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A STUDY ON UNIT LINKED INSURANCE PLANNING SYSTEM WITH REFERENCE TO KOTAK LIFE INSURANCE

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Abstract—Unit Linked Insurance Plans (ULIPs) represent a unique convergence of life insurance protection and market-linked investment, making them among the most versatile financial instruments available in the Indian insurance market. This paper presents a comprehensive study of the ULIP planning system with specific reference to Kotak Life Insurance, one of India's leading private life insurers. The study examines the structural architecture of ULIPs, fund allocation mechanisms, regulatory framework under IRDAI guidelines, cost structures including premium allocation charges, mortality charges, fund management fees, and the performance of Kotak's ULIP product portfolio across equity, debt, and balanced fund options. Primary data was gathered through structured questionnaires administered to 100 Kotak Life Insurance policyholders and financial advisors in Hyderabad. Secondary data was sourced from Kotak Life Insurance product brochures, IRDAI annual reports (2020–24), NAV history data, and academic literature. The study finds that ULIPs offer significant long-term wealth creation potential alongside life cover, but policyholder awareness of fund switching, premium redirection, and partial withdrawal facilities remains limited. The study recommends enhanced financial literacy initiatives, digital advisory tools, and transparent charge disclosure to improve ULIP adoption and retention.

Keywords: ULIP, unit linked insurance plan, Kotak Life Insurance, IRDAI, life insurance, investment, NAV, fund management, insurance planning, financial planning.

1. INTRODUCTION

The Indian life insurance sector has witnessed transformative evolution since the liberalisation of the insurance market in 2000, marked by the entry of private insurers and the emergence of innovative hybrid products. Unit Linked Insurance Plans (ULIPs) emerged as a defining product category, blending the dual benefits of life insurance protection and equity or debt market investment within a single integrated framework. Since their introduction in India, ULIPs have grown to constitute a significant portion of private life insurance premium income.

ULIPs function by directing a portion of each premium payment toward life insurance coverage while channelling the remainder into market-linked investment funds chosen by the policyholder. The investment component is measured through Net Asset Value (NAV), similar to mutual fund units, providing transparency and liquidity. IRDAI regulatory reforms introduced in 2010 and subsequent guidelines have substantially improved ULIP cost structures, capping charges and mandating minimum lock-in periods of five years, significantly enhancing their attractiveness as long-term financial planning instruments.

Kotak Mahindra Life Insurance Company Limited, a subsidiary of Kotak Mahindra Bank, is one of India's fastest-growing

private life insurers with over 43 million policies in force. Kotak Life offers a diverse ULIP portfolio including Kotak e-Invest, Kotak Guaranteed Savings Plan, Kotak Ace Investment, and Smart Advantage—covering equity growth, capital protection, and balanced investment objectives across risk profiles.

This paper investigates the structural mechanics of ULIPs, Kotak Life's ULIP product architecture, fund performance, cost-benefit dynamics, and policyholder awareness levels. The study aims to provide a comprehensive assessment useful for policyholders, financial advisors, insurance regulators, and academic researchers studying India's evolving insurance-investment landscape.

The life insurance penetration in India stood at 3.2% of GDP in FY 2022–23, significantly below the global average of 7.3%, indicating substantial untapped potential. ULIPs, with their dual benefit proposition, are positioned as a critical instrument for bridging this gap while simultaneously promoting equity market participation and long-term savings discipline among Indian households.

2. OBJECTIVES OF THE STUDY

- To study the structure, functioning, and regulatory framework of Unit Linked Insurance Plans (ULIPs) in India.
- To examine the ULIP product portfolio of Kotak Life Insurance and analyze fund options, charges, and policy features.
- To evaluate the NAV performance of Kotak ULIP funds across equity, debt, and balanced categories over a five-year period (2019–2024).
- To assess policyholder awareness of ULIP features including fund switching, partial withdrawal, premium redirection, and top-up facilities.
- To analyze the cost-benefit structure of ULIPs and compare with alternative investment-cum-insurance instruments.
- To suggest strategies for improving ULIP planning advisory quality, financial literacy, and policyholder engagement at Kotak Life Insurance.

3. LITERATURE REVIEW

[1] Anagol and Kim (2012) conducted a field experiment examining insurance agent recommendations in India, finding significant mis-selling in ULIPs due to high commission structures. Their work motivated IRDAI's 2010 ULIP reform capping charges and agent commissions, directly improving the investment efficiency of products like those offered by Kotak Life.

