Volume : 3 | Issue : 6 | June 2014 • ISSN No 2277 - 8160

Research Paper | Management

# Risk Awareness and Usage of Child Insurance Plan with Special Reference To HDFC Standard Life Insurance Company in India


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KEYWORDS :

**INTRODUCTION:**

Every asset has a value for its owner and also for those who are benefited with the existence of that asset. Insurance is concerned with the protection of economic value of assets. Every asset has normally an expected lifetime. During this period it is expected to perform and provide income/comfort to the owner. The owner being aware of this plans the things in such a way that by the time the expected lifetime of the asset expires he is ready with the funds required for its replacement. In this way he ensures that the value or income from the asset is not lost. Well, this appears to be a fine arrangement provided the asset completes its expected lifetime. All assets carry the risk of being destroyed or damaged. But all assets may not necessarily get destroyed or damaged. Only in a few instances, the probability turns out to be true and the asset gets actually lost or destroyed by accident or some other unfortunate event before the completion of its expected life time. The owner and those deriving benefits from the asset will suffer because the arrangement to make available its substitute is not yet ready. Insurance is helpful in mitigating such adverse consequences. To sum, assets are insured as they are likely to be lost or made non functional through an accidental occurrence.

Insurance does not protect the assets. This means that insurance cannot prevent loss to the assets due to perils. Nor can insurance avoid the occurrence of perils. It only compensates may not be fully, the economic or financial loss resulting to the asset from such damage or destruction.

- Assets are likely to be destroyed or made non functional due to accidental occurrences called perils. Assets can, therefore be insured. A few examples of perils are: floods, breakdowns, lightning, and earthquake. Perils are the events. Risks are the consequential losses or damages.
- Possibility of damage to asset caused by any peril is the risk that asset is exposed to.
- Risk means uncertainty or unpredictability about future loss or damage, which may or may not happen. This refers to the losses, which may happen suddenly and unexpectedly.
- This is because of uncertainty about the risk that insurance plays the role.
- Insurance becomes relevant only if there are uncertainties of occurrence of event leading to loss/es. Insurance is done against the contingency of the happening of such events.
- No Uncertainty No Insurance

**INSURANCE PRODUCTS AT VARIOUS LIFE STAGES**

Your insurance need will change as your life does, from starting to work to enjoying your golden years and all the stages in between. Each one of these stages may pose a different insurance need/cover for you. In this section, we have drawn up the basic life stages and help you analyze various insurance needs accordingly. STAGE 1

**Young and Single**

An important stage where one lays down the foundation of a successful life ahead. Take advantage of the time and power of compounding to ensure that you build up your dreams. Start saving early.

**Your needs:**

- Save for a home and wedding
- Tax Planning
- Save for Golden years

**STAGE 2**

**Just Married**

Marriage brings about a significant change. New dreams and new opportunities also bring in additional responsibilities. While both of you look forward to a happy and secure life, it is equally important to ensure that eventualities don't come in the way of shaping your dreams.

**Your needs:**

- Planning for home / securing your home loan liability
- Save for vacation
- Save for your first child

**STAGE 3**

Proud Parents Once you have children, your need for life insurance is even more. You need to protect your family from an untoward incident. Ensure your protection umbrella takes into account the future cost of securing your child's dream. You will want life to go on for your loved ones, and having enough life insurance is a way to help ensure that.

**Your needs:**

- Provide for children's education
- Safeguarding family against loan liabilities
- Savings for post-retirement

**STAGE 4**

**Planning for Retirement**

While you are busy climbing the ladder of success today, it is important for you to take time and plan for your life after retirement. Having an early start for retirement planning can make a significant difference to your savings. Think about your golden years even before you have reached them. The key is to think ahead and plan well using your time and money

**Your Needs:**

- Provide for regular income post retirement
- Immediate Tax benefits
- Lead a secure, independent and comfortable life style in your retirement years

**INSURANCE AS A SOCIAL SECURITY TOOL:**

**• United Nations Declaration Of Human Rights 1948 provides:**

" Every one has a right to a standard of living adequate for health and well being of himself and his family, including food, clothing, housing and medical care and necessary social services and the right to security in the event of unemployment, sickness, widowhood, disability or

other lack of livelihood in circumstances beyond his control ."

