

A Study on The Returns Of ULIP of BALIC and other Selected Private Life Insurance Companies

Dr. Mercia Selva Malar* and Rajesh Pathiyil**

*Dean of Academic Affairs, LEAD College of Management, Palakkad, Kerala, India

**MBA Scholar, (2011-2013), LEAD College of Management, Palakkad, Kerala, India

Abstract

ULIPs or unit linked insurance plans are which will give both the benefit of insurance and investment. The study aimed at comparing the returns of ULIP's of Bajaj Alliance Life Insurance company and selected private life insurance companies like HDFC Life, Tata AIA, PNB Metlife and ICICI Prudential. Convenient sampling was done to identify relevant data. The analysis of the relevant data was descriptive: mean, median, mode and standard deviation. Pearson's correlation was also used. BALIC's Equity Plus Pension Fund was found to be the highest at 19.13 percent, followed by PNB MetLife Accelerator with a return of 18.69 percent. The poorest return was from HDFC Life's Growth Fund at 10 per cent. In the category of debt ULIPs PNB MetLife group's Gratuity Debt earned the highest return of 15.5 percent, followed by HDFC Life Secure Managed Fund – Life I which provided a return of 15 percent. The least return was from BALIC's Debt Plus Fund at 11.45 percent. The asset manager of BALIC debt ULIP should be aggressive in building a high return portfolio.

Key words: Insurance, Investment, ULIP, NAV.

Introduction

Insurance is an important financial service in the developed world. Insurance is the outcome of Man's search for safety and security, and to find out ways and means to minimize the hardship, which are beyond his control. Because of the economic reforms introduced by our government we can see that due to this Globalization and privatization there is enormous increase in the private sector players queuing in the insurance sector. This entry of Private players has enhanced the competitiveness and Quality of service with many innovated products. Now in India there are totally 43 players including 23 Life and 20 General Insurance Companies. And Life Insurance is one of the most common forms of insurance. Insurance may be described as a social device to reduce or eliminate risk of loss to life and property. Insurance is a collective bearing of risk. Insurance is a financial device to spread the risks and losses of few people among a large number of people, as people prefer small fixed liability instead of big, uncertain and changing liability.

Insurance can be defined as a “legal contract between two parties whereby one party called insurer undertakes to pay a fixed amount of money on the happening of a particular event, which may be certain or uncertain.” The other party called insured pays in exchange a fixed sum known as premium. Insurance is desired to safeguard oneself and one’s family against possible losses on account of risks and perils. It provides financial compensation for the losses suffered due to the happening of any unforeseen events.

With 23 registered life insurance companies in the country and each of them offering a variety of insurance plans for the customers, there is intense competition. Financially literate customers choose plans that cover risk and give them a good return on investment. ULIPs are attractive to clients who want to achieve two benefits with a single insurance plan – risk cover on life and growth of investments/ regular returns from such investment. Asset managers keep designing plans with various investor/ client requirements in mind. The list of plans have become so long that it is not easy for the agents even to remember them all and need a printed or electronic document to discuss on them. When the market is crowded with insurance products and there is need for choosing the rewarding plan comparison of plans becomes essential. The study is an attempt to compare the returns on ULIPs from five different private life insurance companies including Bajaj Alliance Life Insurance Company.

Review of Literature

Padmavathi V. in her article “ULIP and Risk management” states that ULIPs are selling well. LICs premium from sale of ULIP has grown by 293% in 1st quarter of 2005-06 as compared to last year. For ICICI Prudential 60% of the premium constitute from ULIP. The paper goes onto explain the concept of risk management and prominent role played by insurance in the same. The paper makes a comparative study of risk-return in traditional insurance plans and ULIP plans.

Milhir Dash along with Lalremtluangic C, SnimerAtwal and SupriyaThapar in their paper titled, “ A study on risk- return characteristics of life insurance policies “ observe that endowment plans have higher rate of return with mortality incorporated , while for unit linked investment plans, the rate of return is higher when it is treated purely as an investment instrument

News release by Swiss Re Sigma study (2003) on “Unit linked life insurance in WesternEurope regaining momentum” said that the surge in equity market helped to provide good returns as a result of which ULIP became popular investment tools during 1990s. The share of unit linked business grew from 21% to 36% between 1997 and 2001. Falling markets reduced the demand for ULIP in 2002 but the introduction of capital protection features helped them to the path of recovery.

Karuna K (2009) in her article appearing in 'Insurance Chronicle' titled 'Relevance of ULIPs as a good investment tool' observes that traditional life insurance plans offered by LIC took care of only the insurance needs of people. However, with the ever changing demands of customers a new product called ULIP was launched which combines the benefits of insurance, investment and tax benefits. It observed that ULIPs are better suited to investors who have 15-20 years as their time horizon. This helps to spread the expense over the longer period and reap the benefits.

Akula, R. and Kanchu, T.,(2011), conducted a study on growth of ULIP Policies in life insurance sector of India by comparing traditional (Life Fund + Pension & General Annuity + Group Fund) and ULIP Policies. The objective of the study was to observe the evolution of ULIPs in India, the growth of ULIPs over traditional Policies, risk factors involved in ULIPs over traditional policies and to suggest various measures to develop and stabilize the growth of ULIPs. The period from 2007 to 2009 was covered in the study. The study considered 5 companies to compare growth, namely, LIC, HDFC Standard Life, ICICI Prudential Life, SBI Life and Bazaar Allianz Life. It was revealed from the study that there was remarkable growth in ULIP compared to traditional policies as the new private entrants targeted ULIPs for market penetration.

Venugopalan, K.,V.(2011), conducted a study on global financial crisis and Life insurance sector in India by undertaking a comparative study of LIC with Private Sector. The impact of the Global Financial Crisis of 2007 to the Indian Life Insurance Sector is measured by using the following variables insurance penetration, insurance density, number of insurance policies issued, number of insurance premiums collected, total premium collected, profit obtained. The period covered in the study was from 2004-05 to 2010-11. The study suggested insurance sector to be an emerging and untapped sector in our country with good growth potentials. A mixture of traditional and ULIP Policies was also suggested in the study.

Sinha, R.P.(2009) compared the public and private sector life insurance companies on the basis of investment funds. The period covered in the study was from 2002-03 to 2006-07. The study revealed that the private sector insurance companies collected more funds from unit-linked plans than LIC and therefore, were more exposed to stock market. During the years 2005-06 and 2006-07 the return on investment was found to be higher for the private players compared to LIC owing to buoyant stock market conditions. The study also suggested that the private players might not repeat this in later years due to stock market meltdown.

Nair, K.K.(2009), conducted a study on Unit Linked insurance plans (ULIP) based on secondary data available on its emergence, concepts, parameters, benefit, current position and future outlook. The study suggested that India has a plethora of opportunities for insurance companies because three-fourth of the population was uninsured also majority of the investing population were small and medium investors and majority of the investors lacked the expertise to directly enter the stock market and earn good returns. The Study emphasized the about facts to be the reasons for increased importance of ULIP. The study observed that ULIP will continue to be a

good investment option for the investors as it combines the multi aspects of insurance, investment and tax benefit.

Rao,T. and Samuel, S.(2009), studied the reforms in the insurance industry and suggested that the reforms would create the potential for further growth in the industry, it might totally transform the industry and also that the future of insurance industry according to them was a blend of opportunities and challenges.

Ramana, B.V.(2009), studied the impact of global financial crisis on insurance and reinsurance industry using a meta-analytical analysis. The study suggested that the insurance industry (barring AIG, the insurance giant) escaped largely unscathed from the first round effects of the subprime disaster but the prolonged credit and liquidity crisis, as well as, the consequent regression in the financial services sector had its direct and indirect impact on both primary and reinsurance markets the world over which was quite evident from the increase in the number of claims, decline in investment return and reduced access to finding.

James J. Schiro(2006) suggested that insurance industry must be proactive to deal with changes in external forces and technological developments. Regulations can play a key role here. The regulators have to be in pace with the world. The regulations should be principle based rather than rule based.

Stefan Engelandner and Joachim Kolschbach (2006) opined that in insurance sector the risk is retransferred to the policy holder by a refund of premiums not required. The performance linked feature has a significant role in the insurance business. They stressed upon reducing the liquidity risk by speeding up the settlement process. Traditionally, the relationship between a policy holder and insurer depends on mutual trust.

ULIP: A policy, which provides for life insurance where the policy value at any time varies according to the value of the underlying assets at the time, is an ULIP. ULIP is life insurance solution that provides for the benefits of protection and flexibility in investment. The investment is denoted as units and is represented by the value that it has attained called as Net Asset Value (NAV). The two strong arguments in favor of unit-linked plans are: The investor knows exactly what is happening to his money and it allows the investor to choose the assets into which he wants his funds invested.

