TERM OF POLICY	PERCENTAGE
1	Up to 5 years	47.3%
2	6 to 10 years	24.3%
3	11 to 15 years	6.7%
4	16 to 20 years	12.2%
5	Above 20 years	9.5%
	<b>TOTAL</b>	100%



**INTEPRETATION:-** out of all respondents, 47.3% has policy up to 5 years, 24.3% up to 6 to 10 years, 6.7% up to 11 to 15 years, 12.2% up to 16 to 20 years and 9.5% above 20 years.

## 12. How would you like to pay premium ?

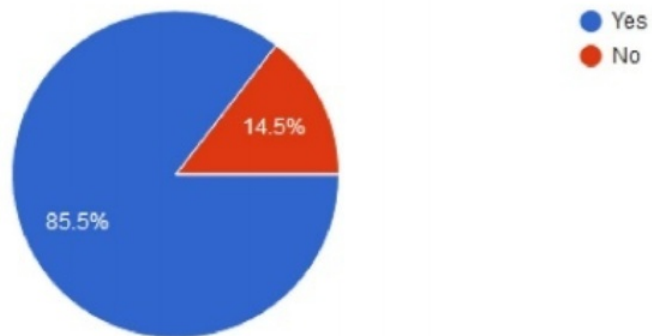
SERIAL NO.	PERIOD	PERCENTAGE
1	Monthly	28.4%
2	Quarterly	13.5%
3	Half yearly	10.8%
4	Yearly	47.3%
	<b>TOTAL</b>	100%



**INTERPRETATION** :- out of all respondents , 28.4% pay monthly, 13.5% quarterly, 10.8% half yearly and 47.3% yearly.

13. Are you regularly paying premium?

SERIAL NO.	YES/NO	PERCENTAGE
1	Yes	85.5%
2	No	14.5%
	<b>TOTAL</b>	100%

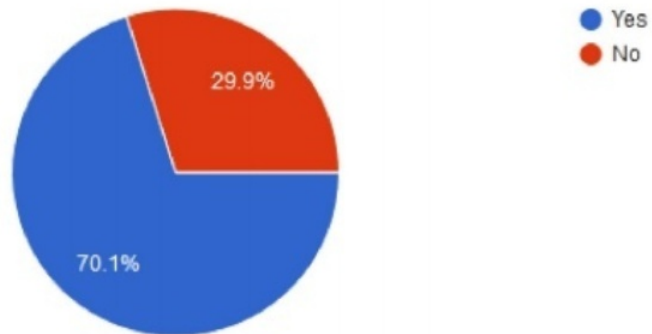


**INTERPRETATION:-**

out of all respondents, 85.5% pay's premium regularly and 14.5% irregularly.

14. Are you aware about accidental insurance claim?

SERIAL NO.	YES/NO	PERCENTAGE
1	Yes	70.1%
2	No	29.9%
	<b>TOTAL</b>	100%

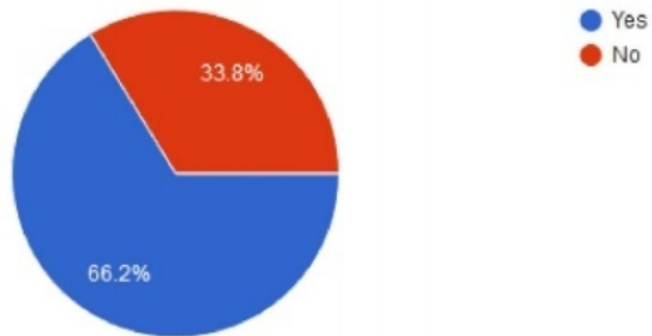


**INTERPRETATION:-**

Out of total respondents, 70.1% are aware about accidents claims and 29.9% are not aware about it.

15. Do you have any policy in LIC?

SERIAL NO.	YES/NO	PERCENTAGE
1	Yes	66.2%
2	No	33.8%
	<b>TOTAL</b>	100%

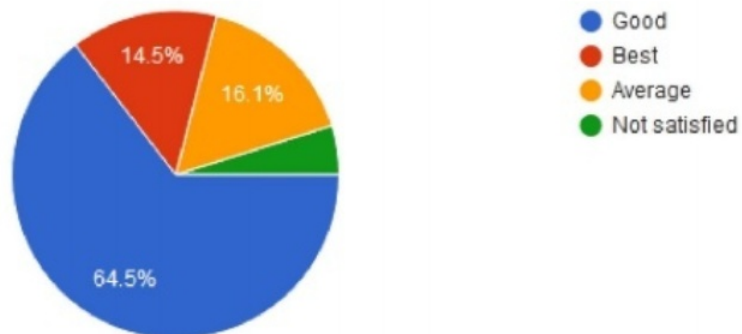


**INTERPRETATION:-**

Out of total respondents, 66.2% have policy in LIC and 33.8% do not

16. If yes, how was the services provided by LIC?

SERIAL NO.	HOW WAS THE SERVICES?	PERCENTAGE
1	Good	64.5%
2	Best	14.5%
3	Average	16.1%
4	Not satisfied	4.9%
	<b>TOTAL</b>	100%

