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A COMPARATIVE STUDY ON DIFFERENT UNIT LINKED INSURANCE POLICY PLANS IN INDIA

[1]Bollu Deeksha, [2]Dr.N.Ramanjaneyulu

[1]II MBA – MLR Institute of Technology, Hyderabad.E-mail: reddydeeksha942@gmail.com

[2]Professor & Head, Department of MBA, MLR Institute of Technology,Hyderabad

E-mail: ramanjimba09@gmail.com

ABSTRACT

The purpose of this research, which is formally entitled "A Comparative Study on Different Unit Linked Insurance Policy Plans in India at Kotak Life Insurance Ltd.", is to examine and contrast the ULIPs provided by notable Indian insurance providers, with a focus on Kotak Life Insurance Ltd.

Investors in ULIPs can choose between stock, debt, or balanced funds, allowing them to tailor their investing strategy to their risk tolerance while still enjoying the advantages of insurance. Research in this area aims to fill gaps in our knowledge of ULIPs sold in India by analysing their design, functionality, pricing, returns, and risk factors.

The study's overarching goal is to assess the relative merits of several ULIP plans by comparing their charges, policyholder benefits, fund performance, and flexibility. The results should help insurance agents and investors choose ULIP plans that will help them achieve their long-term financial objectives.

INTRODUCTION

Policyholders in India can safeguard their financial future and take part in market-linked returns through Unit Linked Insurance Plans (ULIPs), which mix insurance with investment. In addition to offering life insurance, these plans give investors the option to put their money into equity, debt, or hybrid funds, depending on their comfort level with risk. Due to their adaptability, openness, and ability to generate wealth, ULIPs have grown in favour among India's increasingly financially savvy population. The purpose of this research is to assist consumers in making educated selections by comparing and contrasting various ULIP plans on the Indian market. The plans will be evaluated according to their features, benefits, fees, and eligibility for different types of investors.

A popular financial instrument in India, Unit Linked Insurance Plans (ULIPs) combine the benefits of life insurance with investment opportunities. Insurance ULIPs were introduced in the early 2000s by the Insurance Regulatory and Development Authority of India (IRDAI). Policyholders can choose to invest their premiums in equities, debt, balanced, or money market funds, among others, according on their risk tolerance and financial objectives. Traditional insurance policies mainly aim at risk coverage without providing market-linked returns; ULIPs stand out due to their flexibility. Due to their adaptability over the last 20 years, ULIPs have been a popular option for Indian investors looking to build wealth over the long term while also protecting their families from financial hardship.

REVIEW OF LITERATURE

1. S. Krishnamurthy et al. (2005) in the field of finance

Sunil Maheshwari, Sandeep Bakhshi, Sanmini Jhaveri, S.V. Mony, Ramesh Bhat, S.R. Dixit, and S. Krishnamurthy analysed the post-liberalization structure and performance of India's insurance sector. Innovative products like ULIPs and the fast expansion of private insurers were also brought to light in the study. According to the authors, ULIPs gained traction due to the fact that they provided policyholders with both insurance and investment opportunities, as well as a degree of freedom.

2. Priya and Anbalagan (2006)-

The authors looked at ULIPs in India and discovered that investors liked them because of the tax breaks and the better returns they could expect. Young salaried investors looking for protection and ways to build wealth were drawn to ULIPs, according to the survey.

3.Lastly, in 2007, R. Kannan

The expansion of ULIPs by private life insurance firms was the subject of research by R. Kannan. According to the study's findings, ULIP investment decisions were heavily impacted by aggressive marketing techniques and premium structures that were both flexible and easy to understand.