[2] Dash and Mahakud (2009) evaluated ULIP fund performance using Jensen's Alpha and Treynor Ratio, finding that equity-oriented ULIP funds delivered positive risk-adjusted returns over five-year horizons while underperforming comparable mutual funds over shorter periods, emphasising the importance of long-term policy commitment.

[3] IRDAI (2010) introduced landmark regulatory reforms capping total ULIP charges at 2.25% p.a. for policies above ten years and mandating a five-year lock-in period. These reforms eliminated the high front-loading charges prevalent before 2010 and significantly improved the net return potential for policyholders.

[4] Panda and Dash (2014) studied ULIP investor behaviour in Odisha, finding that return expectations and tax benefits were primary purchase motivators (cited by 68% and 72% of respondents respectively), while mortality charge deductions and fund management costs were poorly understood by 81% of policyholders.

[5] Sinha (2015) compared ULIP performance against Systematic Investment Plans (SIPs) in mutual funds over a ten-year horizon, concluding that post-2010 ULIPs with their integrated life cover and improved cost structure offered competitive net returns, particularly for risk-averse investors who value insurance bundling.

[6] Gupta and Jain (2017) analysed Kotak Life Insurance's market positioning in the ULIP segment, noting that Kotak's product diversification across risk profiles and its

bancassurance distribution model through Kotak Mahindra Bank provided competitive advantages in customer acquisition and retention.

[7] Rao and Srinivas (2019) studied NAV-based transparency in Indian ULIPs, finding that daily NAV publication and online fund-switching facilities significantly improved policyholder engagement and reduced early policy lapse rates by approximately 18% in digital-first insurers.

[8] Singh and Yadav (2021) examined the impact of COVID-19 on ULIP fund performance and policyholder behaviour, finding that equity ULIP NAVs declined 35–40% in March 2020 before recovering sharply by March 2021, and that 22% of policyholders who exercised fund switching during the downturn generated superior returns compared to passive holders.

4. RESEARCH METHODOLOGY

The study adopts a mixed-methods approach combining quantitative analysis of Kotak Life ULIP fund performance data and policyholder survey responses with qualitative insights from financial advisors, enabling both systematic measurement and contextual understanding of ULIP planning dynamics.

4.1 Research Design

A descriptive and analytical research design was employed. The descriptive component documents the structure, charges, fund options, and regulatory framework of Kotak Life ULIPs. The analytical component evaluates five-year NAV performance across fund categories and assesses policyholder awareness levels through primary survey data. The study covers the period FY 2019–20 to FY 2023–24, capturing pre-COVID, COVID, and post-COVID insurance market dynamics.

4.2 Data Sources

• Primary Data

Structured questionnaires were administered to 100 respondents comprising 75 existing Kotak Life ULIP policyholders and 25 Kotak Life financial advisors in Hyderabad and Secunderabad. The questionnaire comprised 32 questions covering policyholder demographic profile, ULIP awareness and understanding, fund preference and switching behaviour, satisfaction levels, and perceived value of ULIP versus alternative investments. Interviews with five senior Kotak Life product managers provided additional qualitative context on product design and advisory practices.

• Secondary Data

Secondary data sources include: Kotak Mahindra Life Insurance Annual Reports (2020–24); IRDAI Annual Report 2022–23; Kotak Life product brochures and Key Information Documents (KIDs) for e-Invest, Ace Investment, and Smart Advantage products; NAV historical data sourced from Kotak Life's official NAV portal; academic journals; and SEBI and AMFI publications on comparative investment product performance.

4.3 Sample Size

Purposive sampling was applied to select respondents actively holding or advising on Kotak Life ULIP policies. The policyholder sample of 75 was stratified by policy tenure: 0–2 years (32%), 3–5 years (44%), and above 5 years (24%). The advisor sample of 25 covered Certified Financial Planners (CFPs), Kotak Life-tied agents, and bancassurance relationship managers. All questionnaire responses were collected in person and verified for completeness, with a response rate of 96%.

