

Is it Really a Viable Option to Invest in Insurance Products? A Study of ICICI Prudential Life Insurance in Dehradun

Amit Adlakha *

ABSTRACT

Globalization has brought with it a host of opportunities and challenges that have led to the emergence of innovative practices that allows business and public services to operate at a high growth rate. This has rewritten the risk factors and insurance gateways. The macroeconomic studies reveal that the risk and insurance coverage awareness in India whose population is in excess of 1.1 billion is precariously low and as uncertainty prevails in the present business landscape, insurance looks indispensable. With only 3.2% of country's population within the bracket of insurance (which in most of the advanced countries is 100%) providing an insurance cover to every common citizen of the country appears to be a Herculean task for the policy makers as well as the insurance agents. This would require customized policies and plans catering to the requirements of different sections of society along with well defined and time tested channels of distribution. A modest attempt has been made in the paper to ascertain the investment preference of the consumers based in Dehradun, assess factors that influence their investment decisions and the level of satisfaction they obtain out of their investment choice.

Introduction

India is the fifth largest market in Asia by premium following Japan, Korea, China and Taiwan. The US\$ 30 billion insurance business in India is expected to grow at 17 % in fiscal 2008-09 if the country's economy (GDP) touches a growth rate of 7.6 % In fiscal 2007-08 life insurers grew their business by 23.3 % to Rs.930 billion while general insurers posted growth of about 14 % in premium income to Rs 298 billion. The premium income in the country increased to 4.7 % of GDP in fiscal 2006-07 from 3.3 % in the fiscal 2002-03. Total premium in the insurance industry grew at a CAGR of 28.1 % during the same period. The life insurance sector grew at a CAGR of 29.3 % outsmarting the general insurance sector's CAGR of 21.3 %. The Indian insurance sector has a turnover of around Rs 26,287 crore. Despite such a huge market the penetration of Indian insurance remains as low as 0.39-0.40% of the country's GDP.

Per capita insurance premium in India is a mere US\$ 6, one of the lowest in the world. In South Korea, the corresponding figure is US\$1,338, in USA it is \$ 2250 and in UK it is \$1589.

Insurance premium as a percentage of savings is barely 5.95 per cent in India compared to 52.5 per cent in the UK. The paper attempts to ascertain the investment preference with regard to policies and

brands available in the market, with specific reference to ICICI Prudential Life Insurance.

About the Industry

To safeguard the interests of the holders of insurance policies and to establish an authoritative body to regulate, promote and ensure orderly growth of the insurance industry, Insurance Regulatory and Development Authority (IRDA) was established by an act of Indian Parliament known as IRDA Act 1999. The Insurance Regulatory and Development Authority (IRDA) is a national agency of the Government of India, based in Hyderabad. The insurance industry has witnessed a rapid growth since 2001 with the participation of the private players, employment and career options have also increased since then leading to the growth of the industry at a higher pace.

Penetration of Insurance

Life insurance penetration in India was less than 1 per cent until 1990-91 and increased to 2.53 per cent in 2005, and to 3 per cent in 2006-07. While the impetus for growth has come from both public and private insurers, the number of players in this segment have also increased to 25 (24 in private sector), with Life Insurance Corporation (LIC) still being the dominant player (market share of over 74 per cent). The general insurance industry grew at 11.6 per cent

* Faculty of Management, ICFAI University, Dehradun

between April and November in 2007-08 with robust performances by private players. The 13 non-life insurers collected US\$ 4.7 billion in premium against US\$ 4.2 billion in the same period last year. Private sector players' market share has grown to about 40 per cent in FY08 as compared to the public sector's 60 per cent.

Company Profile of ICICI Prudential Life Insurance

ICICI Prudential Life Insurance Co. Ltd. is a joint venture between ICICI Bank, India and Prudential plc, U.K. It started its operations in December, 2000 and is the first life insurer in India to receive a National Insurer Financial Strength rating of AAA from Fitch ratings. The company offers a wide range of products covering all the segments of the market and is a market leader offering a varied range of products but still has a long way to move ahead in order to create the overall positive impact.