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4. In 2008, S. Chandra and R. Kaur
Due to their exposure to the equity markets, ULIPs offered superior long-term investment potential when compared to conventional insurance plans, according to the researchers. The study did note, however, that ULIPs are not without market-linked risks.
5.Finally, in 2009, P. Srinivas
The study aimed to assess the level of satisfaction that customers had with ULIP plans provided by prominent Indian insurers. Transparency in costs and the ability to exchange funds easily were determined to be crucial factors in customer satisfaction and retention.
6, Anant Gupta (2012)
Anant Gupta investigated the dual role of ULIPs as investment vehicles and insurance policies. Higher lock-in periods and decreased costs were among the regulatory improvements implemented by IRDA in 2010, as highlighted in the paper. The author came to the conclusion that the reforms decreased instances of mis-selling and increased confidence among investors.
7. In 2012, Meena Sharma
Private insurers and LIC's ULIPs were compared by Meena Sharma. According to the study, LIC had greater consumer trust and brand value, although private insurers had a wider range of investment choices.
8. In 2013, R. Balaji and K. Devi
A study of ULIP funds' risk-return connection was conducted by the writers. Debt-oriented ULIPs offered consistent returns with reduced risk, in contrast to equity-based ULIPs, which produced larger yields but were more volatile.
9.The work of Divya Lakhani (2014)
A risk-adjusted performance analysis of ULIPs was carried out by Divya Lakhani utilising Sharpe and Treynor ratios. The research looked at ULIP funds from major insurers and evaluated their equity, balanced, and debt-based options. The results showed that when adjusted for risk, the equities funds of SBI Life, the balanced funds of Bajaj Allianz, and the debt funds of ICICI Prudential all fared better.
10. In 2015, S. Mahalakshmi
Investor knowledge of ULIPs in urban India was the primary focus of the research. Many investors were unclear about ULIP fees and hazards, and the researcher discovered that financial literacy greatly impacted investing choices.
11. The work of Pratibha Wasan (2016)
In her research, Pratibha Wasan looked at how customers felt about ULIP investments and how convincing insurance salespeople were. The study found that in order to increase confidence and adoption of ULIPs among investors, consumer education and open communication were crucial.
12. Suresh K. and Kumar V. (2017)
A comparison of ICICI Prudential, HDFC Life, and SBI Life ULIP plans was carried out by the writers. Results showed that SBI Life had higher levels of customer satisfaction and ICICI Prudential had superior NAV growth.
13 R. Venkatesh (2018)
In this research, we looked at how different demographics affect ULIP investing decisions. The results demonstrated that ULIP plan selection was substantially affected by age, income, and profession.
14.Authors N. Priyanka and S. Rao: 14. (2019)
The study looked at how ULIP funds fared while the market was volatile. Diversified fund allocation strategies increased long-term returns and reduced investment risk, according to the study.
15. Written by Udayan Samajpati in 2020
Udayan Samajpati used risk-return analysis, Sharpe ratio, Jensen's measure, and Treynor ratio to assess the performance of chosen ULIP schemes. According to the research, when compared to other schemes, ING Vysya ULIP funds managed risk better and produced better returns.
16.In 2021, Girish Mude and Portia Wankhede published,
The authors analysed the actions of individual investors in relation to ULIPs, mutual funds, and life insurance using a thematic review. Investors favoured ULIPs, according to the survey, since they offered tax advantages, insurance protection, and investment development all in one.

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17.S. Rekha (2022) wrote
Prior to and following the COVID-19 pandemic, the study compared ULIP performance. After experiencing some short-term volatility, the equity-linked ULIPs made a robust recovery as a result of the market resurgence, according to the study.
18. Anitha (in the year 2023)
Anitha found elements impacting investment behaviour by studying investor sentiment toward ULIPs. The study found that the three most important factors for ULIP investors were return expectations, brand image, and transparency of fund performance.
19. Madhavi Gandeed, Ramakrishna R., and Chokkamreddy Prakash (2024)
The writers looked examined ULIPs provided by ICICI Prudential and other companies. The study assessed the effectiveness of NAV, the efficiency of costs, and the potential of the market. The results indicated that when compared to their competitors, ICICI Prudential ULI Ps demonstrated competitive growth and excellent investment performance.
20., K. Sujith and Dr. K. Maddileti (2025)
Researchers K. Sujith and Dr. K. Maddileti looked at how SBI Life ULIPs were perceived by investors. When it comes to diversification, flexibility, and wealth maximisation, the study found that ULIPs are the way to go. Due to the combined insurance and investment benefits, ULIPs are becoming more popular among urban and semi-urban investors, according to the study.

