NOLEGEIN Journal of
Performance Management & Retention Strategies

ISSN: 2581-5067
Volume 6, Issue 1, 2023
DOI (Journal): 10.37591/NJPMRS

http://mbajournals.in/index.php/JoPMRS/index

Case Study NJPMRS

Factors Affecting Premium of Term Insurance Plan of Aditya Birla Capital (ABC)

Shakti Priya Dwivedi[1,]*, Meghna Jain[2]

Abstract

A contract between a policy holder and an insurer under which the insurer agrees to pay a predetermined sum upon the demise of an insured party or after an agreed-upon period of time in exchange for a premium is referred to as an insurance policy. Everyone should think about insurance coverage if they want to protect their loved ones, property, and selves from financial risk or losses. More and more people are adding life insurance policies in part of their portfolio but still only 3 among 100 people have life insurance. Over the next 3 to 5 years, it is anticipated that the country's life insurance market will expand by 14% to 15% each year. In the event that the life insured passes away during the term of the policy, the term plan, which is a pure life insurance product, offers financial protection. There are numerous varieties of life insurance policies. The main purpose of the study is to know the effect of various factors namely age, gender, premium paying term, smoking habits on annual premium of the policy holder. An attempt has been made to study the return of premium option of the Digishield term plan of Aditya Birla sun life insurance and to compare the annual premium of plan in order to know the impact on premium due to the aforementioned factors. Data is gathered using ABSLI's term plan premium calculator and illustrations. To study the impact on premium amount the whole study is divided into 5 cases on the bases of the factors mention above. Based on the analysis and interpretation, it can be concluded that with increase in age term plan annual premium increase, also high premium is charged from the person who has smoking habits, and females are charged less as compared with men. Also, it is suggested to the individuals of the age group of 18 to 30 years to take a term plan as early as possible to avail the benefit of low premium and protect their family from any financial losses.

Keywords: Term plan, insurance, sum assured, premium, contract

INTRODUCTION

Insurance: Definition and Meaning

Insurance is a contract between an insurance company and a person known as the "insured," wherein the insured receives financial support from the company for any losses he may incur under certain conditions or upon the occurrence of the event for which the insured is seeking support [1].

In accordance with the terms of the insurance contract, the insured is required to pay the insurer a regular sum known as the premium. The insurer promises to pay the insured a set amount in the case of an unfortunate occurrence, such as the death of the life insured or damage to the insured or his property.

Knowing the terms below can help you understand how insurance works:

***Author for Correspondence**
Shakti Priya Dwivedi
E-mail: shaktipriyad@gmail.com

[1]Student, Department of Management, Gyan Ganga Institute of Technology & Sciences, Madhya Pradesh, India
[2]Associate Professor, Department of Management, Gyan Ganga Institute of Technology & Sciences, Madhya Pradesh, India

Received Date: May 20, 2023
Accepted Date: June 05, 2023
Published Date: June 20, 2023

Citation: Shakti Priya Dwivedi, Meghna Jain. Factors Affecting Premium of Term Insurance Plan of Aditya Birla Capital (ABC). NOLEGEIN Journal of Performance Management & Retention Strategies. 2023; 6(1): 21–37p.

© MBA Journals 2023. All Rights Reserved

1. **Premium:** The amount you must pay the insurance company in order to use the policy's benefits.
2. **Sum Insured:** A non-life insurance coverage like house and health insurance may use the term "sum insured." It makes reference to the annual cap on the fees that, in the event of an undesirable occurrence, you would be reimbursed for.
3. **Sum Assured:** The life insurance company will pay the nominee the sum assured if the insured event—the insured person's death—occurs [2].

As was already said, insurance is a legally-binding contract between the insurer and the insured. The terms and conditions under which the insurance provider must pay you or the designated beneficiary the insurance sum are detailed in the insurance contract [3].

When a person purchases an insurance policy from the insurance company, he is required to make consistent payments towards the insurance policy for a predetermined amount of time.

All of the consumers pay the premium to the insurance provider. They pool the money to pay for any damages brought on by an insured event.

Characteristics of Insurance

i. Insurance is a risk-transfer mechanism [4].
ii. Insurance is a collective action because it allows multiple parties who are exposed to the same risk to pool their resources to cover the loss.
iii. Unlike other business contracts, insurance contracts are founded on the "utmost good faith" basis.
iv. Insurance coverage has no bearing on the likelihood of loss or attempts to lessen the severity of loss.
v. You must constantly try to prevent, reduce, and minimize the losses as a party to the insurance agreement.
vi. Only risks whose incidence and extent are unexpected can be insured against.
vii. Risks associated with speculation, finance (gambling), and business cannot be insured.

Insurance Industry in India

***History* [5]**

Indian insurance history can be traced back to the writings of Manu, Kautilya, and yagnavalkya. The essays advocate gathering resources that might be redistributed during emergencies like famine, fire, floods, and other natural disasters. The earliest records of insurance can be found in the maritime trade loans and transportation contracts of ancient India.

All things considered in the Indian insurance industry was shaped by the practices of other nations. In particular, from England.

Establishment

The creation of Oriental Life insurance company in Calcutta in 1818 marked the beginning of the life insurance industry in India. The business, however, folded in 1834. In the Madras presidency, the Madras Equitable started doing life insurance business in 1829 [6].

In 1870, the British Insurance Act became a legal requirement. The Oriental (1874), Empire of India (1897), and Bombay Mutual (1871) were also established in the Bombay residency during the final thirty years of the nineteenth century.

In order to grant the government access to statistical information on both life and non-life insurance firms, the Indian Insurance firms Act was created in 1928.

To safeguard the interests of the people who purchase insurance, earlier law was merged and updated into the Insurance Act in 1938 [7].

© MBA Journals 2023. All Rights Reserved

The Life Insurance Corporation of India (LIC) was established by the LIC Act, 1956, and the life insurance industry was nationalized on September 1, 1956. A total of Rs. 5 crore was also provided by the Indian government. The LIC was the sole business permitted to do life insurance business in India from 1956 to 1999.

The General Insurance Business Nationalisation Act (GIBNA), a statute passed in 1972 that also gave birth to the General Insurance Corporation of India (GIC) and its four subsidiaries, led to the nationalization of non-life insurance [8].

Malhotra Committee

One of the turning points in the history of insurance in India was the creation of the Malhotra Committee in 1993, which started reforms in the country's insurance industry.

The Malhotra Committee set out to evaluate the efficiency of the Indian insurance industry. The panel was also tasked with formulating suggestions for the development of insurance in India [9].

The Insurance Regulatory and Development Authority Act of 1999 led to a number of important policy improvements in India's insurance sector. The Insurance Regulatory and Development Authority (IRDA) was consequently founded in 2000. The IRDA's main goals are to protect the rights of insurance policyholders and to start various policy initiatives to encourage expansion of the Indian insurance market.

There are now 24 life insurance firms and 34 general insurance companies active in India.

Life Insurance Corporation of India (LIC), one of the 24 life insurance firms, is the only one that is wholly controlled by the Indian government [10].

Market Size

Between 2019 and 2023, the life insurance market is anticipated to grow at a 5.3% CAGR. India's insurance penetration rate was anticipated to reach 4.2% in FY21, with non-life insurance penetration at 1.0% and life insurance penetration at 3.2%. India's overall insurance density was US$78 in FY21.

The Indian life insurance industry is expected to generate premiums totaling Rs. 24 lakh crore (US$ 317.98 billion) by FY31. Premiums from new operations for Indian life insurance companies in FY23 (through October 2022) totaled US$ 25.3 billion. According to data from the Life Insurance Council, new business premiums for life insurers increased to Rs. 15,920.13 crores (US$ 1.94 billion) in October 2022.