- Where the bread winner of a family dies, family's income stops to that extent, affecting the economic condition.
- Life insurance helps in restoration of the adverse economic condition thus caused.
- Thus life insurance business is complementary to the State's efforts in social management.
- Social security is now a growing concern for all countries; however the provisions made in this field vary from country to country.
- In India, Article 41 of our Constitution requires the State(within limits of its economic capacity and development) to make effective provision for securing right to work, to education and to provide public assistance in case of unemployment, old age, sickness and disablement.
- Parts of the obligations under Article 41 are met by the State the mechanism of Life Insurance.
- Some social security schemes have been made by the State for economically weaker sections of the society. L.I.C has been directed to create funds for such schemes.

**CHILDREN'S PLAN**

As a parent, your priority is your child's future and being able to meet your child's dreams and aspirations. Today, providing a good education, establishing a professional career or even a modest wedding is expensive. Costs are increasing fast. Just imagine how much you'll need when your child takes these important steps in life! Plan today to ensure a bright future for your child. You need to start building savings today with a Children's Plan,so that your child is able to lead a life of respect and dignity with a secured financial future. With reference to above, we look at HDFC Children's Plan.

**The HDFC Children's Plan gives you:**

- Invaluable financial support to your child
- Helps you customize an ideal plan for your child
- Provides you multiple options for multiple benefits

The HDFC Children's Plan is designed to secure your child's future by giving your child (the beneficiary) a guaranteed lump sum, on maturity or in case of your unfortunate demise, early in the policy term. The premiums, paid by you, are invested by the company to give you good long-term returns. The plan receives simple Reversionary Bonuses, which are usually added annually. At the end of the term an additional Terminal Bonus may be paid depending on the performance of the underlying investment.

HDFC Standard Life Insurance Company Ltd. is one of India's leading private life insurance companies, which offers a range of individual and group insurance solutions. It is a joint venture between Housing Development Finance Corporation Limited (HDFC Ltd.), India's leading housing finance institution and The Standard Life Assurance Company, a leading provider of financial services from the United Kingdom. Both the promoters are well known for their ethical dealings and financial strength and are thus committed to being a long-term player in the life insurance industry – all important factors to consider when choosing your insurer.

HDFC and Standard Life first came together for a possible joint venture, to enter the Life Insurance market, in January 1995. In October 1995 the companies signed a 3 year joint venture agreement. Around this time Standard Life purchased a 5 % stake in HDFC, further strengthening the relationship.

In the light of the above,this research paper is a study of Risk awareness and usage of child insurance plan with special reference to HDFC Standard life insurance company in India. The brief objectives, methodology, limitations, findings, recommendations are furnished in this research paper.

**Objectives of the study**

- To evaluate the level of awareness and usage of child insurance plan.
- To find out the perception towards child insurance plans.
- To understand the factors that influences the customer's decision to purchase Children insurance policy.
- To know the section of people who prefer to purchase children policies, especially HDFC's children policy

**RESEARCH METHODOLOGY:**

The researcher conducted a detailed study at Bangalore, Capital city of Karnataka in India. The primary data was collected by the questionnaire method and secondary data was collected through visit to the insurance company, Internet web pages, books, magazines and journals. To understand the risk perception and awareness, knowledge, beliefs and preferences in the life insurance sector, the survey research approach was undertaken. The research is descriptive in nature. However, the collection of information is not just restricted to questionnaire alone but also an in depth interview conducted in feasible situations. The non- random sampling method is adopted for collection of data. The convenience sample approach is also use for selecting the sampling unit. The sample size for the study is 200 respondents. The simple statistical tool such as percentages, averages, standard deviations and weighted average are used to verify and cross verify the results of the study.

**Limitations of the Study**

- Since the research study is a sample survey, the data collected will be subjected to both sampling and non-sampling error.
- There may be an element of bias in the responses of the data collected.
- The study has been restricted to HDFC Standard Life Insurance Company in Bangalore & to residents in Bangalore.
- The sample size may not be sufficient.

**DATA ANALYSIS AND INTERPRETATIONS:**

**1.8.1 Chart representing the age of respondents**

| Frequency | Percent | |
|---|---|---|
| 18-20 YRS | 2 | 1 |
| 20-30 YRS | 66 | 33 |
| 30-40 YRS | 59 | 29.5 |
| 40-50 YRS | 52 | 26 |
| 50-60 YRS | 20 | 10 |
| 60-70 YRS | 1 | 0.5 |
| Total | 200 | 100 |

Table 1.8.1 Majority of respondents belong to the age group 20 – 30, followed by the age group 30 – 40 Yrs.

