BANCASSURANCE AND THE PSYCHOLOGY OF INVESTORS: AN INDIAN PERSPECTIVE

C. K. Hebbar*
Faculty of Commerce, Mangalore University College, Karnataka, India
Sandeep S. Shenoy
Manipal Institute of Management, Karnataka, India

Introduction

Life insurance has traditionally been looked upon pre-dominantly as an avenue that offers tax benefits while also doubling up as a savings instrument. The purpose of life insurance is to indemnify the nominees in case of an eventuality to the insured. In other words, life insurance is intended to secure the financial future of the nominees in the absence of the person insured. The purpose of buying a life insurance is to protect an investor's dependants from any financial difficulties in his absence. It helps individuals in providing them with the twin benefits of insuring themselves while at the same time acting as a compulsory savings instrument to take care of their future needs. Life insurance can aid an investor's family on a rainy day, at a time when help from every quarter is welcome, and of course, since some plans also double up as a savings instrument, they assist an investor in planning for such future needs as children's marriage, purchase of various household items, gold purchases, or as seed capital for starting a business.

Traditionally, buying life insurance has always formed an integral part of an individual's annual tax planning exercise. While it is important for individuals to have life cover, it is equally important that they buy insurance for both their long-term financial goals and their tax planning in mind. This article explains the role of life insurance in an individual's tax planning exercise while also evaluating the various options available. Life is full of dangers, but with insurance, the investor can at least ensure that he/she and his/her dependents do not suffer financially. It is easier to walk the tightrope if an investor knows that there is a safety net. The investor should try and cover all insurable risks. If investors are aware of the major risks and buy the right products, they can cover quite a few bases. The major insurable risks are Life, Health, Income, Professional Hazards, Assets, Outliving Wealth, and Debt Repayment.

---

*Dr. Hebbar is a Professor in the Faculty of Commerce: hebbarkc@yahoo.com. Sandeep Shenoy is a Senior Lecturer.

The Indian Banking Industry

The rapid transformation during the last decade in the Indian banking Industry has indeed made it stronger, cleaner, efficient, disciplined, responsive to customers' needs, and a lot more competitive. However, what we have witnessed may be only a prelude to the greater shape of things to come. The Indian banking industry may now compare itself reasonably well with the rest of Asia in some areas like growth, profitability, and low rate of non-performing assets.

However, while a few banks have gone ahead with innovation, growth, and value creation, most others are lagging behind in these areas. The cost of intermediation in Indian banks is still comparatively high because of factors such as lower customer relationship, large provisioning, lower net interest margin, depreciation in the trading portfolio, inadequate growth in fee-based income and increase in both interest and operating expenditure. The extent of banking penetration in India is still lower than the other markets. Deposits in India represent only 60% of its Gross Domestic Product compared to 142% for China's savings rate. Although high, India is less than half of China's rate. India's financial depth, a measure of the country's financial stock ratio to its Gross Domestic Product, is just 160% compared to 330% for China. The money one earns is partly spent and the rest is saved for meeting future expenses. Instead of keeping the savings idle, one may like to use savings in order to get a return in the future. This is called "investment". In other words, investment is the act of committing money or capital to an endeavor with the expectation of obtaining an additional income or profit. It is actually rather simple: investing means putting one's money to work. Essentially, it is a different way to think about how to make money. There are many different ways in which the investor can go about making an investment. This includes putting money into stocks, bonds, mutual funds or insurance. The point is that it does not matter which method the investor chooses for investing his money, the goal is always to put the money to work so that it earns him/her an additional profit.

Background of the Research

A unit linked insurance plan (ULIP) is a life insurance solution that provides for the benefits of protection and flexibility in investment. The investment is denoted as units and is represented by the value that it has attained called Net Asset Value (NAV). The policy value at any time varies according to the value of the underlying assets at the time. ULIP provides multiple benefits to the consumer. The benefits are Life protection Investment and Savings Flexibility, Adjustable Life Cover, Investment Options, Transparency Options to take additional cover against Death due to accident, Disability Critical Illness Surgery, Liquidity and Tax planning. A ULIP is also a life insurance plan, like an endowment scheme, to pay a specific amount upon death of the insured, but unlike endowment plans, here the premium paid is treated somewhat like an investment in mutual funds. Unit linked insurance Plans (ULIPs) are the flavor of the season. Launched a couple of years ago, these plans have contributed over 50 % of the new

business of insurance companies such as ICICI Prudential, Birla Sun Life, and Bajaj Allianz. Encouraged by the response, other players, too, are launching variants of savings and endowment plans in the unit-linked format. Insurance and Savings are two different goals and ULIPs give an investor the best of both worlds - high returns and risk cover. Tax advantages do work in favor of ULIPs for debt- oriented funds. For equity-oriented funds, equity linked savings products, which enjoy tax advantages and provide market linked returns, are comparable. Investors consider ULIPs as a tax saving avenue and security against death. In spite of having so many advantages ULIPS are not being considered as an avenue for good returns by the majority of investors. A ULIP investor has the option of investing across various schemes similar to those found in the mutual fund domain, i.e. Growth Fund, Balance Fund, and Debt fund to name a few. Generally speaking, ULIPs can be termed as mutual fund schemes with an insurance component.

ULIPs are probably the most aggressively marketed financial product today in India. But individuals often buy ULIPs without understanding the intricacies of the product. ULIPs have to be evaluated on various aspects; annual expenses and fund management charges (FMC) are a few such parameters. The lower the FMC and annual expenses, the higher will be the returns, and vice-versa. Also, FMC plays an important role in judging ULIPs; because unlike the annual charges which are levied on the premium which remains the same throughout the tenure, FMC is levied on the corpus, which keeps fluctuating each year.

Fund management charge:

	Company A Ltd	Company B Ltd	Company C Ltd
Aggressive/Growth fund	1.50%	0.80%	1.75%
Balanced fund	1.00%	0.80%	1.40%
Dabt fund	0.75%	0.80%	1.25%

Investors would also do well to enquire about the equity allocation in the ULIP options. This assumes importance when evaluated in conjunction with investors' risk appetites. If, say, an investor has a propensity to take above-average risk, then considering a ULIP which has an 80% cap on equity investments in say, their 'Aggressive growth fund' would not make much sense. Some other parameters for evaluating ULIPs include the reputation of a particular ULIPs' fund management, and how well the company's ULIPs have performed over time. Also, evaluating ULIPs from across various insurance companies helps individuals in mitigating risks as well as holding a diversified portfolio. However, diversification should not be at the cost of fund management expertise or performance criteria.