Product Portfolio

1. Insurance Solutions for Individuals

ICICI Prudential Life Insurance offers a range of innovative, customer-centric products that meet the needs of customers at every stage of life. Its products can be enhanced with up to four riders, to create a customized solution for each policyholder.

2. Savings & Wealth Creation Solutions

It offers a wide range of options to build savings for future for various productive purposes like save 'n' Protect, Cash Back, Life Time Gold, Life Stage RP, Life Link Super, Premier Life Gold, Invest Shield Life New and Invest Shield Cash back.

3. Protection Solutions

These are plans such as Home Assure to protect the insured family against the loss of his/her income (Life Guard) or the burden of a loan especially home loan in the event of unfortunate demise, disability or sickness of the insured.

4. Education Solutions

The plan provides guaranteed educational benefits to a child along with life insurance cover for the parent who purchases the policy. The policy is designed to provide money at important milestones in the child's life.

5. Retirement Solutions

The plans provide security for the future and give assurance to lead a peaceful and happy life after retirement like Forever Life, Life Time Super Pension, Life Stage Pension, Life Link Super Pension, Immediate Annuity and Premier Life Pension.

6. Health Solutions

Under this umbrella the company provides various solutions for an individual person to assure peace for him/her against any mishappening. The various plans are Health Assure Plus, Cancer Care, Cancer Care Plus, Diabetes Care, Diabetes Care Plus, Hospital Care and Crisis Cover.

Objectives of the Study

- ? To determine the investment preference with regard to various insurance policies and plans those are available in the market.
- ? To ascertain factors influencing the investment decision of the investors when they make an investment decision.
- ? To find satisfaction level of customers with regard to the channels of distribution and the various saving modes of investment.

Research Methodology

To analyze a group of individuals and depict similar characteristic or attributes in them required a descriptive study. It required describing the characteristics of a particular individual or group; estimate the degree of similarity between the individuals' behavior and their corresponding percentage. The research involved a study on the awareness of the investment products available with specific relation to ICICI Prudential Life Insurance Company.

Nature of Data

The researcher has made use of the primary data collected through a survey method to carry out the research process. The survey was conducted on investors with the help of MBA students who were specially trained for the purpose. A well structured questionnaire (as shown in the annexure) was developed for conducting the study. The questionnaire was divided into two parts. First part was designed to obtain demographic information about the respondents' age, income and profession etc. and the second part contained closed-ended questions relating

to various parameters on which investors' opinion was taken. A sample size of 100 was chosen keeping in mind not only the time factor but also the area of coverage. The primary data collected through the questionnaire was directly administered by the researcher when filled by the respondents.

Locale of the Study

The study was conducted in Dehradun during the month of March-April, 2009.

Limitation of the Study

- ? **Time Constraint:** The Study was conducted in the month of March-April, 2009 so the conclusions drawn analysis made pertain to the information obtained during this period of time only.
- ? **Possibility of sampling error:** Sample selected for study was gathered on the basis of convenience sampling and may not be the true representative of the population studied.
- ? **Dependency on questionnaire:** During the research the sole method of data collection has been questionnaire, this may have limited the data collection to the extent of data generation through this method.
- ? **Limited sample size:** A sample size of 100 may not be an appropriate representative of the population, and so the conclusion may be different from the real scenario.

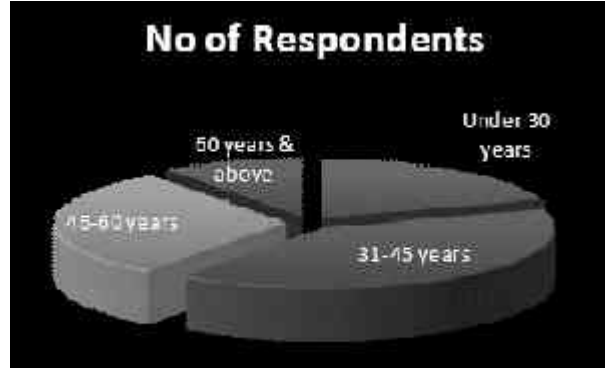
Analysis and Inference of the Study

The following is an analysis of the responses received.