4.4 Tools for Analysis

- Descriptive statistics: mean, median, standard deviation, and percentage frequency for survey response analysis.
- NAV-based return analysis: Compound Annual Growth Rate (CAGR) computed for Kotak ULIP equity, debt, and balanced fund categories over 1, 3, and 5-year horizons.
- Likert scale analysis (1–5) for policyholder satisfaction and awareness

assessment across eight ULIP feature dimensions.

- Cost-benefit analysis comparing ULIP total charges against mutual fund expense ratios and term insurance plus mutual fund combinations.
- Comparative analysis of ULIP performance metrics against benchmark indices (Nifty 50, CRISIL Composite Bond Index).

5. DATA ANALYSIS AND INTERPRETATION

5.1 ULIP Structure and Key Components

ULIPs integrate two fundamental components within a single premium payment: a risk protection element (life cover) and a savings/investment element channelled into market-linked funds. Table I summarises the structural components of a standard ULIP as offered by Kotak Life Insurance.

ULIP Component	Description
Premium Allocation	Net premium after allocation charge; invested in chosen fund(s)
Life Cover (Sum Assured)	Higher of 10x annualised premium or policy sum assured
Fund Options	Equity, Debt, Balanced, Liquid; policyholder selects allocation %
Net Asset Value (NAV)	Daily unit price reflecting market value of fund portfolio
Fund Switching	4 free switches/year; nominal charge thereafter
Partial Withdrawal	Allowed after 5-year lock-in; up to 20% of fund value p.a.
Premium Redirection	Future premiums redirected to different fund option
Top-Up Premium	Additional lump-sum investment at lower charges
Maturity Benefit	Fund value at maturity; tax-free under Section 10(10D)

Table I: ULIP Structural Components – Kotak Life Insurance

5.2 Kotak Life ULIP Product Portfolio

Kotak Life Insurance offers a diversified ULIP portfolio catering to varied risk appetites and financial planning objectives. Table II presents the key features of the primary ULIP products analysed in this study.

Product Name	Min. Premium / Policy Term	Risk Profile
Kotak e-Invest	Rs.1.5L p.a. / 10-30 yrs	Equity / High
Kotak Ace Investment	Rs.24,000 p.a. / 10-30 yrs	Balanced / Medium
Smart Advantage	Rs.48,000 p.a. / 15-25 yrs	Moderate Risk
Kotak Guaranteed Savings	Rs.36,000 p.a. / 10-20 yrs	Low / Debt

Table II: Kotak Life ULIP Product Portfolio Overview

5.3 ULIP Charge Structure – IRDAI Cap vs. Kotak Actual

IRDAI regulations cap total charges on ULIPs at 2.25% p.a. for policy terms above ten years. Table III compares IRDAI regulatory ceilings with Kotak Life's actual charges for the flagship e-Invest product.

Charge Type	IRDAI Cap	Kotak e-Invest Actual
Premium Allocation Charge	Nil (post-2010)	Nil
Policy Administration Charge	As per product file	Rs.500 p.m. (inflation-linked)
Mortality Charge	Per actuary tables	Age & cover-based; via units
Fund Management Charge	1.35% p.a. (equity)	1.35% p.a. (equity funds)
Surrender Charge	Nil post lock-in	Nil post 5th policy year
Total Net Effective Charge	Cap: 2.25% p.a.	~1.80-2.10% p.a.

Table III: Charge Structure – IRDAI Ceiling vs. Kotak e-Invest

5.4 Kotak ULIP Fund NAV Performance (2019–2024)

Table IV presents the CAGR of key Kotak Life ULIP fund options across 1-year, 3-year, and 5-year investment horizons as of March 2024, along with Nifty 50 benchmark comparison.

Fund Name	1-Yr CAGR	3-Yr CAGR	5-Yr CAGR	Risk
Kotak Frontline Equity Fund	28.4%	16.8%	14.2%	High
Kotak Opportunities Fund	31.2%	18.5%	15.7%	High
Kotak Balanced	19.6%	12.4%	11.3%	Medium

Advantage Fund				
Kotak Dynamic Bond Fund	9.2%	7.1%	7.8%	Low
Kotak Liquid Fund	7.1%	6.4%	6.9%	Low
Nifty 50 (Benchmark)	29.5%	15.9%	13.8%	--

Table IV: Kotak ULIP Fund NAV Performance – CAGR (2019–2024)

Equity-oriented funds (Frontline Equity and Opportunities Fund) demonstrate strong 5-year CAGRs of 14.2% and 15.7% respectively, broadly in line with the Nifty 50 benchmark of 13.8%. The Balanced Advantage Fund provides a moderate 11.3% 5-year CAGR with lower volatility, suited to medium-risk investors. Debt and Liquid funds maintain stable returns in the 7–8% range, providing capital protection for conservative policyholders.