**1.8.2 Chart representing Gender**

| | Frequency | Percent |
|---|---|---|
| MALE | 125 | 62.5 |
| FEMALE | 75 | 37.5 |
| **Total** | **200** | **100** |

Table 1.8.2

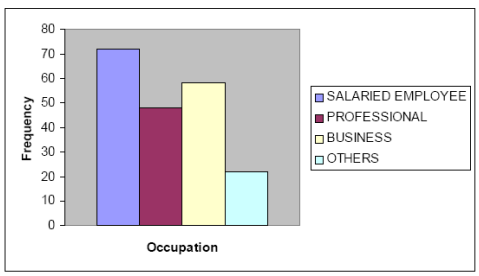
About 63% of the respondents are male and the rest are females who account to 37%.

**Chart showing the income group distribution**

Most respondents fall into the income group of Rs.1, 50,000 – Rs.3, 00,000. The mean (average) income of the respondents is Rs.3, 44,500

per annum. The standard deviation being Rs.15254.336.

1.8.4 **Chart representing occupation of respondents**

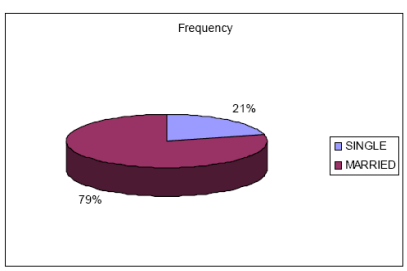



| | Frequency | Percent |
|---|---|---|
| SALARIED EMPLOYEE | 72 | 36 |
| PROFESSIONAL | 48 | 24 |
| BUSINESS | 58 | 29 |
| OTHERS | 22 | 11 |
| **Total** | **200** | **100** |

Table 1.8.4

Majority of respondents are salaried employees (36%), which are closely followed by businessmen and professionals

1.8.5 **Chart representing marital status**




| | Frequency | Percent |
|---|---|---|
| SINGLE | 42 | 21 |
| MARRIED | 158 | 79 |
| **Total** | **200** | **100** |

Table 1.8.5

About 79% of respondents are married and the rest are single who account to 21%.

1.8.6 **Chart representing the company that comes to respondent's mind first**

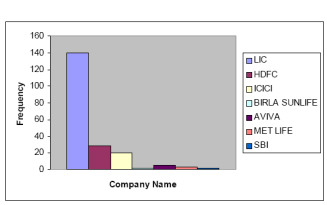
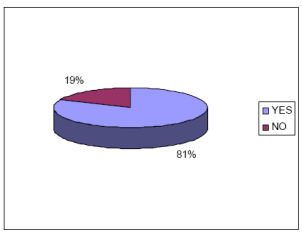



Table 1.8.6

| | Frequency | Percent |
|---|---|---|
| LIC | 140 | 70 |
| HDFC | 28 | 14 |
| ICICI | 20 | 10 |
| BIRLA SUNLIFE | 2 | 1 |
| AVIVA | 5 | 2.5 |
| MET LIFE | 3 | 1.5 |
| SBI | 2 | 1 |
| **Total** | **200** | **100** |

Based on multiple responses, we can see that maximum respondents top of the mind company is LIC which is followed by HDFC & ICICI

1.8.7 **Chart showing the number of insured respondents**

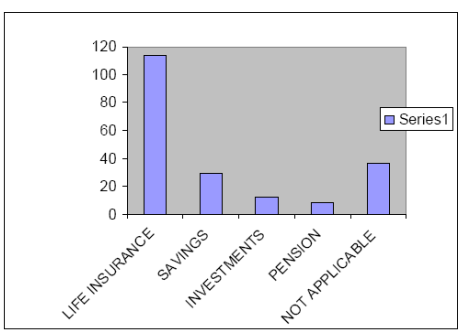



| | Frequency | Percent |
|---|---|---|
| YES | 163 | 81.5 |
| NO | 37 | 18.5 |
| **Total** | **200** | **100** |

Table 1.8.7

About 82% of the respondents are insured where as the remaining 18% are not insured.