Objectives

To compare the returns of ULIP's of Bajaj Alliance Life Insurance company and selected private life insurance companies

To examine the minimum required investment in ULIP's of the selected private life insurance companies

To examine the NAV of the ULIP's of various life insurance companies

To identify the sectors of investment of ULIP's of various life insurance companies

To examine if the NAV and ROI are correlated

Method of Study

The study was carried out as descriptive research. The existing plans and their prevailing returns are being discussed as they are.

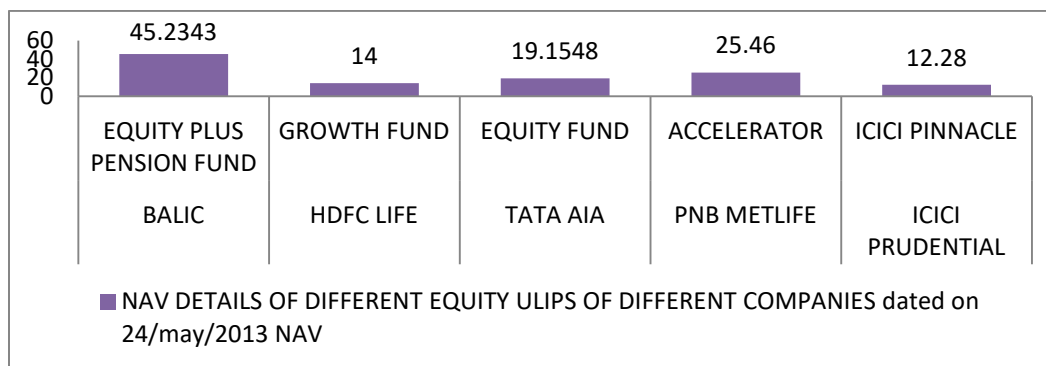
Non-random sampling design has been followed for the study. Out of the population of 23 Indian life insurance firms 5 were chosen on convenience basis. Thus convenient sampling was adopted in identifying the insurance firms. In identifying the insurance plans for the study purposive sampling has been followed to pick a popular ULIP from each firm.

Secondary data has been predominantly used for the study. The required data was collected from the websites of the selected insurance companies. These are data available to the public for continuous assessment of the performance of the ULIPs. They are reliable and authentic data.

Descriptive statistical techniques as mean, median, mode and standard deviation has been used to analyze the data. Correlation also has been used how various factors and the insurance companies with ULIP are related in specific areas.

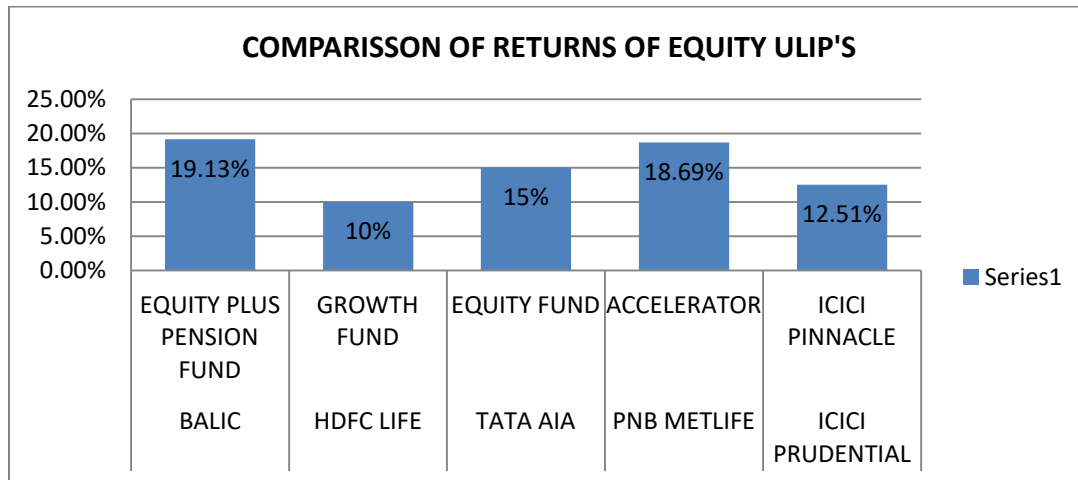
Discussion

COMPARISON OF NAV OF EQUITY FUNDS on 23rd May 2013



The chart presents the NAV of the Equity ULIPs of the selected life insurance companies. The highest NAV is exhibited by BALIC with 45.23. The second highest NAV is seen in the case of PNB MetLife. The most minimum NAV is found in the case of ICICI Prudential. The average NAV of the selected life insurance companies is calculated as 23.224 which is much higher than that of the three companies' NAV. Only the top two NAV scorers have a value above the average.

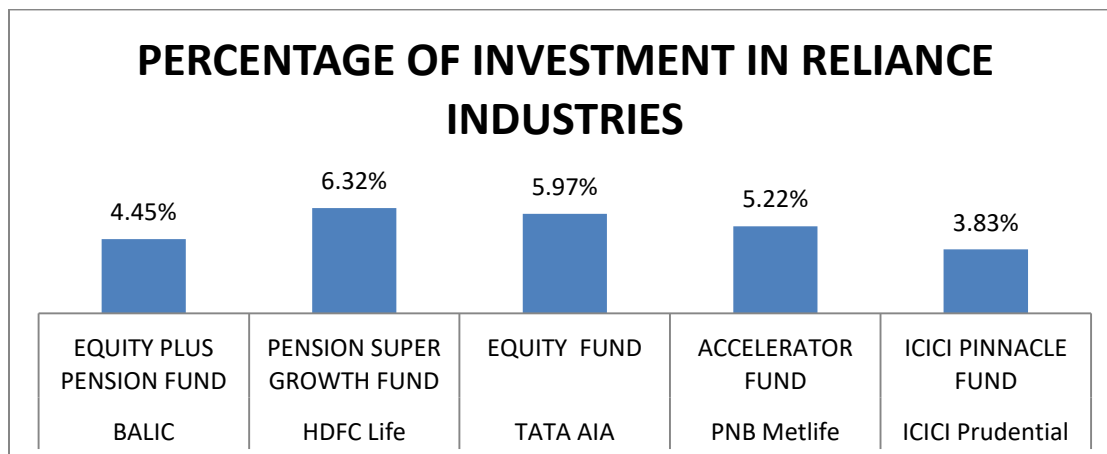
COMPARISSON OF ANNUAL RETURNS OF EQUITY ULIPS



The chart presents the annual returns realized by the equity ULIPs of the companies chosen for the study. The highest annual return has been realized by BALIC's equity ULIP viz. 'Equity plus Pension Fund', at 19.13%. Quite closer to that return is the annual return of, 'Accelerator' from PNB MetLife. The lowest return was offered by ICICI Prudential. TATA AIA offers a median annual return at 15 %.

BALIC's is the most attractive in terms of annual returns and ICICI Prudential has the least attractive returns

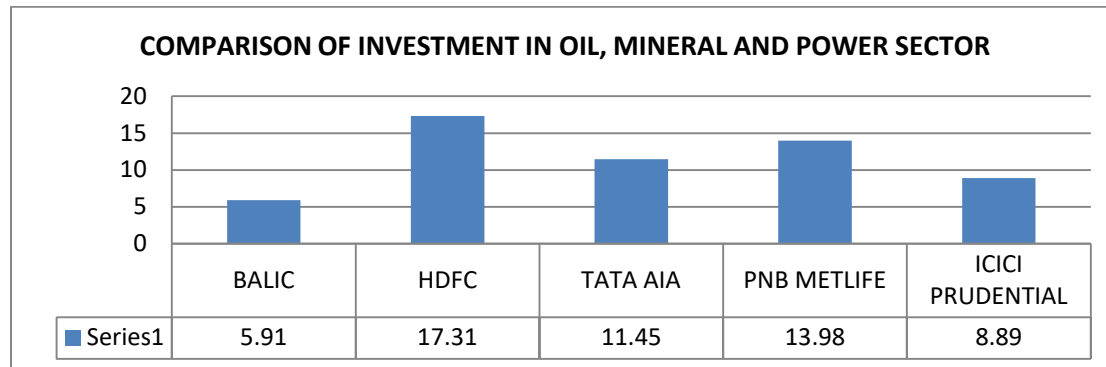
COMPARISON OF PERCENTAGE OF INVESTMENT IN RELIANCE INDUSTRIES OF EQUITY ULIP'S



The percentage of investment into different stocks can vary for each plan from each life insurance company. Yet there a chances that they all bet on the same company. Table no reveals that all the selected insurance companies have investment in the Reliance Industries stock but in varying percentages. As seen in from the table all the firms have invested above 3 percent

