An empirical study on responses of ULIP Investors, with regard to switching between the ULIP funds

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ABSTRACT

ULIPs since its inception have been a matter of controversy, which has paved a way for multiple types of research through which spectacular results have come out. Through our present research work, we attempt to sketch ULIPs clearly, bring out it's true & unbiased picture which will help the readers to unfold various shades of this insurance plan, help them to come up with worthy decisions. The study has incorporated only primary data for concluding the research. The prime conclusion of the research was that ULIPs are capable of bringing good returns to the investors with only one condition & that is patience. We have associated performance of the plan with hard-earned human value patience. The marketers must explain this peculiar nature of the plan before selling it to build up customer retention in this regard. The proposed research study was undertaken with the aim of critically analyzing the responses of ULIP investors with regard to their knowledge of market fluctuations - - BSE Sensex, BSE All Cap, BSE 500, NIFTY etc. and using the unique feature of ULIP- switching between the funds as per the market fluctuations. Primary data was collected from only those respondents how have either invested in ULIP policies across the insurance industry. Three hypotheses were created and analyzed on the basis of tables and figures to reach the conclusion that investor's age group and income are two identified independent variable for the purpose of study ULIP investment and although 48 % ULIP investors have knowledge of market fluctuation but 92% investors do not switch between the ULIP funds.

Keywords: ULIP, Switch Option, Market Fluctuations

INTRODUCTION

ULIPs are the most innovative plan of the era which has successfully incorporated investments into the monotonous & old concept of insurance. A Unit Linked Insurance Plan (**ULIP**) is a product offered by insurance companies that provide combo offer of insurance and investment bundle in one plan, wherein Investors get the benefit of life insurance cover and their investment in the market under the close observation of qualified fund manager with variety of features as easy liquidity, switching between the funds, option to choose fund with different percentage of equity, riders, Tax benefit under section 80 C etc. which makes them more attractive than other investment options available in the market.

OBJECTIVES

The study is undertaken with an aim to discover the awareness level of investors with regard to stock market & its association with their expectations of returns, their reliability on the fund managers of the company or their own interests in understanding & dealing with stock market fluctuations. The key objectives of the study are:

1. To identify the level of awareness among investors, also enquiring about their interest in knowing about the activities of the market.
2. To know what makes the investors invest in ULIPs, its investment cum insurance benefits or returns from the market.

3. To identify if there is an association between gender-based awareness or any awareness with regard to education qualification & knowledge of ULIPs & related variables,
4. Can ULIPs be considered as a sit & relax option or an option of investment that needs a continuous treatment & attention?
5. Last but not the least, awareness of investors can do something good to their basic idea of the stock market, or lack of knowledge about switching option & many other in-depth activities makes no big difference to their attitude towards the stock market.

REVIEW OF LITERATURE

(Lakhani, 2014)[1] Unit Linked Insurance Plans (ULIP) had emerged as a major player in savings mobilization. Investors had shown keen interest by subscribing to ULIP schemes anticipating higher returns. Key objectives of research paper were To study the risk-adjusted return on equity, balanced and debt funds of ULIP of top five life insurance companies and to recommend which fund is giving better returns to its policyholders.The study scrutinizes examined the risk-adjusted returns that have accrued to funds of top five life insurance companies over a period of four years. From the various funds examined, it can be said that an investor who is ready to take risks should invest in equity fund of SBI Life Insurance Co. Ltd. The investor who balanced his investment between equity and debt should opt for asset allocation fund of Bajaj Allianz Life Insurance Co. Ltd. Lastly, the risk-averse investor should invest in money market fund of ICICI Prudential Life Insurance Co. Ltd.

(Samajpati, 2013)[2] in his research paper "Performance appraisal of unit-linked insurance plans (ULIPS) in India: a case study" has analyzed the performance evaluation of ULIPs through Risk-Return Analysis, Treynor's Ratio, Sharpe's Ratio, and Jensen's Measures. The schemes selected for study were ICICI Life Stage RP-Maxi miser (Growth) Fund, Bajaj Allianz. New Family Gain-Equity Index Fund II and ING High Life Plus-Growth Fund. The results of performance measures suggested that all the three ULIPs schemes have outperformed the market. Among the three schemes, ING Vysya ULIP was the best performer.

