

A Study on the Attributes and Factors Related To Policyholders' Perception Towards ULIP

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ABSTRACT

ULIP is a life insurance product offers dual benefit of life cover to protect our family financially and investment options to meet our long term financial goals. This research study attempted to find out the relationship between product attributes as well as selected independent variables and the satisfaction of policyholders towards unit linked insurance plan in Puducherry city. The study also aimed to rank the selected factors which make ULIP less attractive to the policyholders. The type of research is descriptive and a well structured questionnaire was framed and used to collect the primary data from 96 respondents. The primary data was analysed with the statistical tools namely percentage analysis, weighted average method and correlation analysis. Anova is used to test the hypothesis and the results were interpreted. Based on the findings, concluding remarks have been made with suggestions to put into action.

Keywords: *Unit Linked Insurance Plan, Financial Product, Investment Avenue, Risk and Returns.*

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I. Introduction

Unit Linked Insurance Plan (ULIP) is a complex and multi-dimensional financial product offering multiple benefits to the policyholders. It is a combination of insurance and mutual fund and regulated by IRDA. The distinct features of the life insurance product make it preferable than the traditional plans. The features of ULIP make it very attractive to the investors to park their money in this Investment avenue as it covers the risk and also provides decent returns. Unlike the conventional life insurance products, it is linked to the stock market. Part of the premium paid will be diverted towards stock market investments. The investment risk is typically borne by the policyholder and the extent of exposure to the stock market can be decided by the policyholder. There are many private life insurance companies in Indian market having tie-up with foreign players along with a public limited company, LIC. As all the players in the market have started providing a variety of products in this category, the market is really getting heated up. To sustain in the market, life insurers have to really focus on improving the service rendered. This study about the factors influencing the satisfaction level of the policyholders of ULIP will be helpful for the companies to formulate innovative strategies to beat the competition.

II. Review Of Literature

In the life insurance services, introduction of Unit linked insurance plan (ULIP) is a momentous achievement and right from its introduction, it accomplished remarkable growth in the limited period of time. All the life insurance companies including LIC achieved the maximum growth of ULIPs over the traditional plans during the period 2007 to 2009. Private life insurance companies contribute more to the growth of ULIP policies over the traditional plans when compared with the public sector life insurance company. As ULIP has the stock market exposure, it has market risk when compared to the traditional plans. As the unit linked insurance plans are market linked, policyholders can expect good returns from ULIP over the traditional plans but the returns is highly influenced by the stock market performance (Olekar, R., & Bendigeri, M. 2013). The market volatility affects the fund performance and there by the returns of ULIP. It is best suited for the people whose risk appetite is high. The uncertainty in investment returns and lack of knowledge due to product complexity are the most influential factors or reasons for the investors for not preferring ULIPs as their investment avenue. The investors should be very cautious while investing in ULIP as it involves market risk and

the returns are not guaranteed (Olekar, R., & Bendigeri, M. 2013). Investors should have long term orientation; be known about various charges involved in ULIP and match their risk profile with the investment avenue. ULIPs are the best options available to investors when they are looking for managing their risk through life insurance and maximizing their returns for their investments (Mitra, D., & Khan, P. C. 2012). Majority of the respondents, the policyholders of LIC, were influenced by self and followed by agents while taking an insurance policy; felt as the premium rate is high and they expected 11-15 percent returns from their investments (Thamodaran, V, P. Kamaludeen 2014). There is significant relationship between educational qualification of the ULIP investors and approach to make an ULIP investment decision, primary financial goals for opting ULIP, annual investment in ULIP, the criterion while investing in ULIP plan, the source from which they purchased ULIP plan, the duration from which they are investing in ULIP plan, frequency of checking value of investment and factors which determine the success of ULIP plan (Sudame, P. W., & Kshirsagar, P. K. 2014). There is a significant relationship between the socio economic variables of the respondents such as Marital Status, Age, Educational Qualification, Nature of employment & family type and the Primary financial goal for opting ULIP plans. The influence of the company's brand image on the performance of ULIPs is to be evaluated and the tendency of the investors to switch between various fund options is to be analysed (Bahekar, P. N., & Sudame, P. W. 2015). There is no gender difference towards the perception of ULIP investment and there are four major factors like Return, Benefit, Switching and Comparison which determine the perception of investors to invest in ULIP (Bhatnagar, V. K. 2015). The age groups of the respondents have significant association with the tax benefits availed using ULIP and the rate of return expected. Respondents' qualification has significant association with compulsory investments and investment knowledge gaining. Factors like Tax benefits, Life and Risk coverage, Fund Switching options play a vital role in fetching customer preference towards ULIP (Kumar, S. A., Murali, R., & Bharath, S. 2011). The respondents are satisfied with the liquidity of ULIPs. Further liquidity lead by matching of NAV with repurchase values; Cumbersome Liquidation procedures; and ULIPs provide high level of liquidity are important in creating satisfaction towards the liquidity of ULIPS (Shanmugasundaram, V., & Selvarathinam, E. 2015). The ULIP providers have to attract the middle and lower income group with the schemes yield high returns to improve the overall satisfaction level of the policyholders. Moreover, as ULIP plays a vital role in fund mobilizing for economic development, it should has competitive advantage over other investment avenues (Selvavinayagam.K , Vaidheeswaran.S 2019).

