# ***PROJECT REPORT***

**ON**

**“A Analytical study of Life Insurance products of**

**Life Insurance Corporation of India.”**

Submitted To

**Rashtrasant Tukadoji Maharaj Nagpur University,**

**Nagpur.**

In partial fulfillment for the award of degree of

**Bachelor of Business Administration.**

Submitted by

**Neha Vipin Sarda**

Under the guidance of

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**NAAC Re -Accredited "A" Grade Autonomous Institutions**

**Academic Year 2020-21**

**G.S. college of commerce & Economics , Nagpur**

**NAAC Re -Accredited "A" Grade Autonomous Institutions**

**Academic Year 2020-21**

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## CERTIFICATE

This is to certify that **Ku. Neha V. Sarda** has submitted the project report titled **"A Analytical study of Life Insurance products of Life Insurance Corporation of India"**, towards partial fulfillment of **BACHELOR OF BUSINESS ADMINISTRATION** degree examination. This has not been submitted for any other examination and does not form part of any other course undergone as prescribed by Rashtrasant Tukadoji Maharaj Nagpur University. It is further certified that she has ingeniously completed her project.

**Prof. Kamlesh Thote** **Dr. Geeta Naidu**

**(Project guide)** **(Co-Ordinator)**

**Place: Nagpur**

**Date:**

**G.S. college of commerce & Economics , Nagpur**
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**Academic Year 2020-21**

## DECLARATION

I here-by declare that the project with title **"A Analytical study of Life Insurance products of Life Insurance Corporation of India**, has been completed by me in partial fulfillment of **BACHELOR OF BUSINESS ADMINISTRATION** degree examination as prescribed by Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur and this has not submitted for any other examination and does not form the part of any other course undertaken by me.

**Ku. Neha V. Sarda**

**Place: Nagpur**

**Date:**

**G.S. college of commerce & Economics , Nagpur**

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I would like to thank all those who helped me in making this project complete and successful.

**Place: Nagpur.** **Ku. Neha V. Sarda**

**Date:**

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# Introduction

Life insurance is a contract between an insurer and a policyholder. A life insurance policy guarantees the insurer pays a sum of money to named beneficiaries when the insured policyholder dies, in exchange for the premiums paid by the policyholder during their lifetime.

- Life insurance is a legally binding contract.
- For the contract to be enforceable, the life insurance application must accurately disclose the insured’s past and current health conditions and high-risk activities.
- For a life insurance policy to remain in force, the policyholder must pay a single premium up front or pay regular premiums over time.
- When the insured dies, the policy’s named beneficiaries will receive the policy’s face value, or death benefit.
- Term life insurance policies expire after a certain number of years. Permanent life insurance policies remain active until the insured dies, stops paying premiums, or surrenders the policy.
- A life insurance policy is only as good as the financial strength of the company that issues it. State guaranty funds may pay claims if the issuer can’t.

✓ **Who Should Buy Life Insurance?**

Life insurance provides financial support to surviving dependents or other beneficiaries after the death of an insured. Here are some examples of people who may need life insurance:

- **Parents with minor children**—If a parent dies, the loss of their income or caregiving skills could create a financial hardship. Life insurance can make sure the kids will have the financial resources they need until they can support themselves.
- **Parents with special-needs adult children**—For children who require lifelong care and will never be self-sufficient, life insurance can make sure their needs will be met after their parents pass away. The death benefit can be used to fund a special needs trust that a fiduciary will manage for the adult child's benefit.[1]
- **Adults who own property together**—Married or not, if the death of one adult would mean that the other could no longer afford loan payments, upkeep, and taxes on the property, life insurance may be a good idea. An example would be an engaged couple who took out a joint mortgage to buy their first house.
- **Elderly parents who want to leave money to adult children who provide their care**—Many adult children sacrifice by taking time off work to care for an elderly parent who needs help. This help may also include direct financial support. Life insurance can help reimburse the adult child's costs when the parent passes away.
- **Young adults whose parents incurred private student loan debt or cosigned a loan for them**—Young adults without dependents rarely need life insurance, but if a parent will be on the hook for a child's debt after their death, the child may want to carry enough life insurance to pay off that debt.
- **Young adults who want to lock in low rates**—The younger and healthier you are, the lower your insurance premiums. A 20-

something adult might buy a policy even without having dependents if there is an expectation to have them in the future.