1.8.8 **Chart representing type of insurance plan**

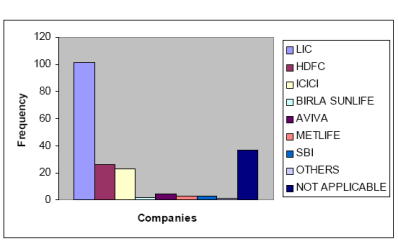



| | Frequency | Percent |
|---|---|---|
| LIFE INSURANCE | 114 | 57 |
| SAVINGS | 29 | 14.5 |
| INVESTMENTS | 12 | 6 |
| PENSION | 8 | 4 |
| NOT APPLICABLE | 37 | 18.5 |
| **Total** | **200** | **100** |

Table 1.8.8

Based on multiple responses, we find that most of the respondents have taken up life insurance, which is followed by savings and investment. 37 respondents are not insured.

1.8.9 **Chart representing the insurance company**

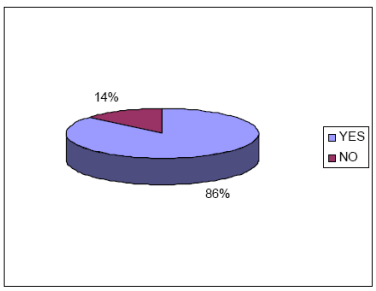



| | Frequency | Percent |
|---|---|---|
| LIC | 101 | 50.5 |
| HDFC | 26 | 13 |
| ICICI | 23 | 11.5 |
| BIRLA SUNLIFE | 2 | 1 |
| AVIVA | 4 | 2 |
| METLIFE | 3 | 1.5 |
| SBI | 3 | 1.5 |
| OTHERS | 1 | 0.5 |
| NOT APPLICABLE | 37 | 18.5 |
| **Total** | **200** | **100** |

Table1.8.9 101 respondents have taken insurance plans from LIC, which is followed by plans taken from HDFC and ICICI. 37 respondents

are not insured.

1.8.10 **Chart representing the level of awareness in child insurance**

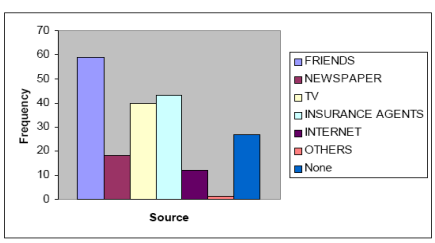



| | Frequency | Percent |
|---|---|---|
| YES | 173 | 86.5 |
| NO | 27 | 13.5 |
| **Total** | **200** | **100** |

Table 1.8.10

About 87% of respondents are aware of child insurance plan where as the remaining 27 are unaware.

1.8.11 **Chart representing the source of awareness of child insurance plan**

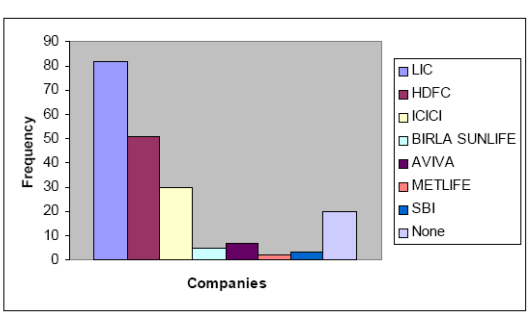



| | Frequency | Percent |
|---|---|---|
| FRIENDS | 59 | 29.5 |
| NEWSPAPER | 18 | 9 |
| TV | 40 | 20 |
| INSURANCE AGENTS | 43 | 21.5 |
| INTERNET | 12 | 6 |
| OTHERS | 1 | 0.5 |
| None | 27 | 13.5 |
| **Total** | **200** | **100** |

Table 1.8.11

Friends influenced respondents about the insurance plans more than any other source of awareness. They contribute to about 30% closely followed by insurance agents. 27 of the respondents were not aware of any insurance plans offered by various insurance companies.