According to data from S&P Global Market Intelligence, India is the second-largest market for insurance technology in the Asia-Pacific region, accounting for 35% of the US$3.66 billion in venture investments made in the country.

Classification of Insurance Contract

Types of Life Insurance in India

Term Plans or Term Life Insurance

Term life insurance is the most widely used and cost-effective choice. Term insurance, in the opinion of the majority, is the most fundamental and fundamental kind of life insurance. A death benefit from the term insurance will be paid to the beneficiary if the life insured passes away while the policy is still in effect.

A term insurance plan's high level of coverage supplied at incredibly low premium rates stands out as its most distinguishing characteristic. As a result, it is more affordable than other types of life insurance.

© MBA Journals 2023. All Rights Reserved

Whole Life Insurance Strategy

Whole life insurance is a kind of life insurance that offers coverage until the policyholder’s passing.

ULIPs, or Unit-linked Insurance Plans,

A type of life insurance program known as a unit-linked insurance plan, or ULIP, provides both life insurance and investment opportunities. Due to its adaptability, ULIPs are among the most widely used types of life insurance policies.

A portion of the premiums paid go towards assuring insurance coverage, and the remaining half is invested in a variety of financial instruments, such as debt funds, equity funds with market backing, and other assets.

Policy on Endowments

Endowment policies, a type of life insurance, function as both a saving and an insurance mechanism. Even if no claims have been filed, the major goal is to deliver maturity benefits to the life insured at the conclusion of the policy term.

Money-Back Guarantee

A money-back policy, which regularly provides policyholders with Survival Benefits in the form of a fraction of the total sum covered, is one of the greatest types of life insurance. When the policy achieves maturity, the remaining sum of the Sum Assured is given to the policyholder. If the policyholder, however, passes away within the coverage period, their dependents would get the whole Sum Assured, without any deductions.

Retirement Plan

A retirement plan is a kind of life insurance that emphasizes securing your future financial security and stability. One can create a predictable and consistent income stream by investing in retirement plans.

Child Insurance

In the tragic event that the policyholder passes away, a child insurance plan is a savings and investing strategy that provides financial stability for the child's future.

About Aditya Birla Capital

(ABCL) acts as the holding company for the Aditya Birla Group’s financial services sector. The Aditya Birla group is a significant international corporation that was established in 1857. ABCL’s enterprises are well-known in the markets for protecting, investing, and financing solutions.

ABCL, a provider of all-encompassing financial solutions, oversees over Rs. 3,550 billion in assets under administration and has a combined lending book of more than Rs. 699 billion to satisfy the diverse needs of its clients at various stages of their lives and Aditya Birla Capital Limited owns a number of financial services companies, including Aditya Birla Health Insurance Limited, Aditya Birla Housing Finance Limited, Aditya Birla Insurance Brokers Limited, Aditya Birla Money, Aditya Birla Sun Life Asset Management Company, Aditya Birla Sun Life Insurance, and Aditya Birla Sun Life Mu.

Aditya Birla Capital Ltd. (ABCL) includes Aditya Birla Sun Life Insurance Company Limited (ABSLI). ABSLI was established on August 4th, 2000, and debuted formally on January 17th, 2001. The Aditya Birla Group and Sun Life Financial Inc., a global provider of financial services with headquarters in Canada, have partnered to form ABSLI.

Throughout the customer’s life cycle, ABSLI offers a variety of products, including unit-linked insurance plans (ULIPs), retirement and pension solutions, health plans, future plans for children, and wealth protection plans.

© MBA Journals 2023. All Rights Reserved

The entire AUM of ABSLI stood at approximately Rs. 606,604 million as of June 2022. In the first quarter of FY 2022–23, ABSLI reported gross premium income of Rs. 26,197 million, representing a 49% year-over-year increase in gross premium. More than 16 lakh active clients and over 19,500 workers work for the organization.

.

Introduction of The Topic

Aditya Birla, a variety of insurance products, including term, life, pension, and child policies, are available from Sun Life Insurance. Some of their most popular plan include Digishield term plan, Assured Income Plus, Assured Saving Plus, Aditya Birla Vision life Income plus. Out of above. Aditya Birla Digishield plan is taken to carry out the study to fulfill the objectives of this project.

Aditya Birla Digishield Term Plan

A special kind of life insurance policy known as a "term plan" offers protection for a predetermined amount of time. The insurance company pays the insured's beneficiaries a predetermined amount of money in the tragic event of the covered person's passing during the stipulated term. Term plans are the most economical life insurance options available since they provide life insurance at lower prices than other types of policies.

Aditya Birla Digishield Plan offers 10 plan options to suit the varied protection need.

Following is the brief information about the plan option:

1. *Level Cover Option*: The Nominee will be granted a lump sum payment in the amount of an absolute sum equal to the Sum Assured on Death under this option in the unfortunate event that the Life Insured passes away within the Policy Term.
2. *Expanding Coverage*: The Sum Assured will increase annually during the Policy Term under this option by 5% or 10% depending on the Sum Assured Escalation Rate the Policyholder selected at the policy's inception.
   The nominee will receive an absolute sum, paid in one lump sum, in the terrible event that the Life Insured passes away within the Policy Term. Sum Assured Escalation Rates are available in two simple variations: 5% per year and 10% per year.
3. *Option for Sum Assured Reduction*: The policyholder will have the choice to reduce the chosen Sum Assured by 50% or 25% upon reaching the Retirement Age, which they initially chose to be 60, 65, 70, or 75 years. The insurance will continue with the lower Sum Assured after selecting this option through the conclusion of the policy term. If the Life Insured passes away tragically within the Policy Term, the nominee will receive an exact sum, paid in one lump sum.
4. *Level coverage for Whole Life Option*: Under this choice, life insurance will be available for those who are 100 years old. If the Life Insured passes away while the Policy Term is in effect, the Nominee will be given a lump sum payment in the amount of the Sum Assured on Death.
5. *Whole Life Option (Sum Assured Reduction Cover)*: The policyholder will be able to choose to reduce the chosen Sum Assured Factor by 50% or 25% upon attaining the retirement age, which the policyholder initially determined to be 60, 65, 70, or 75, under this option. Life insurance will be provided up to the age of 100 under this option.
   When this option is used, the Policy will remain in effect until the end of the Policy Term with the lower Sum Assured. The nominee will receive an absolute sum, paid in one lump sum, in the terrible event that the Life Insured passes away within the Policy Term.
6. *Income Assistance*: If the Life Insured dies under this option during the Policy Term, the nominee will be paid a monthly benefit equal to 1.25% of the Sum Assured for the selected Income Benefit Period of 10 years, 15 years, or 20 years.
   At the time of purchase, the policyholder will have the option to receive growing monthly income, which will increase by a flat 5% per year for the selected Income Benefit Period.
7. *Level Protection plus Income Protection*: In the unfortunate event that the life insured passes away during the policy term, the nominee will receive both the sum promised in a lump sum on

© MBA Journals 2023. All Rights Reserved

the day of the life insured's passing and Level Monthly Income paid over a period of 10 years at a rate of 0.5% of the sum assured per year.

8. *Low Cover Option*: Lower Coverage the nominee will receive a lump sum payment in an absolute amount that is equal to the sum assured on death under this option.
9. *Survival Benefit at Level Coverage*: Under this option, a Survival Benefit equal to 0.12% of the Sum Assured will be paid each month until the end of the Policy Term if the Life Insured survives to the policy anniversary that occurs after turning 60. In the tragic event that the Life Insured passes away within the Policy Term, the nominee will be given an absolute sum as a lump sum payout. The Sum Assured less any previously paid Survival Benefit is the Absolute Amount.
10. *ROP, or Return of Premium*: The whole amount of premiums listed under Maturity Benefit will be paid to the Policyholder if the Life Insured lives to the end of the Policy Term. In the tragic event that the Life Insured passes away within the Policy Term, the nominee will be given an absolute sum as a lump sum payout.