NEED OF THE STUDY

ULIP is a preferred financial product worldwide. In India also, it gained momentum and had become the most preferred life insurance plan by placing the traditional plans in the backseat. But during the stock market fall during 2008 due to global recession, it was the worst hit. It lost its winning streak and the changed norms by the regulatory bodies during the year 2010 to ensure fair treatment to the ULIP policyholders, made it as less attractive to the sellers as well as the intermediates. Even after the strong comeback of Indian economy from the global recession, the contribution of ULIPs was very less to the growth of Indian life insurance industry when compared to the traditional plans. It witnesses a negative growth while the traditional plans witnessed positive growth when the total life insurance premium income showed a stable growth. But in the recent past, ULIP is again gaining momentum. So it is the right time to analyze the factors influencing policyholders' satisfaction towards ULIP.

OBJECTIVES OF THE STUDY

1. To analyze the relationship between product attributes of ULIP and the satisfaction level of policy holders towards ULIP.
2. To determine the relationship between selected independent variables and policy holders' satisfaction towards ULIP.
3. To rank the influencing factors of ULIP make it less attractive.

HYPOTHESIS FRAMED

There is no significant difference between the different channels of distribution with respect to the satisfaction level of policyholders towards ULIP

RESEARCH DESIGN

To analyse the relationship between product attributes & selected independent variables of ULIP and the satisfaction level of policyholders and to identify the factors make ULIP as less attractive, a well structured questionnaire framed with likert scale questions was used to collect the primary data from the respondents belong to Puducherry city. The attributes and independent variables were chosen based on the experts opinion and from the review of literature. The type of research is descriptive and the population refers to ULIP policyholders of life insurance companies. The sample size is 96. The type of sampling method used was

Probability sampling – simple random sampling to collect the primary data and the secondary data used in this study were collected from Journals, Newspapers and Internet. Percentage analysis, Weighted average method and Correlation Analysis were used to analyse the collected primary data. The framed hypothesis was tested with Anova and the results are discussed.

LIMITATIONS OF THE STUDY

This study may have its own limitations based on the sample size, location and attributes & variables selected for analysis.

III. Data Analysis And Interpretation

CORRELATION ANALYSIS

I. Analysis of opinion of the respondents regarding product attributes of ULIP and satisfaction level of policy holders towards ULIP:

		Satisfaction	Transparency	Liquidity	Better Returns	Flexibility to choose between Various Fund Options	Tax benefits
Satisfaction	Pearson Correlation	1	.978**	.929**	.935**	.939**	.941**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	96	96	96	96	96	96
Transparency	Pearson Correlation	.978**	1	.941**	.949**	.957**	.922**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	96	96	96	96	96	96
Liquidity	Pearson Correlation	.929**	.941**	1	.969**	.935**	.901**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	96	96	96	96	96	96
Better Returns	Pearson Correlation	.935**	.949**	.969**	1	.961**	.921**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	96	96	96	96	96	96
Flexibility to choose Various Fund Options	Pearson Correlation	.939**	.957**	.935**	.961**	1	.923**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	96	96	96	96	96	96
Tax Benefits	Pearson Correlation	.941**	.922**	.901**	.921**	.923**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	96	96	96	96	96	96

Inference:

The above table reveals that there is significant relationship between policyholders satisfaction towards unit linked insurance plan and the product attributes such as Transparency, Liquidity, Better returns, Flexibility to choose between various fund options and Tax benefits at 1% level of significance.

II. Analysis of opinion of the respondents regarding selected independent variables of ULIP and satisfaction level of policy holders towards ULIP:

		Satisfaction	Regulated by IRDA	Brand Image and Company Reputation	Ease of procedures and payment convenience	Customer Support and Service Quality	Prompt Claim Settlement
Satisfaction	Pearson Correlation	1	.914**	.919**	.912**	.929**	.911**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	96	96	96	96	96	96
Regulated by IRDA	Pearson Correlation	.914**	1	.946**	.939**	.927**	.915**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	96	96	96	96	96	96
Brand Image and Company Reputation	Pearson Correlation	.919**	.946**	1	.936**	.923**	.905**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	96	96	96	96	96	96
Ease of procedures and payment convenience	Pearson Correlation	.912**	.939**	.936**	1	.941**	.909**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	96	96	96	96	96	96
Customer Support and Service Quality	Pearson Correlation	.929**	.927**	.923**	.941**	1	.918**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	96	96	96	96	96	96
Prompt Claim Settlement	Pearson Correlation	.911**	.915**	.905**	.909**	.918**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	96	96	96	96	96	96

Inference:

The above table reveals that there is significant relationship between policyholders satisfaction towards unit linked insurance plan and the selected independent variables such as Regulated by IRDA, Brand image & Company reputation, Ease of procedures and payment convenience, Customer support & Service quality and Prompt claim settlement at 1% significance level.