1.8.12 **Chart representing awareness of various companies' c plans**

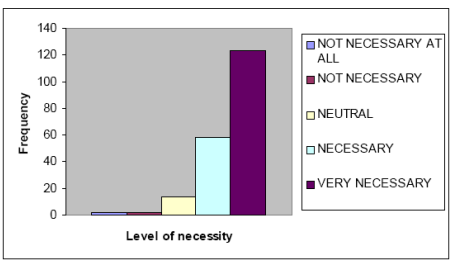



| | Frequency | Percent |
|---|---|---|
| LIC | 82 | 41 |
| HDFC | 51 | 25.5 |
| ICICI | 30 | 15 |
| BIRLA SUNLIFE | 5 | 2.5 |
| AVIVA | 7 | 3.5 |
| METLIFE | 2 | 1 |
| SBI | 3 | 1.5 |
| None | 20 | 10 |
| **Total** | **200** | **100** |

Table 1.8..12

Majority of respondents were aware of the Child plan offered by LIC followed by plans offered by HDFC and ICICI. 20 respondents were not aware of any Child insurance plan.

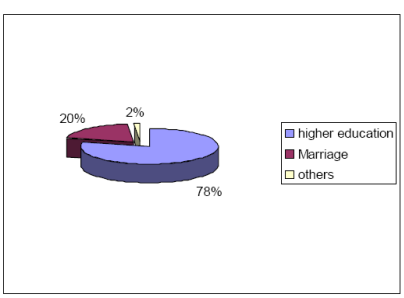
1.8.13 **Chart showing the perception of necessity of child insurance**




| | Frequency | Percent |
|---|---|---|
| NOT NECESSARY AT ALL | 2 | 1 |
| NOT NECESSARY | 2 | 1 |
| NEUTRAL | 14 | 7 |

123 respondents have the perception that child insurance is VERY NECESSARY, which is followed by NECESSARY.

1.8.14 **Chart representing the reasons for taking up child plan**

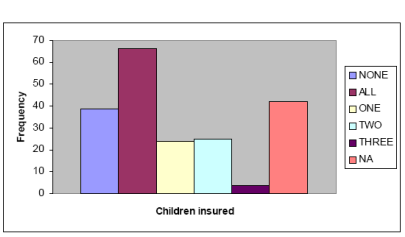



| | Frequency | Percent |
|---|---|---|
| Higher education | 157 | 78 |
| Marriage | 40 | 20 |
| Others | 3 | 2 |
| **Total** | **200** | **100** |

Table 1.8.14

Respondents consider insurance to be useful for higher education of their child or children. In fact, 78% of the respondents feel the same. Savings for the marriage of daughters is considered next.

1.8.15 **Chart representing number of children insured of the respondent**



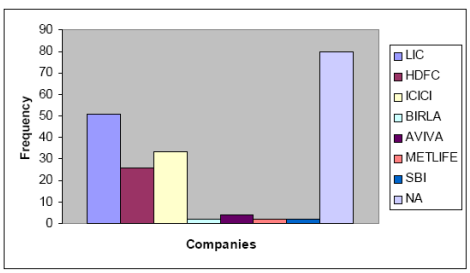

| | Frequency | Percent |
|---|---|---|
| NONE | 39 | 19.5 |

| | | |
|---|---|---|
| ALL | 66 | 33 |
| ONE | 24 | 12 |
| TWO | 25 | 12.5 |
| THREE | 4 | 2 |
| NA | 42 | 21 |
| **Total** | **200** | **100** |

Table 1.8.15

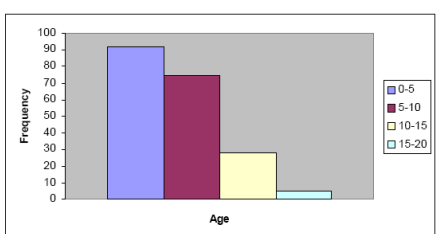
33% of the respondents have all their children insured which is followed by none of children insured at about 19.5%( 42 respondents don't have children or they are not insured).

**1.8.16 Chart representing the company of child insurance plan**




51 respondents have taken up the child insurance plan from LIC, which is followed by plans from HDFC & ICICI. 80 respondents have no children or they are not insured.

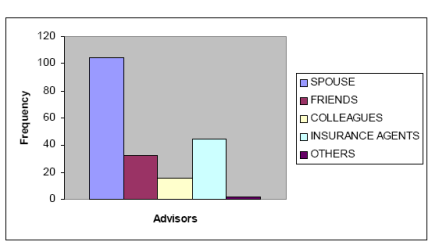
1.8.17 **Chart showing the preferable age of taking an insurance plan**




About 46% of the respondents have taken up the child plan or would preferably take up the plan when the child is between 0 – 5 years, which is followed by the age group 5 – 10.