OBJECTIVES

The objectives of this study are as follows:

1. To know how age and gender affects the term insurance premium and also to find out the right age group to buy term plan at lower cost at Aditya Birla.
2. To know how smoking habits affects the term plan premium at ABSLI.
3. To see the difference in the annual premium due to different premium paying terms option in term plan, and accordingly suggest the best options in terms of premium paying term for different age group.
4. To compare the return of premium option with level cover plan option available in the term plan of ABSLI that is Digishield plan.

RESEARCH METHODOLOGY

The process of gathering data and information in order to make business decisions is known as methodology. Research design, data collection techniques, sample sizes, and study restrictions are all included in the methodology. The study tries to pinpoint the goals by taking the best and most appropriate strategy.

Research Design

This study employs a descriptive data design to investigate the aforementioned objectives. A descriptive research design is one that aims to methodically gather information to describe a phenomenon, circumstance, or population. More specifically, it helps in addressing the research problem's what, when, where, and how questions rather than its why.

Data Collection Method

The process of gathering exact information from various sources and analyzing it to find answers to issues, trends, probabilities, and so on, and to evaluate prospective outcomes is known as data collection. The data is sourced from the secondary sources and the help of illustrations of the term plan is taken to calculate the term insurance premium in order to study the factors affecting the term insurance premium.

Sample Size

The term “sample size” in market research refers to the total number of participants. By sample size, we mean the number of subjects chosen from the general population who are thought to be representative of the actual population for that particular study. In market research, the phrase “sample size” refers to the total number of participants. There are many term plans in the market offered by HDFC, ICICI, Max life insurance, TATA AIA, Aditya Birla Capital and Term plan of Aditya Birla Capital is taken as a sample.

Aditya Birla Sun Life Insurance offers different types of life insurance product to cater and fulfill varied needs of the individual. Some of their popular products are Assured Income Plus, Assured Savings Plan, and ABSLI Digishield plan. ABSLI Vision Life Income Plus. The sample size taken for the study is the term plan that is ABSLI Digishield plan. The reason to take term plan is to study the factors affecting the annual premium as this is the most important plan that every individual must take not only to get the tax benefit under section 80(c) but also to protect their family financially. In the event of the policy holder's passing, it serves as a financial safety net for your loved ones.

Tools for data analysis are defined as a collection of graphs, maps, and diagrams created to gather, analyze, and show data for a variety of applications and sectors. As this is the case-based study, the data is analyzed with the help of illustrations, tables and charts.

Limitations of the Study

The data is taken only from ABSLI Digishield Plan is the only limitation of this study. The premium amounts of various life insurance company differ, but factors like age, gender, limited premium terms are taken into account by all the insurance company in calculating premium for any individual buying a term plan. Therefore, to know the effects of it, only term plan of Aditya Birla Capital is taken to fulfill the objectives of this study.

DATA ANALYSIS AND INTERPRETATION

In the event of the insured’s untimely passing, life insurance can help sustain your family (the nominees). In most cases, the nominee is given a predetermined amount (sum insured) if the policyholder passes away during the policy period.

A person’s life insurance premium will vary depending on their age, level of coverage (amount assured), medical history, gender, way of life, and employment. However, prices for the same amount of life insurance coverage can differ from one insurer to another.

The premium amount differs among insurers due to factors such as different mortality and underwriting process adopted by companies, expenses and profit margin and exigency element that is a charge on premium for contingency event.

This is the case-based study on some of the factors that affect the life insurance premium increase for the same amount of sum assured for different insurers:

1. *Case Study 1:* Age
2. *Case Study 2:* Smoking habits
3. *Case Study 3:* Gender
4. *Case Study 4:* Premium paying terms
5. *Case Study 5:* Plan Option 1 and Plan Option 10 (return of premium) of Aditya Birla Life Insurance Company.

Case Study 1: Age

From the above table, we can clearly see that as the age increase the annual premium for the same amount of sum assured increases Table 1.

Annual premium for the sum assured of 50 lakhs for a person aged 25 years is 7,872, which increases to 10,596 for the person aged 30 years, an increase of 34%.

Similarly, Annual premium for the sum assured of 1 crore for a person aged 25 is 13,700, which increases to 18,900 for the person aged 30 years, an increase of 37%.

Annual premium for the sum assured of 50 lakhs for a person aged 40 years is 16,046, which increases to 23,372 for the person aged 45 years, an increase of 45.65% and an increase of 103% of premium when compared from a person aged 25 years whose annual premium is 7,872 for the same amount of sum assured.

Table 1. Annual premium (policy term up to 85 years)

Age	50 Lakh	1 Crore
20	6327	10600
25	7872	13700
30	10596	18900
35	11656	20700
40	16046	29600
45	23372	43700
50	31092	58500
55	40811	77600
60	53617	103000
65	71328	138500

Similarly, Annual premium for the sum assured of 1 crore for a person aged 40 is 29,600, which increases to 43,700 for the person aged 45 years, an increase of 47%.

So, it can be clearly concluded that as the age of the person increases the premium amount increase as there is more risk of the person falling ill due to lifestyle diseases that occur with age or passing away prematurely (Figure 1).

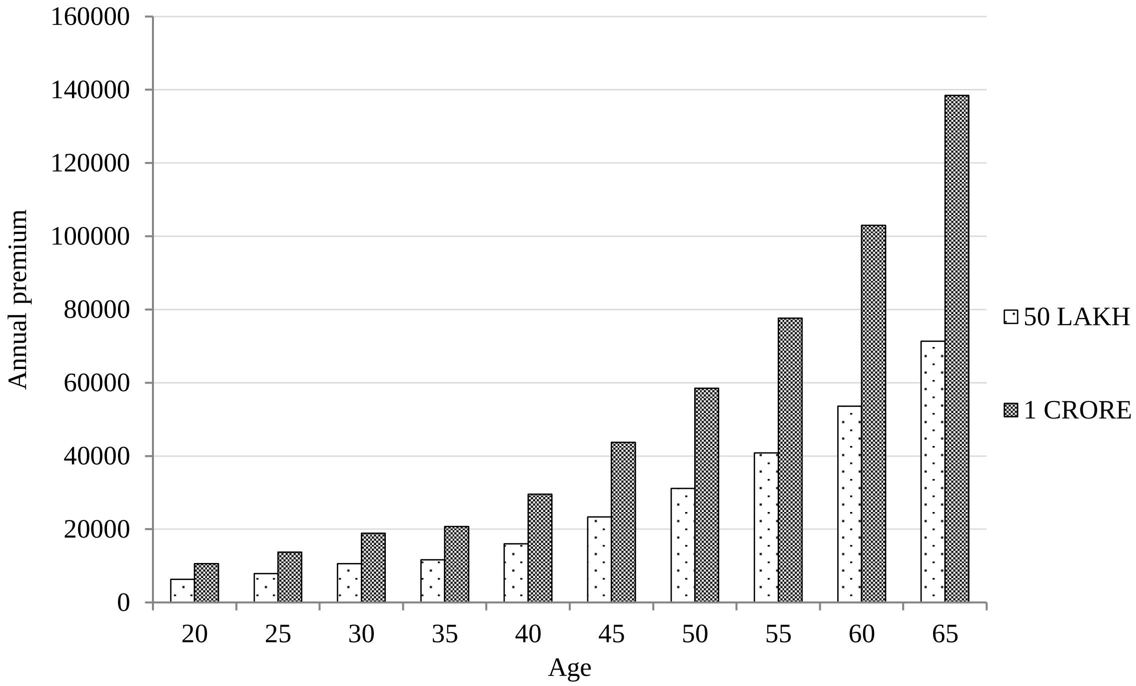


Figure 1. Graphical representation of annual premium

Case Study 2: Smoking Habits

The aforementioned table makes it quite evident that the annual premium for smokers is significant.

