
**Factors Influencing Customer's Life Insurance
Investment Decisions**

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Abstract

With several regional, national, and international companies forming joint ventures, the insurance industry in India is thriving and thriving due to the company's exponential expansion. The insurance industry has made significant development in terms of an increase in investors and a significant number of new insurance companies entering the market, despite the government of India enforcing several rules and regulations. The purpose of the study is to comprehend the insurance market. Insurance being the most important Financial Product in the market, has still not reached amore number of customers. The study's primary goal is to identify the numerous elements that influence consumer's decisions to purchase life insurance policies. Data from both primary and secondary sources were used in this research. The present study is a descriptive type of research which aims to find out the factors influencing customer's life insurance investment decisions and their preferences at the time of buying a policy.

Keywords: *Life insurance, Investment decisions, Customer preferences and Insurance industry.*

Introduction

India's insurance industry has been growing at a rapid pace, with 67 insurers operating in the country as of the end of financial year 2022. The industry is divided into 24 life insurers, 5 standalone health (private), and 26 general insurances (public and private). The only company in the public sector among the life insurers is Life Insurance Corporation (LIC), and there are 6 public sector insurers among the non-life insurance companies. The Indian insurance industry is regulated by the Insurance Regulatory and Development Authority of India (IRDAI), which comes under the Ministry of Finance. Other participants in the Indian insurance industry include agents, brokers, surveyors, and third-party administrators handling health insurance claims. The government's initiative to cover the uninsured has progressively increased insurance penetration and the number of insurance Programmes available in the nation. Gross premiums written in India reached Rs. 5.53 trillion in FY 2018, with Rs. 4.58 trillion from life insurance and Rs. 1.51 trillion from non-life insurance. Indian insurance penetration increased from 2.71% in 2001 to 3.69% in 2017 (premium as a % of GDP). In FY 2019, premium from life insurance business increased 3.91% year-on-year to Rs. 1.59 trillion. Non-life insurance companies' gross direct premiums showed a year-on-year growth rate of 12.65%.

Review of Related Literature

A protection from financial loss is what insurance essentially entails. It is a method of risk management that is mostly applied to protect against the risk of a potential loss that may or may not occur. (Willett, H.1901; Mayers, D. & Smith Jr, W. 1982). A person or organisation that offers insurance is referred to as an insurer, insurance firm, insurance carrier, or underwriter. A policyholder, often known as an insured, is someone or something who purchases insurance. The insurer receives a contract called the insurance policy which details the conditions and circumstances under which the insurer will compensate the insured. The premium is the sum of money that the insurance company will charge the insured in exchange for providing the protection specified in the insurance policy. (Borch, H., Sandmo, A., & Aase, K. 2014).

The government of India has taken a number of initiatives to boost the insurance industry, like more than 100 million underprivileged households will now have access to coverage of up to 5 lakh rupees thanks to the National Health Protection Scheme, which was introduced in September 2018 as a part of Ayushman Bharat. The goal of the programme was to boost health insurance penetration in India from 34% to 50%. Over 50 million farmers benefited under the Pradhan Mantri Fasal Bima Yojana (PMFBY) in 2017-18. (Rai, R. 2019). Furthermore, introduction of these schemes would help the lower and lower-middle income holders to utilize the new policies with lower premiums in India. (Fitzpatrick, K. 2017).

A life insurance policy is an agreement between an insurance policy holder and an insurer whereby the insurer agrees to reimburse the policy holder's premiums in exchange for the insured's death and the payment of a certain amount to a named beneficiary. When an insured person passes away, the main goal of life insurance is to shield and support their surviving dependents financially. Prior to acquiring a life insurance policy, it is imperative that applicants assess their financial circumstances and ascertain the minimum lifestyle required for their survival. Each person's requirements for life insurance coverage differ and are influenced by a range of circumstances, including age, income, the number of dependents, and lifestyle choices. It's essential to select a policy that offers sufficient coverage to satisfy the policyholder's dependents' demands. In conclusion, life insurance is a crucial financial instrument that shields the insured's surviving dependents from financial ruin. Before acquiring a life insurance policy, it is crucial to assess one's financial status and ascertain the level of living required for survival. (SHALIM. 2016). Insurance firms give policyholders security against losses and damages. In order to get the promise of compensation, insured parties must pay premiums to insurance firms. (Baker, T. 1993). Listed below are some benefits of holding an insurance policy: bigger investments lead to creation of various employment opportunities which also boosts the industry performance and economic growth of the country. (Kessler, D., Montchalin, D., & Thimann, C. 2017). There is also a promotion of saving as insurance not only offers protection against risks and uncertainties, but it also offers a means of investing furthermore, enabling systematic savings due to payment of regular premiums, providing a mode of investment. (Outreville, F. (1998).