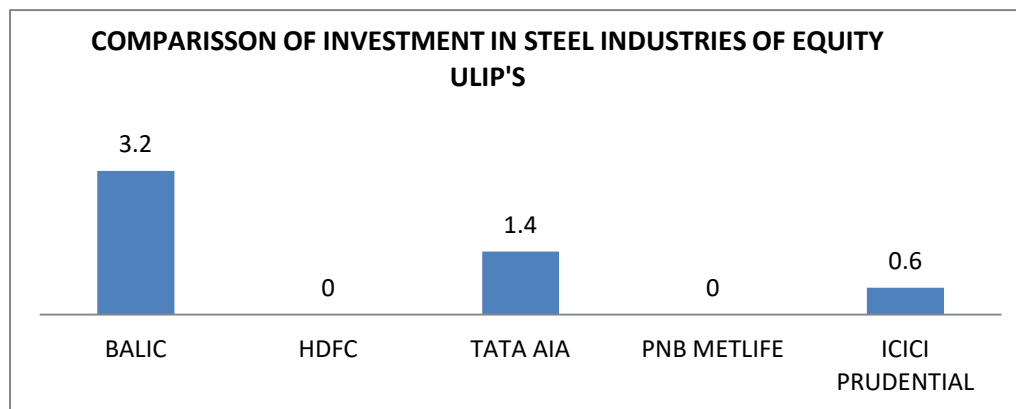
of the fund into Reliance Industries stock and in the meantime no firm has crossed 7 percent. The minimum investment of 3.83 percent into reliance industries stock was done by ICICI Prudential and the maximum investment of 6.32 per cent has gone from HDFC Life. All the other three firms have an investment between 4 and 6 percent

COMPARISON OF PERCENTAGE OF INVESTMENT IN OIL, MINERAL AND POWER SECTOR OF EQUITY ULIP'S



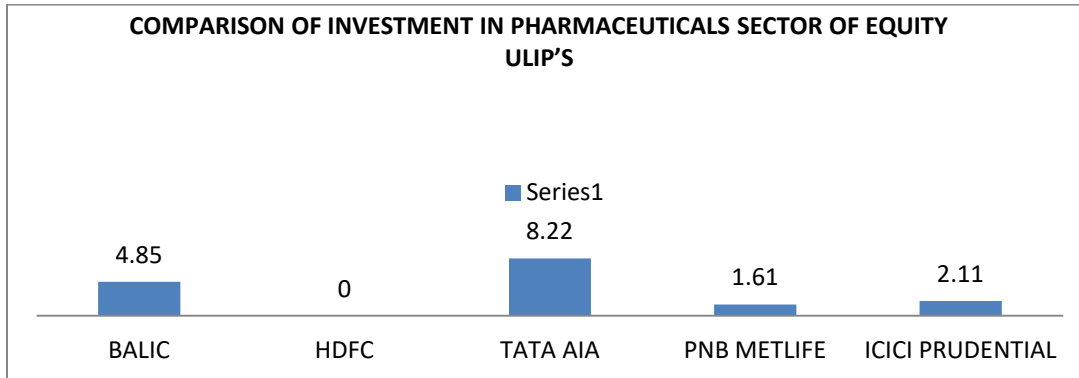
The firm/fund that has invested the maximum percentage in Oils, Mineral and Power sector is HDFC with 17.31 per cent and the lowest investment into the sector was from BALIC at 5.91 percent. Thus the range of percent of investment into the sector, from the firms fall between 5.91 percent and 17.31 percent.

COMPARISON OF INVESTMENT IN STEEL INDUSTRY OF EQUITY ULIP'S



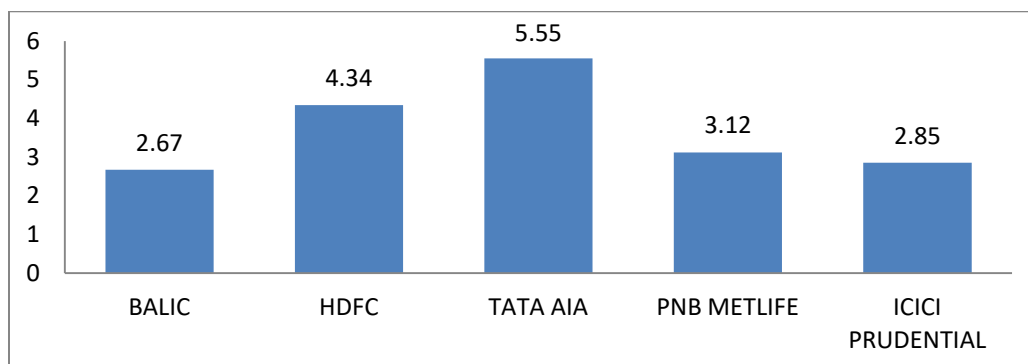
The firm/fund that has invested the maximum percentage in steel sector is BALIC with 3.2 per cent and the lowest investment into the sector was from ICICI Prudential at 0.6 percent. Thus the range of investment into the sector in terms of percent, from the firms fall between 3.2 percent and 0.6 percent. HDFC and PNB Metlife preferred not to have invested any percent into steel industry.

COMPARISON OF INVESTMENT IN PHARMACEUTICALS SECTOR OF EQUITY ULIP'S



The firm/fund that has invested the maximum percentage in Pharmaceuticals sector is TATA AIA with 8.22 per cent and the lowest investment into the sector was from PNB Metlife at 1.61 percent. Thus the range of investment into the sector in terms of percent, from the firms fall between 8.22 percent and 1.61 percent. HDFC life preferred not to have invested any percent into Pharmaceutical industry.

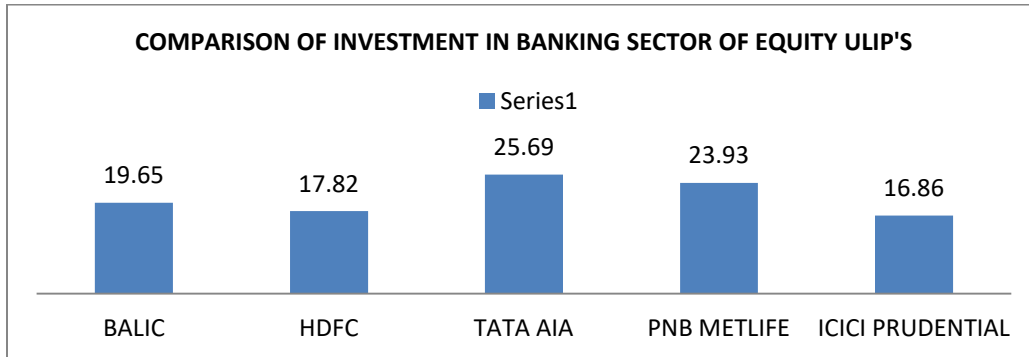
COMPARISON OF PERCENTAGE OF INVESTMENT IN AUTOMOBILE INDUSTRY OF EQUITY ULIP'S



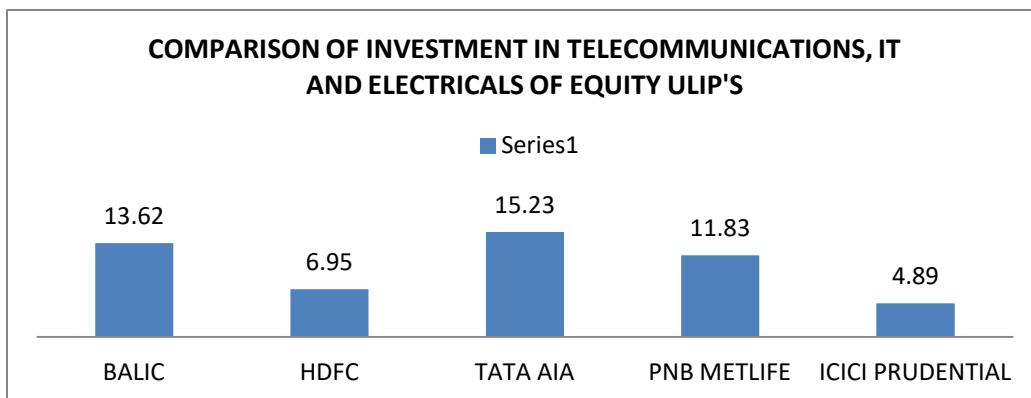
The firm/fund that has invested the maximum percentage in Automobile Industry is TATA AIA with 5.5 per cent and the lowest investment into the sector was from BALIC at 2.67 percent. Thus the range of investment into the sector in terms of percent, from the firms fall between 5.55 percent and 2.67 percent.