Table 2 A person aged 30 years with smoking habits has to give 6,842; that is, 64% extra amount, which is17,438 of annual premium than a non-smoker of the same age who gives 10,596 for the sum assured of 50 lakh (Figure 2).

© MBA Journals 2023. All Rights Reserved

Table 2. Annual premium sum assured 50 lakhs.

Age	non-smoker	Smoker
25	7,872	12,985
30	10,596	17,438
35	11,656	20,345
40	16,046	27,157
45	23,372	40,114

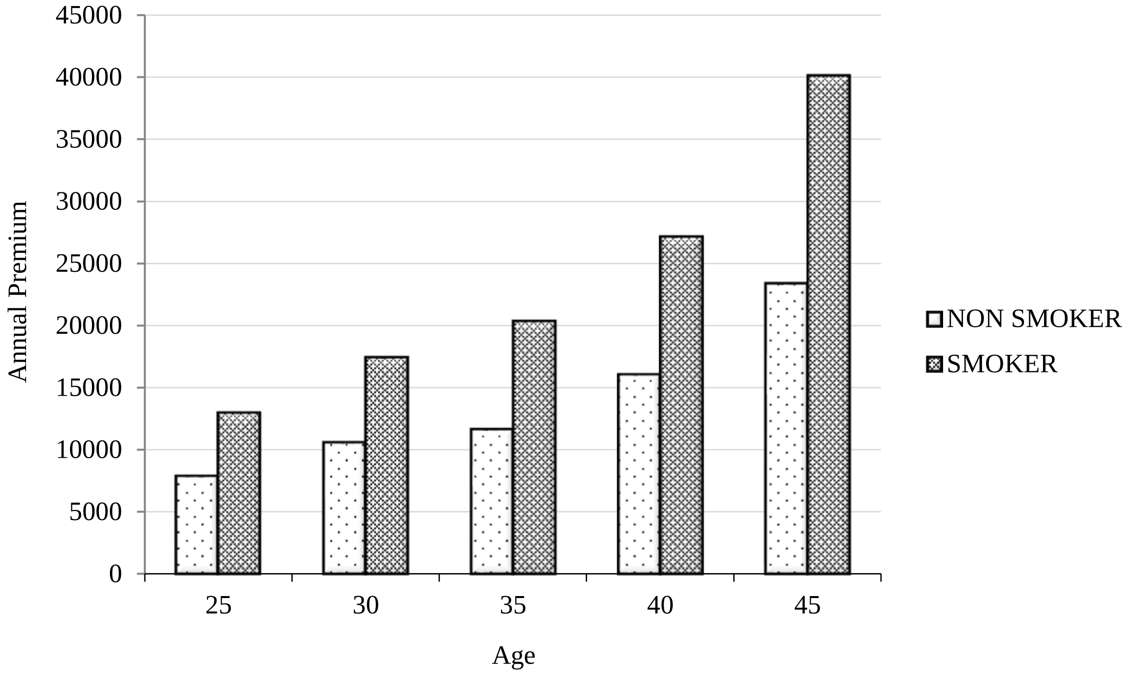


Figure 2. Graphical representation of smoker and non-smoker age.

Case Study 3: Gender

From Table 3, the premium paid by the female aged 30 years for the sum assured of 1 crore is 3,200 less, which is 20% less than the annual premium paid by the male of the same age.

Table 3. Annual premium for sum assured of 1 crore policy term up to 85 years of age.

Age	Female	Male
25	11,800	13,700
30	15,700	18,900
35	18,000	20,700
40	24,500	29,600
45	33,700	43,700
50	44,600	58,500

Similarly, the premium paid by the female aged 40 for the sum assured of 1 crore is 5,100 less, which is 20% less than the annual premium paid by the male of the same age.

The premium paid by the female aged 50 years is 44,600, which 13,900 less than annual premium paid by male which accounts to 58,500 of the same age group.

In India, women's average life expectancy is higher than men's. This indicates that women maintain their term insurance coverage for longer. Hence, they can avail of lower premiums (Figure 3).

© MBA Journals 2023. All Rights Reserved

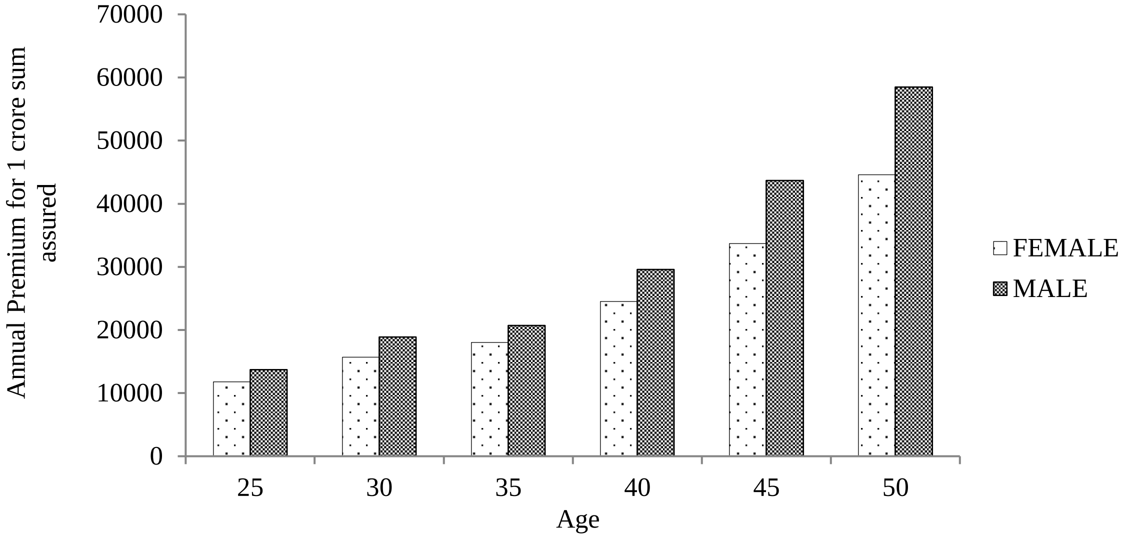


Figure 3. Graphical representation of male and female annual premium.

Case Study 4: Premium paying terms

A person aged 25 has to pay 138,115 a single payment for the sum assured of 50 lakhs. Whereas if he wants to pay his whole premium in just 5 years then the annual premium amount comes out to be 31214 which is 23,342 higher than the regular pay of 7,872. In Table 4 (age 25 years, policy term 55 years). has been shown

One inference can also be concluded that the total amount paid in 5 years comes out to be 156,219, which is lesser than 432,933 total amount of cash flows if the person outlives his policy term. So, Chart 1 clearly shows the downward trend that is as the premium paying term increases the annual premium decreases. And Chart 2 shoes the upward trend that is the total premiums paid increases as the premium paying term increases if the person outlives his policy term in this case it is up to the age of 85 years.