(Kumar, Murali, & Bharath, 2011)[3] undertook a survey to understand the customer's perception about ULIP and the factors in favor of the acquisition of ULIP. 25 factors were identified and a factor analysis test revealed that factors like Tax benefits are high, Transmission, Switching of Options within the fund, Risk coverage, Life Coverage plays a prominent role in bringing customer preference towards ULIP. Application of chi-square test showed that there is significant association between age group and rate of return, age group and tax benefits, qualification and compulsory investment, qualification and gaining an enriching investment knowledge and occupation and tax benefits

(Seranmadevi, Saravanaraj, & Natarajan, 2011)[4] found out the consumer awareness and preference for ULIP. A structured questionnaire was administered to 200 respondents and the data was analyzed through simple percentage analysis, weighted average method, ranking method, ANOVA, chi-square, F-test, and correlation. It was observed that mutual fund is the first choice of Investment Avenue. ICICI Prudential is the preferred private life insurance company in ULIPs. Investors find switch fund to be an attractive feature in ULIP. They concluded by stating that good advertising and better recruitment of agents can help a company to get a good market share

(Kumar, Murali, & Bharath, 2011)[5] undertook a survey to understand the customer's perception about ULIP and the factors in favor of the acquisition of ULIP. 25 factors were identified and a factor analysis test revealed that factors like Tax benefits are high, Transmission, Switching of Options within the fund, Risk coverage, Life Coverage plays a prominent role in bringing customer preference towards ULIP. Application of chi-square test showed that there is a significant association between age group and rate of return, age group and tax benefits, qualification and compulsory investment, qualification and gaining an enriching investment knowledge and occupation and tax benefits.

(Karuna, 2009)[6] observed that traditional life insurance plans offered by LIC took care of only the insurance needs of people. However, with the ever-changing demands of customers, a new product called ULIP was launched which combines the benefits of insurance, investment, and tax benefits. The key findings of this article were: The ULIP expenses are categorized as annual expenses and fund management charges out of which a major share goes towards agents' commission. On account of this, the agents push ahead the sale of ULIPs. To curb such malpractices, IRDA has made it mandatory for a policyholder to sign a document stating that they have fully understood the terms of the policy and the costs associated with it. ULIPs are better suited to investors who have 15-20 years as their time horizon. This helps to spread the expense over the longer period and reap the benefits. When the stock markets tumbled below ₹10000 mark many people who had directly invested in the stock market and also the ULIPs faced a fall in the value of their holding. This led to

falling in demand for ULIPs. However, she pointed out that this was the right time to purchase the ULIP as low NAV will help to acquire a high number of units. Hence ULIP is a good investment vehicle for those people who try to understand its features and are ready to wait patiently to take advantage of the market situation by opting for switch option.

RESEARCH METHODOLOGY

Structured Opinion questionnaire was collected with help of Google forms. Total 178 responses were collected from only those investors who have purchased ULIP policies from either of 24 insurance companies. Primary data were collected using structured questionnaire using Google forms. Due to inadequate response through Google forms, few life insurance offices were visited & investors who have purchased ULIPs were enquired off with the aim to achieve worthy responses for the research study.

HYPOTHESES

H_{01}:   There is no significant difference between age group and investment in Unit linked insurance plans

H_{02}:   There is no significant difference between occupation and income of investors and investment in Unit linked insurance plans.

$H_{03:}$ Common investors do not have knowledge about market fluctuations and switching option in Unit linked insurance plans

ANALYSIS OF DATA

On the basis of responses, tables and figure were prepared, to extract result out of the sample population.
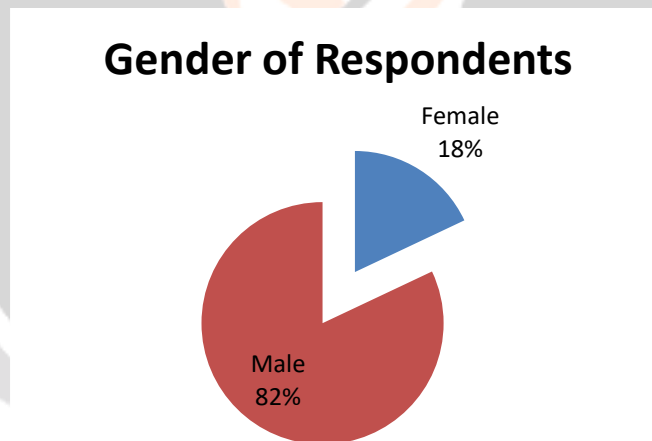
Figure 1.1: Gender of Respondents