Premiums are used to raise big sums of money which is used to advance a nation's industrialization, which quickens economic expansion. Employment activities are boosted by such investments. (FitzGerald, V. 2006). It also helps in return on investments, death benefits, financial security, income tax exemption, additional coverage, loan availability and retirement income (Vaughan, J. & Vaughan, T. 2007).

Methodology

A systematic, scientific process for gathering, evaluating, and interpreting quantitative or qualitative data in order to address research questions or test hypotheses is known as a research methodology. It is a methodical, logical strategy to address a research issue. A research paper's methodology chapter clarifies the researcher's actions and methods, enabling readers to assess the validity and dependability of the study.

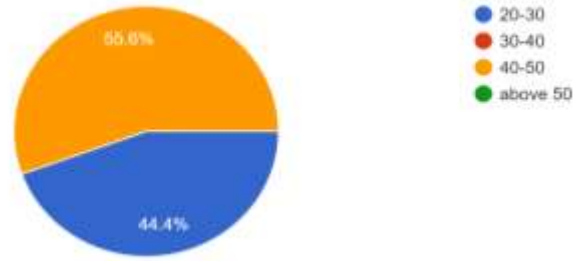
The current study, which is exploratory and descriptive in nature, attempts to identify the variables impacting customers' preferences and life insurance investment decisions at the time of policy purchase. To find out what influences consumers' perceptions of life insurance policies, the study employed a structured questionnaire to gather data from participants. To analyse the data, the study employed factor analysis and descriptive statistics. A company's reputation, efficient service quality, customer convenience, tangibly beneficial outcomes, and a positive client-customer dynamic are some of the factors that impact a consumer's inclination towards investing in life insurance plans. The type and consistency of income, future needs, awareness of the features and benefits, security and assurance, retirement plans, long-term goals and aspirations, tax advantages, risk coverage and savings, and family welfare are just a few of the variables that affect policyholders' attitudes and preferences regarding the purchase of life insurance products.

Data Analysis and Interpretation

Primary sources: Google forms, Surveys, Interaction with customers, Questionnaire.

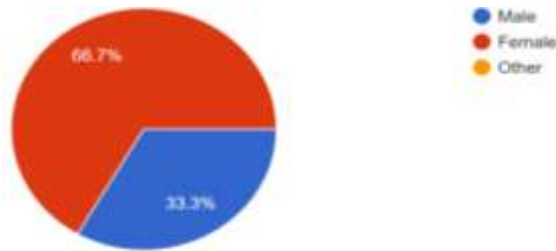
Secondary sources: IRDA's annual reports, Insurance journals, magazines/manuals and websites.

a) Age of the respondents: The pie chart represents the ages of the respondents. The majority of the respondents belonged to the age group of 40-50 years and a minority was from 20-30 years of age.



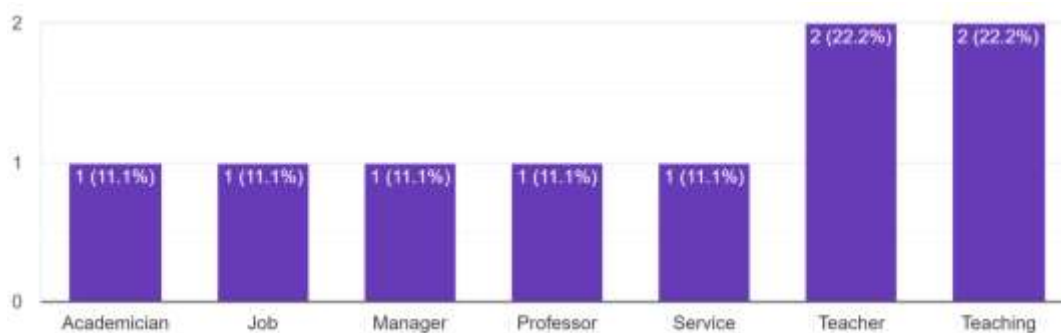
Source: Author’s representation of Survey Responses.

b) Gender of the respondents: The male respondents were less as compared to the female respondents.