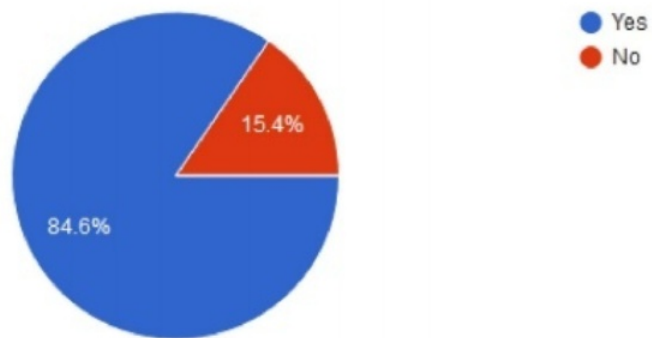


**INTERPRETATION:-** out of all respondents , 64.5% people found good services , 14.5% best services, 16.1% Average services and 4.9% are not satisfied by services of LIC .

17. Do you find that the staff is cooperative of LIC?

65

SERIAL NO.	YES/NO	PERCENTAGE
1	Yes	84.6%
2	No	15.4%
	<b>TOTAL</b>	100%

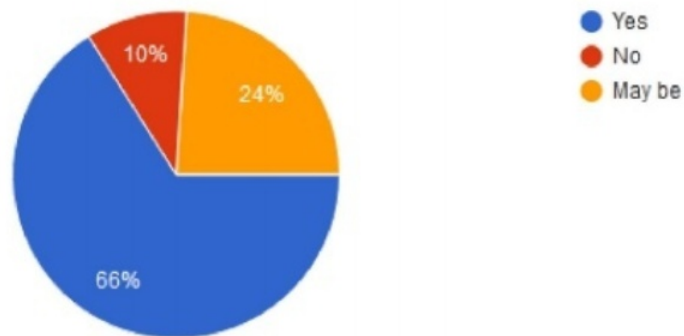


INTERPRETATION:- Out of all respondents, 84.6% find the staff of LIC cooperative and 15.4% do not.



18. Do you have any interest to get insured further?

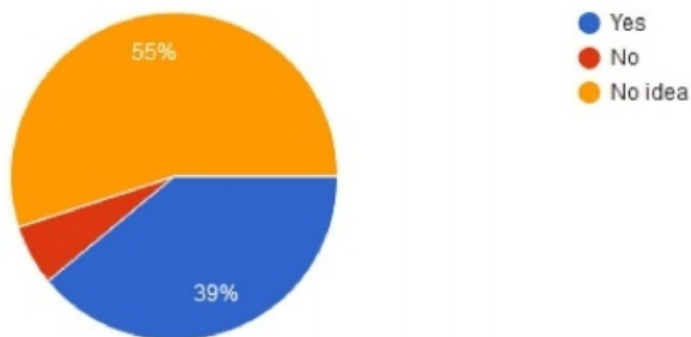
SERIAL NO	OPINION	PERCENTAGE
1	Yes	66%
2	No	10%
3	May be	24%
	<b>TOTAL</b>	100%



**INTERPRETATION:-** Out of all respondents, 66% are interested to get insured, 10% not interested and 24% may get insured further.

19. Is life insurance corporation follows the rules of IRDA?

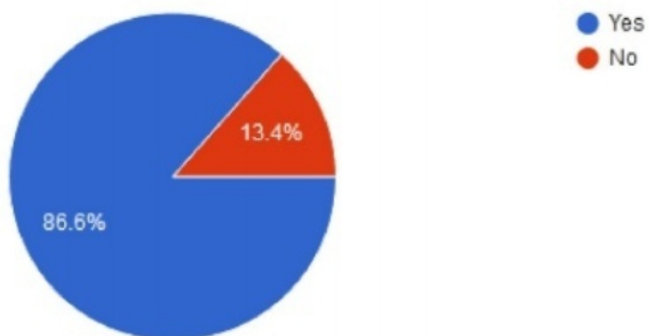
SERIAL NO.	OPINION	PERCENTAGE
1	Yes	39%
2	No	6%
3	No idea	55%
	<b>TOTAL</b>	100%



INTERPRETATION:- Out of all respondents, 39% people go with YES, 6% NO and 55% people have no idea.