COMPARISON OF PERCENTAGE OF INVSTMENT IN BANKING SECTOR

The firm/fund that has invested the maximum percentage in Banking sector is TATA AIA with 25.69 per cent and the lowest investment into the sector was from ICICI Prudential at 16.86 percent. Thus the range of investment into the sector in terms of percent, from the firms fall between 16.86 percent and 25.69 percent

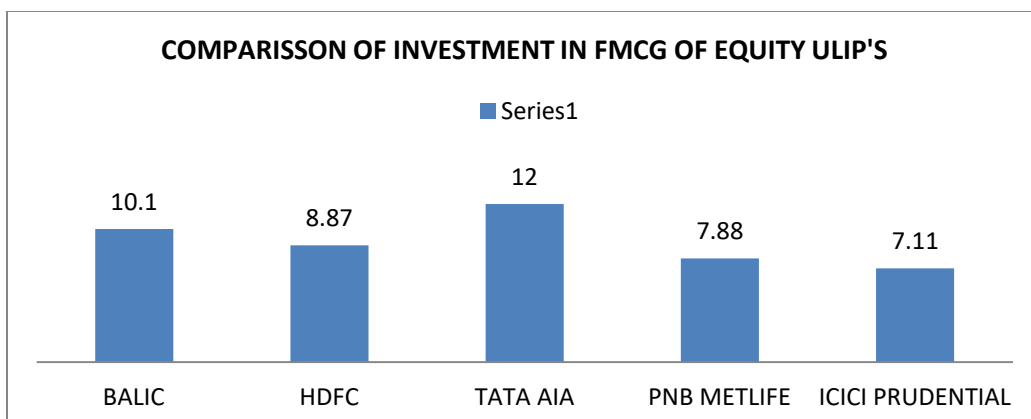


COMPARISON OF PERCENTAGE OF INVSTMENT IN TELECOMMUNICATIONS, IT AND ELECTRICALS



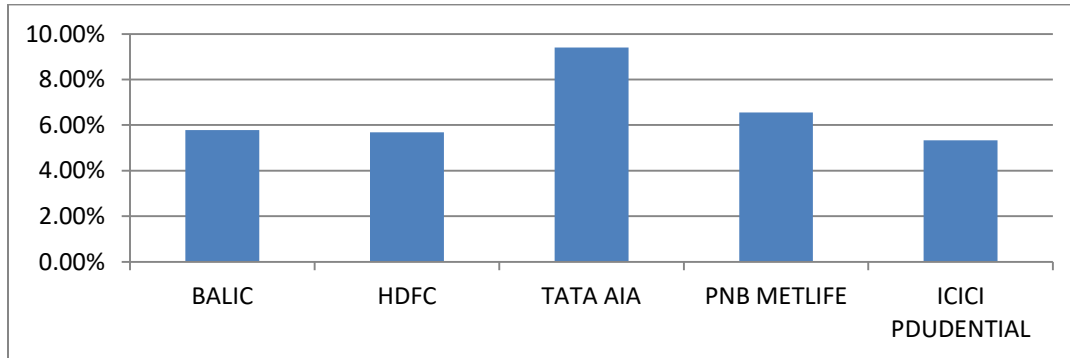
The firm/fund that has invested the maximum percentage in Telecommunications, IT and Electrical sector is TATA AIA with 15.23 per cent and the lowest investment into the sector was from ICICI Prudential at 4.89 percent. Thus the range of investment into the sector in terms of percent, from the firms fall between 4.89 percent and 15.23 percent

COMPARISON OF PERCENTAGE OF INVSTMENT IN FMCG SECTOR



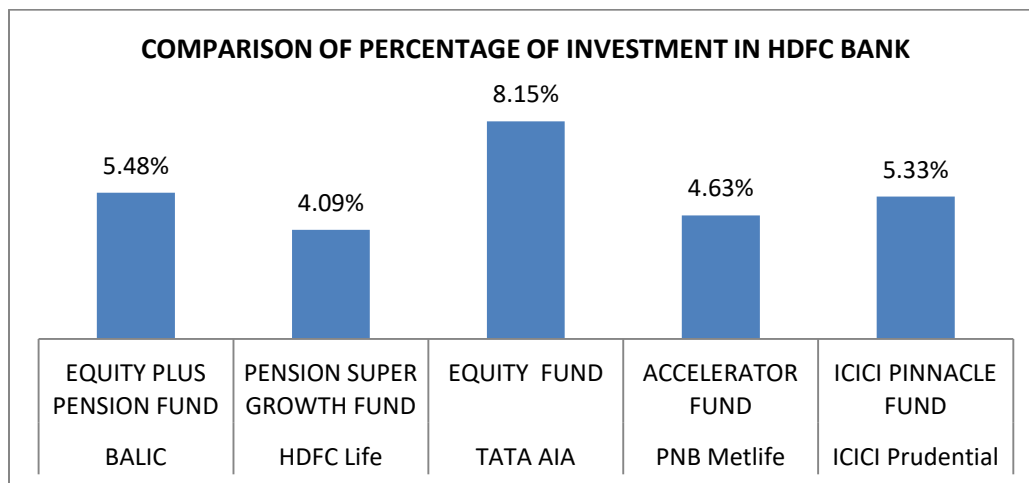
The firm/fund that has invested the maximum percentage in FMCG sector is TATA AIA with 12 per cent and the lowest investment into the sector was from ICICI Prudential at 7.11 percent. Thus the range of investment into the sector in terms of percent, from the firms fall between 7.11 percent and 12 percent

COMPARISON OF INVESTMENT IN ITC LTD



The percentage of investment into different stocks can vary for each plan from each life insurance company. Yet there a chances that they all bet on the same company. Table no reveals that all the selected insurance companies have investment in the ITC stock but in varying percentages. As seen in from the table all the firms have invested above 5 percent of the fund into ITC stock and in the mean time no firm has crossed 10 percent. The minimum investment of 5.33 percent into ITC stock was done by ICICI Prudential and the maximum investment of 9.41 per cent has gone from TATA AIA. All the other three firms have an investment between 5 and 6 percent

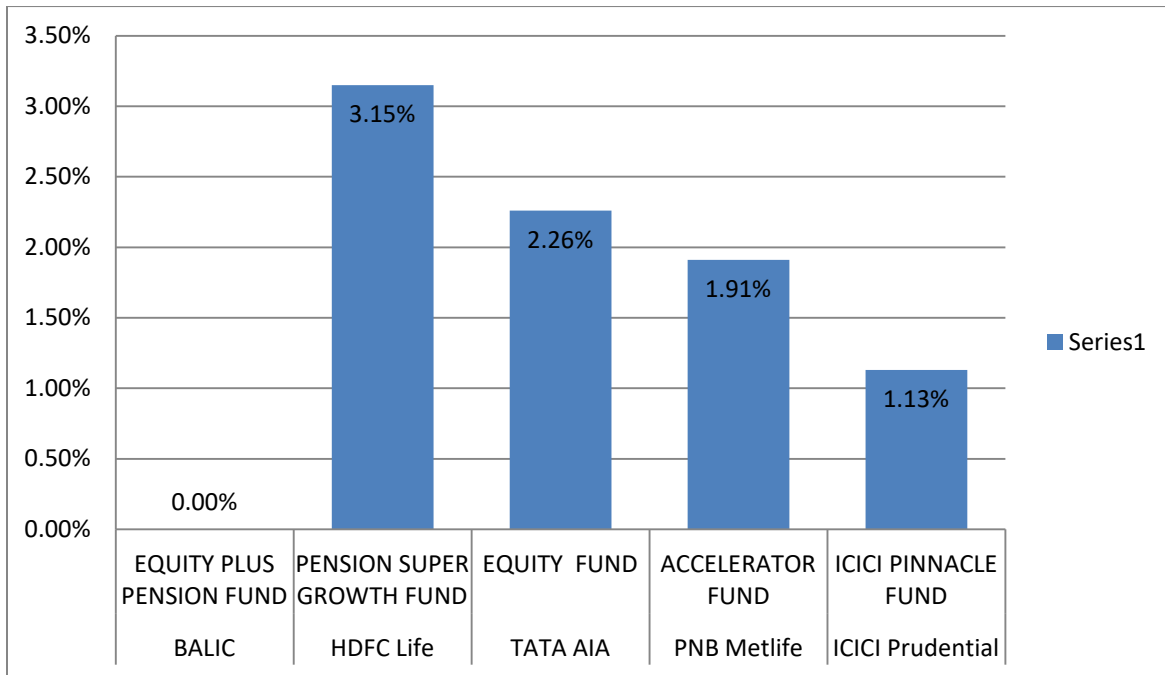
COMPARISON OF INVESTMENT IN HDFC BANK



The percentage of investment into different stocks can vary for each plan from each life insurance company. Yet there a chances that they all bet on the same company. Table no 3.13

reveals that all the selected insurance companies have investment in the HDFC Bank stock but in varying percentages. As seen in from the table all the firms have invested above 4 percent of the fund into HDFC Bank stock and in the mean time no firm has crossed 9 percent. The minimum investment of 4.63 percent into HDFC Bank stock was done by PNB MetLife and the maximum investment of 8.15 per cent has gone from TATA AIA. All the other three firms have an investment between 5 and 6 percent