Bancassurance

Standard Chartered Bank has a good relationship with its customers. It has a good database which is needed by the Bajaj Allianz life insurance company to obtain a reference from the bank so that they can generate higher revenues. From the Standard Chartered Bank point of view, bancassurance is required to save cost. For a bank to get a license, the bank has to keep a deposit of 250 crores with the Insurance Regulatory and Development Authority (IRDA). Under IRDA rules, for a bank to get a license from IRDA it must devote much time and money on training employees. So in order to save cost and generate revenue the Standard Chartered Bank has opted for a tied relationship with the Bajaj Allianz Life Insurance Company. The bank constantly innovates to offer a wider bouquet of products to its customers. With this insurance tie-up, the bank is now well on its way to offer wealth management services to its clients

SWOT ANALYSIS:

Strength: ✓ Tie up with one of the best player of Insurance. ✓ The Company brand image is a major strength to the bank.	**Weakness:** ▪ Access only to the high incone group of people. ▪ Low Promotional activites.
Opportunities: ✓ Investment for dual purpose. ✓ Fall in stock market may increase the invesment in ULOPs.	**Threats:** ▪ Competition with mutual funds is a major threat. ▪ The performance of ICICI Prudential is a second big threat.

In the light of the above, this research paper is a study of bancassurance and the psychology of investors in an Indian perspective, with special reference to the Unit linked insurance plan of Standard Chartered Bank.

Objectives, Scope and Methodology of this Study

* To know investor preference towards ULIP as an Investment Plan.
* To find out the awareness and preference of ULIP offered by Standard Chartered Bank as a bancassurance product.
* To make a comparative study of ULIPs offered by leading insurance companies through bancassurance, in terms of performance and entry costs.
* To provide suitable suggestions which will help Standard Chartered Bank to improve its performance in bancassurance.

Nowadays, every bank has a tie up with an insurance company to sell insurance products: this is called "Bancassurance". This is a new way to increase business, but it is not always possible to for an insurance advisor to go with bank staff to meet a client. In this situation bank employees should have enough knowledge about insurance products to handle any questions from investors. Standard Chartered bank has a tie-up with Bajaj Allianz Life Insurance to sell insurance products through its branches. This research paper can be used as a guidance tool by the bank relationship manager who sells these products. A detailed look at ULIP, its performance, its comparison, and the investor's perception, is covered in this research paper which will help the bank to deal efficiently with the client and increase work performance.

Primary data:
The instrument for data collection was a structured questionnaire targeted towards people who are potential investors. The questionnaire was designed using close ended questions, to study the awareness level and perception of people towards ULIP.

Secondary Data:
Various sources of information were collected to ascertain the performance of ULIP: the average Net Asset Value (NAV) and entry cost of the ULIPs of four different insurance companies were compared with the ULIP product of Bajaj Allianz Life company. The following sources were considered for information gathering:

- Companies' web sites.
- Articles and reports available from the Standard Chartered Bank.
- Various other sources mentioned in the Bibliography.

Sampling: Demographic segmentation

- Age: 22 to 60 years
- Sex: Male/ Female
- Income group : from < Rs 2 lacs per annum to > 5 lacs per annum

Sampling: Geographic segmentation:
The research was done in a Bangalore urban and suburban area of Karnataka State.

Sample frame:
Non Probabilistic Convenience sampling method was used.

Investors considered for the sample study:
Self Employed, Salaried, Retired, Housewives, and 'others' were included.

Sample details:
200 people from different fields involved with investment, were asked to complete the questionnaire, on the basis of which an attempt is made to study the awareness and perception of

people towards ULIP in the investment market. The sample unit consists of those people who are trading in secondary markets, mutual funds, insurance, and debt instruments as they can give accurate information. A sampling frame was developed so to give everyone in the target population an equal chance of being sampled.

Data from the Questionnaires

In this section we will present the data generated by the completed questionnaires, followed by data analysis.

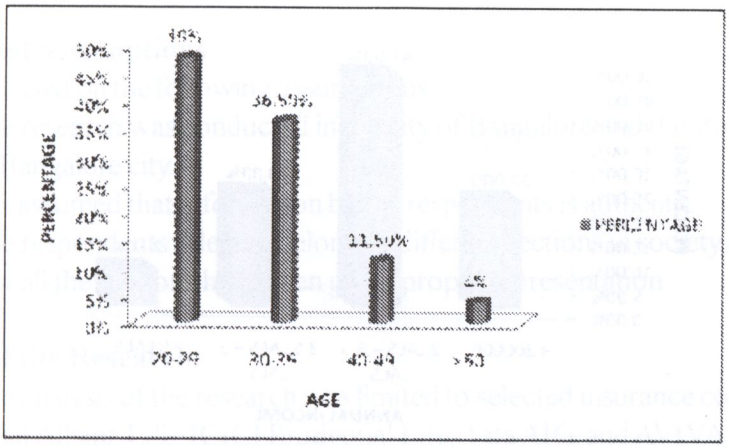
TABLE 1: Gender distribution of respondents

	NO OF RESPONDENTS	PERCENTAGE
MALE	165	82.50%
FEMALE	35	17.50%
TOTAL	**200**	**100%**

TABLE 2: Age classification of respondents

	NO OF RESPONDENTS	PERCENTAGE
20-29	96	48%
30-39	73	36.50%
40-49	23	11.50%
> 50	8	4%
TOTAL	**200**	**100%**

Chart: Age classification of respondents



The age group was classified into four levels so as to know which age group is most aware of ULIP. The majority of respondents belonged to the age group of 20-29 and the least is the age group of respondents over 50 years.

TABLE 3: Occupational structure of the sample

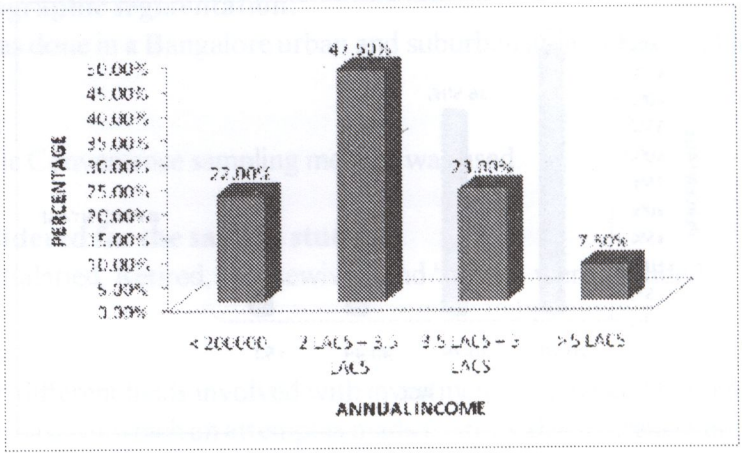
	FREQUENCY	PERCENTAGE
SELF EMPLOYED	34	17.00%
SALARIED	159	79.50%
RETIRED	2	1.00%
HOUSE WIFE	3	1.50%
OTHERS	2	1.00%
TOTAL200	**100%**	

The sample consisted of self employed, salaried, retired, house wife and others. This was to know as to which group of people much awareness about ULIP had. The majority of respondents belonged to the salaried class.