- **Wealthy families who expect to owe estate taxes**—Life insurance can provide funds to cover the taxes and keep the full value of the estate intact.
- **Families who can't afford burial and funeral expenses**—A small life insurance policy can provide funds to honor a loved one's passing.
- **Businesses with key employees**—If the death of a key employee, such as a CEO, would create a severe financial hardship for a firm, that firm may have an insurable interest that will allow it to purchase a life insurance policy on that employee.
- **Married pensioners**—Instead of choosing between a pension payout that offers a spousal benefit and one that doesn't, pensioners can choose to accept their full pension and use some of the money to buy life insurance to benefit their spouse. This strategy is called pension maximization.

## ✓ Types of Life Insurance

Many different types of life insurance are available to meet all sorts of needs and preferences.

- **Term Life**—Term life insurance lasts a certain number of years, then ends. You choose the term when you take out the policy. Common terms are 10, 20, or 30 years. The best term life insurance policies balance affordability with long-term financial strength.
- **Level Term**—The premiums are the same every year.
- **Increasing Term**—The premiums are lower when you're younger and increase as you get older. This is also called "yearly renewable term."

- **Return of Premium**—Return of premium (ROP) policies include a built-in savings mechanism. You'll pay a flat rate for the duration of your policy, but unlike traditional term life insurance, you'll get your money back at the end of the term.
- **Permanent**—This stays in force for the insured's entire life unless the policyholder stops paying the premiums or surrenders the policy. It's typically more expensive than term.
- **Single Premium**—In this case the policyholder pays the entire premium up front instead of making monthly, quarterly, or annual payments.
- **Whole Life**—Whole life insurance is a type of permanent life insurance that accumulates cash value.
- **Universal Life**—A type of permanent life insurance with a cash value component that earns interest, universal life insurance has premiums that are comparable to term life insurance. Unlike term and whole life, the premiums and death benefit can be adjusted over time.
- **Guaranteed Universal**—This is a type of universal life insurance that does not build cash value and typically has lower premiums than whole life.
- **Variable Universal**—With variable universal life insurance, the policyholder is allowed to invest the policy's cash value.
- **Indexed Universal**—This is a type of universal life insurance that lets the policyholder earn a fixed or equity-indexed rate of return on the cash value component.
- **Burial or Final Expense**—This is a type of permanent life insurance that has a small death benefit. Despite the names, beneficiaries can use the death benefit as they wish.

- **Guaranteed Issue**—A type of permanent life insurance available to people with medical issues that would otherwise make them uninsurable, guaranteed issue life insurance will not pay a death benefit during the first two years the policy is in force (unless the death is accidental) due to the high risk of insuring the person. However, the insurer will return the policy premiums plus interest to the beneficiaries if the insured dies during that period.

✓ **Additional Uses for Life Insurance**

- Most people use life insurance to provide money to beneficiaries who would suffer a financial hardship upon the insured's death. However, for wealthy individuals, the tax advantages of life insurance, including tax-deferred growth of cash value, tax-free dividends, and tax-free death benefits, can provide additional strategic opportunities.
- **Funding Retirement**—Policies with a cash value or investment component can provide a source of retirement income. This opportunity can come with high fees and a lower death benefit, so it may only be a good option for individuals who have maxed out other tax-advantaged savings and investment accounts. The pension maximization strategy described earlier is another way life insurance can be used to fund retirement.
- **Avoiding Taxes**—The death benefit of a life insurance policy is usually tax free.[4] Wealthy individuals sometimes buy permanent life insurance within a trust to help pay the estate taxes that will be due upon their death. This strategy helps to preserve the value of the estate for their heirs. Tax avoidance is a law-abiding strategy for minimizing one's tax liability and should not be confused with tax evasion, which is illegal.

