ABSTRACT

Unit Linked Insurance Plans (ULIP) had emerged as a major player in savings mobilization during the earlier years and it reached 70.30% of premium collection in 2007 – 08. Investors had showed keen interest by subscribing to ULIP schemes anticipating higher returns. However, with the global recessionary trend the performance of ULIP had been drastically affected. Regulations in September 2010 also led to decreased interest in linked plans. It was also observed that the fund option should be carefully chosen by an investor, as it is quite possible that the NAV of two different policies are same for a given fund option. Hence it assumes importance.

The research was conducted with the aim of studying growth of top five life insurance companies, analyzing the performance of fund options, awareness and usage of features of ULIP. Convenience sampling was used to collect responses from 800 investors in Pune city, of which analysis was done for 561 investors, who had invested in policies of top five life insurance companies.

The fund options were analyzed using risk adjusted performance measures, Sharpe, Treynor and Jensen’s Alpha. Eighteen hypotheses were framed and tested through chi-square test, spearman’s rank correlation and Kendall’s W Statistics.

It was found that equity funds of SBI Life Insurance Co Ltd, balanced funds of Bajaj Allianz Life Insurance Co. Ltd and debt funds of ICICI Prudential Life Insurance Co Ltd gave better returns to its investors. There was no significant association between fund option and age, and marital status of investors. However, it was found to be significant with gender, education qualification, income and occupation. Brand image of company and policy features influenced the choice of ULIP with the primary reason for investment being, capital appreciation and children’s education.

Keywords: Life Insurance, ULIP, NAV, Fund Option, Risk Adjusted Return, Sharpe, Treynor, Jensen’s Alpha