INSURANCE AS AN INVESTMENT STRATEGY WITH REFERENCE TO HDFC STANDARD LIFE INSURANCE COMPANY

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ABSTRACT

HDFC Life is one of India's leading life insurance companies, offering a range of individual and group insurance solutions that meet various life stage needs of customers. The products include Protection, Pension, Savings & Investments, Health, etc.

HDFC Life Insurance Company Limited (Formerly HDFC Standard Life Insurance Company Limited) ('HDFC Life' / 'Company') is a joint venture between HDFC Ltd., one of India's leading housing finance institution and Standard Life Aberdeen, a global investment company.

Established in 2000, HDFC Life is a leading long-term life insurance solutions provider in India, offering a range of individual and group insurance solutions that meet various customer needs such as Protection, Pension, Savings, Investment and Health. As on Jun 30, 2018, the Company had 34 individual and 11 group products in its portfolio, along with 8 optional rider benefits, catering to a diverse range of customer needs.

HDFC Life continues to benefit from its increased presence across the country having a wide reach with 413 branches and additional distribution touch-points through several new tie-ups and partnerships comprising 163 bancassurance partners including NBFCs, MFIs, SFBs, etc and 26 partnerships within non-traditional ecosystems. The Company has a strong base of financial consultants

Keywords: Insurance, Proposed Tools.

1. INTRODUCTION

In Fiscal 2012, The Company established a wholly-owned subsidiary, HDFC Pension Management Company Ltd., to operate its pension fund business under the National Pension Scheme (NPS). And in Fiscal 2016, the Company established its first international wholly-owned subsidiary in the UAE, HDFC International Life and Re Company Ltd., to operate its reinsurance business.

The business of insurance is related to the protection of the economic value of assets. Every asset has a value.The asset gets lost earlier, being destroyed or made non-functional, through an accident or other unfortunate event, the owner and those deriving benefits there from suffer. Insurance is a mechanism the helps to reduce such adverse consequences.

Purpose & Need of Insurance

- Assets are insured, because they are likely to be destroyed or made non-functional, through an accidental occurrence. Such possible occurrences are called perils. Fire, floods, breakdowns, lightning, earthquakes, etc, are perils.

- Risk : A possibility of loss or damage. It may or may not happen. There has to be an uncertainty about the risk. Insurance is done against the contingency that it may happen.

- Insurance: People/Assets must be exposed to the same risks

- Insurance: Risk is spread among the community and the likely big impact on one is reduced to smaller manageable impacts on all.

- Insurance companies: collect money in advance and create a fund from which the losses are paid.

- A human life is also an income generating asset. This asset also can be lost through unexpectedly early death – Accidents may or may not happen.

- Living too long can be as much as problem as dying too young. These are risks which need to be safeguarded against.

- Insurance covers economic or financial loses – tangible and intangible assets.

Insurable Interest

- All risks are not insurable. In order to be insurable, the risk must be capable to financial measurement, there must be sufficient number of similar risks, the risk must be capable of statistical (actuarial) estimation. It must not be against public policy, and there must be insurable interest in the property to be insured/risk to be covered.

- The Insurance Act, 1938 does not define insurable interest. Insurable interest is said to exist when the person insuring stands to lose if the event insured against occurs.Person has insurable interest in his own life to an unlimited extent. Insures take into account a proposer's capacity to pay premiums and his need for insurance, while granting the sum insured.

2. REVIEW OF LITERATURE

Title:

Investment Pattern of Investors in Insurance Companies

Author: Mr Mitul Deliya

Source: International Journal of Research in Management

Abstract:

In India as Service industry covers almost half of the G.D.P. and in that Insuranance industry is the most growing industry. In the Insurance industry there is two major parts Life Insurance and General Insurance, so researcher going to make some narrow and selecting Insurance as an Area of Research. Here in the Industry there is lots of confusion regarding the purchase of Insurance Products that by the Influence of which particular factor people are purchasing the product. And also know about that in which type of company people like to invest. Weather they like Government Company or private company. Majors influencing factors are Risk Cover, Investment, Saving, Tax Benefits, Returns, Brand Name, safety and security, Relationship, Skills of agent and features of product. By the research actually come to know really which is the Influencing factor in the purchase of insurance product. And also like to know the different question like what is the expectation ratio of investor for their policy. Also about how much they are usually invest in insurance? And also about what what kind of they have ?