- **Borrowing Money**—Most permanent life insurance accumulates cash value that the policyholder can borrow against. Technically, you are borrowing money from the insurance company and using your cash value as collateral. Unlike with other types of loans, the policyholder's credit score is not a factor. Repayment terms can be flexible, and the loan interest goes back into the policyholder's cash value account. Policy loans can reduce the policy's death benefit, however.

✓ **How Life Insurance Works**

A life insurance policy has two main components—a death benefit and a premium. Term life insurance has these two components, but permanent or whole life insurance policies also have a cash value component.

1. **Death Benefit**—The death benefit or face value is the amount of money the insurance company guarantees to the beneficiaries identified in the policy when the insured dies. The insured might be a parent, and the beneficiaries might be their children, for example. The insured will choose the desired death benefit amount based on the beneficiaries' estimated future needs. The insurance company will determine whether there is an insurable interest and if the proposed insured qualifies for the coverage based on the company's underwriting requirements related to age, health, and any hazardous activities in which the proposed insured participates.
2. **Premium**—Premiums are the money the policyholder pays for insurance. The insurer must pay the death benefit when the insured dies if the policyholder pays the premiums as required, and premiums are determined in part by how likely it is that the insurer will have to

pay the policy’s death benefit based on the insured’s life expectancy. Factors that influence life expectancy include the insured’s age, gender, medical history, occupational hazards, and high-risk hobbies.[2] Part of the premium also goes toward the insurance company’s operating expenses. Premiums are higher on policies with larger death benefits, individuals who are higher risk, and permanent policies that accumulate cash value.

3. **Cash Value**—The cash value of permanent life insurance serves two purposes. It is a savings account that the policyholder can use during the life of the insured; the cash accumulates on a tax-deferred basis. Some policies may have restrictions on withdrawals depending on how the money is to be used. For example, the policyholder might take out a loan against the policy’s cash value and have to pay interest on the loan principal. The policyholder can also use the cash value to pay premiums or purchase additional insurance. The cash value is a living benefit that remains with the insurance company when the insured dies. Any outstanding loans against the cash value will reduce the policy’s death benefit.

# COMPANY PROFILE

**Life Insurance Corporation of India** (abbreviated as **LIC**) is an Indian government owned insurance and investment corporation. It is under the ownership of Ministry of Finance , Government of India .

The Life insurance Corporation of India was established on 1 September 1956, when the Parliament of India passed the Life Insurance of India Act that nationalized the insurance industry in India. Over 245 insurance companies and provident societies were merged to create the state-owned Life Insurance Corporation of India.

As of 2019, Life Insurance Corporation of India had total life fund of ₹28.3 trillion. The total value of sold policies in the year 2018–19 is ₹21.4 million. Life Insurance Corporation of India settled 26 million claims in 2018–19. It has 290 million policy holders.

The LIC's executive board consists of Chairman, currently M R Kumar, and Managing Directors, Vipin Anand, T. C. Suseel Kumar, Mukesh Kumar Gupta and Raj Kumar

The Central Office of LIC is based out of Mumbai which sits The Chairman, all four Managing Directors, and all Executive Directors (Department Heads). LIC has a total of 8 Zonal Offices namely Delhi, Chennai, Mumbai, Hyderabad, Kanpur, Kolkata, Bhopal & Patna.

- ✓ **Founding organisations**

The Oriental Life Insurance Company, the first company in India offering life insurance coverage, was established in Kolkata in 1818. Its primary target market was the Europeans based in India, and it charged Indians heftier premiums.[ Surendranath Tagore had founded Hindustan Insurance Society, which later became Life Insurance CorporationCheck Special Policy Of LIC.

The Bombay Mutual Life Assurance Society, formed in 1870, was the first native insurance provider. Other insurance companies established in the pre-independence era included

- Postal Life Insurance (PLI) was introduced on 1 February 1884
- Bharat Insurance Company (1896)
- United India (1906)
- National Indian (1906)
- National Insurance (1906)
- Co-operative Assurance (1906)
- Hindustan Co-operatives (1907)
- The New India Assurance Co Ltd (1919)
- Indian Mercantile
- General Assurance

- Swadeshi Life (later Bombay Life)

The first 150 years were marked mostly by turbulent economic conditions. It witnessed India's First War of Independence, adverse effects of the World War I and World War II on the economy of India, and in between them the period of worldwide economic crises triggered by the Great depression. The first half of the 20th century saw a heightened struggle for India's independence. The aggregate effect of these events led to a high rate of and liquidation of life insurance companies in India. This had adversely affected the faith of the general in the utility of obtaining life cover.

