An Analysis of Insurance as An Investment Strategy

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ABSTRACT

Death and Risk in life are certain but Date of Death and Risk are uncertain and this is the only reason that we are happy today. Uncertainty is the fundamental fact of life and this uncertainty leads to fear of risk in life. In spite of taking all necessary precautions, accidents occur. So, Insurance is one of the best techniques to face this uncertainty. It is worth interesting to note the origin of the concept of Insurance is as old as the Second Civilization of India that is the Aryan Civilization way back in 1000BC. The Aryan Civilization or Vedic Civilization gave the idea of “Yougkshema” means a promise to provide community insurance to the risk bearers which are clearly visible in the Indian Scriptures.

The global insurance industry is one of the largest sectors of finance. It ranges from consumer to corporate and industrial insurance, and even reinsurance, or insurance of insurance. The major insurance markets of the world are obviously the US, Europe, Japan, and South Korea. Emerging markets are found throughout Asia, specifically in India and China, and are also in Latin America.

Indian insurance companies offer a comprehensive range of insurance plans, a range that is growing as the economy matures and the wealth of the middle classes increases. The most common types include: term life policies, endowment policies, joint life policies, whole life policies, loan cover term assurance policies, unit-linked insurance plans, group insurance policies, pension plans, and annuities. General insurance plans are also available to cover motor insurance, home insurance,

The present paper aims at understanding the awareness of insurance as an investment strategy with special reference to Angel Broking.

INTRODUCTION

Insurance in India can be traced back to the Vedas. For instance, Yougkshema, the name of Life Insurance Corporation of India’s corporate headquarters is derived from the Rig Veda. The term suggests community insurance’ was prevalent around at a form of ‘Community insurance’ was prevalent around 1000BC and practiced by the Aryans.

Bombay Mutual Assurance Society, the first Indian life assurance society, was formed in 1870. Other companies like Oriental, Bharat and Empire of India were also set up in the 1870-90s.

The Insurance Act was passed in 1912, followed by a detailed and amended Insurance Act of 1938 that looked into Investments, expenditure and management of these companies’ funds. By the mid - 1950s, there were about 170 insurance companies and 80 provident fund societies in the country’s life insurance scene. However, in the absence of regulatory systems, scams were almost a way of life at most of these companies’ funds.

As a result, the Government decided to nationalize the Life Assurance business in India. The Life Insurance Corporation of India was set up in 1956 to take over around 250 life assurance companies. After the RN Malhotra Committee report of 1994 became the first serious document calling for the re-opening up of the insurance sector to private players - that the sector was finally opened up to the private players in 2001.

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.

**REVIEW OF LITERATURE**

In the present section an attempt has been made to examine the review of literature related to the study.


- Bedi. H.S. and Singh P. (2011) revealed that there is a tremendous growth in the performance of Indian Life Insurance Industry and LIC due to the policy of LPG and due to the emergence of private sector and opening up for foreign players. There is an increasing trend towards the investment in stock-market by LIC due to the effective regulation of SEBI and increasing transparency of stock market.

- Kotgiri, S. (2013), has focused on working of insurance players in Indian scenario and comparison in terms of growth in insurance industry and trend of customers of investing amount in particular plans. Some important aspects like amount of important aspects like amount of investment habits change in attitude of customer’s investment, importance given to the type of business organization are also analysed.

- Sharma, V. and Chauhan, D.S. (2013), analysed the performance of public and private sector life insurance companies in India. Through privatization of the insurance sector is feared to affect the prospects of the LIC, the study shows the LIC continuous to dominate the sector. Private sector insurance companies also tried to increase their market shares.

- Nena, S. (2013) has highlighted the growth and performance of LIC by analysing the major source of income (premium earned) of the sampled unit, as well as the significant heads of the study. The study shows consistent increase in LIC business. As private players are coming up now a day, competition is increasing and LIC has made efforts to continue its business.

- Shashi, P. (2013), has made an effort to know whether the implemented strategies have truly helped LIC of India in the changing trends of the society and has also suggested how these recent trends have helped LIC of India as a whole to manage the existing leading position in the Life Insurance market

- Priti Jha and BinduRoy (2015) revealed LIC should strive to increase its business by adopting new marketing strategies by issuing more and more policies in order to retain its market share in the competitive scenario as well as it should make advertisement to promote and aware about its policies to the consumers.

**OBJECTIVES OF THE STUDY**

The primary objective was to analysis the market and find out the scope of insurance as an investment strategy.

The secondary objectives include:

- To do the comparative analysis of different investment options available in the market and to bring forth, thus to the potential customer
- To create awareness on financial investments among the customers
- To analyze the different investment patterns

**RESEARCH METHODOLOGY**

- 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 Angel Broking 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 Angel Broking 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
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conclusion is drawn based on the study and suggestions are offered for improving Angel Broking’s customer base.