Interpretation: Figure 1.1, with the aim of knowing whether common investors have knowledge about the relationship of BSE Sensex and ULIP net asset value, primary data was collected through questionnaire via google forms. A total of 178 respondents taken ULIP policy were interviewed, of which 32 were females and 146 were males.
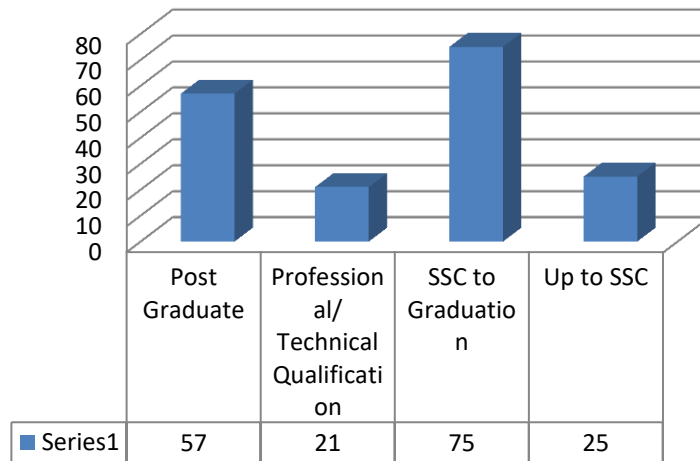
Respondents Education Qualification

Series1	Post Graduate	Professional/ Technical Qualification	SSC to Graduation	Up to SSC
	57	21	75	25

Figure 1.2: Education Qualification of Respondents

Interpretation: Figure1.2 reveals the level of education of respondents, both male and female respondents were classified on the basis of their educational qualifications out of 178 respondents, 75 acquired education qualification from SSC to Graduation and were 42% of total sample size.
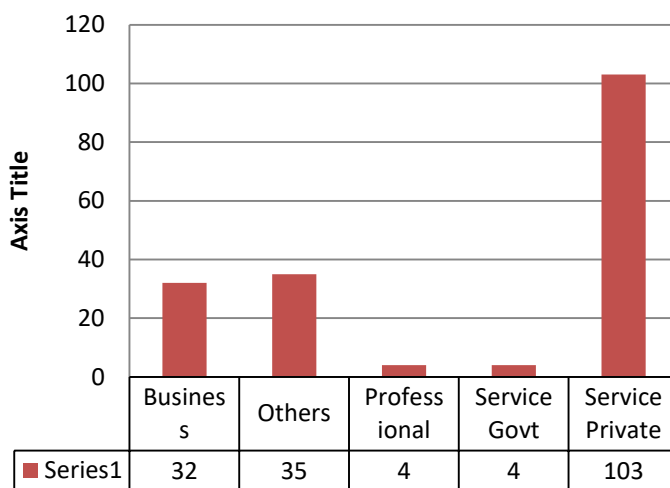
Occupation of Respondents

Series1	Business	Others	Professional	Service Govt	Service Private
	32	35	4	4	103

Figure 1.3: Occupation of Respondents

Interpretation: Figure 1.3, revealed the occupational structure of respondents. Of 178 respondents, 32 were businessmen, professionals & Govt. officials were a mere 4, those engaged in the private sector were the most i.e. 103. Others who do not fall in any of the above heads were 35 in number.
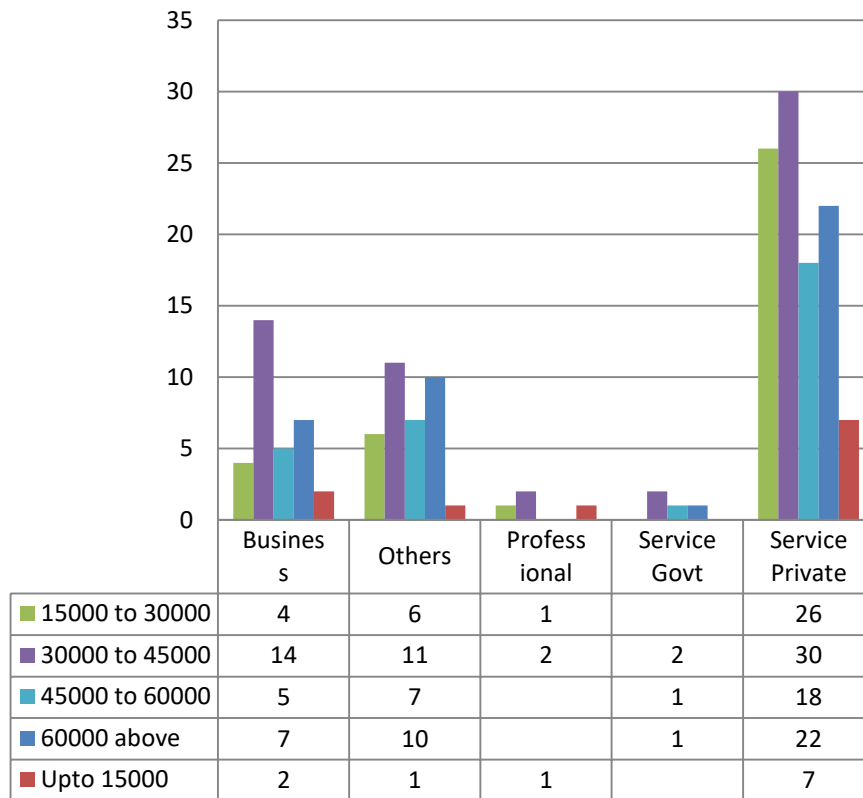
Monthly Income and Occupation of Respondents