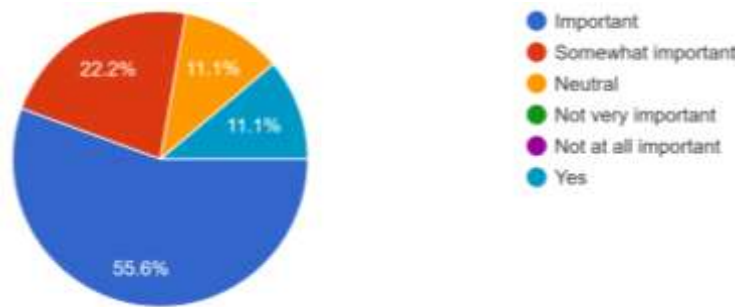
Source: Author’s representation of Survey responses.

c) Occupation of the respondents: According to the bar graph, a majority of the population belonged to the teaching background and the minority had service as their occupation.



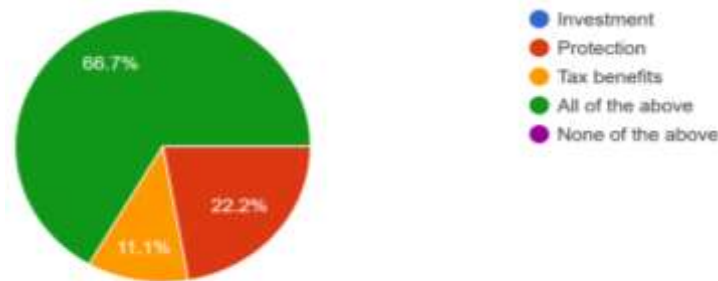
Source: Author’s representation of survey responses.

d) Respondent’s belief whether insurance is important or not: More than half of the respondents believed that insurance is important, 22.2% considered the option somewhat important and 11.1% of the respondents were neutral about the statement.



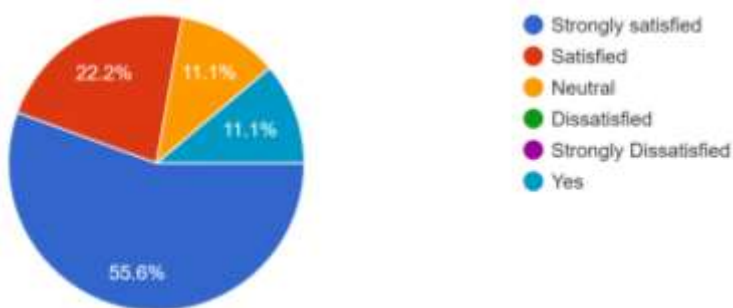
Source: Author’s representation of survey responses.

e) Their primary reason for insurance coverage: Majority of the respondents considered investment, protection and tax benefits as their primary reason for insurance coverage.



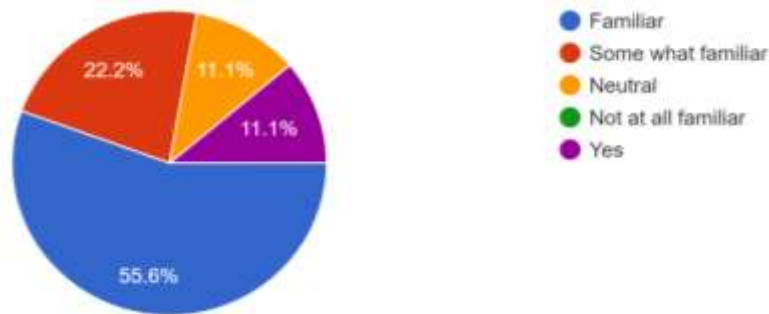
Source: Author’s representation of survey responses.

f) Respondent’s satisfaction with their existing insurance coverage: More than half of the respondents were strongly satisfied with their existing insurance coverage, 22.2% were satisfied and 11.1% chose the neutral option.