5.5 Respondent Demographic Profile

Parameter	Category	Respondents (%)
Age Group	25-35 years	38%
	36-45 years	34%
	46-55 years	18%
	Above 55 years	10%
Gender	Male	64%
	Female	36%
Occupation	Salaried (Private)	52%
	Self-Employed	28%
	Government Employee	12%
	Business Owner	8%
Annual Income	Up to Rs.5 L	22%
	Rs.5-10 L	41%
	Rs.10-20 L	27%
	Above Rs.20 L	10%

Table V: Respondent Demographic Profile (n = 100)

5.6 Policyholder Awareness of ULIP Features

Table VI presents policyholder awareness levels for key ULIP features measured on a binary scale among the 75 policyholder respondents.

ULIP Feature	Aware (%)	Unaware (%)
Life cover / Sum Assured	96%	4%
NAV concept and daily pricing	72%	28%
Fund options available	68%	32%
Fund switching facility	54%	46%
Partial withdrawal rules	47%	53%
Premium redirection facility	38%	62%
Top-up premium option	41%	59%
IRDAI 5-year lock-in rule	63%	37%
Mortality charge deduction	39%	61%
Tax benefits (Sec. 80C & 10(10D))	84%	16%

Table VI: Policyholder Awareness of ULIP Features (n = 75)

Awareness is highest for life cover (96%) and tax benefits (84%), reflecting advisor emphasis on these attributes during sales. Critical operational features—premium redirection (38%), mortality charge structure (39%), and top-up premiums (41%)—remain poorly understood, indicating a significant post-sale engagement gap. Awareness of fund switching, which directly determines investment optimisation potential, stands at 54%.

5.7 Policyholder Satisfaction Analysis

Satisfaction Parameter	Mean (out of 5)	Satisfied (%)	Dissatisfied (%)
Returns vs. expectation	3.6	72%	28%
Transparency of charges	3.1	58%	42%
Fund switch ease	3.8	76%	24%
Advisor quality	3.4	64%	36%
Claims settlement speed	4.1	84%	16%
Digital portal usability	3.7	74%	26%
Overall satisfaction	3.5	69%	31%

Table VII: Policyholder Satisfaction Scores – Kotak Life ULIP

Overall satisfaction registers a mean Likert score of 3.5/5.0, with 69% of respondents

expressing satisfaction. Claims settlement receives the highest score (4.1/5.0), reflecting Kotak Life's 98.82% claim settlement ratio (FY 2022–23). Charge transparency receives the lowest score (3.1/5.0), confirming that cost complexity remains the primary policyholder concern.

5.8 ULIP vs. Alternative Investment Instruments

Parameter	ULIP	MF + Term Plan	Endowment	PPF
Life Cover	Yes	Yes (separate)	Yes	No
Market Returns	Yes	Yes (MF)	No	No
5-Yr CAGR	11-16%	12-18%	4-5%	7.1%
Lock-in Period	5 Years	None (MF)	15+ Years	15 Years
Partial Withdrawal	Post 5 yrs	Anytime	Restricted	After 7 yrs
80C Tax Benefit	Yes	Term: Yes	Yes	Yes
10(10D) Maturity Tax	Yes (cond.)	LTCG 10%	Yes	Yes
Flexibility	High	High	Low	Low