TABLE 4: Annual income of the respondents

	FREQUENCY	PERCENTAGE
< 200000	44	22.00%
2 LACS - 3.5 LACS	95	47.50%
3.5 LACS - 5 LACS	46	23.00%
> 5 LACS	15	7.50%
TOTAL	**200**	**100%**

Chart: Annual income of the respondents



The majority of respondents belonged to the annual income group of 2 lacs to 3.5 lacs.

TABLE 5: Monthly household income of the respondents

	FREQUENCY	PERCENTAGE
Rs 5000 - Rs 15000	83	41.5%
Rs 15000 - Rs 25000	89	44.5%
Rs 25000 - Rs 50000	22	11%
Rs 50000 - Rs 100000	5	2.5%
> Rs 100000	1	0.5%
TOTAL	**200**	**100%**

The objective for this classification was to find out the disposable income available for investment in ULIP. The majority of the respondents belonged to the groups that have a monthly household expenditure of Rs 15000 - Rs 25000.

Data Analysis

Given below are the graphical representations of the responses received to questions. The interpretation derived is explained in detail.

Plan of Analysis

Based on pure primary data, the plan is to study the awareness level and the investor's perception of ULIP, and based on secondary data to compare the performance of the growth fund under the ULIP and the entry cost of Bajaj Allianz unit linked insurance products vis-à-vis its principal competitors. The performance of the fund is measured based on the NAV value. The NAV trend helps us to understand the movement of the unit values of the ULIP scheme for a given period of time.

Methodological Assumptions

The study was based on the following assumptions:

- The research was conducted in the city of Bangalore and the study is limited only to Bangalore city.
- It is assumed that information by the respondents is authentic.
- The respondents selected belong to different sections in society and it is assumed that all the sections have been given proper representation.

Limitations of the Research

- The analysis of the research was limited to selected insurance companies, namely Bajaj Allianz Life, ICICI Prudential Life, Tata AIG, and AVIVA.

- The sample area was mainly the urban part of Bangalore and comprised mainly software professionals, executives, and professionals who draw a good salary.
- The sample size was only 200, which is assumed to represent the whole of Bangalore.
- As the market is sensitive to change, the study holds good only for a limited period.
- Lack of knowledge about the fund's performance did not provide for a complete response from the respondents.

Analysis of Data:

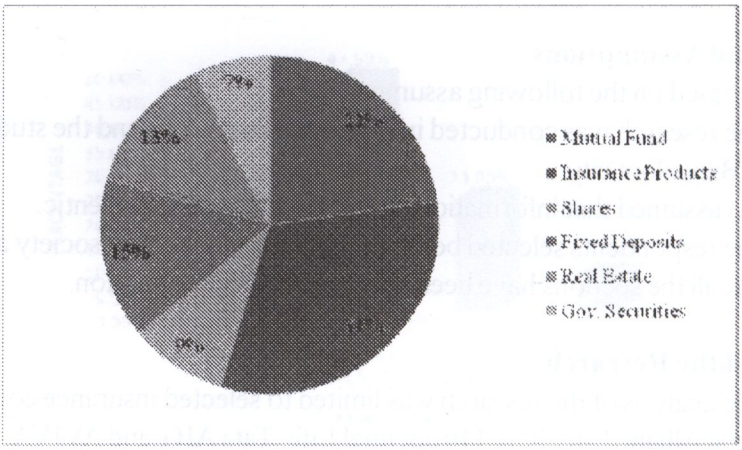
Question: "Which mode of investment do you prefer?"

31% of the respondents had most preference for investing in insurance products, followed by Mutual Funds at 22%.

Table 6: Preferred mode of Investment

	PERCENTAGE (%)	FREQUENCY
Mutual Fund	22	101
Insurance Products	31	141
Shares	9	40
Fixed Deposits	15	67
Real Estate	13	60
Gov. Securities	7	32
National Savings Certificate	3	14
TOTAL	**100**	**455**

Chart: Mode of Investment



Respondents are willing to invest in insurance products, which may be for a tax saving motive. Even though the economy is experiencing low market performance, 22% of the respondents are willing to put their money in mutual funds. About 15% of the respondents prefer investing in fixed deposits as it gives assured returns on the sum deposited.

Question: "What percentage of your disposable income do you prefer to invest?"
This question was used to determine the saving habits of the investors. The greater the percentage of disposable income available, the more will be available for investment.

TABLE 7: Preferred percentage of disposable income available for investment

	FREQUENCY	PERCENTAGE
< 10%	23	11.5%
10% - 20%	84	42%
> 30%	93	46.5%
TOTAL	**200**	**100%**

11.50% of the respondents had a disposable income of below 10% to invest. However, the majority of the respondents (46.50%) had high disposable incomes which could be channelized into different investment avenues.

Question: "Do you prefer investing in Unit Linked Insurance Products?"
Life is full of danger, but with Unit Linked Insurance Products one can ensure that he and his dependents do not suffer, and also secure a good return on the investment. It helps individuals in providing them with the twin benefits of insuring themselves while at the same time acting as a compulsory saving instrument to take care of their future needs. The research has highlighted that a majority of the respondents do not prefer to invest in Unit Linked Insurance Plans. This highlights the low level of awareness about the Unit Linked Insurance Plan among investors.

TABLE 8: Preference towards investing in Unit Linked Insurance Plan

	FREQUENCY	PERCENTAGE (%)
YES	84	42
NO	116	58
TOTAL	**200**	**100**

This highlights that there is scope to penetrate the respondents who have answered negatively, to inform them regarding the benefits of ULIP and the difference between it and traditional Insurance plans.

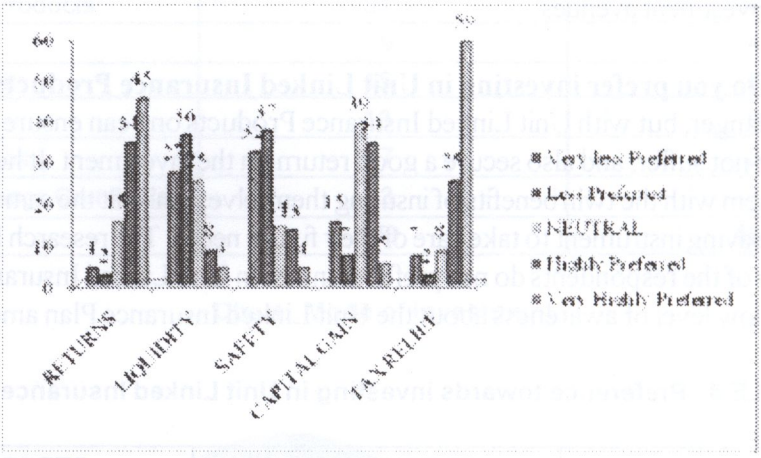
Question: "What benefits are gained from investing in Unit Linked Insurance Products?"