	Business	Others	Professional	Service Govt	Service Private
■ 15000 to 30000	4	6	1		26
■ 30000 to 45000	14	11	2	2	30
■ 45000 to 60000	5	7		1	18
■ 60000 above	7	10		1	22
■ Upto 15000	2	1	1		7

Figure 1.4: Monthly Income and Occupation of Respondents

Interpretation: Figure 1.4, Furthermore, the respondents were extendedly classified on the basis of their income with reference to the occupation they belong to. It was done with an aim to bring in a huge variety within research & draw conclusions not on the basis of just a few belonging strictly to particular income group. Rather, those earning up to 15000 & those earning 60,000 & above were both included in the samples. This two-way figure rightly explained that maximum of the investors in ULIPs belong to the service class, Professionals & Govt. officials do not invest much in this area, respondents earning 30000 - 40,000 per month are the most likely investors of ULIPs & those earning 15,000 or less are just 6.15% of all.
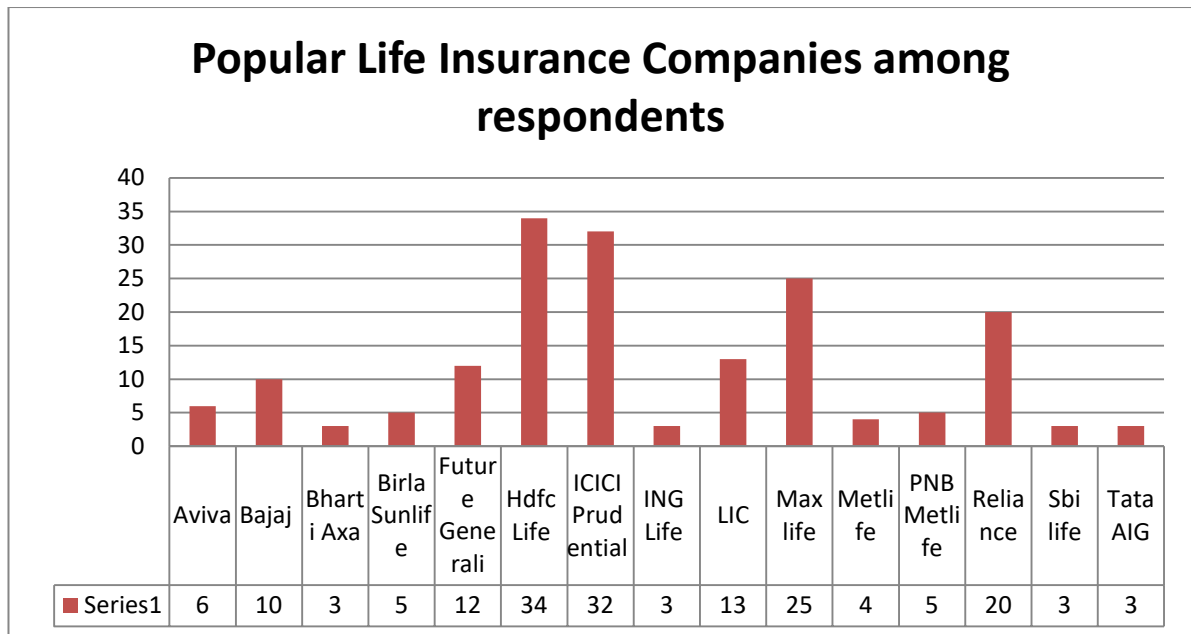
Popular Life Insurance Companies among respondents

Series1	Aviva	Bajaj	Bharti Axa	Birla Sunlife	Future Generali	Hdfc Life	ICICI Prudential	ING Life	LIC	Max life	Metlife	PNB Metlife	Reliance	Sbi life	Tata AIG
■	6	10	3	5	12	34	32	3	13	25	4	5	20	3	3

Figure 1.5: Popular Life Insurance Companies among respondents

Interpretation: Figure 1.5, A general awareness of respondents with regard to the companies they are known made the researcher believe that of 24 companies 15 are widely known to the sample. Of these 15, HDFC life insurance & ICICI Prudential are the most known, & Bharti Axa, Metlife, ING, SBI life & Tata AIG is least popular among the respondents.