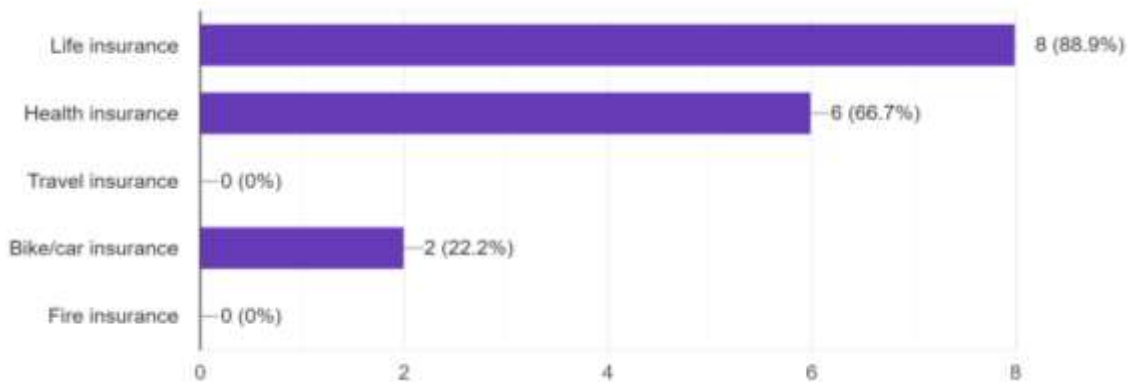
Source: Author’s representation of survey responses.

g) Their familiarity with different types of insurance. (Life, health, travel, vehicle, fire, etc.) Many of the people were familiar with the different types of insurance, out of the minority, some were neutral and some were somewhat familiar.



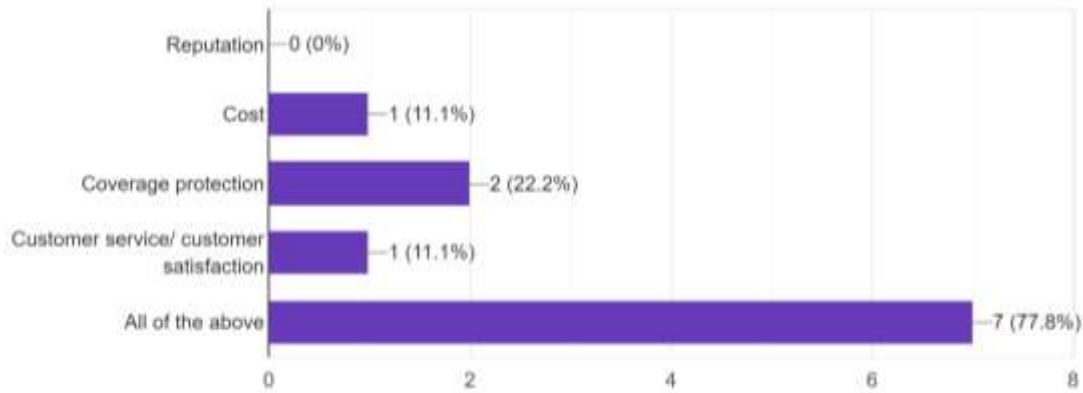
Source: Author’s representation of survey responses.

h) Type of insurance they are interested in/ they already have: Many of the people were familiar with the different types of insurance, out of the minority, some were neutral and some were somewhat familiar.



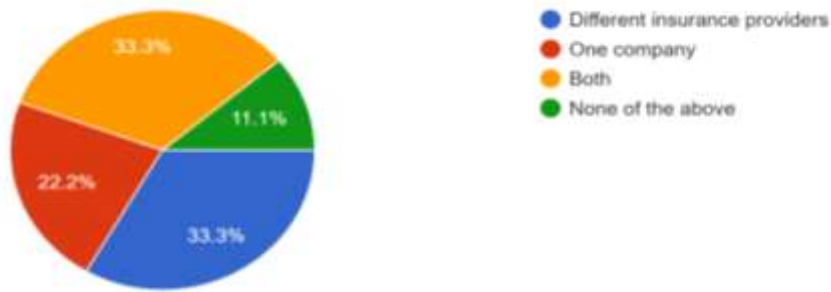
Source: Author’s representation of survey responses.

i) Factors they think are important while choosing an insurance provider: Majority of the respondents consider cost, coverage, customer service/customer satisfaction as the important factors while choosing an insurance provider.