20. Are you satisfied by your insurance policy?

SERIAL NO.	YES/NO	PERCENTAGE
1	YES	86.6%
2	NO	13.4%
	<b>TOTAL</b>	100%



**INTERPRETATION:-** out of all respondents, 86.6% are satisfied by their insurance policy and 13.4% are not.

a. FOR ORGANIZATION:

1. Which kinds of insurance policy do you provide?

Ans: Basically we provide all insurance policies, but out of the all policies we mostly provide all life insurance policies. We also provide general life insurance policies but less as compared to life insurance policies.

2. Is Life Insurance a smart investment?

Ans:- When it comes to considering life insurance as an investment, you've probably heard the adage, "Buy term and invest the difference." This advice is based on the idea that term life insurance is the best choice for most individuals because it is the least expensive type of life insurance and leaves money free for other investments. Permanent life insurance, the other major category of life insurance, allows policyholders to accumulate cash value, while term does not, but there are expensive management fees and agent commissions associated with permanent policies, and many financial advisors consider these charges a waste of money.

When you hear financial advisors and, more often, life insurance agents advocating for life insurance as an investment, they are referring to the cash-value component of permanent life insurance and the ways you can invest and borrow this money.

3. Can I change my mind after I purchase a policy?

Ans: You may want to cancel an insurance policy if you have just bought it and have changed your mind. By law, you have a minimum 14 days cooling-off period during which you can cancel the policy for any reason. If you have bought life insurance, the cooling-off period is 30 days. The cooling-off period starts from when the policy begins or when you receive your policy documents, whichever is later. You should get a refund of any premiums you have already paid. However, your insurer may take off a small amount to cover days when the policy was in force. They may also charge you a small administration fee.

Some insurers may give you a longer cooling-off period. If you're not sure how long your cooling-off period is, you can check the terms of your insurance policy. If you want to cancel your policy during the cooling-off period you should contact your insurer as soon as possible. The right to cancel during a cooling-off period does not apply to travel insurance that lasts less than one month.

#### 4. How does term life insurance differ from permanent life insurance?

Ans: This is because the money you pay into term life insurance premiums are only there to provide a death benefit to your beneficiaries if you die during a specified term, while money you invest in permanent life insurance premiums builds cash value that you can use later in life or that will add to the death benefit payout.

#### 5. What is “cash value” and how does it differ from the face amount of the whole life policy?

Ans: Cash value is the money the life policy earns through investments by the insurer. Permanent life insurance policies, such as whole life and universal life, have cash-value accounts, while term life insurance does not. Face value is the initial value of the policy. This is the basic amount the beneficiary would receive when the insured dies. Since both the concept are differ from each other.

#### 6. How many different kinds of policies can a person hold?

Ans: No legal limit exists on how many life insurance policies you can have, but companies might want to know your goals and financial situation, such as your income and assets. You can purchase two or several life insurance policies if you can afford the premiums. At certain periods of your life, you might not have the money to buy all the life insurance you want, especially when you first buy a policy.

#### 7. What kinds of benefits do you give if a person holds more than 2 or more policies?

Ans: If a person holds more than 2 policies then following benefits are given to him/her:

- Term Insurance offer maximum cover at a lower premium. You can choose for variants of the pure term schemes which offer maturity benefits.
- Whole life insurance gives you an, benefits paid on death or maturity comprise of bonus component with the sum assured.
- Endowment plans offer investments accrue profits that are paid in the form of a bonus.
- Unit linked insurance plans gives you an, investments accrue profits and are paid in the form of a bonus. You can claim tax exemptions also.
- Money Back plans offer you are given the regular monetary benefits while the policy is active, with such amount not having any impact on the death benefit.

8. How to claim maturity benefits from life insurance policies?

Ans: In a life insurance policy with maturity benefits, the insured will be entitled to claim maturity benefits if he or she outlives the term of the policy. The insured is entitled to claim the maturity benefits only when the policy is in force and all premiums have been paid duly.

A maturity claim is one of the simplest claim procedures with minimal paperwork involved.

9. Would you like to share your experience regarding this field?

Ans: Yes. It was good experience to be an employee of this company. I learned a lot from these. Gained an innumerable amount of knowledge from the company. Got good subordinates over here. It was lucky to be a part of this company.