A single premium term insurance policy is ideal for someone who is unsure about their ability to meet the requirements for ongoing premium payments (Figures 4 and 5). In Table 5 (age 30 years, policy term 55 years). has been shown. In Figure 6 Graphical representation of premium paying has been shown

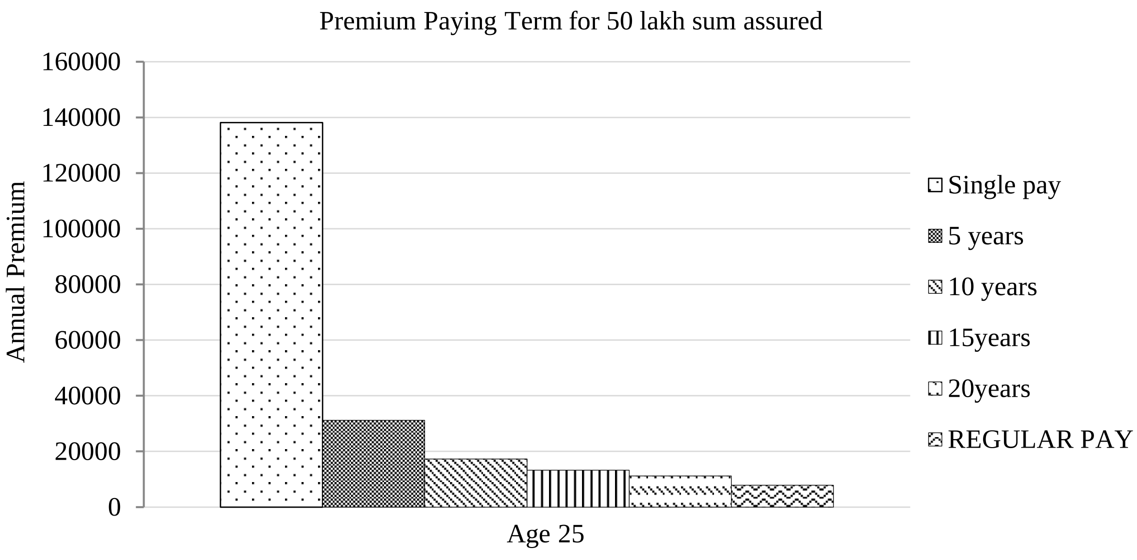
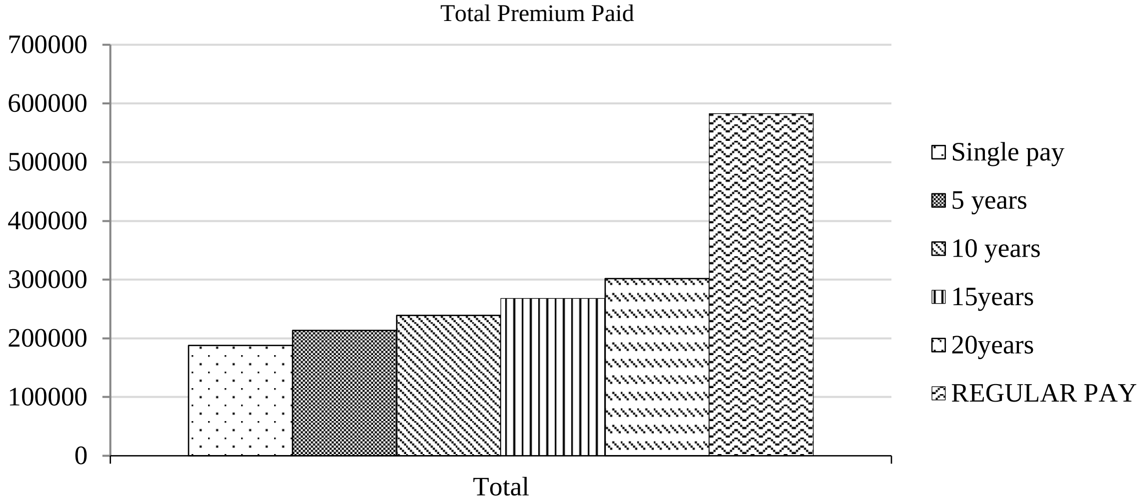


Figure 4. Graphical representation of premium paying term for 50 lakhs sum assured.

© MBA Journals 2023. All Rights Reserved

NOLEGEIN Journal of Performance Management & Retention Strategies
Volume 6, Issue 1
ISSN: 2581-5067



Total premium paid if the person oulives the policy term

Figure 5. Graphical representation of total premium paid.

Table 4. Premium paying term (age 25 years, policy term 55 years).

Sum assured	Single pay	5 years	10 Years	15 Years	20 Years	Regular pay
50 Lakhs (annual premium)	138,115	31,214	17,317	13,291	11,171	7,872
Total	138,115	156,219	173,173	199,361	223,430	432,933
1 Crore	233,900	52,500	29,900	23,900	19,900	13,700
Total	233,900	262,500	299,000	358,500	714,000	753,000

Table 5. Premium paying term (age 30 years, policy term 55 years).

Sum assured	Single pay	5 Years	10 Years	15 Years	20 Years	Regular pay
50 Lakhs	187,644	42,718	23,887	17,862	15,077	10,596
Total	187,644	213,590	238,870	267,934	301,539	582,794
1 Crore	331,200	74,000	41,600	33,300	27,900	18,900
Total	331,200	370,000	416,000	499,500	558,000	1,039,500

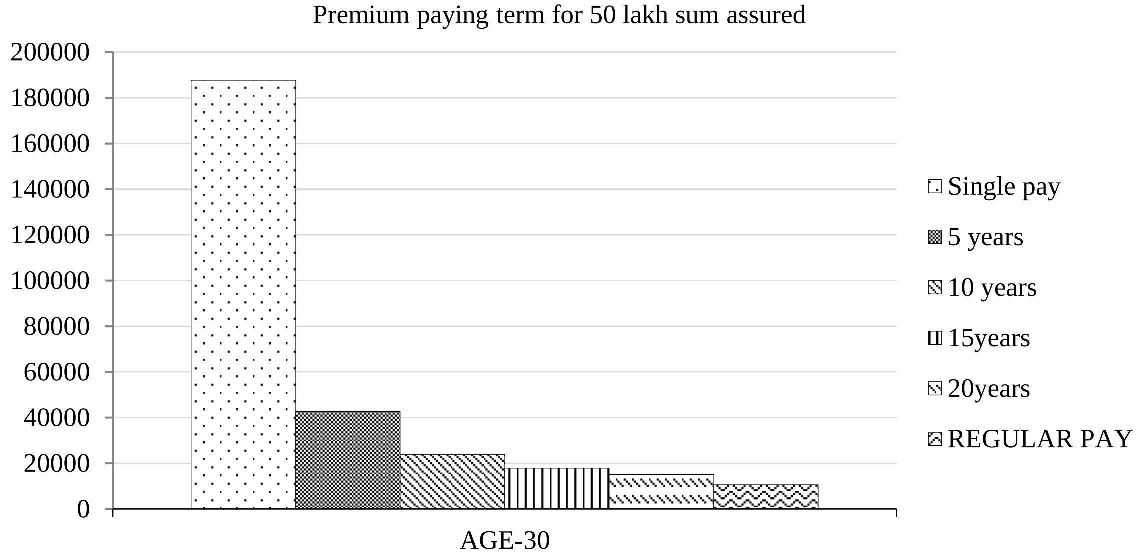


Figure 6. Graphical representation of premium paying term for 50 lakhs sum assured.