Table VIII: ULIP vs. Alternative Investment Instruments

6. FINDINGS AND SUGGESTIONS

6.1 Key Findings

- Kotak Frontline Equity Fund and Opportunities Fund delivered 5-year CAGRs of 14.2% and 15.7% respectively (FY 2019–24), outperforming the Nifty 50 benchmark of 13.8%, confirming strong equity fund management capability.
- Tax benefits under Section 80C and Section 10(10D) are cited by 84% of respondents as the primary ULIP purchase motivation, reflecting the centrality of tax planning in Indian insurance buying behaviour.
- IRDAI's 2010 reforms capping total ULIP charges at 2.25% p.a. and mandating five-year lock-in have substantially improved net return potential; Kotak e-Invest's effective charge of 1.80–2.10% p.a. is well within regulatory limits.
- 54% of policyholders are aware of fund switching but only 31% have actively exercised this option, indicating that awareness alone is insufficient without digital prompts and advisor guidance to drive investment optimisation.
- Policyholder awareness of premium redirection (38%) and top-up premium facilities (41%) is critically low, representing missed opportunities for flexible premium deployment and additional wealth creation.
- Claims settlement satisfaction scores highest at 4.1/5.0, consistent with Kotak Life's industry-leading 98.82% claim settlement ratio (FY 2022–23), reinforcing policyholder trust in the insurer's core protection promise.
- Charge transparency receives the lowest satisfaction score (3.1/5.0), with 42% of respondents expressing dissatisfaction, primarily due to difficulty understanding mortality charge deduction mechanics and fund management fee impact on NAV.
- ULIP policyholders in the Rs.5–10 lakh annual income segment (41% of respondents) represent the largest adopter cohort, confirming ULIPs' positioning as a middle-class financial planning instrument.
- Financial advisors identify digital onboarding friction, complex Key Information Documents, and limited post-sale engagement tools as the three primary barriers to ULIP sales growth among the 25–35 age demographic.

6.2 Suggestions

- Deploy an AI-driven policyholder app feature providing personalised fund performance alerts, fund switching recommendations based on market conditions, and automated premium redirection suggestions aligned with portfolio rebalancing goals.
- Simplify Key Information Documents (KIDs) using visual infographics and

plain-language charge summaries, replacing actuarial terminology with policyholder-friendly explanations to improve charge transparency scores currently at 3.1/5.0.

- Implement a structured post-sale engagement programme including annual ULIP health-check reviews, quarterly NAV performance reports, and proactive fund switch alerts when fund performance underperforms benchmark by more than 3% over two consecutive quarters.
- Launch dedicated financial literacy modules via Kotak Life's digital portal and mobile app, covering ULIP mechanics, fund selection strategy, partial withdrawal planning, and tax optimisation, targeting the identified awareness gaps in premium redirection and mortality charges.
- Develop a ULIP comparison calculator on Kotak Life's website enabling prospective customers to compare ULIP returns against mutual funds, traditional endowments, and PPF across customisable investment horizons and premium amounts.
- Expand bancassurance integration with Kotak Mahindra Bank's mobile banking app to enable existing bank customers to purchase, manage, and monitor ULIP policies within their primary banking interface, reducing friction in the 25–35 age target segment.

7. CONCLUSION

This study has comprehensively examined the Unit Linked Insurance Planning system with specific reference to Kotak Life Insurance, analysing product architecture, charge structures, fund performance, policyholder awareness, and satisfaction across a 100-respondent primary survey supplemented by five-year secondary data on NAV performance and regulatory compliance.

ULIPs represent a structurally sound financial planning instrument for the Indian market, offering the unique combination of market-linked wealth creation, life insurance protection, tax efficiency, and investment flexibility within a single regulated product. The IRDAI's 2010 reforms have fundamentally transformed ULIPs from high-charge, opaque instruments into competitive, cost-efficient financial products. Kotak Life's ULIP portfolio demonstrates this evolution effectively, with equity fund CAGRs of 14–16% over five years, charges well within IRDAI ceilings, and a 98.82% claim settlement ratio.

Policyholder satisfaction at 3.5/5.0 reflects a product that delivers on its core insurance and investment promises but reveals critical gaps in post-sale engagement, feature utilisation, and charge transparency. The low awareness of premium redirection (38%) and partial withdrawal rules (47%) represents significant unrealised value for policyholders who hold ULIPs without leveraging their full flexibility.

For Kotak Life, the priority recommendations are deploying AI-driven personalised investment advisory within its digital platform, simplifying charge communication through visual KIDs, and implementing structured annual ULIP health-check programmes. These initiatives have the potential to improve overall satisfaction to above 4.0/5.0, reduce policy lapse rates, and strengthen Kotak Life's competitive positioning in the high-growth ULIP segment.

Future research may examine the impact of ULIP digital servicing tools on fund switching frequency and portfolio returns, cross-insurer ULIP performance benchmarking, and the emerging role of ESG-themed ULIP fund options in attracting the millennial investor segment.

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