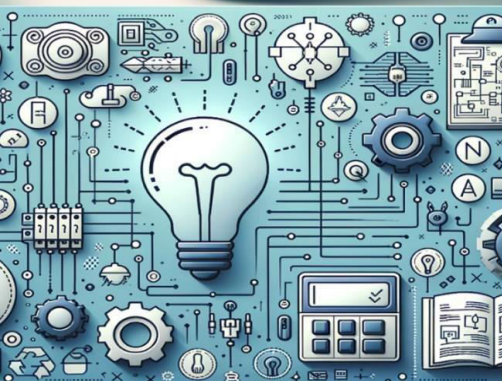


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## International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

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# A Study on Unit Linked Insurance Planning System with Special Reference to Kotak Life Insurance

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**ABSTRACT:** Unit Linked Insurance Plans (ULIPs) represent a hybrid financial product that combines life insurance protection with market-linked investment opportunities. Over the past two decades, ULIPs in India have evolved significantly due to regulatory reforms, improved transparency, and growing investor awareness. This study aims to analyze the Unit Linked Insurance Planning System with special reference to Kotak Life Insurance Company Limited. The research evaluates the risk–return profile of selected ULIP funds, examines their suitability for different investor profiles, and assesses the role of ULIPs in long-term financial planning.

The study employs a descriptive and analytical research design using both secondary and generated quantitative data. Risk, return, variance, standard deviation, and coefficient of variation are used as key performance indicators. Comparative analysis among Classic Opportunities Fund, Dynamic Floor Fund, Discontinued Policy Fund, Frontline Equity Fund, and Dynamic Floating Rate Fund is carried out for the period January–March 2024. The findings reveal that equity-oriented ULIPs offer higher returns with higher volatility, while debt-oriented and discontinued policy funds provide stable but lower returns. The paper concludes with practical recommendations for investors and policymakers to enhance ULIP adoption and effectiveness as a financial planning tool.

**KEYWORDS:** ULIPs, Risk–Return Analysis, Financial Planning, Kotak Life Insurance, Investment Behaviour

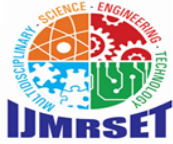
## I. INTRODUCTION

Financial planning has become an essential aspect of modern personal finance, driven by income growth, market volatility, and increasing life expectancy. Investors today seek financial instruments that provide both protection and wealth creation. Unit Linked Insurance Plans (ULIPs) emerged in response to this need by integrating insurance coverage with market-linked investments.

ULIPs allocate a portion of the premium toward life insurance protection, while the remaining amount is invested in equity, debt, or hybrid funds selected by the policyholder. This dual benefit positions ULIPs uniquely among financial products, distinguishing them from traditional insurance policies and standalone investment instruments such as mutual funds.

In India, ULIPs gained prominence in the early 2000s, though initial concerns related to high charges and lack of transparency affected investor confidence. Subsequent regulatory interventions by the Insurance Regulatory and Development Authority of India (IRDAI) transformed ULIPs into more investor-friendly products through cost caps, standardized disclosures, and enhanced fund-switching flexibility.

This study focuses on understanding the Unit Linked Insurance Planning System with special reference to Kotak Life Insurance, one of India's leading private life insurers. It examines fund performance, risk characteristics, and investor suitability, providing empirical insights into ULIPs as a comprehensive financial planning tool.



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### II. NEED FOR THE STUDY

Despite regulatory improvements, ULIPs continue to face mixed perceptions among investors. While some view ULIPs as long-term wealth creation instruments, others remain skeptical due to market risks and historical cost structures. There is a growing need for empirical studies that analyze actual fund performance, risk exposure, and diversification benefits of ULIPs.

This study is essential to:

- Evaluate whether ULIPs effectively balance risk and return
- Assess the comparative performance of different ULIP funds
- Provide clarity on ULIP suitability for various investor categories
- Assist investors in making informed financial planning decisions

### III. SCOPE OF THE STUDY

The study covers:

- Selected ULIP funds offered by Kotak Life Insurance
- Risk–return analysis for the period January–March 2024
- Comparative evaluation of equity-oriented, debt-oriented, and low-risk ULIP funds
- Regulatory framework, tax benefits, and investment flexibility of ULIPs
- Recommendations for investors and insurers

### IV. OBJECTIVES OF THE STUDY

1. To analyze the risk and return profiles of selected ULIP funds of Kotak Life Insurance
2. To compare equity-based and debt-based ULIP fund performance
3. To evaluate the suitability of ULIPs for different investor risk appetites
4. To examine the role of ULIPs in long-term financial planning
5. To provide recommendations for effective ULIP investment strategies

### V. RESEARCH QUESTIONS

1. What is the risk–return performance of selected ULIP funds of Kotak Life Insurance?
2. Do equity-oriented ULIPs provide superior returns compared to debt-oriented ULIPs?
3. How suitable are ULIPs for different investor profiles and financial goals?