Research Gap

Although several studies have evaluated the performance of Unit Linked Insurance Plans (ULIPs) in India, significant research gaps remain. Most existing studies primarily focus on the risk–return characteristics, Net Asset Value (NAV) performance, and tax benefits of individual ULIP plans, while limited research provides a comprehensive comparison of ULIPs offered by different insurance companies such as LIC, SBI Life, HDFC Life, ICICI Prudential, Max Life, and Tata AIA. Many studies rely on historical performance data and do not adequately consider the impact of recent regulatory reforms introduced by the Insurance Regulatory and Development Authority of India (IRDAI), evolving customer expectations, digital insurance platforms, and changing investment preferences. Furthermore, comparatively little research has examined factors such as fund management quality, policy charges, claim settlement performance, customer service, transparency, flexibility in fund switching, and long-term wealth creation across different ULIP providers. There is also limited evidence on how demographic characteristics, financial literacy, and investor risk tolerance influence the selection of ULIP plans. In addition, few studies have assessed the performance of ULIPs during periods of market volatility and economic uncertainty or compared them with alternative investment products such as mutual funds and traditional life insurance plans. Therefore, future research should adopt a holistic comparative approach by integrating financial performance, customer perception, regulatory developments, technological innovations, and investor behavior to provide a more comprehensive evaluation of different Unit Linked Insurance Policy plans in India.

THEORITICAL FRAMEWORKS

1. Modern Portfolio Theory (MPT)

Harry Markowitz's Modern Portfolio Theory (MPT) details the steps an investor may take to diversify their holdings and increase their potential return while decreasing their exposure to risk. Shares, bonds, or a combination of the three can be found in ULIPs' investment portfolios. An individual's risk tolerance can be taken into account when selecting a ULIP plan because each plan offers a unique asset allocation strategy.
Investors choose ULIP plans that offer the best mix of risk and return, as stated in this theory. Debt-oriented ULIPs provide more steady returns with less risk, whilst equity-oriented ULIPs often offer higher yields with more risk. Therefore, MPT is a good tool to compare the efficacy of various ULIP plans' investing strategies.
2. The Theory of Risk and Return

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If you want bigger rewards, you have to take more risks, according to the Risk-Return Trade-Off Theory. Policyholders with ULIPs can tailor their investments to their risk profile and long-term objectives by selecting among equities, debt, or balanced funds.
Fund performance disparities across ULIP plans can be better understood with the use of this hypothesis. Conservative investors may choose debt-oriented ULIPs, while those ready to take on more market risk may lean toward equity-linked ULIPs. Theoretically, ULIP plans can be compared according to risk and expected return.

OBJECTIVES OF THE STUDY

- The goals of the research are to:
- To examine the various ULIPs provided by Kotak Life Insurance and make comparisons between them according to average returns and hazards.
- Analyse how one's risk tolerance and anticipated return are related
- To help investors make educated decisions by offering suggestions based on results.

DATA ANAYSIS AND INTERPRETATION

Calculation of Risk and Returns on plan name guaranteed pension builder and fund name is pension guarantee fund.

Date	Nav	Return	Avg return	Difference	D*D
1-Mar-25	13.99				
2-Mar-25	14.05	0.42888	0.102945	0.32593277	0.10623
3-Mar-25	14.09	0.2847	0.102945	0.181752509	0.03303
4-Mar-25	14.11	0.14194	0.102945	0.038999642	0.00152
8-Mar-25	14.12	0.07087	0.102945	-0.032073278	0.00103
9-Mar-25	14.14	0.14254	0.102945	0.038698059	0.0015
10-Mar-25	14.12	-0.1414	0.102945	-0.254387725	0.05973
11-Mar-25	14.14	0.14254	0.102945	0.038698059	0.0015
14-Mar-25	14.18	0.28289	0.102945	0.179940431	0.03238
15-Mar-25	14.15	-0.2125	0.102945	-0.314510585	0.09892
25-Mar-25	14.18	0.21201	0.102945	0.109069134	0.0119
17-Mar-25	14.23	0.35261	0.102945	0.259664309	0.06233
18-Mar-25	14.29	0.42254	0.102945	0.318699413	0.10157
21-Mar-25	14.4	0.76977	0.102945	0.666825069	0.44465
22-Mar-25	14.4	0	0.102945	-0.102945	0.0106
23-Mar-25	14.41	0.06944	0.102945	-0.033500556	0.00112
28-Mar-25	14.35	-0.4254	0.102945	-0.519322525	0.2697
29-Mar-25	14.33	-0.1394	0.102945	-0.252317822	0.05872
30-Mar-25	14.42	0.62805	0.102945	0.525108036	0.27574
31-Mar-25	14.44	0.1387	0.102945	0.035751255	0.00128
1-Apr-25	14.43	-0.0693	0.102945	-0.172197078	0.02965
4-Apr-25	14.47	0.2772	0.102945	0.174255277	0.03036
5-Apr-25	14.37	-0.6911	0.102945	-0.794030003	0.63048
6-Apr-25	14.39	0.13918	0.102945	0.036233845	0.00131

