IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

"The Index Plus Policy In Lic: Evaluating Awareness And Understanding In Bengaluru"

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Abstract

This study evaluates the awareness and understanding of the Life Insurance Corporation of India's (LIC) Index Plus Policy among residents of Bengaluru. Despite LIC's strong brand recognition, only 40% of surveyed policyholders are aware of the Index Plus Policy, indicating a knowledge gap regarding its features and benefits. The research reveals that while a majority of respondents own insurance policies, familiarity with specific products, such as the Index Plus, is limited. Key findings show that only 35% fully comprehend guaranteed additions, and just 41.25% are aware of the option for partial withdrawals. The study emphasizes the need for targeted marketing, enhanced communication strategies, and greater use of digital media to improve understanding of the Index Plus Policy. By addressing these gaps, LIC can empower policyholders to make informed financial decisions, ultimately fostering greater financial security and stability in Bengaluru's evolving landscape.

Keywords: **LIC, Index Plus Policy, financial literacy, insurance, Bengaluru, policyholders.**

INTRODUCTION

Life Insurance Corporation of India (LIC) has been a cornerstone of the Indian insurance industry since its inception in 1956, serving millions of policyholders across India. As a state-owned enterprise, LIC has played a key role in popularizing life insurance and fostering a culture of financial security among Indians (Kumar & Gupta, 2022). With an extensive portfolio of insurance products tailored to the diverse needs of its customers, LIC continues to adapt and innovate in response to market demands.

Among its various products, the Index Plus Policy has emerged as a unique financial product that combines life insurance protection with the potential for investment growth linked to market indices such as the Nifty 50 and Sensex. The policy aims to not only provide protection against unforeseen circumstances but also the potential for capital appreciation, thus appealing to a wide range of investors (Srinivasan, 2023). However, despite the benefits of Index Plus Insurance, there is still a significant lack of awareness and understanding among policyholders regarding its complexities, features and benefits.

In a rapidly urbanizing city like Bangalore with a diverse and dynamic population, it is important to assess the awareness and understanding of Index Plus policies among LIC policyholders. The objective of this study is to determine the level of knowledge about Index Plus Insurance and explore the factors influencing policyholders' perceptions and overall financial literacy. Understanding these dynamics is crucial as increased awareness can lead to more informed decisions and ultimately improve the financial well-being of individuals and families. By identifying the challenges and barriers in understanding Index Plus policies, this study aims to provide valuable insights that will help LIC develop effective education strategies to increase awareness and engagement among policyholders in Bangalore.

OVERVIEW OF LIC'S INDEX PLUS POLICY

LIC Index Plus is a unit-linked, not-for-profit life insurance policy that offers both insurance coverage and investment options. LIC Index Plus is ideal for those seeking a balanced approach towards life insurance and investment. With the flexibility to choose from funds, top-up guarantees and partial withdrawal options, it offers a dynamic solution for long-term savings and protection. The policy comes with additional top-up options and flexibility in death benefit and fund switching, making it a comprehensive plan suitable for various financial needs. Designed for those seeking a combination of savings and life insurance, the plan allows the policyholder to invest in various fund options as per their risk tolerance. LIC Index Plus offers market-linked growth along with assured growth and flexibility of partial withdrawals to meet liquidity needs. Furthermore, policyholders can enjoy enhanced protection through linked accident benefit riders.

Features of LIC Index Plus

- **Flexible Investment Options:** Policyholders can choose from two mutual funds -- Flexi Growth Fund and Flexi Smart Growth Fund -- depending on their risk appetite and financial goals. The plan allows for individual adjustments in terms of premium payment, tenure and maturity age.
- **Guaranteed Growth:** LICs Index Plus rewards policyholders by guaranteeing growth in their mutual funds at regular intervals. These add-ons vary based on the policy term and premium level and help increase the value of the policy over time.
- **Partial Withdrawal:** After five years of policy term, partial withdrawals are allowed to meet emergency financial needs. Policyholders must ensure that a minimum balance remains on their policy to keep the policy in force.

- **Additional Benefits:** This plan enhances the additional benefit of life insurance, the Linked Accident Benefit. This additional benefit provides additional coverage in case of accidental death and is paid as a lump sum.
- **Switching:** The policyholder can switch the available funds during the policy term. Four changes in a year are allowed free of charge, after which a small charge applies.
- **Payment options:** In case of the death of the policyholder, the beneficiaries can receive the death benefit in installments over a period of up to five years, thus ensuring financial stability for the beneficiaries.