COMPARISON OF INVESTMENT IN BHARATHI AIRTEL



The percentage of investment into different stocks can vary for each plan from each life insurance company. Yet there a chances that they all bet on the same company. Table no 3.14 reveals that some of the selected insurance companies have investment in the Bharathi Airtel stock but in varying percentages. As seen in from the table all the firms have invested above 1percent of the fund into HDFC Bank stock except BALIC. BALIC don't have investment in Airtel, and in the mean time no firm has crossed 4 percent. The minimum investment of 1.13 percent into Bharathi Airtel stock was done by ICICI Prudential and the maximum investment of 3.15 per cent has gone from HDFC Life. All the other three firms have an investment between 1 and 3 percent

COMPARISON OF AVERAGE NAV AND ACTUAL NAV FOR THE PERIOD OF 1st JAN 2013 TO 31st JAN 2013 OF BALIC'S EQUITY PLUS PENSION FUND

BAJAJ ALLIANZ LIFE INSURANCE COMPANY

NAV OF EQUITY PLUS PENSION FUND	AVG NAV	DEVIATION	NAV OF EQUITY PLUS PENSION FUND	AVG NAV	DEVIATION
45.16	44.67429	0.4857143	44.91	44.67429	0.2357143
45.83	44.67429	1.1557143	43.77	44.67429	-0.904286
46.38	44.67429	1.7057143	43.76	44.67429	-0.914286
46.48	44.67429	1.8057143	44.43	44.67429	-0.244286
45.53	44.67429	0.8557143	43.34	44.67429	-1.334286
45.07	44.67429	0.3957143	42.89	44.67429	-1.784286
44.6	44.67429	-0.074286	43.29	44.67429	-1.384286

The deviation from the average of the NAV of Equity ULIP from Bajaj Alliance exhibits negative and positive deviation. The positive deviation indicates those weeks when NAV was higher than the average and the negative deviation indicates actual NAV being lower than average NAV. The data is equally divided over positive and negative deviations. The range of deviations extend from – 1.78 to 1.80

COMPARISON OF AVERAGE NAV AND ACTUAL NAV FOR THE PERIOD OF 1st JAN 2013 TO 31st JAN 2013 OF TATA AIA'S EQUITY FUND

TATA AIA					
NAV OF EQUITY FUND	AVG NAV	DEVIATION	NAV OF EQUITY FUND	AVG NAV	DEVIATION
34.11	33.7921429	0.31785714	34.09	33.7921429	0.29785714
34.32	33.7921429	0.52785714	33	33.7921429	-0.7921429
34.69	33.7921429	0.89785714	33.24	33.7921429	-0.5521429
34.44	33.7921429	0.64785714	34.04	33.7921429	0.24785714
34.59	33.7921429	0.79785714	33.15	33.7921429	-0.6421429
34.11	33.7921429	0.31785714	32.53	33.7921429	-1.2621429
33.99	33.7921429	0.19785714	32.79	33.7921429	-1.0021429

The deviation from the average of the NAV of Equity ULIP from TATA AIA exhibits negative and positive deviation. The positive deviation indicates those weeks when NAV was higher than the average and the negative deviation indicates actual NAV being lower than average NAV. In most of the weeks it is showing positive deviation and in some weeks it is negative. The range of deviations extend from – 1.26 to .89

PNB METLIFE

NAV OF ACCELERATOR FUND	AVG NAV	DEVIATION	NAV OF ACCELE RATOR FUND	AVG NAV	DEVIATION
25.28	25.1614286	0.11857143	25.22	25.1614286	0.05857143
25.47	25.1614286	0.30857143	25.23	25.1614286	0.06857143
25.67	25.1614286	0.50857143	24.67	25.1614286	-0.4914286
25.64	25.1614286	0.47857143	25.11	25.1614286	-0.0514286
25.63	25.1614286	0.46857143	25.51	25.1614286	0.34857143
25.28	25.1614286	0.11857143	24.12	25.1614286	-1.0414286
25.17	25.1614286	0.00857143	24.26	25.1614286	-0.9014286

HDFC Life					
NAV OF PENSION SUPER GROWTH FUND	AVG NAV	DEVIATION	NAV OF PENSION SUPER GROWTH FUND	AVG NAV	DEVIATION
17.07	16.9364286	0.13357143	16.94	16.9364286	0.00357143
17.19	16.9364286	0.25357143	16.85	16.9364286	-0.08642857
17.3	16.9364286	0.36357143	16.74	16.9364286	-0.19642857
17.24	16.9364286	0.30357143	16.9	16.9364286	-0.03642857
17.19	16.9364286	0.25357143	16.66	16.9364286	-0.27642857
17.05	16.9364286	0.11357143	16.44	16.9364286	-0.49642857
17.01	16.9364286	0.07357143	16.53	16.9364286	-0.40642857

**COMPARISON OF AVERAGE NAV AND ACTUAL NAV FOR THE PERIOD OF 1st JAN
2013 TO 31st JAN 2013 OF HDFC LIFE'S PENSION SUPER GROWTH FUND**

The deviation from the average of the NAV of Equity ULIP from HDFC Life exhibits negative and positive deviation. The positive deviation indicates those weeks when NAV was higher than the average and the negative deviation indicates actual NAV being lower than average NAV. The data is almost equally divided over positive and negative deviations. The range of deviations extend from – .49 to .36

COMPARISON OF AVERAGE NAV AND ACTUAL NAV FOR THE PERIOD OF 1st JAN 2013 TO 31st JAN 2013 OF PNB METLIFE'S ACCELERATOR FUND

The deviation from the average of the NAV of Equity ULIP from PNB METLIFE exhibits negative and positive deviation. The positive deviation indicates those weeks when NAV was higher than the average and the negative deviation indicates actual NAV being lower than average NAV. In most of the weeks it is showing positive deviation and in some weeks it is negative. The range of deviations extend from – 1.04 to .50

COMPARISON OF AVERAGE NAV AND ACTUAL NAV FOR THE PERIOD OF 1st JAN 2013 TO 31st JAN 2013 OF ICICI PRUDENTIAL'S PINNACLE FUND

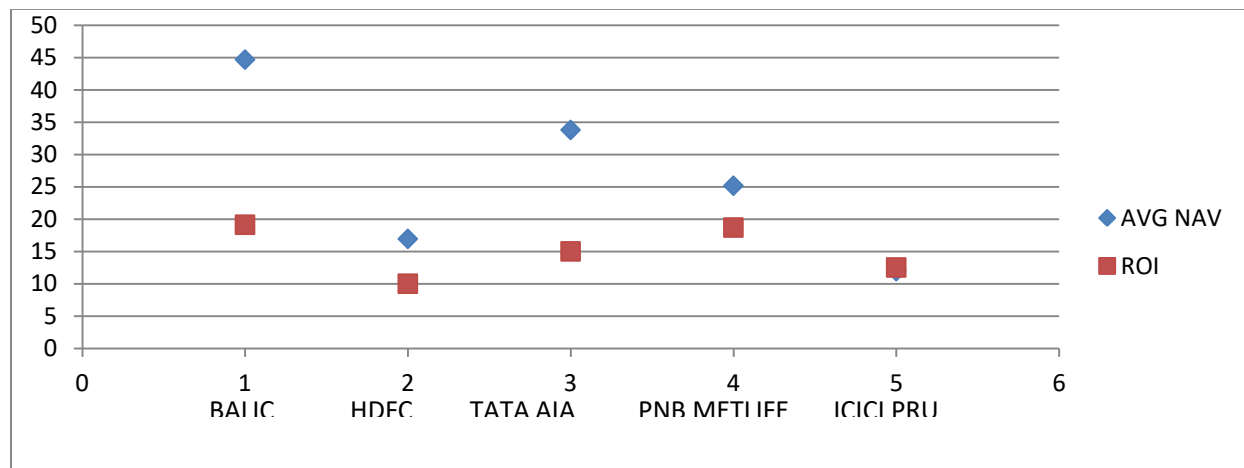
ICICI PRUDENTIAL					
NAV OF ICICI PINNACLE FUND	AVG NAV	DEVIATION	NAV OF ICICI PINNACLE FUND	AVG NAV	DEVIATION
11.96	11.9371429	0.02285714	12.02	11.937143	0.082857143
12.04	11.9371429	0.10285714	11.82	11.937143	-0.117142857
12.13	11.9371429	0.19285714	11.82	11.937143	-0.117142857
12.11	11.9371429	0.17285714	11.97	11.937143	0.032857143
12.11	11.9371429	0.17285714	11.8	11.937143	-0.137142857
11.99	11.9371429	0.05285714	11.66	11.937143	-0.277142857
11.98	11.9371429	0.04285714	11.71	11.937143	-0.227142857