(1) Age of the Respondents

About 40% of the investors were in the age group 31-45. Though the people in the age group 31-45 invest more, the volume of their investment is low in comparison to that of their counterparts who are under 30 years of age.

| Age of Respondents | No of Respondents | Percent (%) |
|--------------------|-------------------|-------------|
| Under 30 years | 20 | 20 |
| 31-45 years | 40 | 40 |
| 46-60 years | 30 | 30 |
| 60 years & above | 10 | 10 |
| Total | 100 | 100 |



(2) Annual Income of Respondents

Annual income helps to depict the amount of the investment that can be made by an investor. Some of the respondents were initially slightly reluctant to disclose their annual income and had to be convinced to do so. It was observed that most of the respondents were having an annual income between Rs3-5 lakh and respondents with an annual income of Rs10 lakh and above were the least.

| Annual Income of Respondents | No of Respondents | Percent (%) |
|------------------------------|-------------------|-------------|
| Less than Rs.100,000 | 10 | 10 |
| Rs1-3 lakh | 10 | 10 |
| Rs.3-5 lakh | 70 | 70 |
| Rs5-10 lakh | 6 | 6 |
| Rsd10 lakh & above | 4 | 4 |
| TOTAL | 100 | 100 |

(3) Influence behind Investment Preference

These days, high cost of living takes away a substantial part of the income in order to meet the daily expenses. So, to minimize the burden of Income Tax, the investors prefer investing in plans that best suit their requirements. The study depicted that the most preferred plans of ICICI Prudential were the Pension Plan and Tax Saver Plan which confirms that the main objectives behind purchasing an Insurance plan are old age security and saving of income tax.

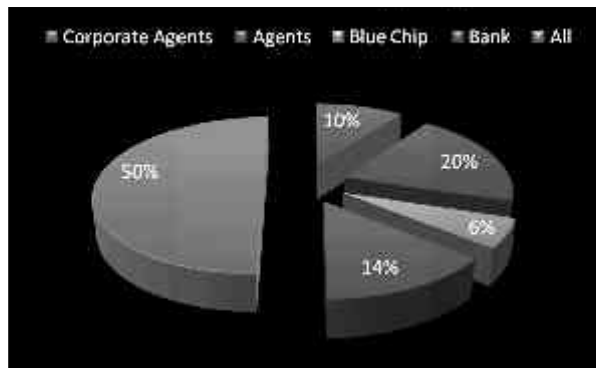
| Insurance Plans | No of Respondents | Percent (%) |
|-----------------|-------------------|-------------|
| Protection Plan | 20 | 20 |
| Investment Plan | 10 | 10 |

| | | |
|----------------|------------|------------|
| Pension Plan | 30 | 30 |
| Saving Plan | 14 | 14 |
| Tax saver plan | 26 | 26 |
| TOTAL | 100 | 100 |

(4) Preferred Distribution Channel for Investment

The chart below shows that amongst the various distribution channels that provide Insurance plans the most preferred channel of distribution is selling of insurance plans through corporate agents as most of the investors desire to be properly educated about various insurance plans that best fulfill their requirement in their leisure time before they finally make up their mind about purchasing a particular plan.

| Channel | No. of People |
|------------------|---------------|
| Corporate Agents | 10 |
| Agents | 20 |
| Blue Chip | 6 |
| Bank | 14 |
| All | 50 |



(5) Preferred Mode of Investment

The below table depicts the preferred investment mode of the respondents. It was observed after the analysis that maximum people prefer investing on a monthly basis, some save once in three or six months and others as and when they have a cash surplus.

| Investment Mode | No of Respondents | Percent (%) |
|----------------------|-------------------|-------------|
| Monthly | 40 | 40 |
| Once in three months | 14 | 14 |
| Once in six months | 10 | 10 |
| As and when Surplus | 36 | 36 |
| TOTAL | 100 | 100 |