Eligibility Criteria

- **Entry Age**: Minimum 90 days, Maximum 50–60 years (nearer birthday).
- **Policy Term**: Ranges from 10 to 25 years.
- **Maturity Age**: Minimum 18 years, Maximum 75–85 years.
- **Premium Payment Modes**: Yearly, Half-yearly, Quarterly, or Monthly.
- **Sum Assured**: 7–10 times the annualized premium.

Benefits of LIC Index Plus

1. **Death Benefit**: If the policyholder dies before the policy's maturity, the beneficiary will receive a death benefit based on the timing of the death:
   - **Before risk commencement**: The unit fund value is paid.
   - **After risk commencement**: The higher of the basic sum assured (minus withdrawals), unit fund value, or 105% of total premiums paid (minus withdrawals) is given.
2. **Maturity Benefit**: Upon surviving the policy term, the policyholder receives the unit fund value at the time of maturity.
3. **Refund of Mortality Charges**: If the policyholder survives until maturity and all premiums are paid, LIC refunds the mortality charges (minus extra underwriting charges and tax charges), giving the policyholder an added benefit for staying insured.

OBJECTIVES

- To assess the awareness of Bangalore residents towards the LIC brand and its key policies and features.
- To evaluate Bengaluru policyholders' understanding of the benefits and risks of the Index Plus Policy.

LITERATURE REVIEW

1. Gupta, R. (2022) - Provides a detailed comparison of index-linked life insurance from various insurers. The paper shows how these policies linked to specific indexes offer potential benefits linked to market performance. It also discusses the role of guaranteed top-ups in risk mitigation, providing a balanced view of their market presence and insurance benefits. The study concludes that index insurance can be an attractive option for those seeking both protection and growth, but highlights the need to communicate risks more clearly to policyholders.

2. Sharma, P. (2021) - Examines the risk management aspects of index-linked insurance plans, focusing on how insurers manage the volatility of returns linked to market indexes. The study examines various strategies such as caps, floors and guarantees used to protect policyholders from extreme market fluctuations. The paper highlights that while these policies offer the potential for higher returns, they also carry significant market risk and may not be suitable for risk-averse individuals.

3. Patel, S. (2023) – This study explores consumer preferences for index-linked insurance contracts in India. Patel's survey-based study analyzes factors influencing the choice of these policies, including: B. Higher return potential, flexibility in fund options, and performance transparency. The study shows that younger consumers with higher risk tolerance are more likely to prefer index-linked policies, while older, more conservative investors are more likely to avoid index-linked policies. The study also highlights a gap in the public's understanding of the complexities of these products.

4. Kumar, V. (2023) - Kumar's article examines the role of guaranteed endorsements in index-linked life insurance policies as a key feature that increases the attractiveness of the policy. The study analyzes how these guaranteed regular bonuses help offset market risk and stabilize long-term returns. The authors argue that while indexed insurance offers the potential for higher returns, guaranteed premiums act as a "safety net" and provide a minimum return that is attractive to risk-averse policyholders.

4. **Rao, S. (2020) -** Study evaluates the financial performance of index-linked insurance plans over a 10-year period and compares it with traditional life insurance and mutual fund investments. The results suggest that index-linked plans may perform better during periods of strong market growth, but may perform worse during periods of market decline. Rao concludes that while these policies have the potential to yield higher returns, policyholders should carefully consider their risk appetite and investment horizon before opting for such plans.

6. Joshi, N. (2022) - Examines the level of financial literacy among consumers who purchase index-linked insurance policies. The survey shows that despite these policies being promoted as investment-friendly, a significant percentage of policyholders do not fully understand the risks involved, particularly the market-dependent nature of returns. The survey calls for better financial education and transparent communication from insurers to enable consumers to make informed decisions. Joshi highlights the need for regulatory oversight to ensure policyholders are not misled about the potential risks and benefits of these products.

RESEARCH METHODOLOGY

This study on "The Index Plus Policy in LIC: Evaluating Awareness and Understanding in Bengaluru" employs a descriptive research design with a survey method. Data was collected from 100 respondents in Bengaluru, out of which 80 currently hold insurance policies from various providers. A random sampling technique was used to ensure unbiased and diverse representation. The respondents completed a structured questionnaire assessing their awareness and understanding of LIC's Index Plus policy, focusing on aspects such as fund options, premium structures, and satisfaction levels. The gathered data was analyzed quantitatively to identify trends and perceptions regarding the policy.