# **Need of study**

## Life insurance is needed:

- To ensure that your immediate family has some financial support in the event of your demise.
- To finance your children's education and other need.
- To have a saving plan for the future so that you have a constant sources of income after retirement.
- To ensure that you have extra income when your earnings are reduced due to serious illness or accident.
- To provide for other financial contingencies and life style requirement

# Objective of Study:

- To study various life insurance product of LIC of India.
- To identify the factors affecting the investment in products of LIC of India.
- To identify the most preferred and viable products and services categorically.
- To analyse the financial accounts of LIC of India.
- To study the customer perception and satisfaction of life insurance products of LIC of India.
- The maximization of mobilization of people's savings for nation building activities.
- Provide complete security and promote efficient service to the policy-holder at economic premium rate.

# LITERATURE REVIEW

## Introduction to Insurance:

Insurance refers to a contract in which one party (known as insurer) promises to bear the financial loss of another party (known as insured) in case of any such event, in return of consideration /payment (known as premium). The loss can or cannot be financial, but it should be reducible to financial terms, and must involve something in which the one who has paid the premium (insured) has an insurable interest established by possession, ownership, or some pre-existing relationship. The one who paid the premium receives a contract, called as the insurance policy, which provide details regarding conditions and circumstances under which the one who received the premium (insurer) will compensate for the losses of the insured. The amount of money charged called as the premium amount is set by the insurer for the coverage set in the insurance policy. If the insured person experiences a loss which is covered in the insurance policy, the insured submits a claim to the insurer for processing by the claims adjuster. The insurer can hedge his own risk by taking reinsurance, where another insurance company agrees to bear some of the risk, especially the primary insurer deems the risk too large for it to carry.

## Risks in Life Insurance:

There are various types of risks in Life Insurance. Some of them are as follows:

1) **Longevity Risk& Mortality Risk**:

   Longevity risk is the risk that a person, or persons, lives longer. In the corporate world, this affects pension funds and insurance companies.

The corporate sponsor of a pension plan, or insurer providing life assurance facilities, has the risk of higher than expected pay-outs as a result of the increasing longevity of pension plan or insurance policy holders. Mortality risk covers not only the risks associated with recipients of annuities who are living longer than expected, but also the opposite risk that the holder of a life insurance policy dies earlier than expected during the term of the policy.

**2) Liquidity Risk:**

Liquidity Risk is the risk of failing to maintain requisite levels of cash and cash equivalents and being unable to pay the claims of the policyholders in full.

**3) Asset Liability Mismatch**:

The present value of assets should be greater than the present value of present value of liabilities so as to ensure that the company would be able to meet the liabilities by 23 liquidating the assets. These present values are not fixed and keep on changing according to the interest rates prevailing in the market. If the interest rates are high, the present values would decrease and vice versa. So, the assets to be invested in have to be carefully selected so as to achieve proper AssetLiability matching. There are various techniques that can be used to minimize this interest rate risk like Reddington's Immunization in which assets are chosen in such a way that irrespective of the interest fluctuations, the present value of assets remains larger than that of the liabilities.

4) **Technological Advancements**:

In the world of ever changing technology, its of utmost importance to be conversant and well versed with the current technology. AI (Artificial Intelligence) is becoming increasingly popularly in the world, which affects insurance industry as well. The way people approach insurance from "insured" side as well as "insurer" side would have to adapt if AI was to become prominent in the future.

5) **Competitors In Life Insurance Industry:**

LIC (Life Insurance Corporation) is a major market player with which other life insurance companies such as IDBI Federal Life competes for capturing the market share. The strategies, policies launched by the competitors tend to affect the company in consideration.