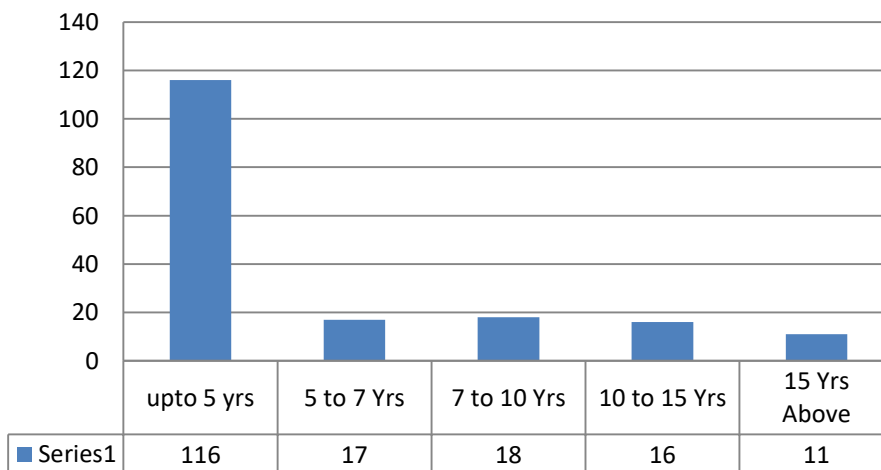## Respondent responses for how many years will they hold ULIP policy

	upto 5 yrs	5 to 7 Yrs	7 to 10 Yrs	10 to 15 Yrs	15 Yrs Above
■ Series1	116	17	18	16	11

Figure 1.6: Respondent response for, how many yearswill you hold ULIP policy

Interpretation: Figure 1.6, the graph above brings out that most of the respondents hold ULIP policy up to 5 years. Surprisingly, this is not always because of dissatisfaction that respondents encounter after investing in ULIPs but few investors opined that they have been explained about the plan that it allows maximum liquidity & insurance cover is for first 5 years, thus either they stop paying a premium or surrender policy. The others who invest for about 11, 15 or more years hold because of expected good returns, future contingency or other future financial goals and planning.
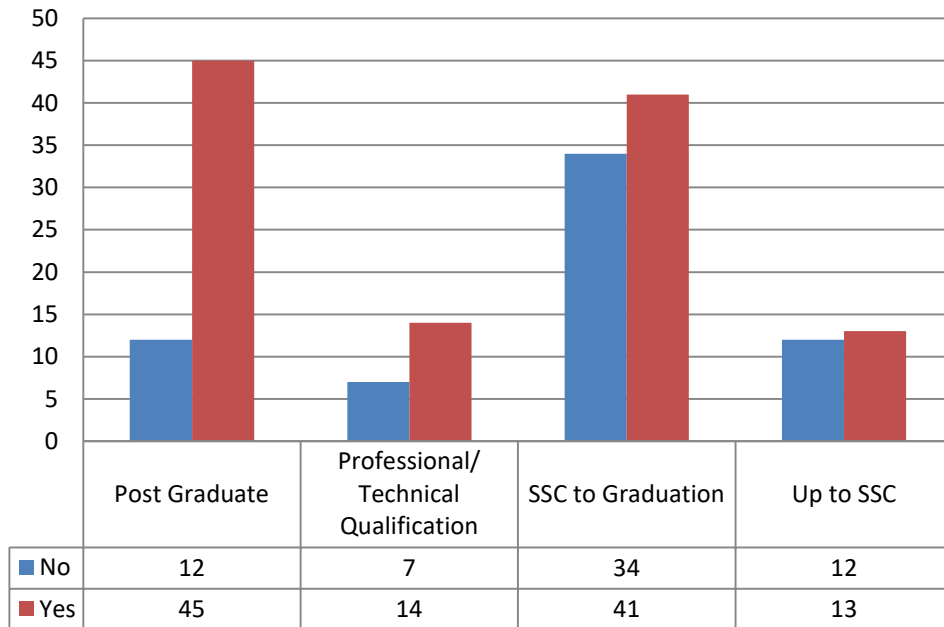
Out of different fund option available in ULIP Plans, what is your choice of % in Equity