DATA ANALYSIS AND INTERPRETATION

Table No: 1

Demographic Profile

Sl no		Particulars	No. of Respondents	Percentage
01	Age Group	18- 25	4	4
		26-35	29	29
		36-45	**37**	**37**
		46-55	12	12
		56-65	7	7
		Above 65	10	10
		Total	**100**	**100**
02	Gender	**Male**	**73**	**73**
		Female	27	27
		Transgender	0	0
		Total	**100**	**100**
03	Education	Primary schooling	7	7
		Higher schooling	8	8
		PUC	37	37
		Degree and above	**48**	**48**
		Total	**100**	**100**
	Ma	**Married**	**78**	**78**

04		Unmarried	22	22
		Total	**100**	**100**
06	**Monthly Income**	• Less than Rs.25000	17	17
		• Rs.25001-40000	46	46
		• Rs. 40001-50000	**14**	**14**
		• Above Rs.50001	23	23
		Total	**100**	**100**

INTERPRETATION

This table presents the demographic characteristics of the 100 respondents who participated in the survey regarding awareness and understanding of the LIC Index Plus Policy. The following points summarize the key insights drawn from the data:

- **Age group:** The majority of respondents were in the 36-45 age group (37%), closely followed by the 26-35 age group (29%). This suggests that the survey attracted participants primarily in their prime working years, who may be more interested in financial products. Only 10% of respondents were aged 65 and above, indicating low participation from the older demographic, which may impact their awareness and perception towards investment policies like LIC Index Plus.
- **Gender:** The majority of respondents were male (73%), with 27% identifying as female. This gender gap may reflect a broader trend in insurance buying behavior where men tend to be more involved with insurance products. No respondents self-identified as transgender, suggesting that a more inclusive approach is needed in future studies.
- **Educational background:** The educational background of the respondents indicates a well-educated sample, with 48% having a degree or higher. This level of education is likely to correlate with greater awareness and understanding of financial products. 37% of the respondents had completed PUC, indicating that the majority of participants had completed at least secondary education.
- **Marital status:** A high percentage of the respondents (78%) were married, which may influence their interest in life insurance products for family protection and financial planning. Only 22% are unmarried, suggesting that married people are more likely to consider an insurance policy as part of their financial strategy.
- **Monthly income:** The majority of respondents (46%) have a monthly income between Rs 25,001 and Rs 40,000, indicating that they are in the middle-income bracket who are interested in saving and insurance for financial security. 23% have an income of Rs 50,001 or more, representing a group with higher income and greater investment potential. At the same time, 17% have an income below Rs 25,000, suggesting that this bracket has limited access to insurance and financial planning resources.

Table No: 02

Awareness and Understanding of the LIC Brand, Benefits, and Risks of the Index Plus Policy

		No. Of respondents	Percentage
07	**Currently hold any insurance policies.**		
	Yes	**80**	**80**
	No	20	20
	Total	100	100
08	**Are you aware of the LIC (Life Insurance Corporation of India) brand**		
	Yes	**80**	**100**
	No	0	0
	Total	80	100
09	**Familiarity with LIC's insurance policies**		
	Very familiar	**58**	**72.5**
	Somewhat familiar	13	16.25
	Not familiar	9	11.25
	Total	80	100
10	**Learn about LIC policies**		
	Television/radio/ paper ads	**36**	**45.00**
	Social media	18	22.50
	Insurance agents	16	20.00
	Family/friends	4	5.00
	Other	6	7.50
	Total	80	100
11	**Aware of LIC's Index Plus Policy**		
	Yes	38	40
	No	**42**	**60**
	Total	80	100
12	**Rate overall awareness of the features of LIC Index Plus Policy**		
	Very aware	**32**	**40.00**
	Somewhat aware	22	27.50
	Not aware	26	32.50
	Total	80	100
13	**LIC's Index Plus Policy offers flexible fund options for investment**		
	Yes	**42**	**52.50**
	No	38	47.50
	Total	80	100
	Understand the concept of 'Guaranteed Additions' in LIC Index Plus Policy		