6) **Political Situation**:

The political situation of the country majorly affects the way policies, and operations are executed. In corporate world, lobbying (influencing political parties directly or 24 indirectly to get the work done) plays an important role in smooth operations of the company. If the political scenario is chaotic, the business may be adversely affected.

7) **Law and Order**:

The Insurance business in India is regulated by IRDAI (Insurance Regulatory and Development Authority of India) which is responsible for setting rules and standards for the insurance companies in the country.

**8) Investment Risk**:

Investment risk is the risk of incurring loss due to fluctuations in the market value of the investments. These fluctuations may be due to market factors which affect the entire market like inflation, rate of interest or firm/industry specific factors. The investment is mainly done in 3 types of funds: Debt, Equity, and Hybrid

## Research Methodology:

Research is endless quest for knowledge or unending search for truth. It brings to light new knowledge or corrects previous errors and misconceptions and adds in an orderly way to the existing body of knowledge.

Research methodology is a way to systematically solve the research problem

### Research methodology:

- Research Design - Descriptive
- Instrument - Questionnaire
- Technique - Survey
- Sources of data - Primary and Secondary

### 1. Primary Data:

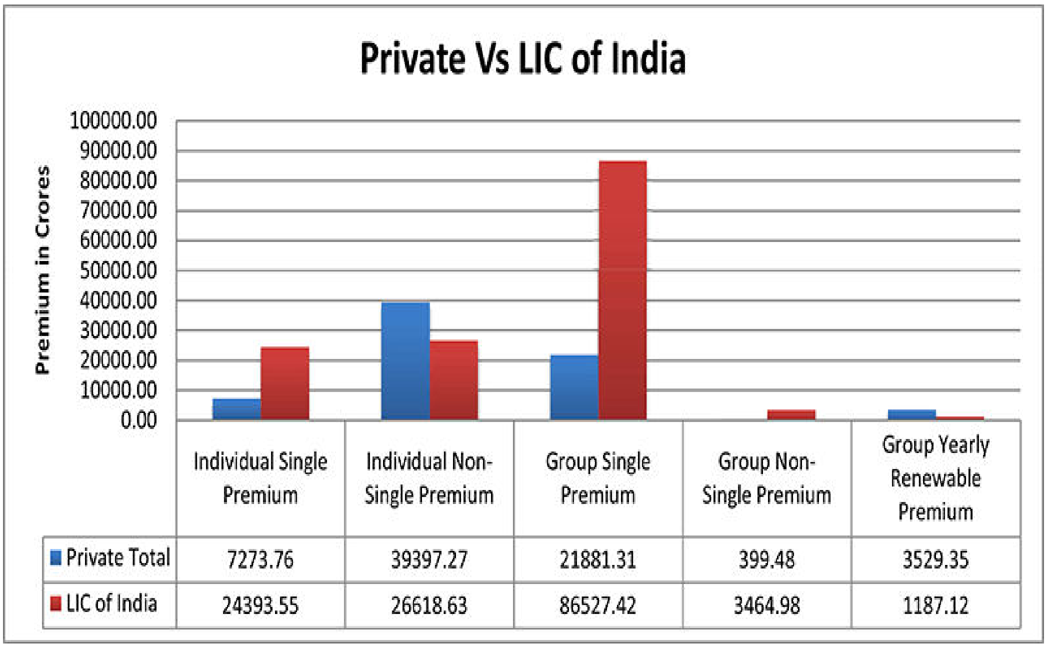
Primary Data is that which is collected from primary sources, it is original data which will be collected from officers and staff of life.
LIC of India by conducting interviews on the basis of objectives of the study.
It will also be collected from the investor customers by canvassing pre-designed questionnaire.