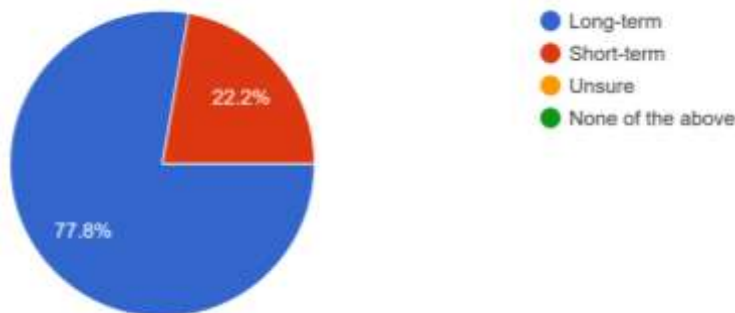
Source: Author’s representation of survey responses.

j) Whether the respondents are open to different insurance providers or they’ll stick to just one insurance company: 33.3% of the people have opted for different insurance providers and both, whereas 22.2% of the population prefers sticking to one company.



Source: Author’s representation of survey responses.

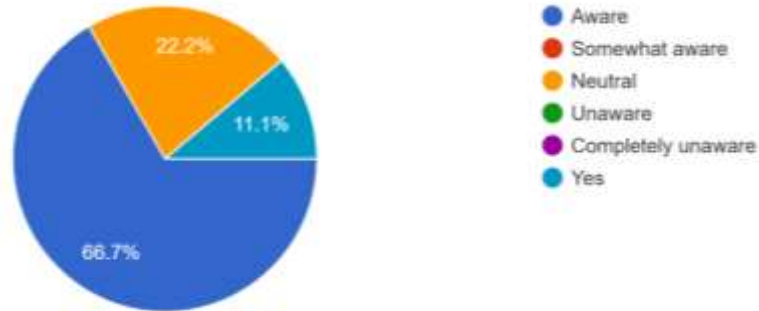
k) Their expectation of duration of holding an insurance policy: Majority believes in long term coverage and minority in short term.



Source: Author’s representation of survey responses.

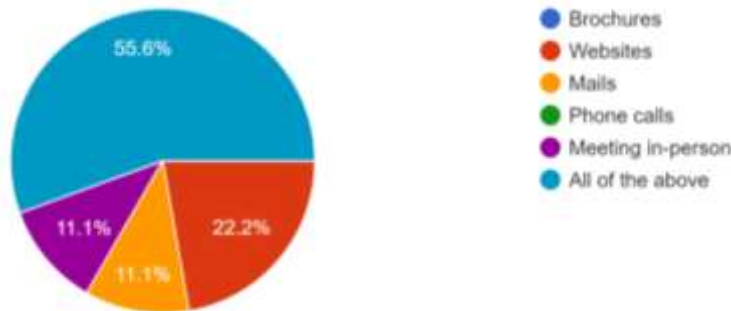
l) Their awareness about discounts and saving policies available through insurance providers:

66.7% were aware about the discounts and saving policies, on the other hand 22.2% were neutral about the statement.



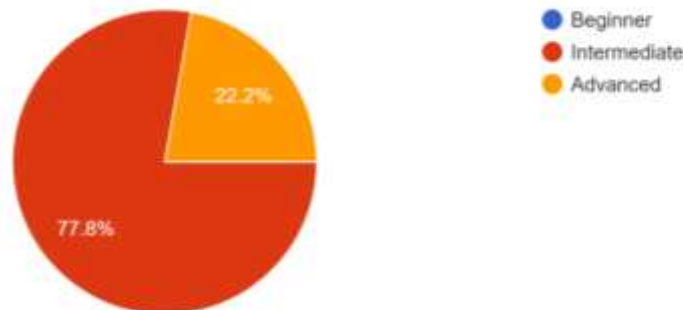
Source: Author’s representation of survey responses.

m) Preferred way of receiving information about insurance: Majority thinks that all of the mentioned options are preferable and minority goes with meeting in person, mails and websites.



Source: Author’s representation of survey responses.

n) Rate your knowledge about insurance: Most respondents consider themselves to be intermediate and some rate themselves to be advanced.



Source: Author’s representation of survey responses.