© MBA Journals 2023. All Rights Reserved

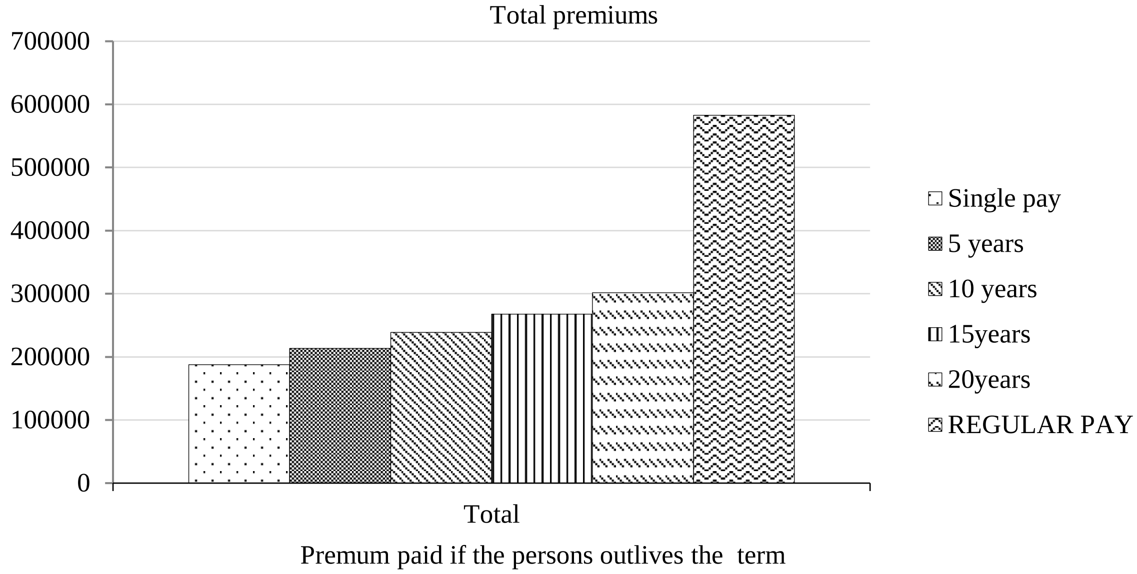


Figure 7. Total premiums.

A Figure 7 person aged 35 years has to pay 237,810 a single one-time payment for the sum assured of 50 lakh and 430,700 a single one-time payment for the sum assured of 1 crore (Table 6).

Table 6. Annual premium and total premiums (age 35 years, policy term 50 years).

Sum assured	**Single pay**	**5 Years**	**10 Years**	**15 Years**	**20 Years**	**Regular pay**
50 Lakhs	237,810	54,192	30,547	22,313	18,892	11,656
Total	237,810	270,961	305,475	334,690	377,832	582,794
1 Crore	430,700	96,200	54,000	42,600	35,700	20,700
Total	430,700	481,000	540,000	639,000	714,000	1,035,000

On the other hand, if he wants to pay whole premium in just 5 years than the annual premium comes out to be 54,192, which is higher than the regular pay annual premium of 11,656 for sum assured of 50 lakhs (Figure 8).

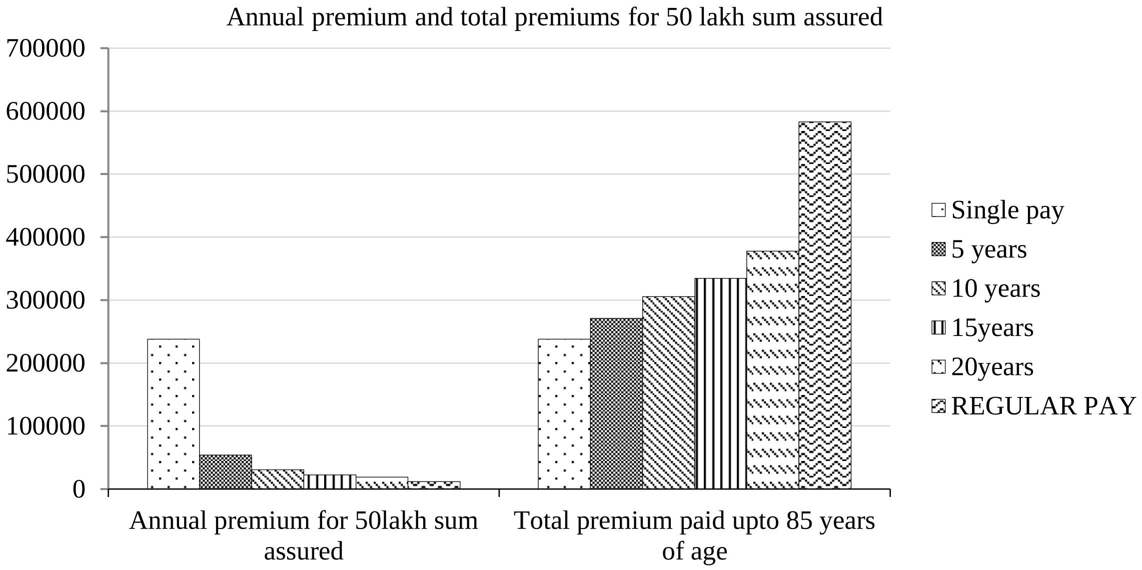


Figure 8. Graphical representation of single paid to regularly paid amount.

© MBA Journals 2023. All Rights Reserved

NOLEGEIN Journal of Performance Management & Retention Strategies
Volume 6, Issue 1
ISSN: 2581-5067

A person aged 40 years has to pay 306,989 a single one-time payment for the sum assured of 50 lakhs and 567,700 a single one-time payment for the sum assured of 1 crore (Table 7).

On the other hand, if he wants to pay whole premium in just 5 years than the annual premium comes out to be 67,513, which is higher than the regular pay annual premium of 16,046 for sum assured of 50 lakhs (Figure 9).

Table 7. Annual premium and total premium for 50 lakhs sum assured (age 40 years, policy term 45 years).

Sum assured	Single pay	5 Years	10 Years	15 Years	20 Years	Regular pay
50 Lakhs	306,989	67,513	38,207	28,065	23,887	16,046
Total	306,989	337,566	382,071	420,974	477,740	722,059
1 Crore	567,700	123,500	69,200	54,100	45,800	29,600
Total	567,700	617,500	692,000	811,500	916,000	1,332,000

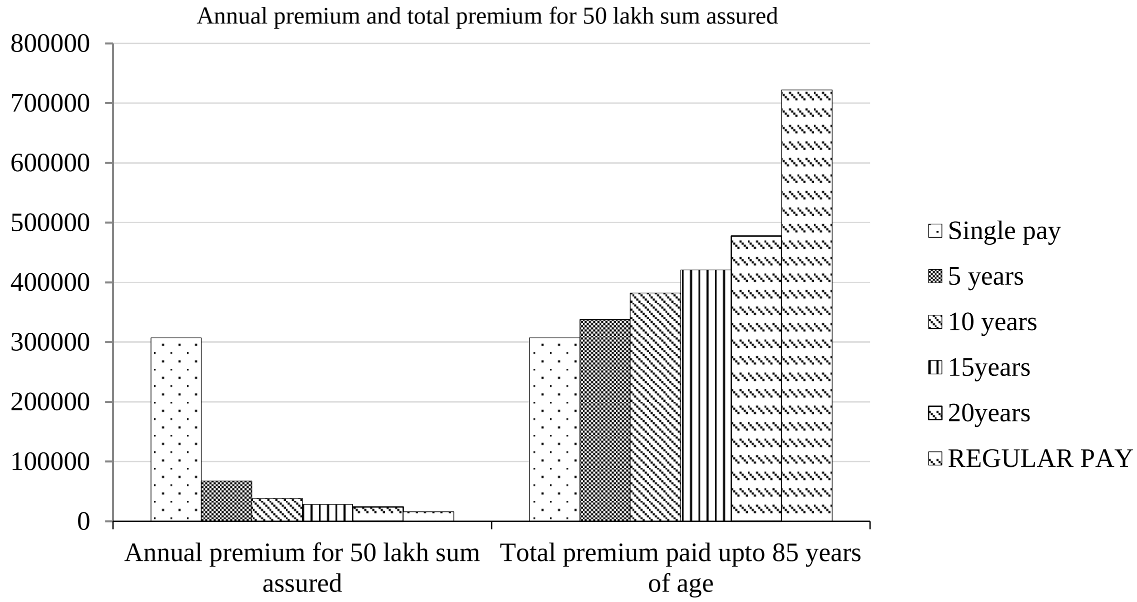


Figure 9. Graphical representation of policy term of 45 years.