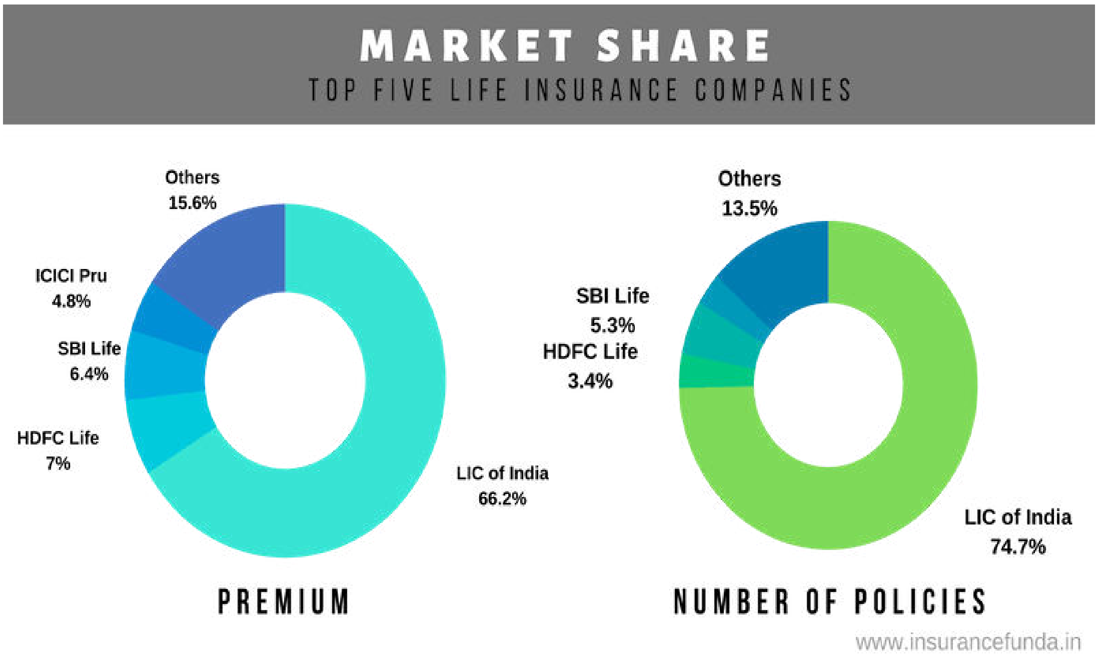
## 2. Secondary Data:

The secondary data is already published data available through books periodicals, annual reports, diaries, magazines and news papers, journal and websites.

# DATA ANALYSIS AND INTERPRETATION

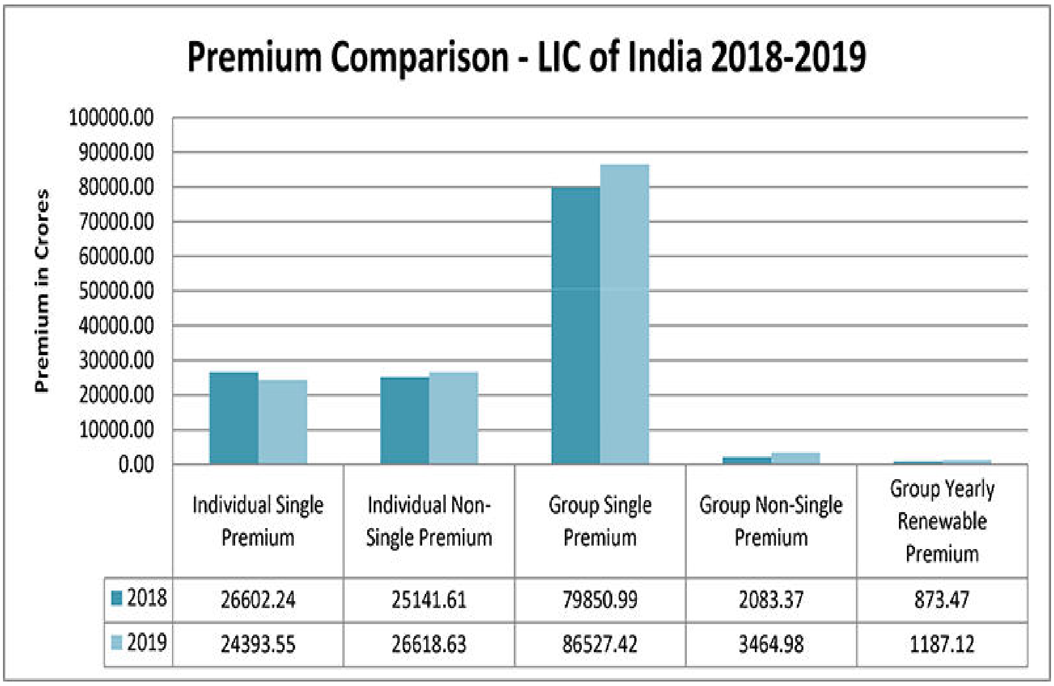
Total premium includes single as well as non-single premium collected. Each of these premium groups comprises of individual and group premiums.