Title:

The evolution of insurer portfolio investment strategies for long-term investing

Author: Helmut Gründl,

Source: OECD Journal: Financial Market Trends

Abstract:

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Title:

INVESTMENT INCOME IN LIFE INSURANCE

Author: Ashley Klopfenstein,

Source: International Journal of Research in Management

Abstract:

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Brand Name, safety and security, Relationship, Skills of agent and features of product. By the research actually come to know really which is the Influencing factor in the purchase of insurance product. And also like to know the different question like what is the expectation ratio of investor for their policy. Also about how much they are usually invest in insurance? And also about what what kind of they have ?**S**

3. RESEARCH METHODOLOGY

Need For The Study

Life insurance is a monetary instrument that can assist people with achieving an assortment of monetary objectives. The most widely recognized utilization of life insurance is to accommodate subordinate relatives in instance of sudden passing. Life insurance can likewise be utilized to support certain objectives, for example, a kid or grandkid's future education costs. To appropriately use this amazing asset to help an individual arrive at his/her monetary objectives, it is critical to comprehend the techniques for deciding how much insurance is suitable in a given circumstance, just as the different kinds of strategies and riders accessible. Extra security offers monetary help to enduring wards or different recipients after the demise of a safeguarded.

Scope Of The Study:

The study is an analysis of insurance products as an investment strategy with special regard to HDFC Life. Generally, the companies provide insurance for life, motor, home, etc…. The study is carried out by interviewing 50 customers who were in the age group above 26 years. It has been deliberately decoded to conduct the survey among this age group because they are the people who generally look for life / home / motor insurance policies.

Data Collection

For the purpose of study, both primary and secondary data has been collected. The observational method and survey research method is used to collect the primary data. The survey research method is used to gain insight into the customer satisfaction towards HDFC Life Products. The main research instruments used the required data is a well-structured questionnaire. A detailed questionnaire has been prepared to reflect the opinions of the customers towards HDFC Life products and administered to the same.

The necessary data has also been collected from official records and other published sources. The collected data is classified, tabulated, analyzed and interpreted. Finally conclusion is draw based on the study and suggestions are offered for improving HDFC Life'scustomerbase.

Sample Design:

For ascertaining the awareness of insurance as investment strategy, 50 customers have been randomly selected from the Hyderabad city only.The primary data was collected through survey that was systematically carried in Hyderabad. The responses of the respondents were recorded in the questionnaire prepared for them. The data was collected in through personal interviews.

Data Collection:

There are two types of data collection

1. Primary data
2. Secondary data

    Primary data

- Primary data is personally developed data and it gives latest information and offers much greater accuracy and reliability.

- There are various sources for obtaining primary data i.e., Mail survey, personal interview,

- Field survey, panel research and observation approach etc.

Secondary data

Secondary data is the published data. It is already available for using and its saves time. The mail source of secondary data are published market surveys, government publications advertising research report and internal source such as sales, sales records orders, customers complaints and other business record etc. the study has also depended on secondary data to little extent, which is collected through internal source.

Methods that can be used for collection of secondary data are as follows:

Published sources: There are a number of national organizations and international agencies, which collect and publish statistical data relating to business, trade, labour, price, consumption, production, etc. These publications of the various organisations are useful sources of secondary data.

Unpublished sources: The records maintained by private firms or business houses who may not like to release their data to any outside agency are known as unpublished sources of collection of secondary data.

For this survey personal interview method was used for collecting primary data. This survey was conducted by face to face interview customers and found to be best suited to collect the primary data for this project.

Questionnaire Design / Formation

A questionnaire was prepared for the responses of the respondents. The questionnaire was designed on the primary objections were of both open ended and closed ended type.

Sample Size: The sample size taken for the study was 110 investors.

STATISTICAL TOOLS:

The sampling technique used for the study is Simple Random Sampling SPSS software used for analysis .The Descriptive analysis done with Graphs and Tables whereas the empirical analysis.

ANALYTICAL TOOL

* Trend analysis,
* Ratio analysis,
* Comparative and Common Size Statements,
* Gap analysis

4. DATA ANALYSIS & INTERPRETATION

Factors Influencing Life Insurance Plans

| S. No	Option	No. of Respondents	Percentage (%)
1	Family Protection	12	24%
2	Retirement Corpus	20	40%
3	Child Future	8	16%
4	Tax Exemption	10	20%
Total		**50**	**100%**
Source: Primary Data			