Investment is a conscious decision to set money aside for a long period of time in a way that suits one's risk profile. The questionnaire asked the respondents to reveal the benefits investors perceive before and after investing in an ULIP product.

Table 9: Benefits from ULIPs

	Returns	Liquidity	Safety	Capital Gain	Tax relief
Very Less Preferred	4	27	32	15	7
Less Preferred	2	36	37	7	2
Neutral	15	25	14	39	8
Highly Preferred	34	8	13	34	25
Very Highly Preferred	45	4	4	5	59
	100%	100%	100%	100%	100%

Chart: Benefits from ULIPs



The highest weighted average score is for tax relief (4.25) followed by returns (4.14) indicating the respondents' perception about the benefits from ULIPs.

Question: "Are you aware of the Standard Chartered - Bajaj Allianz Unit Linked Insurance Plans?"

The idea behind this question was to check the awareness level of investors about the insurance product provided by the bank and its various available schemes. Only 41% of the respondents selected Yes indicating that they know that this bank has a tie up with Bajaj Allianz Life and that the bank provides insurance services.

TABLE 10: Awareness of SCB- BAJAJ ALLIANZ Unit Linked Insurance plan

	FREQUENCY	PERCENTAGE
YES	82	41%
NO	118	59%
TOTAL	**200**	**100%**

Question: "If yes, how did you come to know about it?"
Standard Chartered bank has a consumer banking department which does certain promotional activities to promote its products and to generate priority customers. The two main sources used to promote bank products are telecalling and bank brochures. These promotional activities give a push to the normal sales of the banks.

Table 10 a: SOURCE OF AWARENESS

	FREQUENCY	PERCENTAGE
TELECALLING	21	16%
FRIENDS	28	22%
RELATIONSHIP MANAGER SPOKE ABOUT IT	48	38%
BANK BROCHURES	27	21%
OTHERS	4	3%
TOTAL	**128**	**100%**

It can be seen that 38% of the respondents came to know about the Standard Chartered bank's products as the relationship manager had spoken to them about it. This manager does cold calling, and meets customers, and thus they explain to customers the products of the bank. Other than that, the bank displays its brochures at all bank ATMS, distributes these brochures to the customers at crowd gathering places like Sankey Tank, Lalbagh, and so on. The Bank also distributes its brochures at the entrance of all the famous shopping malls in Bangalore. 21% of the awareness about Standard Chartered Bank products was due to the bank brochures. Only 16% of the awareness is spread by the tele-calling method.

Question: "Through which bank do you prefer to invest in Unit Linked Insurance Plans?"
The objective behind this question was to analyze what customers are looking for and to determine the Investor's behavior towards the ULIP. In today's banking industry there exists cut-throat competition, so every bank seeks to identify what customers want so that they can focus on meeting the needs of customers.

Table 11: Preferred bank for investment of ULIPs

	Percentage	Frequency
STANDARD CHARTERED BANK	25	85
CITI BANK	18	60
ABN AMBRO BANK	11	37
DEUTSCHE BANK	9	30
HSBC	15	50
HDFC	8	28
OTHER BANKS	14	48
Total	**100**	**338**

25% of the respondents preferred Standard Chartered Bank for Investment in a Unit Linked Insurance Plan. This shows the brand loyalty, customer satisfaction and better services provided by the bank. This was followed by 18% who preferred Citibank. This depicts the ability of the bank to maintain an effective relationship network with its customers.

Question: "In which type of investment plan do you prefer to invest?"
The idea behind this question was to check the total number of respondents who are aware of, and prefer to invest in, ULIPs. The response would help the bank to identify those people who need to have the differences explained between traditional insurance plans and Unit Linked Insurance Plans.

TABLE 12: Preferred type of Investment Plan

	FREQUENCY	PERCENTAGE
ULIP	86	36%
TRADITIONAL PLAN	114	48%
TERM PLAN	16	7%
PENSION PLAN	8	3%
GROUP LIFE	10	4%
OTHERS	5	2%
TOTAL	**239**	**100%**

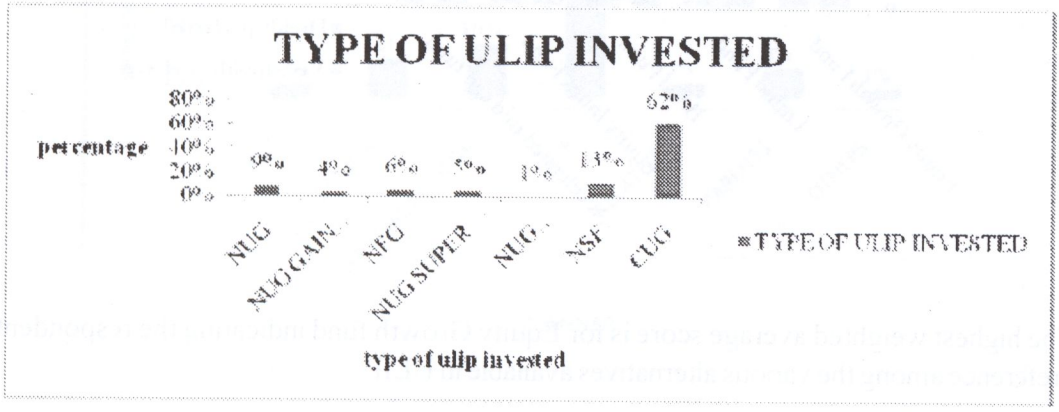
48% of the respondents preferred to invest in traditional plans like those of LIC, whereas 36% preferred to invest in ULIPs. This shows that the level of awareness about Unit Linked Insurance Plans is less compared to that of traditional insurance plans. However there are even fewer respondents who prefer to invest in plans like term plans (as returns are generated in a short span of time), pension plan and group life plans (mainly due to secured returns).

Question: "Which type of Unit Linked Insurance Plan have you invested?"
The investors were asked about their current or past investments done in Unit Linked Insurance Plans. The objective of this was to find out how investors perceive their past investments in ULIPs and which type of ULIP is perceived well by investors. The motive behind this question was to find out the satisfaction level of previous ULIP investors.