The deviation from the average of the NAV of Equity ULIP from PNB METLIFE exhibits negative and positive deviation. The positive deviation indicates those weeks when NAV was higher than the average and the negative deviation indicates actual NAV being lower than average NAV. In most of the weeks it is showing positive deviation and in some weeks it is negative. The range of deviations extend from – 0.27to .19

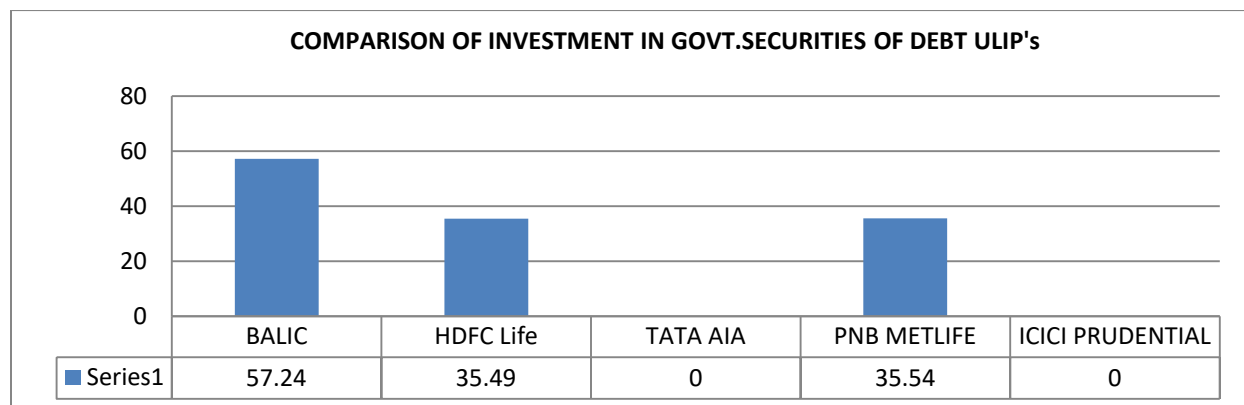
COMPARISON OF AVERAGE NAV AND ROI

COMPANY NAME	EQUITY ULIP'S	AVG NAV	ROI
BALIC	EQUITY PLUS PENSION FUND	44.67429	19.13
HDFC	PENSION SUPER GROWTH FUND	16.93643	10
TATA AIA	EQUITY FUND	33.79214	15
PNB METLIFE	ACCELERATOR FUND	25.16143	18.69
ICICI PRUDENTIAL	ICICI PINNACLE FUND	11.93714	12.51

Correlation between NAV and ROI of equity ULIP'S : 0.7470666. The Average NAV of equity ULIP's and Return On Investment(ROI) showing high correlation . That means change in the any of them will make the correspondent change in the other variable as they are positively correlated.

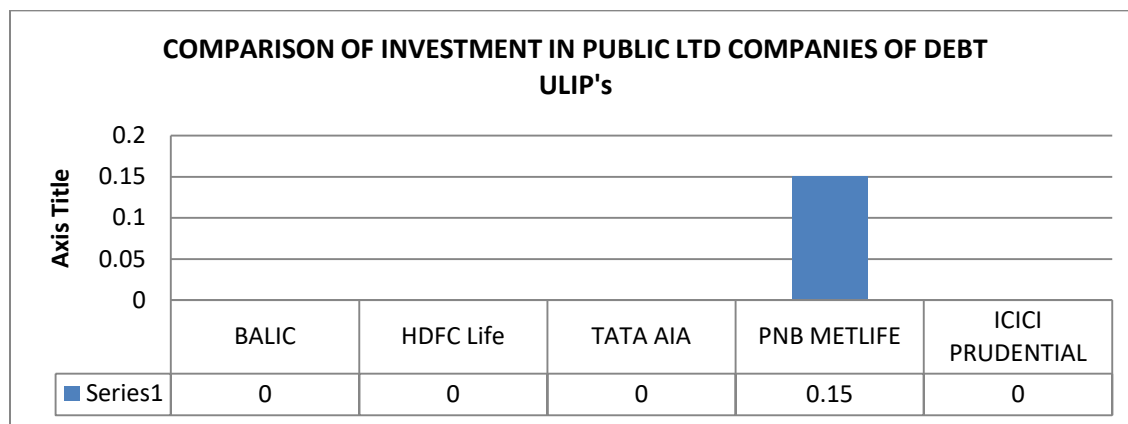


COMPARISON OF INVESTMENT IN GOVT.SECURITIES OF DEBT ULIP's



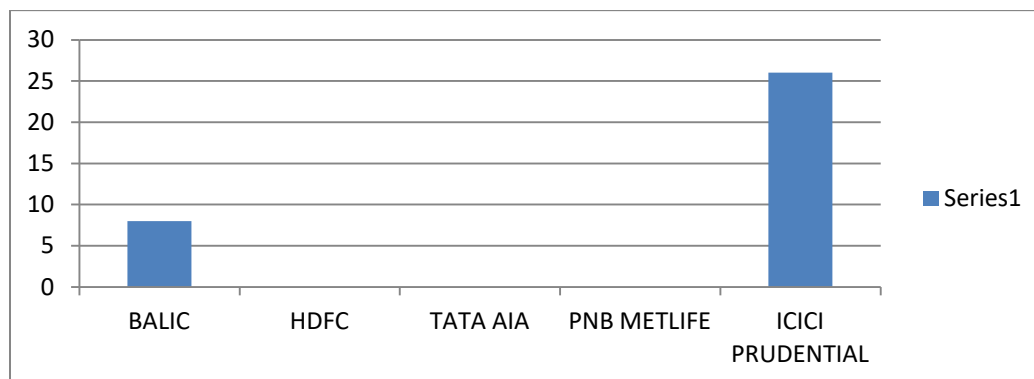
The percentage of investment into different stocks can vary for each plan from each life insurance company. Yet there are chances that they all bet on the same company. Table no 3.22 reveals that some of the selected insurance companies have investment in Govt.securities but in varying percentages. As seen in from the table all the firms have invested above 35 percent of the fund into Govt.securities except TATA AIA and ICICI Prudential. In the mean time no firm has crossed 35 percent. The minimum investment of 35.49 percent into Government securities was done by HDFC Life and the maximum investment of 57.24 per cent has gone from BALIC.

COMPARISON OF INVESTMENT IN PUBLIC LTD COMPANIES OF DEBT ULIP's



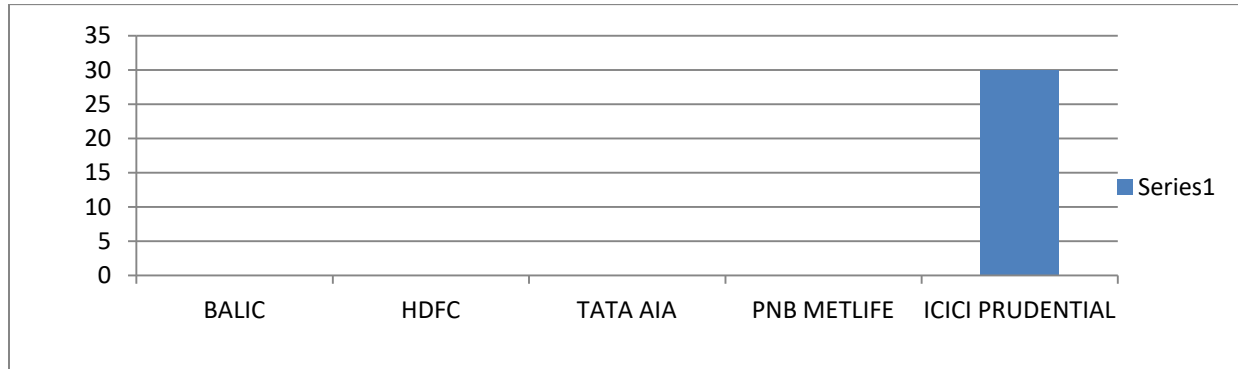
The firm/fund that has invested the maximum percentage in Public Ltd companies is PNB MetLife with .15 per cent and the rest don't have a single percent of investment in Public Ltd companies