Factors Influencing Insurance Plans
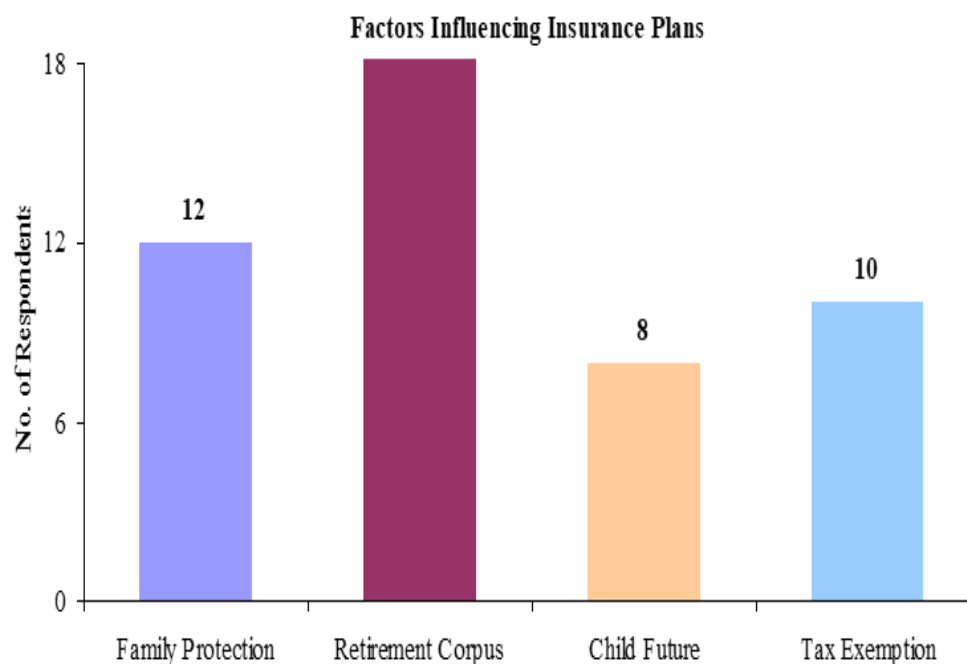
Interpretation

The above graph illustrates that majority of the people (40%) take insurance as a retirement corpus. 24% of the respondents take the insurance policies as a protection cover for their families in case of untimely death, while 20% take it for tax exemption and the remaining for securing their children's future.

Insured Company

S. No	Option	No. of Respondents	Percentage (%)
1	LIC	18	24%
2	Tata AIG	10	40%
3	HDFC Life	14	16%
4	Max New York Life	8	20%
Total		Total	50
Source: Primary Data			
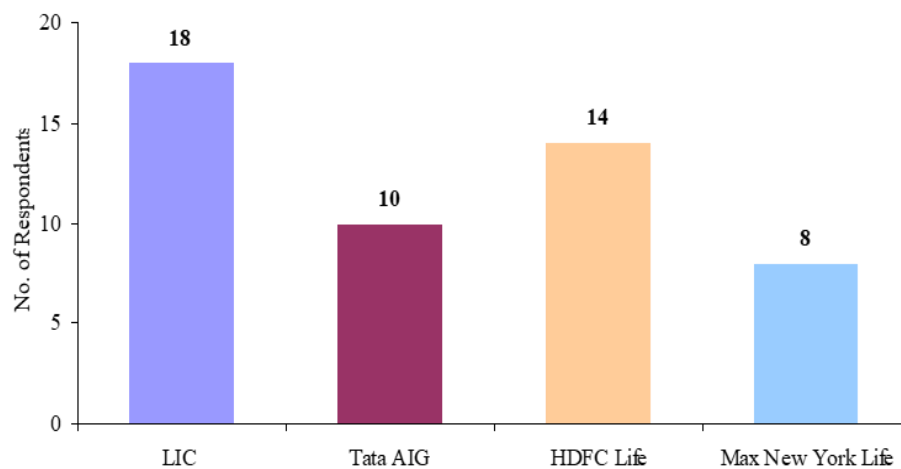
Interpretation

The above graph depicts that 18 of the 50 respondents said that they haveinsured from LIC, while 14 responded that they insured from HDFC Life. 10 of the 50 respondents said that they insured through Tata AIG.

5. CONCLUSION

There is a lot of growth for the life insurance and plays an important role by contributing the share to the GDP. Private players are having the competition but they are having their own strategy to survive in the market. Also, there is a high scope for Unit Linked Insurance plan plus. It is the goodwill and the trust of the company that people would go for an insurance plan. Insurance is seen as a source of gaining tax benefits. HDFC Standard Life is second to Life Insurance Corporation in the field of insurance, though it was LIC who enjoyed monopoly in the industry. There are several investments to choose from these include equities, debt, real estate, gold and insurance. Each class of assets has its peculiarities. At any instant, some of those assets will offer good returns, while others will be losers. Most investors in search of extraordinary investments try hard to find a single asset. Of late, Insurance has become a important investment for most of the investors as it also provides security apart from returns.

To succeed in insurance industry, marketers need to engaged, excite, enable customer, to fulfill there expectations. Marketing system is more agile and responsive. Customer experience and trusty, security and privacy are critical factor. Insurance is unforgiving and has less patience. Hence promise to perform to keep up promise. Insurance has resulted in consumer power shift and also marketing ability to respond and anticipate. Still the need for creative marketing exists. There is need to synergies insurance products to offer better value. Designing product plan and selling it is essential. Internet serves a new business for advertising, marketing research and sales promotion, distribution. Similar studies need to be conducted across diverse areas in B2C and B2B domains to understand attitudes, behavior and key success factor.

6. REFERENCES

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