Table 13: Type of ULIP invested by Investors

	FREQUENCY	PERCENTAGE(%)
NUG	7	9
NUG GAIN PLUS	3	4
NFG	5	6
NUG SUPER	4	5
NUG PREMIER	1	1
NSF	10	13
CUG	47	62
TOTAL	**77**	**100**

Chart: Type of unit linked insurance plan invested by investors

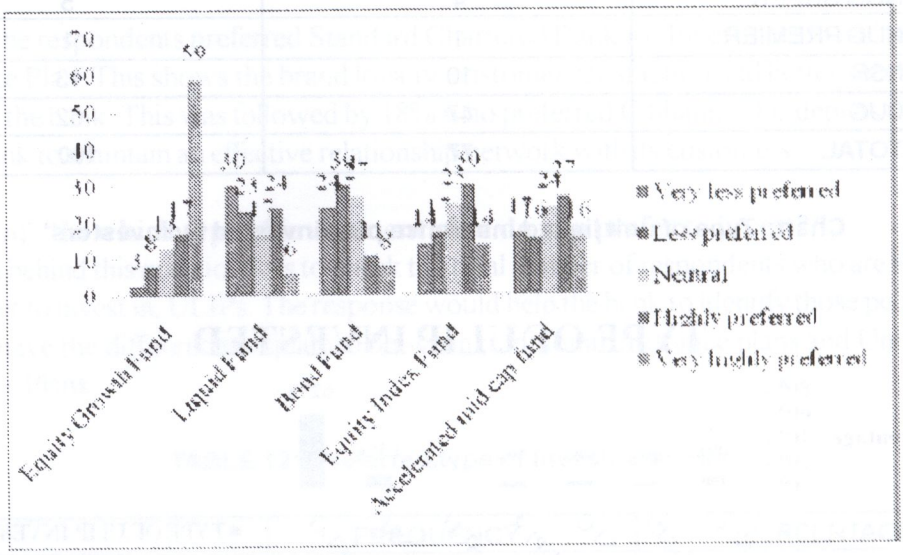


The information about the type of Unit Linked Insurance Plan invested earlier, depicts that the investors had a better perception of the capital unit gain plan.

Question: "In which fund do you prefer to diversify your investment by the fund manager?"
Once an investor has invested in the ULIPs of Bajaj Allianz, the initial Fund Management charges, Initial Management charges, Premium Allocation charge, Rider Premium charge and Mortality Charges would be deducted from the total amount invested and then the units avail-

able for investment would be invested in these funds of Bajaj Allianz Life Insurance Company. The funds are like equity growth fund, bond fund, liquid fund, equity index fund and accelerated mid cap fund. To identify the awareness of the investors about these funds, the questionnaire enquired about how the investors prefer to diversify their investment by the fund manager in these funds. The search identified that some of the investors had invested in ULIP but had no knowledge of these funds in which they have invested. Some of the high income professional responses highlighted that they had invested in ULIP products but they had no knowledge about the functioning of these funds, because these funds' performance were dealt with by lower level officials.

Chart: Fund preferred to diversify your investment by the fund manager



The highest weighted average score is for Equity Growth fund indicating the respondent's preference among the various alternatives available in ULIP.

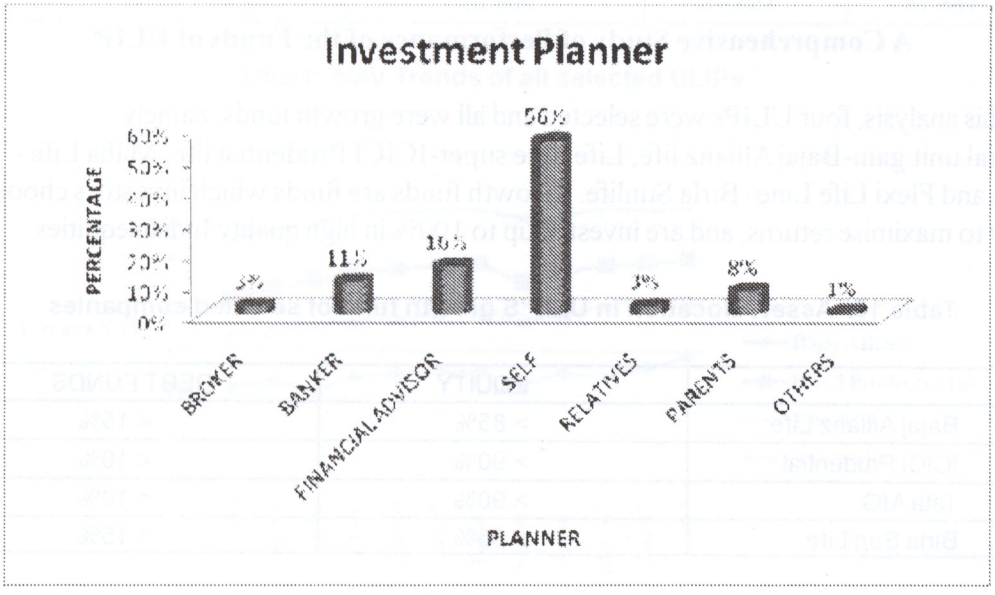
Question: "Who plans your investment for you?"

An individual's decision has a vital role to play in achieving investment objectives and thereby making investment in a systematic manner. Decisions can make or break investment avenues as wrong decisions would merely lead to wrong investments resulting in major loss. 56% of respondents feel that they can handle their investment portfolio on their own and hence make their own decisions regarding investments.

TABLE 14: Planner for your investments

	FREQUENCY	PERCENTAGE
BROKER	10	3%
BANKER	33	11%
FINANCIALADVISOR	50	16%
SELF	170	56%
RELATIVES	10	3%
PARENTS	27	8%
OTHERS	4	1%
TOTAL	**304**	**100%**

Chart: Planner for your Investments



56% of the respondents take their financial decisions independently, while 16% of the respondents take the help of financial advisors. This opens up the door for various banks to target these people by giving advisory services and they also can educate them about various schemes available with the bank.

Question: What is your preferred tenure of investment?"

All Unit Linked Insurance Plans have a lock-in period of 3 years, wherein the investor cannot withdraw his money. The main intention behind this question was to see how the investors perceive ULIP products.

TABLE 15: Preferred tenure for investment

	FREQUENCY	PERCENTAGE
< 1YEAR	19	9.5%
1 - 3 YEARS	68	34%
3 - 5 YEARS	75	37.5%
> 5 YEARS	38	19%
TOTAL	**200**	**100%**

37.5% of the respondents preferred 3-5 years, while 34% percentage of the respondents preferred 1-3 years. This shows that the respondents would be gaining returns at the end of 3 years, when the lock-in period is over. Thus we can infer that majority of the respondents seek to receive their invested funds summed up with returns for a period of 3-5 years.

A Comprehensive Study of Performance of the Funds of ULIP

For this analysis, four ULIPs were selected and all were growth funds, namely:
Capital unit gain-Bajaj Allianz life; Life time super-ICICI Prudential life; Maha Life - Tata AIG; and Flexi Life Line- Birla Sunlife. Growth funds are funds which investors choose in order to maximise returns, and are invested up to 100% in high quality Indian equities.