COMPARISON OF INVESTMENT IN FIXED DEPOSITES OF DEBT ULIP's



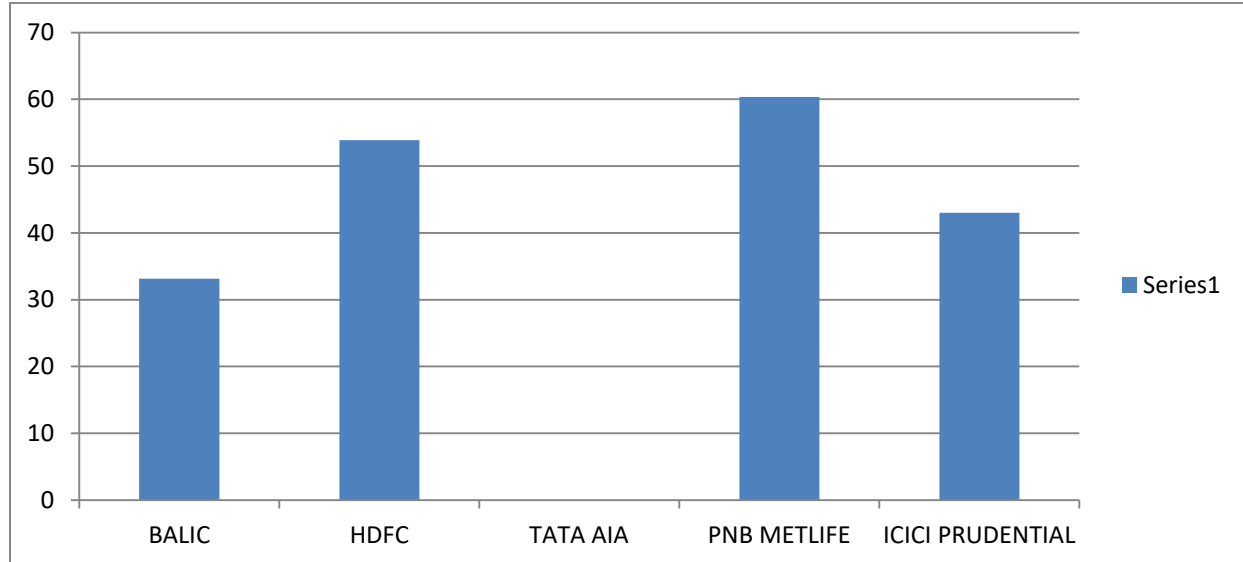
From the above chart it is clear that ICICI prudential has invested in the fixed deposits to the extent of 26 percent while BALIC has invested only 8 percent. Apart from the two none of the selected private life insurance companies have invested in fixed deposits.

COMPARISON OF INVESTMENT IN MUTUAL FUND OF DEBT ULIP's



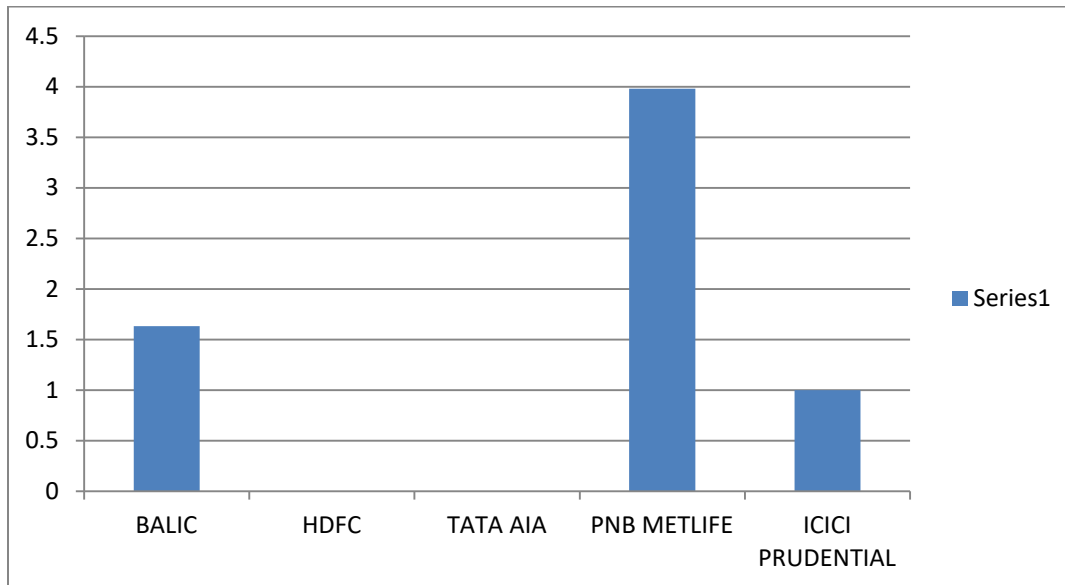
From the above chart it is clear that ICICI prudential has invested in the mutual funds to the extent of 30 percent Apart from ICICI Prudential none of the selected private life insurance companies have invested in Mutual funds.

COMPARISON OF INVESTMENT IN CORPORATE BONDS OF DEBT ULIP's



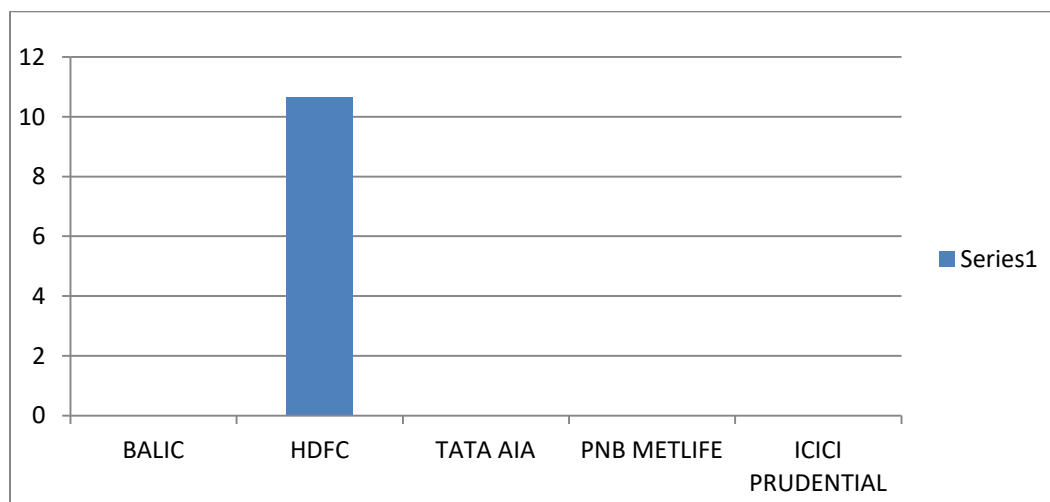
From the above chart it is clear that PNB MetLife has invested in the Corporate Bonds to the extent of 60.33 percent while HDFC has invested 53.87 percent. Except TATA AIA all other selected companies are invested in between 30%-45%. TATA AIA don't have investment in Corporate Bonds.

COMPARISON OF INVESTMENT IN MONEY MARKETINSTRUMENTS OF DEBT ULIP's



From the above chart it is clear that PNB MetLife has invested in the Money Market Instruments to the extent of 3.98 percent. Apart from that BALIC and ICICI Prudential has made a small percent of investment in MMI, that is 1.63% and 1% respectively

COMPARISON OF INVESTMENT IN CASH AND BANK OF DEBT ULIP's



Except for HDFC Life none of the other selected private life insurance companied have opted to keep cash and bank balance. HDFC has kept 10.64 percent of the fund in cash and bank balance form. Though this is not an investment this could have been awaiting investment in most rewarding investment avenue. Others who have no cash and bank balance might have identified and invested in the most promising avenues based on their asset manager's assessment.