14	Yes	28	35.00
	No	22	27.50
	Somewhat	**30**	**37.50**
	Total	80	100
15	**Aware that the Index Plus Policy allows partial withdrawals after a specific period**		
	Yes	33	41.25
	No	**47**	**58.75**
	Total	80	100
16	**Believe the Index Plus Policy provides sufficient coverage and flexibility compared to other insurance plans**		
	Strongly agree	**26**	**32.50**
	Agree	15	18.75
	Neutral	22	27.50
	Disagree	16	20.00
	Strongly disagree	1	1.25
	Total	80	100

INTERPRETATION

The Awareness and Understanding of the LIC Brand, Benefits, and Risks of the Index Plus Policy

- **Policy ownership:** Of the 100 participants surveyed, 80% currently own an insurance policy and 20% do not own an insurance policy. This indicates high insurance ownership among the participants.
- **LIC brand awareness:** All respondents (100%) who have an insurance policy are aware of the LIC brand indicating high brand awareness in Bangalore. Familiarity with LIC policies: Of the 80 policyholders, 72.5% are very familiar with LIC policies and 16.25% are somewhat familiar. A smaller percentage (11.25%) are not familiar with LIC policies.
- **Sources of information about LIC policies:** Majority of the respondents (45%) came to know about LIC policies through traditional media like TV, radio and newspapers. Social media (22.5%) and insurance agents (20%) also play an important role in spreading information.
- **Knowledge about LIC's Index Plus policy:** Only 40% of the respondents are aware of the Index Plus policy while the remaining 60% are unaware indicating a knowledge gap regarding this particular product.
- **General knowledge about the policy features:** Of those who are familiar with the Index Plus policy, 40% are well aware of its features, 27.5% have some knowledge and 32.5% are unaware. This indicates a differing understanding of the policy details. § Flexible fund options: Around 52.5%

of the respondents agree that Index Plus policy offers flexible fund options, while 47.5% disagree, revealing mixed perceptions regarding this feature.

- **Understanding of guaranteed top-ups:** Only 35% of the respondents fully understand the concept of guaranteed top-ups in the policy. Another 37.5% partially understand and 27.5% do not understand at all. This reflects the need for better communication on this role.
- **Awareness of partial withdrawals:** Only 41.25% of the respondents know that Index Plus policy allows partial withdrawals after a certain period, while 58.75% are not aware. This indicates that this feature is not well known.
- **Perception of coverage and flexibility:** 32.5% strongly agree, 18.75% agree and 27.5% remain neutral, believing that Index Plus policy offers adequate coverage and flexibility. However, 21.25% disagreed or strongly disagreed with this statement, reflecting mixed views on the value of the policy.

RECOMMENDATIONS

More targeted marketing of Index Plus policies: LICs should focus on increasing awareness of Index Plus policies through targeted campaigns highlighting the unique features of the policies such as flexible fund options and guaranteed add-ons.

Improved communication on policy features: LICs could intensify their education efforts on key features of Index Plus policies such as guaranteed add-ons and the concept of partial withdrawal options to address the knowledge gaps identified in the survey.

Leveraging digital media: Given the growing influence of social media, LICs should further leverage digital platforms to disseminate information about their policies and appeal to a younger, more tech-savvy audience.

Improved agent-led communication: Insurance agents can be more empowered and motivated to provide detailed explanations of complex insurance policies such as Index Plus to help potential policyholders fully understand the benefits and risks.

Improved policy comparison information: A clear comparison of Index Plus policies with other insurance products available in the market could help customers better evaluate the coverage and flexibility, leading to more informed decisions.

CONCLUSION:

A study on awareness and understanding of LIC Index Plus Insurance among Bangalore residents revealed that despite a large number of policyholders, there is a significant knowledge gap. Though LIC is well known, only a small percentage of policyholders are familiar with the specific features and benefits of the Index Plus Policy. This lack of awareness is alarming as it limits individuals' ability to make informed financial decisions that could improve their long-term security. Targeted marketing efforts and improved communication strategies are essential to address these challenges. By leveraging digital media and empowering insurance agents, LIC can effectively educate potential and existing policyholders about the unique offering of the Index Plus Policy. Additionally, providing comparative information allows customers to more critically evaluate their options, resulting in a more informed customer base. Ultimately, raising awareness and understanding of its Index Plus policies is not just beneficial for LIC; it is crucial to the financial well-being of the individuals and families who rely on its products. As Bangalore develops, equipping its residents with the knowledge they need to navigate the insurance industry will contribute greatly to their financial stability and security.

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