Table 16: Asset Allocation in ULIP'S growth fund of selected companies

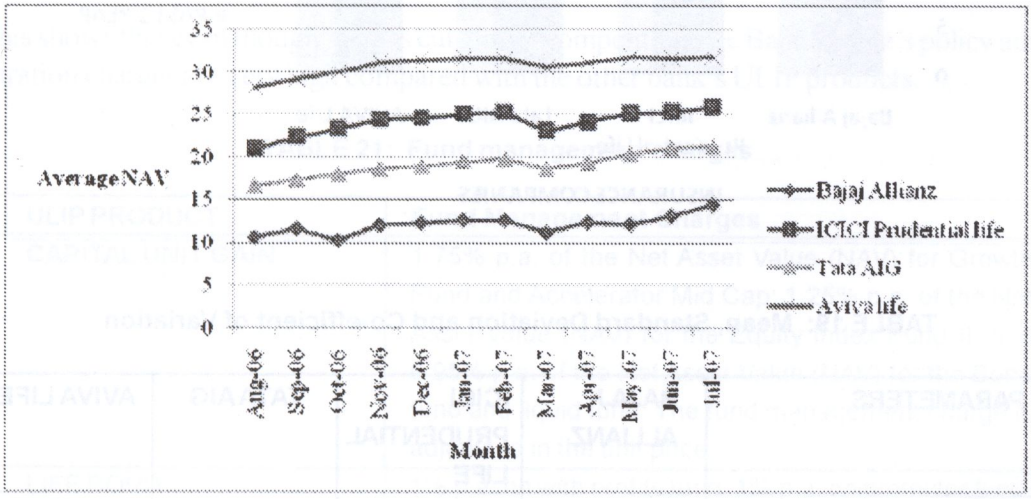
	EQUITY	DEBT FUNDS
Bajaj Allianz Life	> 85%	< 15%
ICICI Prudential	> 90%	< 10%
Tata AIG	> 90%	< 10%
Birla Sun Life	> 85%	< 15%

To analyze the performance of the growth fund, the NAV of Bajaj Allianz ULIP is compared with the NAV of selected ULIPs of three other insurance companies. The NAV of all these funds are considered over the period from 1 August 2006 to 1 July 2007.

Table 17: Average NAV of all selected ULIPs:

Month	Bajaj Allianz	ICICI Prudential life	Tata AIG	Aviva LIFE
Aug-06	10.67	20.962	16.647	28.255
Sep-06	11.68	22.372	17.368	29.252
Oct-06	10.34	23.353	18.009	30.105
Nov-06	12.09	24.501	18.617	31.193
Dec-06	12.33	24.638	18.936	31.482
Jan-07	12.69	25.156	19.484	31.748
Feb-07	12.64	25.384	19.798	31.709
Mar-07	11.27	23.144	18.657	30.711
Apr-07	12.4	24.184	19.363	31.189
May-07	12.17	25.221	30.394	31.836
Jun-07	13.18	25.42	21.116	31.736
Jul-07	14.46	25.986	21.322	31.847

Chart: NAV Trends of all selected ULIPs



From the above graph it can be understood that the various ULIPs performed consistently well except for a few fluctuations. Among all the ULIPs the Aviva Maha Life has the highest NAV and its performance also has been consistent over a period. Bajaj Allianz Capital Unit Gain Plan is performing very slowly compared with the other ULIPs: this might show slow progress to capture the market with their new product. The ICICI Prudential life has a steady growth and the growth was higher than that of Bajaj Allianz. This depicts that Standard Chartered Bank faces a threat from ICICI Bank.

TABLE 18: Average NAV of capital Unit Gain Plan

	PAST 3 MONTHS	PAST 6 MONTHS	PAST 1 YEAR
Bajaj Allianz	13.27	12.68	12.16
ICICI Prudential Life	25.54	24.89	24.19
Tata AIG	20.94	20.1	19.14
AVIVA Life	31.81	31.51	30.92

Chart: Average NAV of capital unit gain Plan

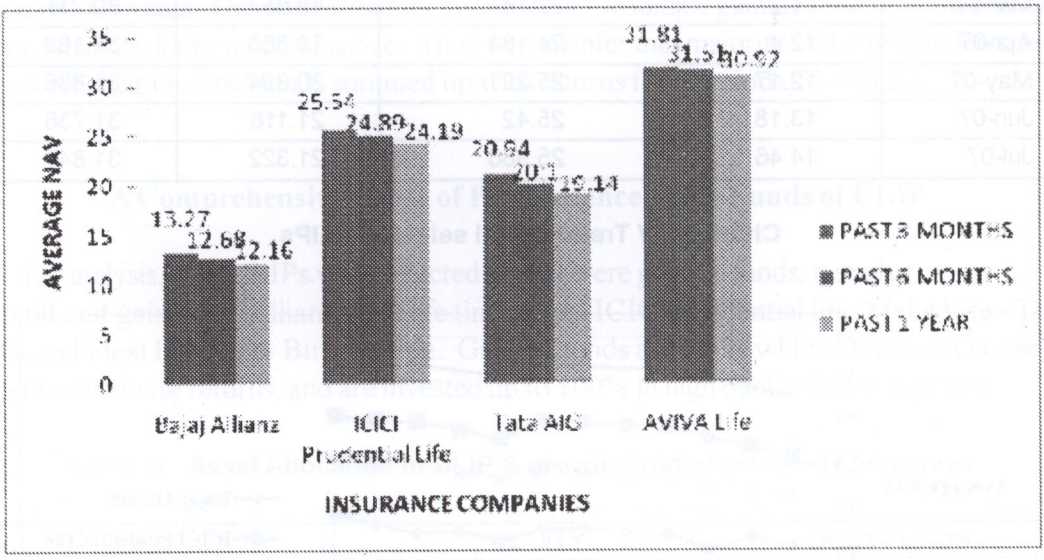


TABLE 19: Mean, Standard Deviation and Co-efficient of Variation

PARAMETERS	BAJAJ ALLIANZ	ICICI PRUDENTIAL LIFE	TATA AIG	AVIVA LIFE
MEAN	12.09	24.501	19.484	30.105
STANDARD VARIATION	1.059	3.54	1.39	1.38
CO-EFFICIENT OF VARIANCE	8.76%	14.45%	7.13%	4.58%

Bajaj Allianz's ULIP had the lowest Standard Deviation indicating stability, whereas ICICI Prudential's ULIP has the highest which shows that the performance of TATA AIG's ULIP was volatile during that period. Comparison of Coefficient of Variance indicates that investment in AVIVA'S ULIP would be better.