COMPARISON OF AVERAGE NAV AND ACTUAL NAV FOR THE PERIOD OF 1st JAN 2013 TO 31st JAN 2013 OF BALIC'S DEBT PLUS FUND

BALIC					
NAV OF Debt Plus Fund	AVG NAV	DEVIATION	NAV OF Debt Plus Fund	AVG NAV	DEVIATION
19.06	19.32462	-0.26462	19.4	19.32462	0.075384615
19.2	19.32462	-0.12462	19.42	19.32462	0.095384615
19.32	19.32462	-0.00462	19.39	19.32462	0.065384615
19.29	19.32462	-0.03462	19.41	19.32462	0.085384615
19.31	19.32462	-0.01462	19.42	19.32462	0.095384615
19.26	19.32462	-0.06462	19.39	19.32462	0.065384615
19.35	19.32462	0.025385	19.42	19.32462	0.095384615

The deviation from the average of the NAV of Debt ULIP from Bajaj Alliance exhibits negative and positive deviation. The positive deviation indicates those weeks when NAV was higher than the average and the negative deviation indicates actual NAV being lower than average NAV. The data is equally divided over positive and negative deviations. The range of deviations extend from – 0.26 to 0.095

COMPARISON OF AVERAGE NAV AND ACTUAL NAV FOR THE PERIOD OF 1st JAN 2013 TO 31st JAN 2013 OF HDFC LIFE'S SECURE MANAGEDFUND

HDFC Life					
NAV OF secure managed fund- life 1	AVG NAV	DEVIATION	NAV OF secure managed fund- life 1	AVG NAV	DEVIATION
14.79	14.955	-0.165	14.9	14.955	-0.055
14.82	14.955	-0.135	14.98	14.955	0.025
14.98	14.955	0.025	15.02	14.955	0.065
14.96	14.955	0.005	15.04	14.955	0.085
14.95	14.955	-0.005	15.06	14.955	0.105
14.97	14.955	0.015	15.01	14.955	0.055
14.86	14.955	-0.095	15.03	14.955	0.075

The deviation from the average of the NAV of Debt ULIP from HDFC Life exhibits negative and positive deviation. The positive deviation indicates those weeks when NAV was higher than the average and the negative deviation indicates actual NAV being lower than average NAV. The data is equally divided over positive and negative deviations. The range of deviations extend from – 0.165 to 0.105

COMPARISON OF AVERAGE NAV AND ACTUAL NAV FOR THE PERIOD OF 1st JAN 2013 TO 31st JAN 2013 OF HDFC LIFE'S SECURE MANAGED FUND

TATA AIA					
NAV of life Invest Assure Insta - Bond Fund	AVG NAV	DEVIATION	NAV of life Invest Assure Insta - Bond Fund	AVG NAV	DEVIATION
13.31	13.50286	-0.1928571	13.45	13.50286	-0.052857143
13.32	13.50286	-0.1828571	13.6	13.50286	0.097142857
13.3	13.50286	-0.2028571	13.62	13.50286	0.117142857
13.36	13.50286	-0.1428571	13.68	13.50286	0.177142857
13.4	13.50286	-0.1028571	13.7	13.50286	0.197142857
13.42	13.50286	-0.0828571	13.73	13.50286	0.227142857
13.4	13.50286	-0.1028571	13.75	13.50286	0.247142857

The deviation from the average of the NAV of Debt ULIP from TATA AIA exhibits negative and positive deviation. The positive deviation indicates those weeks when NAV was higher than the average and the negative deviation indicates actual NAV being lower than average NAV. The data is equally divided over positive and negative deviations. The range of deviations extend from – 0.20 to 0.24

COMPARISON OF AVERAGE NAV AND ACTUAL NAV FOR THE PERIOD OF 1st JAN 2013 TO 31st JAN 2013 OF PNB METLIFE'S MET GROUP GRATUITY FUND

PNB MetLife					
NAV OF Met Group Gratuity Debt - SXF	AVG NAV	DEVIATION	NAV OF Met Group Gratuity Debt - SXF	AVG NAV	DEVIATION
12.66	12.788462	-0.128461538	12.8	12.78846	0.0115385
12.67	12.788462	-0.118461538	12.83	12.78846	0.0415385
12.69	12.788462	-0.098461538	12.85	12.78846	0.0615385
12.67	12.788462	-0.118461538	12.87	12.78846	0.0815385
12.8	12.788462	0.011538462	12.9	12.78846	0.1115385
12.78	12.788462	-0.008461538	12.92	12.78846	0.1315385
12.81	12.788462	0.021538462	12.96	12.78846	0.1715385

The deviation from the average of the NAV of Debt ULIP from PNB MetLife exhibits negative and positive deviation. The positive deviation indicates those weeks when NAV was higher than the average and the negative deviation indicates actual NAV being lower than average NAV.

The data is equally divided over positive and negative deviations. The range of deviations extend from – 0.12 to 0.17

COMPARISON OF AVERAGE NAV AND ACTUAL NAV FOR THE PERIOD OF 1st JAN 2013 TO 31st JAN 2013 OF PNB METLIFE'S MET GROUP GRATUITY FUND

ICICI PRUDENTIAL					
NAV OF Pension Income Fund	AVG NAV	DEVIATION	NAV OF Pension Income Fund	AVG NAV	DEVIATION
12.48	12.589231	-0.109230769	12.57	12.58923	-0.0192308
12.5	12.589231	-0.089230769	12.61	12.58923	0.0207692
12.51	12.589231	-0.079230769	12.63	12.58923	0.0407692
12.53	12.589231	-0.059230769	12.65	12.58923	0.0607692
12.6	12.589231	0.010769231	12.63	12.58923	0.0407692
12.58	12.589231	-0.009230769	12.67	12.58923	0.0807692
12.57	12.589231	-0.019230769	12.7	12.58923	0.1107692

The deviation from the average of the NAV of Debt ULIP from ICICI Prudential exhibits negative and positive deviation. The positive deviation indicates those weeks when NAV was higher than the average and the negative deviation indicates actual NAV being lower than average NAV. The data is equally divided over positive and negative deviations. The range of deviations extend from – 0.109 to 0.11

Suggestions

Suggestions for BALIC:

Debt ULIP of BALIC provides the lowest return hence there must be serious effort from BALIC to improve the Return on Investment. The asset manager of BALIC debt ULIP should be aggressive in building a high return portfolio.

The minimum requirement to get invested in the equity ULIP of BALIC is higher than its competitor PNB MetLife. In order to attract more clients and have a cutting-edge BALIC should make its minimum investment in the equity ULIP the lowest in the industry and in the category

Suggestions for investors:

Equity ULIPS are suitable for investors willing to take risk and look forward for high returns. The financial principle of higher the risk higher the return is applicable.

Debt ULIPs are suitable for those investors who look forward for safety for their investment rather than high returns

Conclusion

ULIP'S are which will give both the benefit of insurance and investment. This study focused on the returns of ULIP'S of selected private life insurance companies. Out of 23 life insurance companies in India 5 companies were selected as sample. The primary objective and secondary objectives of the study were fulfilled with appropriate data analysis. On data analysis it was found that in the category of equity ULIPs the returns of BALIC's Equity Plus Pension Fund was found to be the highest at 19.13 percent, followed by PNB MetLife Accelerator with a return of 18.69 percent. The poorest return was from HDFC Life's Growth Fund at 10 per cent.

In the category of debt ULIPs PNB MetLife group's Gratuity Debt earned the highest return of 15.5 percent, followed by HDFC Life Secure Managed Fund – Life I which provided a return of 15 percent. The least return was from BALIC's Debt Plus Fund at 11.45 percent. As per this finding as a scholar I suggest Debt ULIP of BALIC provides the lowest return hence there must be serious effort from BALIC to improve the Return on Investment. The asset manager of BALIC debt ULIP should be aggressive in building a high return portfolio.

References

1. Akula, R. and T. Kanchu, (2011), Growth of ULIP Policies in Life Insurance Sector – A Comparative Study of Traditional and ULIP Policies, Indian Journal of Commerce and Management Studies, Vol-II
2. Dash, Mihir, et.al. A study on risk-return characterization of life insurance policies, 2007, SSRN
3. Karuna K, 'Relevance of ULIP as a good investment tool', Insurance Chronicle, May 2009, Vol – IX Issue – V, p 43-46
4. K. V. Venugopalan, Global financial crisis and life insurance sector in India – A comparative study of LIC with private sector, Indian Journal of Commerce and Management Studies, Vol.II, Issue 6, September 2011
5. Lakhani, Divya Y., A Study of Unit Linked Insurance Plans of ICICI Prudential Life Insurance, 2011, www.academia.edu
6. Mandal Achinya, 'Overview of Indian Insurance Market in Post-Liberalization era – Growing Challenges and Opportunities and the Fight for FDI', Insurance Institute of India, 2008-09, viewed on 30 December 2013.
7. Padmavathy V., ULIP and risk management, Journal of Insurance and Risk Management, June 2006, Birla Institute of Technology and Management

8. Rao, T. and S. Samuel, (2009), “The Indian Insurance Industry Inching Forward”, Insurance Chronicle, Vol-IX, (I), pp-23-30.
9. Sinha, R. P. (2009), ”Investments of Indian life Insurance Companies“, Insurance Chronicle, Vol-IX (III), pp-48-53.