WEIGHTED AVERAGE METHOD

Analysis of opinion of the respondents regarding the factors affecting ULIP make it less attractive:

Rank	Weight	Factors									
		Product Complexity		Investment Risk		Various Charges involved		Lock in Period		Wrong Selling	
1	5	18	90	20	100	17	85	27	135	14	70
2	4	12	48	25	100	24	96	21	84	14	56
3	3	25	75	14	42	19	57	19	57	19	57

A Study On The Attributes And Factors Related To Policyholders' Perception Towards Ulip

4	2	20	40	28	56	16	32	15	30	17	34
5	1	21	21	9	9	20	20	14	14	32	32
Total		96	274	96	307	96	290	96	320	96	249
Average		2.85		3.20		3.02		3.33		2.59	
Rank		4		2		3		1		5	

Inference:

From the above table it can be interpreted that Lock in period is the most influencing factor to make the unit linked insurance plans less attractive followed by Investment risk, Various charges involved, Product complexity and Wrong selling based on the respondents perception.

TEST OF HYPOTHESIS USING ANOVA

Analysis of opinion of the respondents regarding distribution channels of ULIP and satisfaction level of policy holders towards ULIP:

Channels of Distribution

S. No.	Factors	No. of Respondents	Percentage
1	Agent	34	36
2	Broker	8	8
3	Bank assurance	18	19
4	Independent financial advisor	9	9
5	Direct marketing	16	17
6	Through on -line	6	6
7	Partnership firm	5	5
Total		96	100

Satisfaction Level towards ULIP

S. No.	Response	No. of Respondents	Percentage
1	Highly satisfied	26	27.2
2	Satisfied	32	33.3
3	Neither satisfied	18	18.7
4	Dissatisfied	8	8.3
5	Highly satisfied	12	12.5
Total		96	100

Null Hypothesis (Ho):

There is no significant difference between the different channels of distribution with respect to the satisfaction level of policyholders towards ULIP.

Alternative Hypothesis (H1):

There is significant difference between the different channels of distribution with respect to the satisfaction level of policyholders towards ULIP.

ANOVA Table:

Satisfaction	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	141.765	4	35.441	203.355	.000
Within Groups	15.860	91	.174		
Total	157.625	95			

Inference:

As the calculated value 0.001 is less than the significant value 0.05, the null hypothesis is rejected. Therefore, there is significant difference between the different channels of distribution with respect to the level of satisfaction towards ULIP.

IV. Findings Of The Study

- Half of the respondents belong to the age group of 36-45.
- Most of the respondents (89.6%) are married.
- 52.1% of the respondents are under-graduates.
- More than a third of respondents (36.5%) are working in private companies.
- 39.6% of the respondents belong to the income group of Rs.4-6 LPA.
- Half of the respondents hold up to 2 ULIPs.
- Many of the respondents (61.5%) hold ULIP for 3 to 5 years
- Nearly half (48.96%) of the respondents are policyholders of LIC and the remaining belong to private life insurance companies.
- Most of the respondents (80.2%) responded that they will recommend ULIP to others to a greater extent.
- There is significant relationship between policyholders satisfaction towards unit linked insurance plans and the product attributes such as Transparency, Liquidity, Better returns, Flexibility to choose between various fund options and Tax benefits at 1% level of significance.
- There is significant relationship between policyholders satisfaction towards unit linked insurance plan and the selected independent variables such as Regulated by IRDA, Brand image & Company reputation, Ease of procedures and payment convenience, Customer support & Service quality and Prompt claim settlement at 1% significance level.
- Lock in period is the most influencing factor to make the unit linked insurance plans less attractive followed by Investment risk, Various charges involved, Product complexity and Wrong selling based on the respondents perception.
- There is significant difference between the different channels of distribution with respect to the level of satisfaction towards ULIP.

V. Conclusion And Suggestions

From the study it is concluded that the distinct features / product attributes of ULIP and the selected independent factors have a strong positive correlation with the satisfaction level of policyholders towards ULIP. Moreover policyholders' loyalty towards the financial product is also evident from the study. The influencing factors making ULIP less attractive were also ranked and portrayed. Test of hypothesis was done with Anova and the result was obtained.

Policyholders have to be oriented to have long term perspective while buying a life insurance policy especially ULIP as the factor 'Lock in period' is the most influencing one to make ULIP less attractive. Policyholders have to be well educated about various fund options available to choose between to reduce the investment risk and product complexity associated with ULIP as those factors are considered as the influential factors to make the ULIP less attractive. Moreover various charges associated with ULIP are to be disclosed to avoid wrong selling.

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