Comparative Study of Charges made by Five Insurers

This is a comparison of the eight types of charge made against the premium. Five insurance company's ULIPs were studied:

1. ICICI PRU LIFE- Life time Super.
2. AVIVA- Life Bond.
3. HDFC STANDARD LIFE- Unit Linked Young Star.
4. BIRLA SUN LIFE-Flexi Save Plan.
5. BAJAJ ALLIANZ-Capital Unit Gain Plan.

Table 20: Policy administration charges

ULIP PRODUCT	Amount (Rs.)
CAPITAL UNIT GAIN	Rs 600 per annum per policy
LIFE BOND Rs 516	per annum per policy
LIFE TIME SUPER	Rs 426 per annum per policy
UNIT LINKED YOUNG STAR	Rs 240 per annum per policy
FLEXI LIFE SAVE PLAN	Rs 264 per annum per policy

This shows that even though there is cut-throat competition, the Bajaj Allianz's policy administration charges are very high compared with the other bank's ULIP products.

TABLE 21: Fund management charges

ULIP PRODUCT	Fund Management Charges
CAPITAL UNIT GAIN	1.75% p.a. of the Net Asset Value (NAV) for Growth Fund and Accelerator Mid Cap; 1.25% p.a. of the Net Asset Value (NAV) for the Equity Index Fund II; and 0.95% p.a. of the Net Asset Value (NAV) for the Bond fund and liquid fund. The fund management charge is adjeusted in the unit price.
LIFE BOND	1% p.a. on with profits fund, 1% p.a. on protector fund, 1% on balanced fund and 1.5% on growth fund.
LIFE TIME SUPER	2.25% p.a. on flexi growth fund, maxiniser fund, flexi balanced fund, balancer fund each respectively and 1.5% p.a. on protector and 0.75% p.a. on preserver fund.
UNIT LINKED YOUND STAR	.8% p.a. on the fund value.
FLEXI LIFE SAVE PLAN	1.5% p.a. of the fund value.

TABLE 22: Initial Management Charges:

ULIP PRODUCT	AMOUNT(RS)
CAPITAL UNIT GAIN	5% p.a of the Capital Units during the policy term subject to a maximum of 20 years .This charge will be recovered by cancellation of Capital Units at monthly intervals
LIFE BOND	10% of the initial units during the first 30 years

This highlights that the initial management charges of Bajaj Allianz are less compared with the Aviva's life bond

TABLE 23: Switching charges

ULIP PRODUCT	AMOUNT (RS)
CAPITAL UNIT GAIN	After 3 free switches, subsequent switches would be charged a fixed amount of Rs 100 or 5% of the switch amount whichever is lower on each such occasion.
LIFE BOND	0.5% of the amount switched subject to a maximum of Rs 500 per switch
LIFE TIME SUPER	After 4 free switches subsequent switch will be charged Rs 100 per switch
UNIT LINKED YOUNG STAR	After 24 free switches subsequent switch will be charged Rs 100 per switch.
FLEXI LIFE SAVE PLAN	After 2 free switches subsequent switch will be charged Rs 100 per switch.

This depicts that the switching cost of Bajaj Allianz is more that the rest of the ULIPs under study. The least is that of the Flexilife Save Plan and Unit-Linked Young Star.

Surrender charge:

In the case of CAPITAL UNIT GAIN the surrender charge is

[1-(1/1.05) N]* Value of capital units

Where N is the policy term or 20 years, whichever is lower, less elapsed policy duration in years and fraction thereof. No surrender charge is applicable on the Accumulation units. If three years regular premiums are not paid, the surrender charge would be 100% of the capital units.

In the case of LIFE BOND

- on initial units its [1-(1/1.10▲N]* value of units
- on accumulated units on top up premiums its 5% ,3%&1% on 1st, 2nd & 3rd year respectively.

This depicts that the surrender charge of Bajaj Allianz is more that the other ULIPs.

Miscellaneous charges:

In the case of CAPITAL UNIT GAIN PLAN, Rs 100/- per transaction would be charged in respect of revival, alteration of premium mode, increase/ decrease in regular premium or issuance of a copy of the policy document.

In case of UNIT LINKED YOUNG STAR a premium redirection request will be charged 250 per request. 6 policy servicing requests will be free in a policy year, but any additional policy servicing requests will be charged Rs.250 per request.

This depicts that the miscellaneous charges of Bajaj Allianz is less than that of Unit Linked Young Star.

Premium allocation charge:

In case of CAPITAL UNIT GAIN PLAN the following percentage of each premium paid under the policy will be deducted as a premium allocation charge. The balance of premium will be used to allocate units. For an annual premium of Rs 10000 - Rs 199,999 the Premium Allocation charge in 5 %; for Rs 200,000 - Rs 999,999 it is 4%; and for annual Premium size of Rs 1,000,000 and more it is 3%. The premium allocation charge for top-up premiums is 2%.

In the case of Life Time Super, if the annual premium is Rs.18000 - Rs. 49,999 the premium allocation charge for the 1st year the premium allocation charge is 20%, for the 2nd year its 7.5% and for 3rd year onwards it is 4%. If the annual premium is Rs.50,000 and above, the premium allocation charge for the 1st year is 18%, for 2nd year it is 7.5% and for 3rd year onwards it is 4%. In the case of UNIT LINKED YOUNG STAR if the annual premium is up to Rs. 1,99,999 the premium allocation charge for the 1st year is 40%, for the 2nd year onwards it is 99%. If the annual premium is Rs 2,00,000 to Rs 4,99,999 the premium allocation charge for the 1st year is 60%, for the 2nd year onwards it is 99%. If the annual premium is from Rs 5,00,000 to Rs 9,99,999 the premium allocation charge for the first year is 70% and for the 2nd year it is 99%. For an annual premium of Rs 10,00,000 to Rs.19,99,999 the premium allocation charge for the 1st year is 80% and for the 2nd year it is 99%. For an annual premium of Rs 20,00,000 and above, for the 1st year the premium allocation charge is 90% and for the 2nd year it is 99%.

Mortality Charges:

In the case of CAPITAL UNIT GAIN PLAN the mortality charge for the age group of 20 years the mortality charge is 1.12%; for age group of 30 years it is 1.29%; for age group of 40 years it is 2.37%; and for age group of 50 years and above the mortality charge is 6.08%.

In the case of LIFE TIME SUPER the mortality charge for the age group of 20 years charge is 1.33%; for age group of 30 years it is 1.46%; for age group of 40 years it is 2.48%; and for age group of 50 years and above the mortality charge is 5.91%.