The mean age at which respondents prefer to buy a child insurance plan is 6.15 yrs.

**1.8.18 Chart representing advice sought by the respondent before selecting an insurance plan.**




| | Frequency | Percent |
|---|---|---|
| SPOUSE | 105 | 52.5 |
| FRIENDS | 32 | 16 |
| COLLEAGUES | 16 | 8 |
| INSURANCE AGENTS | 45 | 22.5 |
| OTHERS | 2 | 1 |
| **Total** | **200** | **100** |

Table 1.8.18

Most of the respondents would take advice from their spouse, which is followed by advice from insurance agents.

**1.8.19 Table showing attributes the respondents would consider before choosing Life Insurance Company.**

| Attributes | RANK 1 | RANK 2 | RANK 3 | RANK 4 | RANK 5 | RANK 6 | Weighted Mean |
|---|---|---|---|---|---|---|---|
| TRUST | 95 | 28 | 20 | 13 | 13 | 31 | 4.43 |
| PROMOTERS & their financial strength | 23 | 56 | 18 | 39 | 34 | 30 | 3.525 |
| PRODUCTS & flexibility | 24 | 30 | 37 | 46 | 34 | 29 | 3.385 |
| Usage of technology | 23 | 31 | 33 | 38 | 30 | 45 | 3.22 |
| Business Practice | 12 | 26 | 46 | 40 | 52 | 24 | 3.17 |
| TRACK RECORD | 23 | 30 | 45 | 24 | 37 | 41 | 3.275 |

After calculating Wighted Average Mean(WAM), it is found that the most important attribute considered before choosing a life insurance company is trust in the company. This is followed by promoters, products, track record of the company, and usage of technology and business practice respectively.

| | Frequency | Percent |
|---|---|---|
| PARENTS | 151 | 75.5 |
| CHILD | 49 | 24.5 |
| **Total** | **200** | **100** |

Table 1.8.20

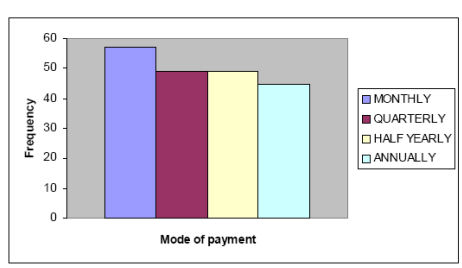
About 76% of the respondents think that parent's life should be insured where as the remaining 24% think that the child's life should be insured.

**1.8.21 Table showing risk preference while taking the child plan**

| PREFERENCE | RANK 1 | RANK 2 | RANK 3 | WEIGHTED MEAN |
|---|---|---|---|---|
| SECURITY | 89 | 54 | 57 | 2.16 |
| Return on Investment | 74 | 76 | 50 | 2.12 |
| LIQUIDITY | 37 | 70 | 93 | 1.72 |

After calculating the weighted average mean (WAM), it is found that the first preference while taking up the child plan is Security, which is followed by Return on Investment. Not many people prefer liquidity.

1.8.22 **Chart representing the most preferred mode of payment of premium by respondents**

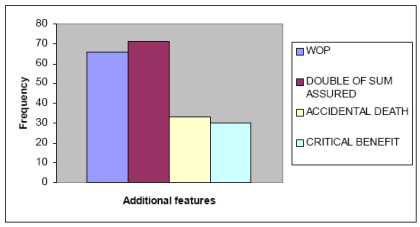



| | Frequency | Percent |
|---|---|---|
| MONTHLY | 57 | 28.5 |
| QUARTERLY | 49 | 24.5 |
| HALF YEARLY | 49 | 24.5 |
| ANNUALLY | 45 | 22.5 |
| **Total** | **200** | **100** |

Table 1.8.22

About 29 % of the respondents would prefer monthly payment of premium, which is followed by quarterly and half yearly.