**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
  - Primary data
  - Secondary data

**HYPOTHESIS OF THE STUDY**
In order to conduct study on an analysis of insurance as an investment strategy the following hypothesis are formulated:
1. There is no significance difference between customers knowing about HDFC life insurance and other types of insurances policies.
2. There is no significance difference between factors influencing life insurance policies and other types of insurance policies.

**SCOPE OF THE STUDY**
The study is an analysis of insurance products as an investment strategy with special regard to Angel Broking. 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 of 20-60 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 polices.

**LIMITATIONS**
In undertaking the study, the researcher encountered certain problems. Firstly, the respondents were not available readily and the data collected as per the convenience of the respondents. Secondly, the organizational policies had its influence on the respondent’s opinions at the time of collection of data. Thirdly, the limitations of sampling had an effect on the study as it was concentrating on a particular segment of organizations.

The study based on survey through pre-designed questionnaires suffers from the basic limitations of the possibility of difference between what is recorded and what is the truth, no matter how carefully the questionnaire has been designed and field investigation has been conducted.
- The study covers the Hyderabad only and due to the limited sample size, the facts relabeled in the study may not generalize.
- While calculating the percentages, approximations are made to the nearest figures, for convenience in understanding.
- The analysis is based on customer’s opinion at the time of survey. Suggestions and conclusions are based on the limited data.
- Due to time constraint the detailed information cannot be collected, but many efforts are taken to collect the actual information.
- There was a constraint with regard to time allocation for the research study i.e. for a period of 45 days.

**COMPANY PROFILE: ANGEL BROKING LTD.**
Angel Broking is an Indian Stock Broking firm which emerged as one of the top 3 retail broking houses in India and incorporated in 1987. It is a public company. The company has 8500+ sub-brokers and franchises outlets in more than 900 cities across India. It has its memberships on BSE, NSE and the leading commodity exchanges in India NCDEX & MCX. Angel is also registered as a depository participant with CDSL.

<table>
<thead>
<tr>
<th>Angel Group Companies</th>
<th>Details</th>
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<tbody>
<tr>
<td>Angel Broking Ltd.</td>
<td>Member on the BSE and Depository Participant with CDSL</td>
</tr>
<tr>
<td>Angel Capital &amp; Debt Market Ltd.</td>
<td>Membership on the NSE Cash and Futures &amp; Options Segment</td>
</tr>
<tr>
<td>Angel Commodities Broking Ltd.</td>
<td>Member on the NCDEX &amp; MCX</td>
</tr>
<tr>
<td>Angel Securities Ltd.</td>
<td>Member on the BSE</td>
</tr>
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**Analysis of Data**
1. What type of insurance you generally look for?

<table>
<thead>
<tr>
<th>Table 1: Types of Insurance</th>
<th>S.No.</th>
<th>Option</th>
<th>No. of Respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>Life</td>
<td>28</td>
<td>56%</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>Motor</td>
<td>12</td>
<td>24%</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>Home</td>
<td>5</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>Health</td>
<td>5</td>
<td>10%</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data
Interpretation

The above graph indicates a dearth of active insurers for life, despite of the huge returns that an insurance company is promising currently. Only 18 people said they look for life insurance, 12 said for motor insurance, and 5 people each said for home and health.

2. Have you ever heard about the insurance products of HDFC Life?

Table 2: Customers Hearing/Knowing Of Insurance Products Of HDFC Life

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Option</th>
<th>No. of Respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Yes</td>
<td>35</td>
<td>20%</td>
</tr>
<tr>
<td>2</td>
<td>No</td>
<td>15</td>
<td>46%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>50</td>
<td>100%</td>
</tr>
</tbody>
</table>

Out of the total 50 sample chosen, the respondents were asked about their knowing of insurance products / services of HDFC Life. 35 out of 50 that is 70% people responded that they know about HDFC Life products/services offered; 30% people said they does not about the products or services of HDFC Life.

Findings, Conclusions and Suggestions:

- 17 of the total 50 respondents prefer to insure with private sector, while 33 people prefer to invest in government sector.
- 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, while 20% take it for tax exemption and the remaining for securing their children’s future.
- 84% of the respondents are satisfied with the products/services provided by HDFC Life, and only 16% of the respondents are not satisfied with the products/services.
- 18 of the 50 respondents said that they have insured from LIC, while 14 responded that they insured from HDFC Life.
- 18 of the 50 respondents said that they have insured from HDFC Life because of better returns, while 10 respondents said that it is because of better services provided by the company. 16% thought because of attractive plans they preferred HDFC Life.
- 48% of the respondents were planning to taking policies from HDFC Life in future if there is a need for them. However, 16% of the existing customers of the company said they will not take any more policies from HDFC Life.

Suggestions

- HDFC Life should enhance more of marketing strategies in order to increase its market share
- HDFC Life should come up with new ideas, such as providing extra security cover to the existing and prospective clients
- The company should provide regular and update market information to its new and existing clients
- Total financial planning and advice should be given to every customer
- The company should quite frequently send their agent to the customer so that they should be aware of the latest offers

CONCLUSIONS

- 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.
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- 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 an 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 their 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.

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