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7-Apr-25	14.36	-0.2085	0.102945	-0.31142311	0.09698
8-Apr-25	14.37	0.06964	0.102945	-0.033307117	0.00111
11-Apr-25	14.47	0.69589	0.102945	0.592949225	0.35159
12-Apr-25	14.51	0.27643	0.102945	0.173489001	0.0301
13-Apr-25	14.6	0.62026	0.102945	0.517325888	0.26762
18-Apr-25	14.66	0.41096	0.102945	0.308013904	0.09487
20-Apr-25	14.66	0	0.102945	-0.102945	0.0106
21-Apr-25	14.64	-0.1364	0.102945	-0.239370648	0.0573
22-Apr-25	14.64	0	0.102945	-0.102945	0.0106
25-Apr-25	14.59	-0.3415	0.102945	-0.444475055	0.19756
26-Apr-25	14.68	0.62586	0.102945	0.513915864	0.26411
27-Apr-25	14.69	0.06812	0.102945	-0.034825109	0.00121
28-Apr-25	14.58	-0.7488	0.102945	-0.851753713	0.72548
29-Apr-25	14.59	0.06859	0.102945	-0.034357894	0.00118
2-May-25	14.55	-0.2742	0.102945	-0.377105384	0.14221
3-May-25	14.51	-0.2749	0.102945	-0.377859089	0.14278
4-May-25	14.47	-0.2757	0.102945	-0.37862595	0.14335
5-May-25	14.5	0.20733	0.102945	0.104380501	0.0109
6-May-25	14.5	0	0.102945	-0.102945	0.0106
9-May-25	14.6	0.68966	0.102945	0.586710172	0.34423
10-May-25	14.61	0.06849	0.102945	-0.034451849	0.00119
11-May-25	14.59	-0.1369	0.102945	-0.239837539	0.05752
12-May-25	14.63	0.27425	0.102945	0.171215384	0.02931
13-May-25	14.56	-0.4785	0.102945	-0.5814139	0.33804
25-May-25	14.6	0.27473	0.102945	0.171780275	0.02951
17-May-25	14.63	0.20548	0.102945	0.102534452	0.01051
18-May-25	14.6	-0.2051	0.102945	-0.3080031	0.09487
19-May-25	14.53	-0.4795	0.102945	-0.582397055	0.33919
20-May-25	14.51	-0.1376	0.102945	-0.250591259	0.05788
23-May-25	14.5	-0.0689	0.102945	-0.171862988	0.02954
25-May-25	14.52	0.13793	0.102945	0.034986034	0.00122
25-May-25	14.66	0.96419	0.102945	0.861252328	0.74174
26-May-25	14.77	0.75034	0.102945	0.647396064	0.41912
27-May-25	14.84	0.47393	0.102945	0.370988649	0.13763
30-May-25	14.88	0.26954	0.102945	0.256596779	0.02775
31-May-25	14.86	-0.1344	0.102945	-0.237353602	0.05634
		0.10295			7.54098