# Life Insurance companies market share India

| Life Insurer | Market Share (APE basis) | Change Y/Y | Share of Private | Change Y/Y |
|---|---|---|---|---|
| **LIC** | **39.6%** | **2.5%** | | |
| **Private** | **60.4%** | **-2.5%** | | |
| ICICI Prudential | 10.8% | -6.2% | 17.9% | -9.1% |
| Bajaj Allianz | 9.2% | -1.3% | 15.3% | -1.4% |
| SBI Life | 8.0% | 2.1% | 13.2% | 3.9% |
| Reliance Life | 6.3% | 1.6% | 10.5% | 2.9% |
| HDFC Standard | 5.6% | -0.2% | 9.3% | 0.1% |
| Birla Sunlife | 5.0% | -0.1% | 8.3% | 0.1% |
| Met Life | 3.0% | 1.2% | 4.9% | 2.2% |
| Kotak Mahindra Old Mutual | 2.8% | 0.7% | 4.7% | 1.3% |
| Max New York | 2.7% | 0.0% | 4.4% | 0.2% |
| Tata AIG | 1.6% | -0.9% | 2.7% | -1.4% |
| ING Vysya | 1.5% | -0.2% | 2.5% | -0.2% |
| Aviva | 1.3% | -0.9% | 2.2% | -1.4% |
| Canara HSBC OBC | 0.8% | 0.8% | 1.3% | 1.3% |
| Bharti Axa Life | 0.6% | 0.4% | 1.0% | 0.7% |
| Shriram Life | 0.4% | 0.0% | 0.6% | 0.0% |
| IDBI Fortis Life | 0.3% | 0.3% | 0.5% | 0.5% |
| Sahara Life | 0.2% | 0.0% | 0.3% | 0.0% |
| Future Generali | 0.1% | 0.1% | 0.2% | 0.2% |
| Aegon Religare | 0.1% | 0.1% | 0.1% | 0.1% |



## HYPOTHESIS TESTING:

Following are the statements of hypothesis in this research work.

- The products of LIC are most preferred by the customer.
- The products of LIC of India provides life risk coverage to the insured in addition to tax rebate.
- Customers have become conscious and aware of product mix of the products of LIC of India.

From the said research study it was found that alternate hypothesis that is the concern is not facing difficulty in paying short term debt has been accepted and null hypothesis is rejected.

-Interpretation of hypothesis testing:

After testing the hypothesis the researchers comes out with his conclusion. The explanation of theory can also be considered as interpretation.

## ✓ **Limitation:**

- no printing and binding work of the project can be done due to covid crises.
- Cost effective
- Life insurance acquisition process can be annoying and perplexing.

# • CONCLUSION

Insurance is a large investment and you will most likely purchase multiple policies throughout your lifetime. It is essential that you know what each type of insurance covers and how it works so you can make the best decision about what to buy. Do not base your decision on just what is cheapest, but look at what it provides.

Take the time to shop around and find the right insurance for your situation. People often say they cannot afford insurance, but the reality is that they cannot afford not to have it. It can save them from thousands or more dollars in unplanned expenses when unexpected situations arise. You do not want to waste your money on policies that do not meet your needs, but the right insurance policy can protect you and your family from unforeseen disasters.

The important thing is to choose the right life insurance for your budget and your needs. Over the years, your needs, your family situation and your life goals will evolve. When that happens, it will be time for you to re-evaluate the right type of insurance for you to ensure you are covered properly.

Remember that you are never too young to buy life insurance, since the younger you are, the lower the cost of your premium. Your financial security advisor is there to provide some guidance in this process, based on your reality and your goals.

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