A person aged 45 years has to pay 398,994 a single one-time payment for the sum assured of 50 lakhs and 748,900 a single one-time payment for the sum assured of 1 crore (Table 8).

Table 8. Annual premium and total premium for 40 years (age 45 years, policy term 40 years).

Sum assured	Single pay	5 Years	10 Years	15 Years	20 Years	Regular pay
50 Lakh (annual premium)	398,994	88,766	48,652	36,088	30,820	23,372
Total	398,994	443,832	486,519	541,317	616,399	934,892
1 Crore	748,900	163,000	91,100	69,200	58,500	43,700
Total	748,900	815,000	911,000	1,038,000	1,170,000	1,748,000

On the other hand, if he wants to pay whole premium in just 5 years than the annual premium comes out to 88,766, which is higher than the regular pay annual premium of 23,372 for sum assured of 50 lakhs. However, the total premium paid is 443,832, which is 491,060 higher than the total amount of cash flows in regular pay option which amounts to 934,892 if the person outlives his policy term in this case it is 40 years that is lives beyond 85 years.

© MBA Journals 2023. All Rights Reserved

To conclude, the shorter premium payment duration one chooses, the higher will be term insurance premium increase. However, the whole cost is less than the regular salary (Figure 10).

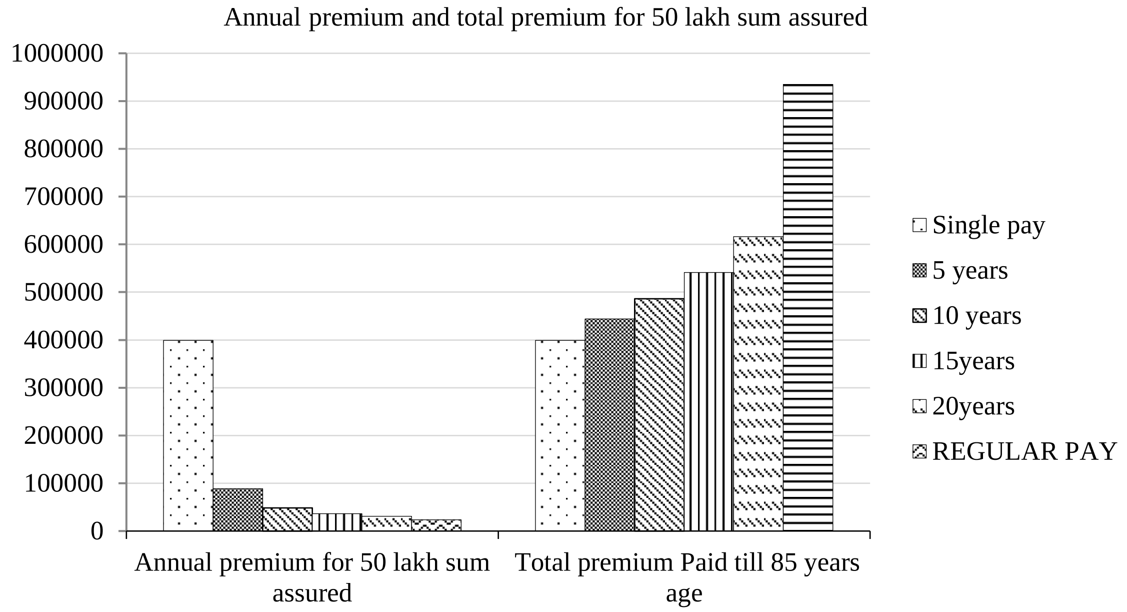


Figure 10. Total premium paid till 85 years age.

Case Study 5: Plan Option 1 and Plan Option 10

- *Plan Option 1:* level cover
- *Plan Option 2:* return of premium option

Table 9. Annual premium for sum assured of 1 crore. Policy term up to 85 years of age.

Age	Plan option 1	Plan option 10
25	13,700	18,700
30	18,900	24,100
35	20,700	30,800
40	29,600	41,400
45	43,700	59,400
50	58,500	86,200

A term insurance option called Return of Premium provides your family with support in the event that you pass away during the policy's term as well as a survival benefit in the event that someone lives past the policy's expiration date (Table 9). The survivor benefit is a reimbursement of all premium payments made throughout the policy's term.

A person aged 25 years has to pay 13,700 for sum assured of 1crore which increases to 18,700 if he chooses return of premium option.

Similarly a person aged 30 years has to pay 18,900 for sum assured of 1 crore, which increases to 24,100 if he chooses return of premium option an increase in the annual premium of 5,200 that accounts to 27% increase when compared with the regular pay option plan.

A person aged 35 years has to pay 20,700 for sum assured of 1 crore, which increases to 30,800 if he chooses return of premium option an increase of 10,100 in the annual premium if he wants to avail the survival benefits where all the premium are returned back if he outlives his policy term (Figure 11).

© MBA Journals 2023. All Rights Reserved

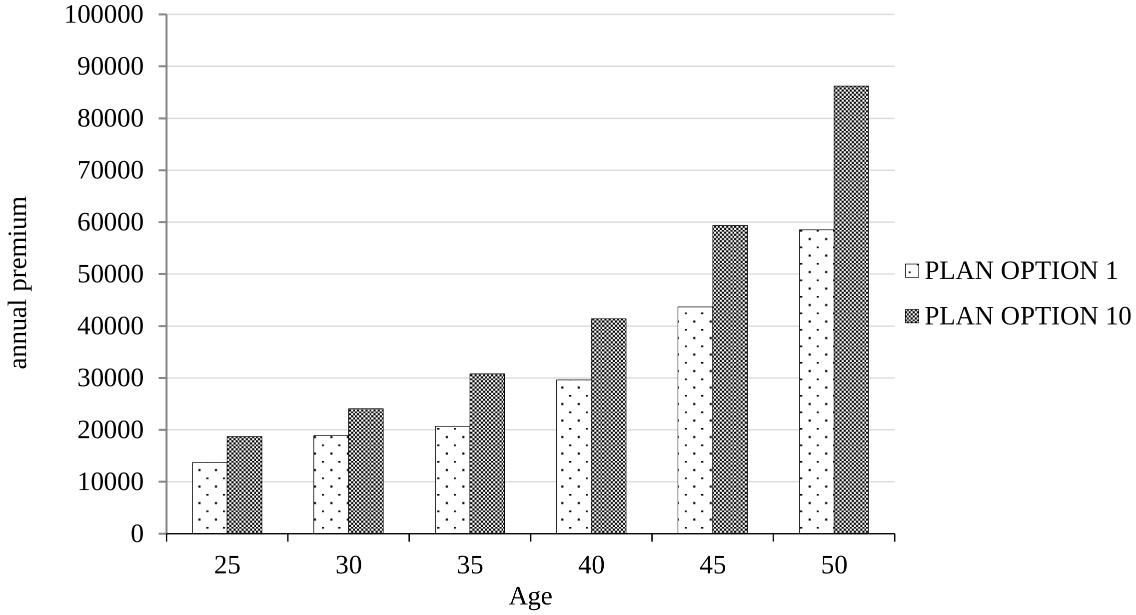


Figure 11. Graphical representation of annual premium for sum assured of 1 crore.