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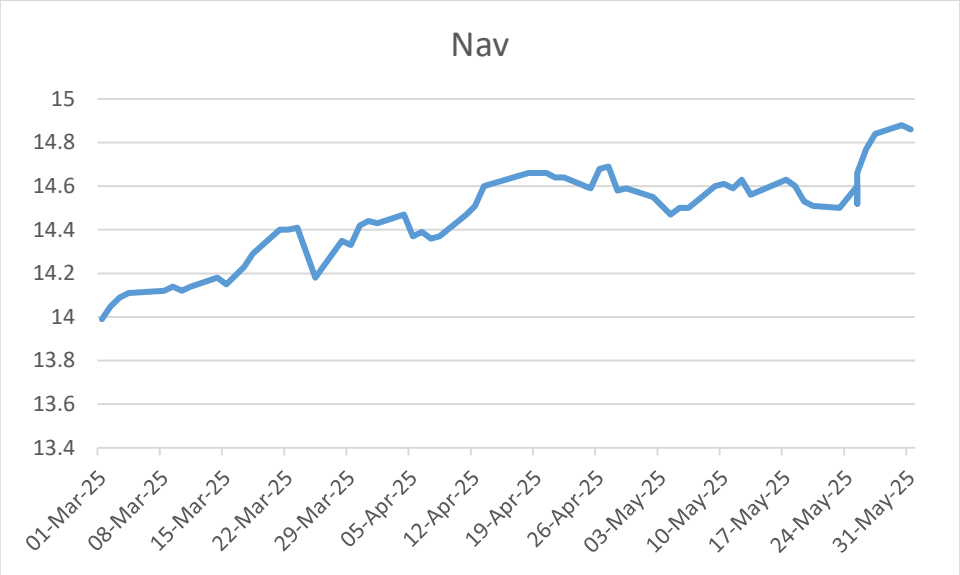
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Average Returns= 0.10295

Risk=$\sqrt{\sum D^2/(n-1)}$
$=\sqrt{7.54098/59}$
$=0.3575$



Interpretation:
Here we can see that the offered graph for Kotak Life Insurance's Guaranteed Pension Builder plan with the Pension Guarantee Fund option shows a risk factor of 0.3575 and an average return of 0.10295. On 30 May 2025, the highest Net Asset Value (NAV) for this plan was 14.88, while on 1 March 2025, the lowest NAV was 13.99. You may see the fund's prospective returns and stability compared to other, riskier investment options in Kotak Life Insurance's portfolio by looking at these indicators that reflect the fund's value variation over the specified period.

FINDINGS

The current study delves into Kotak Life Insurance's Unit Linked Insurance Policies (ULIPs) and finds:
With a risk factor of 0.3575, Kotak Guaranteed Pension Builder (Pension Guaranteed Fund) has an average return of 0.1029.
An average return of 0.0754 and a risk factor of 0.1570 are provided by the Kotak Group Gratuity Plus Plan (Group Secure Capital Fund).
With a risk factor of 0.4644, the Kotak Flexi Plan (Guaranteed Growth Fund) yields an average return of 0.1595.
The average return for Kotak AL Investment (Balanced Fund) is 0.15538, while the risk factor is 12.934, which is relatively higher.
With a risk factor of 0.4846, the average return for Kotak Head Start Child Plans - Future (Dynamic Balanced Fund) is 0.2550.
The assumed (Aggressive Growth Fund) Kotak Head Start Child Plans have a risk factor of 0.7928 and an average return of 0.1879.

SUGGESTIONS

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- There are various types of ULIPs offered by Kotak Life Insurance.While other policies have lower risk levels, the AL Investment (Balanced Fund) insurance stands out with an exceptional average return of 1.553.
- On the other hand, it bears a relatively greater level of risk, at 12.934.Investors are showing a lot of interest in this strategy because of the substantial returns it may provide.

CONCLUSION

Stocks and bonds are two common investing options, but investors must weigh their risk tolerance and long-term goals to make the right decision. Equities carry a higher degree of risk because to market volatility, but they also have the potential for higher profits. Units of equity investments are susceptible to price changes caused by supply and demand dynamics in the stock market, which in turn affect the value of those assets.

Despite the dangers, many policyholders choose stocks for the long-term possibility of higher returns. Although they are more volatile, equities are essential to growth and capital appreciation strategies.

On the other hand, bonds are seen as a more secure investment option compared to stocks due to their more consistent returns and generally lower volatility. Investors may feel assured that their cash will be protected and their income will be predictable because bond prices are determined by interest rates and economic conditions, not market sentiment.

Bonds provide a safe alternative for policyholders who are wary of the equities market. Bonds are a popular choice among risk-averse investors because of their stability and limited return potential compared to stocks. Investors can craft a well-rounded strategy for wealth accumulation and protection by balancing their portfolios based on their risk tolerance and financial goals.

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