	less then 25 %	25% to 50 %	50% to 75%	75% to 90 %	90 to 100%	100%	Don't know
■ Series1	4	9	57	22	4	16	66
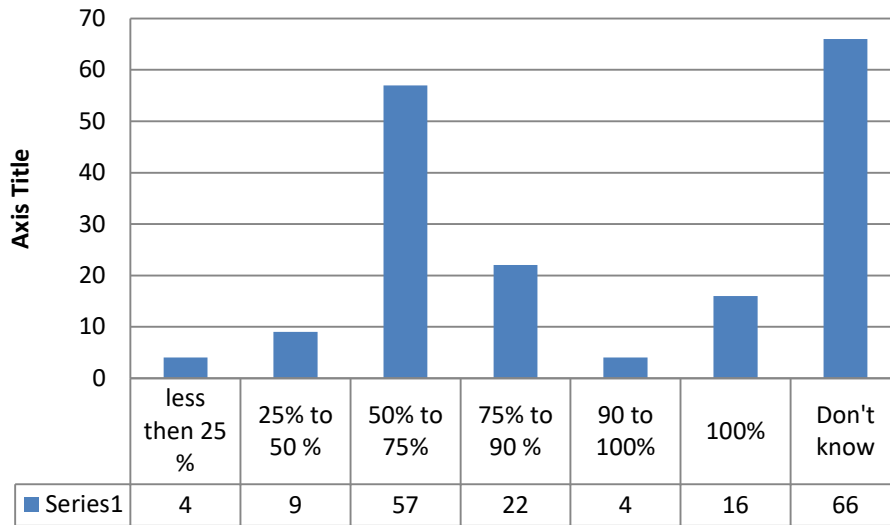
Figure 1.7: Respondent choice of % in Equity in their ULIP Funds

Interpretation: Figure 1.7, the table figures out the choice of ULIP investors about the preferred equity content therein. 66 respondents had no idea about it, i.e. they rely on the agent's perspective & have just invested, 57 respondents prefer 50-75% equity content & extreme results were seen with just 4 respondents in 100% equity preference & less than 25% equity preference. In the nutshell, moderate equity investment is the choice of most of the respondents.

Respondents Education and Knowledge of Premium Allocation Charges

	Post Graduate	Professional/ Technical Qualification	SSC to Graduation	Up to SSC
■ No	12	7	34	12
■ Yes	45	14	41	13

Figure 1.9: *Respondents Education and Knowledge of Premium Allocation Charges*

Interpretation: From the Figure 1.8, displays the education qualification and premium allocation charges of respondents. It can be rightly examined that most of the postgraduates were having awareness about premium allocation charges irony of the situation, is that respondents associating themselves with professional/Technical qualifications have less interest and knowledge about premium allocation charges, maybe because of their tendency to choose safer investment avenue and priorities of keeping it aside.

Do Respondent keep themselves updated about Market fluctuations

	Female	Male
■ No	11	81
☐ Yes	21	65
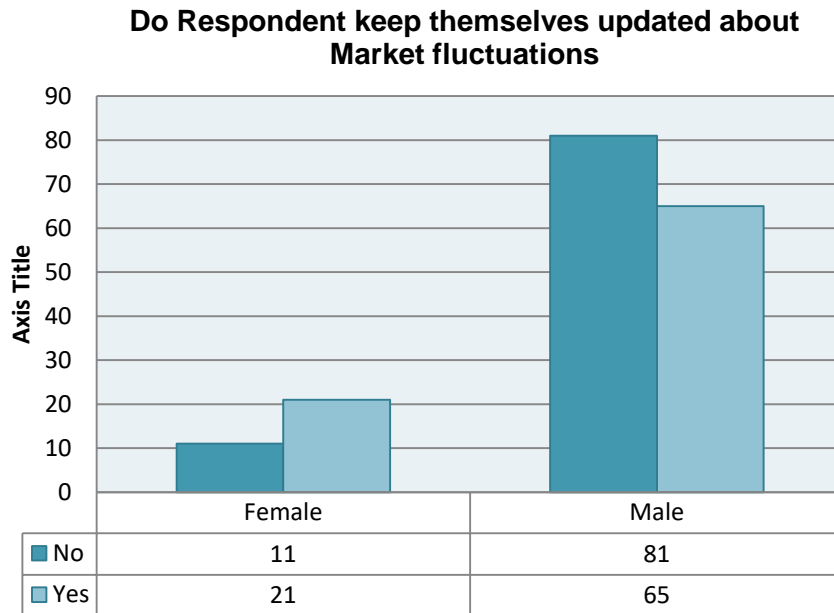
Figure 1.9: *Do Respondent keep themselvesupdated about Market fluctuations*

Interpretation: Figure 1.9, reveal that males & females respond differently to investing in ULIP plans & being updated with market fluctuations associated with it. An unusual result came out of this questioning, female keep themselves more updated than male about market fluctuations. They have comparatively less interest in stocks than males but when it comes to bothering their money, they respond more gently and responsibly. Hence it can be concluded from the above investigation, females keep themselves more updated about market fluctuations. On the other hand, 65 of the total no. of males know about & keep themselves updated about market fluctuations, i.e. 45% of the males are updated & possess knowledge about market fluctuations.