FINDINGS

- The annual premium increases with age. We can clearly say that as the person age increases annual premium also increases. The reason is the increase in the mortality charges as the person is more likely to fall ill or has higher chances of death.
- The next important finding is the increase in the annual premium due to smoking habits of an individual when compared with a non-smoker. This is again due to the fact that a smoker chances of falling ill is higher than the non-smoker.
- A difference is noticed in the annual premium paid by men and women for the same amount of life cover. In Digishield term plan, a female aged 30 years has to pay less than the man of the same age group.
- It is observed that, the less the premium paying term the more is the annual premium charged by the policy holder.
- It has also been noticed the that the total amount of cash flows that the policy holder pays if he outlives his policy is much less as compared with regular pay A decreasing trend in the annual premium is seen as the premium paying term increases.
- The total premium paid till the policy term if the person outlives this term is much higher than total premium paid while opting single pay, 5 years pay, 10 years pay, 15 years pay, and 20 years pay.
- The return of premium option also increase the term insurance premium as in this option the policy holder gets all premium back if he outlives his policy as compared with level cover option of ABSLI.

CONCLUSION

Term life insurance is the most basic type of coverage available. The claim is simple to understand. We receive a life insurance policy (amount assured) in return for a premium. The nominee receives the amount specified in the policy if the policyholder experiences an event during the policy period. If policyholder outlive the policy term, nothing is payable if return of premium option is not taken. From the above study on the various factors that affect the term insurance premium, it can be concluded that the premium amount is not same for all the individual. Insurance company in this case ABSLI took into account the age, smoking habits, gender, premium paying term in deciding the annual premium It becomes equally necessary for each individual to know the affect of the factors like age gender premium paying term so that he can avail the benefits as early as possible in order to avail the low cost premium also Plan Option 10 is the return of premium option that pays your premium back in case the policy

© MBA Journals 2023. All Rights Reserved

holder outlive the policy term. So to conclude, Term plan acts as a financial shield protecting your family in case of your death. It is that investment made which helps the policy holder to live stress free life as he is relieved from the burden of any financial crises that his family may go in case of his sudden death.

Suggestions

- As per the analysis and interpretation it is advised to all the individuals between age group of 18 and 30 years to buy a term plan as the premium amounts is less when compared with premiums for individuals' age above 35 years.
- Limited premium payments tackle the financial burden of paying premiums for longer durations when you choose longer coverage tenure The above option is best suited for the people who is not sure of his regular income in coming years or has the lump sum money in hand so can go for limited premium payments.
- This option can also be availed by person who is going to retire in 5 to 10 years and wants to finish up his premiums payments.
- Return of premium option is best suited for those individuals who want their money back in case if they outlive the policy term and do not want their money to get wasted without providing any benefits.
- Individuals who smoke must reveal their smoking habits at the time of taking the policy as premium charges are higher as compared with non-smokers, As their non declaration of their smoking habits may pose a problem at the time of claim settlement, and the family may not get the benefits.

.

REFERENCES

1. Aditya Birla Capital. (2023). Financial solutions: financial services providers in India [Online]. Available at https://www.adityabirlacapital.com/ [Accessed on July 2023]
2. Policy Bazaar. (2021). Insurance: compare and buy insurance plans: health, term, life, car [Online] Policybazaar. Available at https://www.policybazaar.com/ [Accessed on July 2023]
3. Max Life Insurance. (2023). Term Insurance Plan Calculator Online 2023. [Online] Max Life Insurance. Available at https://www.maxlifeinsurance.com/term-insurance-plans/premium-calculator?utmCode=1311262&utm_theme=FreeTrop&utm_source=google&utm_medium=cpc&utm_campaign=2_Core_BMM_New&utm_term=+online%20+term%20+life%20+insurance&gclid=CjwKCAjws7WkBhBFEiwAIi16825YgmHyCfEymDnmavG8_2U7ITmYjjhyeUiFvnosMuDrC12Z98Qf_hoC3UIQAvD_BwE [Accessed on July 2023]
   IBEF. (2022). Indian Insurance Industry Overview & Market Development Analysis. [Online] India Brand Equity Foundation. Available at https://www.ibef.org/industry/insurance-sector-india [Accessed on July 2023]
4. ICICI Prudential. (2023). Term Insurance Plan Calculator Online 2023. [Online] Available at https://www.iciciprulife.com/term-insurance-plans/iprotect-smart-term-insurance-calculator.html?UID=1251cid=Search:Google::Text::RSA::DM:iPS:::IPRU-Search-Brand_Product_iProtect-BMM-RX-Desktop-1251:::New-RSA-iProtectSmart-LifeCover-PremWaiver-12Dec2021:::1251&utm_source=google&utm_campaign={campaign}&utm_medium=cpc&utm_adgroup={adgroup}&utm_term=%2Bicici%20%2Bsmart%20%2Bpru%20%2Blife&utm_device=c&gad=1&gclid=CjwKCAjws7WkBhBFEiwAIi1682xZkWMMQwRUia05Coo01nZ4XeFuqcu_-JpFHYMJxZ2kgFj915NLqhoCE0kQAvD_BwE [Accessed on July 2023]
5. Hdfclife.com. (2023) Calculate premium. [Online] Available at https://onlineinsurance.hdfclife.com/buy-online-term-insurance-plans/click-2-protect-super/basic-details?agentcode=00760655&source=G_C2_C2S_Adwords_Search_BrandT_Mid_Low_Priority_RSA_Google_kwd-361396584407&utm_source=search&utm_medium=cpc&utm_campaign=G_C2_C2S_Adwords_Search_BrandT&utm_term=Prospecting&utm_content=Perfm&utm_campaignid=14427920140&utm_adgroupid=127377201278&utm_theme=&utm_adgroup=&prod=C2S&gad=1&gclid=CjwKCAjws7WkBhBFEiwAIi1684ssqeAp19DzWQXGTVlTwr5ACc0d4Zh1gPzt79TBWSJGGSvJS1JxvxoCMvYQAvD_BwE&gclsrc=aw.ds [Accessed on July 2023]

© MBA Journals 2023. All Rights Reserved

6. Policy Bazaar. (2014). Compare best term insurance plan online in india. [Online]. Policybazaar.com. Available at https://www.policybazaar.com/life-insurance/term-insurance/ [Accessed on July 2023]
7. Life Insurance Corporation of India. (2023). Buy policy online. [Online] Available at https://licindia.in/Home/buypoliciesonline?gclid=CjwKCAjws7WkBhBFEiwAIi168wDq76W6IsunaoAYpEZ6t9PV3yXsXOP5NFcgo4OOxgxUOsrocB8NjBoC0IsQAvD_BwE [Accessed on July 2023]
8. Canara HSBC. (2020). Types of life insurance. [Online] Canarahsbclife.com. Available at https://www.canarahsbclife.com/blog/life-insurance/what-are-different-types-of-life-insurance-policies-in-india [Accessed on July 2023]
9. Stempel JW. The insurance policy as social instrument and social institution. Wm Mary L Rev. 2009; 51: 1489.
10. Break-up PB. CMP: INR124 TP: INR170 (+ 38%) Buy Greater confidence in the stability and quality of earnings. AMC. 2022 Feb 7;9(10.4):12–0.

© MBA Journals 2023. All Rights Reserved