10. How can I claim my LIC maturity amount?

Ans: To **claim maturity** of the **LIC** policy one needs to send/submit the original policy document with Discharge voucher (form 3825), NEFT Mandate Form, Identity & Residence Proof, cancelled bank cheque before the due date to the **LIC** branch from where you had taken the policy. You cannot **claim LIC** policy online.

**1. Conclusion:**



An Insurance policy is an investment oriented plan. As compared to other investment plans, the investment portfolio of the Insurance Policy functions like a mutual fund and other investment. It is invested in a portfolio of debt and equity instruments, in conformity with the announced investment policy. Hence it grows or erodes in line with the performance of that portfolio.

From this study it reveals that the consumer's attitude towards Insurance Policy and Insurance Company changed a lot. A 5 years before the consumers and the general public were not interested to take an Insurance Policy but now days there are many options and choices in front of the customers. They are interested to take high return policies in order to secure their lives. People are aware of all the benefits and returns of insurance policies. As a result of this new international and domestic companies are coming to the Indian Market.

Since there are many players in the Indian Insurance Market the competition level is very high. So the companies are introducing new schemes. From this it is found that the LIC is the major market share holder in the insurance field. Even if there are many players in this field still it is an untapped market. Only a few portion of Indian population is insured.



## 2. Recommendations and Suggestions:



With regard to insurance companies, consumers respond at different rates, depending on the consumers characteristics. Hence Insurance companies should try to bring their new product to the attention of potential early adopters.

- a) Due to the intense competition in the life insurance market, the life insurance companies have to adopt better strategies to attract more customers.
- b) Keeping the cost, quality and return on investment in tact is necessary in order to tackle the competition.
- c) Life insurance products are taken mainly by middle and higher income group. Hence they should be regarded as maim targeted income groups. Life insurance products which are suitable for lower income group should also be released so that the market share increases.
- d) Private life insurance companies should adopt effective promotional strategies to increase the awareness level among the consumers.
- e) Life insurance companies should ask for their consumer feedback to know whether the consumers are really satisfied or dissatisfied with the service and product of the companies. If they are dissatisfied, then the reasons for dissatisfaction should be found out and should be corrected in future.
- f) The LIC brand name has earned a lot of goodwill and enjoys a high brand equity. As there is intense competition in life insurance market, LIC should work hard to maintain its top position and offer better service and product.



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**ANNEXURE****QUESTIONNAIRES:**

✓ FOR

CUSTOMERS: Name:

Age :

1. Gender ?

- a) Male
- b) Female

2. Marital status ?

- a) Married
- b) Unmarried

3. Educational qualification ?

- a) Illiterate
- b) Below matric
- c) Matric
- d) Graduate
- e) Undergraduate

4. Are you insured?

- f) Yes
- g) No

5. From which sector you are insured?
- a) Public
  - b) Private
6. How many policy do you hold?
- a) more than
  - b) 1
  - c) 2
  - d) none
7. From which insurance company you are insured?
- a) Life insurance corporation (LIC)
  - b) ICICI Prudential
  - c) Bajaj Allianz
  - d) Any other
8. who influenced you to get insured?
- e) Insurance agent
  - f) Electronic media
  - g) Print media
  - h) Friends & relatives
9. For what you have insured yourself?
- a) for saving
  - b) for covering risk of life
  - c) for tax benefits
  - d) for security to family
10. which of the following policies you have ?
- a) children policy
  - b) pension plan
  - c) money back policy
  - d) any other

11. what is the term of the policy?

- a) up to 5 years
- b) 6 to 10 years
- c) 11 to 15 years
- d) Above 20 years

12. How would you like to pay premium?

- a) monthly
- b) quarterly
- c) half yearly
- d) yearly

13. Are you regularly paying premium?

- a) yes
- b) no

14. Are you aware about accidental insurance claims?

- a) yes
- b) no

15. Do you have any policy in LIC?

- a) yes
- b) no

16. If yes , how was the services provided by LIC?

- a) Good
- b) Best
- c) Average
- d) Not satisfied

17. Do you find that the staff is cooperative of LIC?

- a) yes
- b) no

18. Do you have any interest to get insured further?

- a) yes
- b) no
- c) may be

19. Is life insurance corporation follows the rules IRDA?

- a) yes
- b) no
- c) no idea

20. Are satisfied by your insurance policy?

- a) yes
- b) no

**✓ FOR ORGANIZATION:**

Name:

Age :

Gender:

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9. Would you like to share your experience regarding this field?
10. How can I claim my LIC maturity amount?