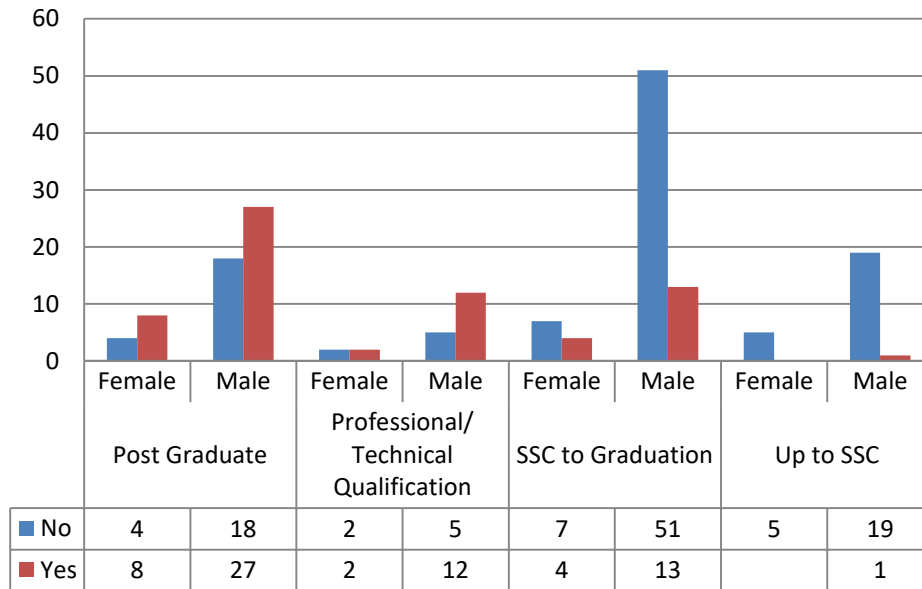### Respondent awareness about switching between ULIP funds

	Female	Male	Female	Male	Female	Male	Female	Male
	Post Graduate		Professional/ Technical Qualification		SSC to Graduation		Up to SSC	
▆ No	4	18	2	5	7	51	5	19
▆ Yes	8	27	2	12	4	13		1

*Figure 1.10: Respondent awareness about switching between ULIP funds*

Interpretation: Figure 1.10, 36% respondent were aware about the switching option which confirms that large population of common investors are not having adequate knowledge of market fluctuations and they completely trust on life insurer's goodwill and fund managers skills. Education brings awareness, through primary data investigations it is concluded that, whether it is males or females those who were educated up to post-graduation, or professionals knew about switching option, others lacked it.

Table 1.1

How many times do you switch between funds in a year?

Switches in Year	Frequency
1 to 3 times	2
4 to 6 times	8
7 to 10 times	5
Never	163
Grand Total	178

How many times do you switch between funds in a year ?
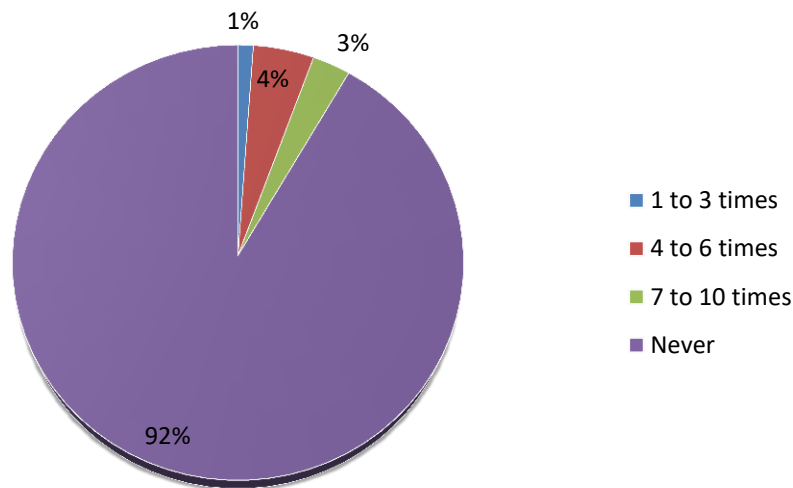
Figure 1.11: How many times do you switch between funds in a year

Interpretation: Figure 1.11 and Table 1.1, discover that switching is not a known term for a maximum of investors. 92% of the respondents do not know about this benefit cum an option attached to ULIP avenue of investment. A very less number is known to the concept of switching. This feature is mostly carried out by the fund managers of the respective companies.