In the case of LIFE BOND the mortality charge for the age group of 25 years is 1.31100%; for age group of 35 years it is 1.1.65025%; for age group of 45 years it is 3.7651%; and for age group of 55 years and above the mortality charge is 10.37530%.
In the case of FLEXI LIFE SAVE PLAN the mortality charge for the age group of 20 years is 0.896% for males and 1.016% for females. For age group of 30 years, for female it is 1.163% and for male it is 1.171%. For age group of 40 years, for female it is 1.657% and for male it is 2.150%. For age group of 50 years the mortality charge for female is 4.032%. and for male it is 5.532%. For the age group of 60 years the mortality charge for female is 10.660% and for male is 13.732%.

This shows that even though there is cut-throat competition, the Bajaj Allianz's policy administration charges are very high compared with other bank's ULIP products.

Finally, in this section, a Table is presented of the performance of capital gain ULIPs, in terms of sales, for Standard Chartered Bank.

PERFORMANCE OF CAPITAL GAIN ULIPS (in terms of Sales)

Table 24: Target Vs Achievements-ULIP (January-July 2007) (In Lacs)

MONTH	TARGET	ACHIEVEMENTS
JANUARY	7.5	10.1
FEBRUARY	7.5	9.5
MARCH	7.5	6.42
APRIL	4.7	5.78
MAY	4.7	2.64
JUNE	4.7	10
JULY	4.7	6.2

The information received from the consumer banking department depicts that the bank has been in a position to generate more sales than its targets at a low cost of promotion. It was only in the month of March that the bank had performed less than its target, and this was mainly due lack of employee retention. The Standard Chartered Bank focuses on its targets, plan and achieves them efficiently. In this way the bank is in a position to have good relationships with its clients and its customers.

Findings

① Investors' main objective of investment is good returns. They tend to make investment in high risks to make money fast, but keep safety in mind.

- Majority of Investors are not aware of the ULIPs and the various types of portfolios that are there in ULIPs.
- Investors are mainly concerned with the safety of their investments but due to the lack of transparency, inadequate information, high risk, low returns etc., investors hesitate to invest in ULIPS.
- Most of the investors make their own decision on investment matters that blocks awareness about any new investment plan, because they have very limited access to the market and limited ideas about various instruments.
- There are very few people who consult any financial advisor or Chartered Accountant before investment.
- Many investors are not aware of the insurance service provided by Banks.
- Insurance product is the most preferred mode of investment by the investors.
- Returns and tax relief are the main benefits derived by the respondents from investing in ULIPs.
- Standard Chartered Bank and Citibank are the most preferred banks for investing in ULIPs; this is mainly due to better customized services and brand name.
- Equity growth fund is the most preferred fund in which the respondents wish to invest their unit values.
- Relationship managers are the vital source by which the products of Standard Chartered Bank are promoted.
- Among all the ULIPs, the Aviva Maha Life has the highest NAV and its performance also has been consistent over a period.
- Bajaj Allianz Capital Unit Gain Plan is performing very slowly compared with other ULIPs. This might be a slow capture of market by this new product.
- The ICICI Prudential life has a steady growth, and the growth was higher than that of Bajaj Allianz. This depicts that Standard Chartered bank faces a threat from ICICI Bank.
- In terms of volatility, ICICI Prudential Life's ULIP had the highest Standard Deviation whereas Bajaj Allianz's ULIP had the lowest. The performance of AVIVA was better in terms of risk return tradeoff

Suggestions and Recommendations

- The bancassurance arrangement should take measures to reduce the entry cost in Unit linked insurance Plans.
- Investors have very little idea about ULIPs, thus it is very necessary to educate the investors about this part of Insurance. This can be done by conducting presentations in trade fairs, putting up stalls in call centers, BPO, software and other companies. A list consisting of the name and contact number of the interested person should be recorded.

- The performance of Bajaj Allianz has a brand name attached, as it has a tie-up with Standard Chartered Bank which is better than its competitors. This brand name can be used to influence the customers when dealing with them.
- Promotional activities should be conducted on Sundays in places like Lalbagh, Sankey Tank, race course, Joggers Park during early morning from 6 am to 8 am with some complimentary gifts like newspapers or water bottles.
- While demonstrating the product, the bank employee should provide the customers with the company's product brochures specifying the contact number of the employee who spoke with that customer.
- Advertisements through television should be done in NEWS channels and in the Sony channel, that is from 10 am to 11 am and from 2 pm to 4 pm. Advertisements through RADIO CITY also can increase awareness about the ULIP products of Standard Chartered Bank.
- The best time during weekdays, to create awareness about ULIP products among shopkeepers or store managers of shopping malls like forum, Garuda mall, brigade road, and Commercial Street is 3 pm to 5 pm. Avoid weekends.
- Bank agents should focus extreme promotional activities, like shop to shop product campaigns, at places like S.P. Road, J.C. Road, Town Hall and Majestic where there are large populations of wholesalers and dealers. The best time to meet them is 12 pm to 5 pm.
- Many investors still do not know about the tie-up of Standard Chartered Bank with Bajaj Allianz Life, so the bank should work on that. The bank could sponsor blood donation campaigns or AIDs awareness campaigns.
- The volatility of the capital unit gain is very high with respect to other ULIPs, so steps should be taken to make the fund less volatile. Like reduce the percentage level of policy administration charges.
- Standard Chartered has very limited reach, so the company should try to expand its presence. The bank should Increase the number of ATMS and branches.
- Many Investors are not aware of many schemes that Standard Chartered has, thus extensive advertising in financial newspaper is needed.
- Effective training programmes and Product Refreshment training course with live examples should be conducted, as relationship managers are considered a vital source that connect bank products to the customers. This will also help the relationship manager's ability to understand investors' needs and help them to build their own portfolio.

Conclusion

ULIPs have more than a single advantage, such as good return, security against death, safety of capital etc., which generally investors expect. Most of the time, an investor prefers investing in a mutual fund, as there is more capital appreciation, but they should be taught the advantages of ULIPs as this is the better place to invest. If efforts are made to educate the investors about the risk affecting their returns they would be more interested in investing in that fund. Greater transparency and adequate information will enable the investors to choose a portfolio so that they will get higher returns at lower risk.

The investors should also be taught how to manage their ULIP portfolio. By doing so they would know the right time for redemption and investment. Generally, mutual funds are considered as a major investment option for capital appreciation, but the analysis in this report gives ample evidence that a ULIP can also be considered as a good investment option: it provides dual advantages of life insurance and better returns. It just needs better exposure.

BIBLIOGRAPHY

A) Book

Zigmund, W.G. (2006), Business Research Methods, seventh edition, Thomson Publishers.

B) Webliography

www.bajajallianzlife.co.in
www.standardchartered.co.in
www.bimaonline.com
www.google.com
www.irdaindia.com
www.iciciprulife.com
www.yahoo.com/finance/india

C) Periodicals

*Business World
*Capital Market

D) Company Information

*ULIP brochures
*Induction kit of Standard Chartered Bank and Bajaj Allianz Insurance Company