(6) Investment Decision

The below table depicts the choice of opinion leaders or the influences for making an investment decision. It has been observed after the survey that the major investment decisions towards the purchase of an insurance plan are taken after consulting the friends or relatives. Banks are still not the most preferred choice for making an insurance policy decision.

| Investment Mode | First | Second | Third |
|------------------|-------|--------|-------|
| Banks | 6 | 3 | 0 |
| Friends | 26 | 10 | 0 |
| Relatives | 19 | 8 | 0 |
| Corporate Agents | 10 | 1 | 2 |
| Others | 15 | 0 | 0 |

(7) Awareness Level

Most of the people were aware of the Insurance Company ICICI Prudential as nearly 90% respondents answered positively, which means awareness level of ICICI Prudential amongst the people of Dehradun is very high.

| Awareness Level | Response | Percent (%) |
|------------------------|----------|-------------|
| Aware of ICICI Pru | 90 | 90 |
| Not aware of ICICI Pru | 10 | 10 |
| TOTAL | 100 | 100 |

(8) Reason for Investment in Insurance Products

All the respondents preferred to invest, and their most preferred plan was Tax saving plan. Investors rated tax saving as their first preference followed by home security. After home security they preferred children plan and some gave second preference to children plan and then home security.

| Investment Purpose | No. of People |
|----------------------------------|---------------|
| Tax Planning | 31 |
| Planning for home | 21 |
| Provide for children's education | 21 |
| Regular Post retirement Income | 27 |



Findings

- ? Most of the Investors asserted that they should be guided properly while making an investment decision. About 90% respondents were aware of the various products of ICICI Prudential and their associated benefits.
- ? Awareness level that the private insurance companies have created in Dehradun is quite high. But a considerable percentage of people are still reluctant to invest in them as they have a pre conceived notion that private organizations often get involved in scams and fraudulent activities.

- ? In case the cash surplus available is on much higher side, majority of investors particularly large and established businessmen prefer investing their funds in immovable properties.

Conclusions and Suggestions

- ? The company has already generated a lot of awareness in the city. It's highly Customized product portfolio that is catering well to the requirements of investors. It is supplemented with aggressive marketing skills that is helping it capture a larger market share in comparison to its competitors.
- ? The company can further accelerate the pace of change through creation of loyal customers by making them realize that private insurance companies an equally safer bet as LIC.
- ? Relationship today matters a lot as customers have tendency to stick with the brand even if it is beyond the objective and subjective assessment of it's worth. The challenge lies in regaining a lost customer through win back strategies and strengthening customer retention.
- ? The company should provide information to it's customers about its new offering. They can make follow-up calls and request them visit to their websites.
- ? The e-marketing tool can be used effectively by banks; e-mails can be sent to those people who are having salary account at ICICI Prudential as this would improve the conversion rate. Further opening up the sector would mean development of new products, better distribution channels and improved customer service. This would force both new and existing players explore new distribution and marketing channels. Potential buyers for most of the insurance companies, including ICICI Prudential, are in the middle class. So insurance products catering to the requirements of this segment should be appropriately developed after working out the various benefits and the policy premium threadbare. In the past three year, the insurers have already begun to target niches like pensioners, women and children to mobilise the untapped potential market.

Reference:

- Donald R, Cooper and Pamela S and Schindler (2005), *Business Research Methods*, Tata McGraw Hill, 8th Edition, p.857.
- R Subramanian (2008), "Is Investment in Insurance Products A Worthwhile Option?A
- Study based on HDFC Standard Life Insurance Plans", *The ICFAI journal on Risk and Insurance*, Vol. 2, No.2, pp.21-29
- Subroto Roy and William E James (1992), *Foundations of Indian Economy: Towards An Agenda for the 1990's*, Sage Publications India Private Limited, p. 304.
- www.indiaonestop.com
- www.iciciprulife.com
- www.irda.com
- www.wikianswers.com