The result of hypothesis:

Through the analytical done it is concluded that:
1. Hypothesis captioned as "H_{01}: There is no significant difference between age group and investment in Unit linked insurance plans." Researcher rejected the mentioned hypothesis on the basis of primary data collected, as it is depicted from the Figure 1.3 that 67% (121) investors in ULIP product are from the age group of 25-35 years, it can be further concluded that 33% (57) respondents are from another age group. Further, it can be investigated that there is a drastic downfall in the investors from the age group of 45-55 years which is 4% only of the sample under study. Concluding the results, ULIP products are not the choice of investment option among all age groups.
2. Hypothesis captioned as "H_{02}: There is no significant difference between occupation and income of investors and investment in Unit linked insurance plans." Researcher rejected the mentioned hypothesis and concluded that occupation and income are significant variables for the study of ULIP. As it is depicted from the Table 1.5 that among various classification of occupation as business, profession, Govt. Service, private service and others, 57.87% ULIP investors are from Private service and remaining 42.13% investors are from other occupations. The popularity of ULIP investment in service sector might be due to either of the reason, the flexibility of premium payment option monthly, quarterly, half-yearly annually, or Life insurance cover with additional riders or Liquidity option or financial goal like Childers marriage etc.

    On further investigation, Researcher concluded that Income was one identified independent variable affecting investment in ULIPs which can be rightly examined form Figure 1.5, wherein monthly income have been classified as Up to 15000 to Rs. 60,000 and above. Figure 1.5 gives crystal clear explanation ULIP does not capture the attractiveness among all income groups, it has 33.15% and 6.18% of the sample under study from monthly income group of Rs.30,000 to 45,000 and up to Rs 15000 respectively.

3. Key Hypothesis of research paper captioned as "H03: Common investors do not have knowledge about market fluctuations and switching option in Unit linked insurance plans." on the basis of primary data collected which can be depicted following from

    The Figure 1.09, that 48% (86) respondents keep themselves updated about market fluctuations- BSE Sensex, BSE All Cap, BSE 500, NIFTY etc.

    Further, Figure 1.10, depicts respondent awareness about switching between ULIP funds and their education qualification wherein only 36% respondents gave positive response and remaining 64 % were not even aware about the outstanding feature of ULIP plans offered by the Company. This might be either due to any of the following reason investors are not given complete information by Life Insurance Company's sales manager or lack of proper understanding or hectic schedule of investors or either investors are not computer friendly.

    Lastly from Figure 1.11, examined the analysis regarding the stated question from the questionnaire that how many times investors, switch between the ULIP funds and surprisingly 92% of the investors have never accessed the feature of ULIP funds.

    On the basis of the Figure 1.10, figure 1.11 and figure 1.12, researcher rejected the hypotheses and concluded that common investors although have knowledge about market fluctuations but they never use the unique feature of switching between the ULIP funds either due to lack of knowledge or confidence on fund managers skills.

FINDINGS

1. Through the paper, it was concluded that males have a much larger preference as compared to females for ULIPs but the females who have taken ULIP plans are much more aware of the market fluctuations.
2. People qualify in the grade from SSC to Graduation are more inclined towards ULIP plan investments & those with technical or professional education do not prefer investing here.
3. People belonging to the age group between 35-45 years are the main customers of this insurance plan.
4. Private sector employees invest more in this option as compared to others.
5. People earning a salary of 30000 to 40,000 per month take ULIPs as their choice of investment more while others consider other options better for the purpose of investment.
6. Respondent's choice for the company preferred for investing in ULIPs was none other than HDFC Standard Life & ICICI Prudential on the top. These two companies enjoy the largest market share.
7. 57 investors (32%) of ULIP plans prefer 50-75% equity content in their plans. They match themselves with the dynamicity of the market & have a bullish tendency. On the other hand, 66 investors (37%) were unaware of it when enquired off.
8. With regard to premium allocation charges, 113 respondents are aware of it as they are explained about it at the time of selling of plans.
9. Ironically, respondents know about the premium allocation charges but a larger proportion does not know about the market fluctuations as theoretically they may be strong enough to be aware of the concept but when it comes to practical follow up & an insight picture they are not known to it.
10. A minority of the investors are aware of the switching option (67), all others (111) have no idea about what is switching & how to use it. This calls for a big awareness program to be organized by the companies for the existing investors to build up the level of awareness among the mass.
11. Most likely, when the respondents were asked about the number of times they switch between the funds, 163 respondents admitted no to it which made us conclude that yet the level of understanding the concept of switching between the ULIP funds is weak.

CONCLUSION

As it is depicted clearly from the table and charts that 40% respondent keep themselves updated about market fluctuations and only 36 % respondent were aware about the switching option which confirms that large population of common investors are not having adequate knowledge of market fluctuations and they completely trust on life insurer's goodwill and fund managers skills, researcher fail to accept the null hypothesis, and conclude that common investor do not have knowledge about the relationship of Sensex and NAV indices of Unit linked insurance plans.

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