**1.8.22 Chart representing the additional features for which a respondent would look for in a child plan**



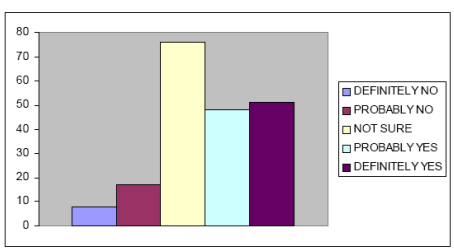

| | Frequency | Percent |
|---|---|---|
| WOP | 66 | 33 |
| DOUBLE OF SUM ASSURED | 71 | 35.5 |
| ACCIDENTAL DEATH | 33 | 16.5 |
| CRITICAL BENEFIT | 30 | 15 |
| **Total** | **200** | **100** |

Table 1.8.22

Most of the respondents prefer to have double of sum assured as the additional feature, followed by Waiver of premium benefit.

Double the sum assured is one of the most widely featured aspects that are considered by many of the policyholders.

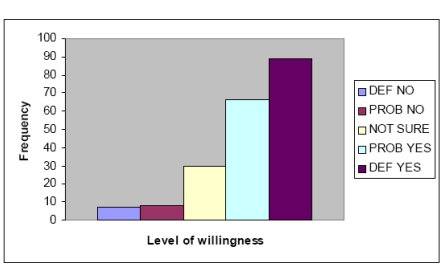
*1.8.23* ***Chart representing the awareness of tax benefits of chi plan***




| | Frequency | Percent |
|---|---|---|
| DEFINITELY NO | 8 | 4 |
| PROBABLY NO | 17 | 8.5 |
| NOT SURE | 76 | 38 |
| PROBABLY YES | 48 | 24 |
| DEFINITELY YES | 51 | 25.5 |
| **Total** | **200** | **100** |

Table 1.8.23 About 38% of the respondents are not sure about the tax benefits provided in a child insurance plan followed by respondents who were very much aware of the tax benefits provided in a child insurance plan.

**1.8.24 Chart representing the willingness of a respondent to buy a child plan for the tax benefits it provides**




| | Frequency | Percent |
|---|---|---|
| DEF NO | 7 | 3.5 |
| PROB NO | 8 | 4 |
| NOT SURE | 30 | 15 |
| PROB YES | 66 | 33 |
| DEF YES | 89 | 44.5 |
| **Total** | **200** | **100** |

Table 1.8.24

Most of the respondents (i.e. 44.5%) are willing to take up the child plan for the tax benefits it provides which is followed by people who have a perception that taking up the child plan is beneficial in terms of saving taxes.

## FINDING OF THE SURVEY

The following are the findings of the research. After analyzing the information provided by the respondents the following information were found.

- It is males who are interested in insurance than females. The average age of respondents is 36.29 yrs.
- People who are interested in insurance are mostly salaried employees.
- LIC is the name that comes to mind whenever the term insurance is heard.
- Out of the respondents, about 82% are insured and majority of the respondents are insured for life.
- Respondents are very much aware of the children insurance plans, also they feel it is very necessary.
- LIC child insurance plans are the most widely sought after plans by respondents with major source of awareness being friends and Insurance agents.
- The most important attribute considered before taking up an insurance plan is trust in the company. Then comes the products or features of the insurance plan.
- Respondents feel higher education as the primary reason for taking up an insurance plan for their child or children.
- The monthly premium schemes are the most preferred mode of payments.
- Majority of the respondents (45%) were certainly willing to take up child insurance policy that would help them in tax benefits and also they prefer to have double of the sum assured as the additional feature of their insurance plan.

## RECOMMENDATIONS

- It is recommended to have a weekly or monthly update session to the insurance agents to make them clear about the updates and new policies introduced or going to be introduced.
- It is recommended to conduct road shows and campaigns to promote the importance of child insurance.
- It is found that the mean age at which child insurance is bought is 6-15 yrs. It is recommended to promote the educational benefits part of the child insurance plan as it is one of the major reason for buying a child insurance plan.
- The brand image of HDFC SLIC is certainly high and to make it stronger the company should use a brand ambassador.
- The training given to the FC's should be only classroom method and not online as it hampers the interest of the learner.

## 1.11 CONCLUSION:

From the study, it is seen, that the awareness level of child insurance plan is very high and the usage is also well numbered. It is also seen that the first preference while taking up a child plan is security that is closely followed by return on investment. 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.

## REFERENCES

www.hdfcinsurance.com | •Agents'Training (Life Insurance) – as per IRDA syllabus | | By RNIS College of Insurance |