Findings

- 1) From the study, it can be found that the customer decision to buy a life insurance policy majorly depends on demographic factors like the age, gender, occupation and preferences.
- 2) Majority of the respondents, from the age group 30-40 years are found to be interested in buying a life insurance policy.
- 3) The study also shows that the highest share in the market is still owned by LIC and people prefer taking that.
- 4) Majority of the respondents look for a trusted name in the insurance company followed by the cost, investment, tax benefits, good plans, friendly service, coverage protection, response and accessibility in the end.
- 5) Most of the respondents were also aware about the new schemes, discounts and saving policies introduced by the company, hence whatever the company releases their policyholders are aware about it.
- 6) They also believe that long term insurance coverage is necessary for them and the family members.
- 7) A majority of my respondents were aware about different types of insurances existing in the market and were satisfied with the policy that they hold.

Limitations

- 1) Uncertainty in future: They make plans for future events in all they do. Nobody can forecast the future because, as everyone all knows, it is inherently uncertain. All of their financial strategies are consequently constrained and unforeseen. The accuracy of financial planning is compromised by this unpredictability.
- 2) Complexity in calculation of returns: It is extremely difficult to predict the returns because they are complex. Contrary to fixed deposit schemes, where the returns are determined solely by market conditions and performances, determining a specific amount for life insurance is challenging.
- 3) Ever changing environment: As it is expensive and time-consuming, financial planning is not a regular practice. However, because the business environment is always changing, it is impossible to alter the financial plan at the same time as the business. The ecosystem of the supply chain, changes in client tastes, and other factors could all be present. Planning for finances consequently loses importance.
- 4) Awareness of exclusions, hidden clauses: Finding and selecting the ideal life insurance coverage is their obligation. For instance, the majority of insurance do not cover suicide in the

first year, and almost all of them do not cover death brought on by drug overdose or participation in illegal activities.

5) Complex policies: There are many different plans available in India, so they can select the ideal one for their needs and preferences. However, as different policies have varied features, some are straightforward while others are not, it can also at times generate confusion in the perspective of the consumer. Making the best life insurance coverage choice might occasionally be overwhelming.

6) High premium of aged people: The life insurance premium would be higher the older the person. The reason for this is the straightforward fact that as risk and premiums rise with age. Therefore, in order to avoid having to pay excessive premiums, it is advised to purchase life insurance as soon as possible. There is a possibility that insurance firms will deny or refuse offering policies to elderly persons with illnesses.

Conclusion

Everybody needs life insurance since it's a crucial type of protection. Compared to other countries where practically all lives are insured, India has an extremely low penetration of life insurance. Customers are the actual cornerstone of the life insurance industry's performance, thus it's critical for insurers to keep their policyholders happy and retained for as long as possible while also generating new business by providing need-based innovative solutions. Numerous factors influence customers' decisions to invest in life insurance, but the study's findings show that demographic factors of the population play a significant and crucial part in determining the purchase of life insurance policies. Thus, when creating or marketing any life insurance policy, life insurance firms ought to keep an eye on all these variables since doing so would help them retain consumers and keep them happy. Life insurance is expanding with its many products, including money-back and ULIP plans, about which many consumers are still unaware. As a result, having the right information can help customers choose and invest in a life insurance policy. Considering there are so many people who depend on one person when they pass away, human life is not only exceptional but also valuable and must be protected. Therefore, one must ensure that he or she ensures their life by purchasing one or both types of insurance.

Recommendations

1) Maintaining client satisfaction is crucial in today's cutthroat marketplace. The ability to retain clients is one of the most crucial factors. A business may thrive in the market by having client retention. Due to the considerable market penetration of private insurers nowadays, they are able to reposition and set themselves apart from life insurance corporations by offering the best services and policies.

2) According to the report, consumers search for reputable brands like LIC; therefore, private insurers should place more of an emphasis on boosting their brands. According to the poll, 11.1%

of the respondents had no opinion about how well versed they were in various types of insurance. Because of this, private insurers can reach out to people and raise awareness of their services through a variety of communication channels.

3) It would be advantageous for both the public and private sectors to cooperate and work together with the goal of raising public awareness. Both sectors must engage in more healthy competition in order to increase the penetration of insurance. They must also develop new, creative products that will give customers more options and variety, as well as services that will improve customer satisfaction, and sell their goods through channels that will benefit both parties.

4) Many individuals still do not view life insurance as a source of investment, even in modern times. As a result, insurance companies ought to develop high-risk insurance products and concentrate on motivating their clients to make long-term investments.

5) It would be beneficial for the insurance companies to draw in more clients if they developed products that could offer high risk coverage for a lower premium and greater returns.

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