### VI. HYPOTHESES

- $H_{01}$ : There is no significant difference in returns among selected ULIP funds.
- $H_{11}$ : There is a significant difference in returns among selected ULIP funds.
- $H_{02}$ : Risk levels do not significantly vary among ULIP fund categories.
- $H_{12}$ : Risk levels significantly vary among ULIP fund categories.

### VII. REVIEW OF LITERATURE:

The review of literature provides a conceptual and empirical foundation for understanding Unit Linked Insurance Plans (ULIPs) as a financial planning instrument. Prior research has focused on ULIP performance, investor perception, regulatory reforms, risk–return trade-offs, and comparative analysis with alternative investment avenues.

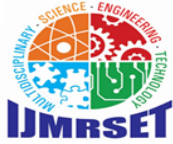
1. Sharma, R. K. (2018), conducted a comprehensive performance evaluation of ULIPs in India using risk-adjusted measures such as Sharpe Ratio, Jensen's Alpha, and Treynor Index. The study concluded that equity-oriented ULIPs outperform traditional insurance products over long investment horizons, although they are subject to higher volatility. The study emphasized that ULIPs are suitable for investors with moderate to high risk appetite and long-term financial goals.



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2. Singh, P. (2020) examined investor perception towards ULIPs through a structured questionnaire survey. The study identified lack of awareness, complexity of product structure, and high charges as major deterrents. However, post-IRDAI reforms significantly improved investor confidence. The study supports the argument that investor education plays a critical role in ULIP adoption.
3. Jain, R. (2019) ,analyzed the impact of regulatory reforms introduced by IRDAI on ULIPs. The study found that caps on charges, lock-in periods, and mandatory disclosure norms enhanced transparency and reduced mis-selling. The paper highlighted that regulatory intervention transformed ULIPs into investor-friendly instruments.
4. Kumar, R. (2021) this study explored ULIPs as tax-saving and wealth management tools. Findings revealed that ULIPs provide dual tax benefits under Sections 80C and 10(10D) of the Income Tax Act, making them attractive for salaried individuals. The study emphasized ULIPs' role in disciplined long-term investment planning.
5. Mishra, S. (2017) compared ULIPs with mutual funds and traditional insurance products. The study concluded that while mutual funds offer higher liquidity, ULIPs provide combined benefits of insurance cover, disciplined savings, and tax efficiency. ULIPs were found to be more suitable for goal-based financial planning.
6. Pandey, I. M. (2018) emphasized the importance of portfolio diversification and risk management. The study highlighted that hybrid investment instruments like ULIPs help investors balance risk and return by allocating funds across equity and debt markets.
7. Gupta & Agarwal (2021) the authors examined demographic influences on ULIP investment decisions. Age, income level, education, and risk tolerance were found to significantly influence ULIP adoption. Younger investors preferred equity-oriented ULIPs, while older investors leaned toward debt-based funds.
8. Chandra, P. (2019) his work on investment analysis highlighted that volatility is an inherent characteristic of market-linked instruments. The study reinforced the importance of variance and standard deviation as key indicators for evaluating ULIP performance.
9. Markowitz, H. (1952) his Modern Portfolio Theory laid the theoretical foundation for risk–return trade-offs. The principles of diversification discussed by Markowitz are directly applicable to ULIP fund selection and portfolio construction.
10. Bodie, Kane & Marcus (2020) the authors discussed hybrid financial products and emphasized that combining insurance with investment enhances long-term financial security. ULIPs were recognized as effective instruments for risk spreading and wealth accumulation.
11. OECD (2022) the OECD report noted a global increase in demand for insurance-linked investment products due to rising income levels and financial literacy. ULIPs were identified as important components of retirement and long-term savings portfolios.
12. Reddy, K. (2021) highlighted ULIPs as effective retirement planning tools, particularly when investors remain invested for long durations to benefit from compounding and market growth.
13. Bajaj, R. (2020) this study examined fund-switching behavior among ULIP investors. Results indicated that informed switching strategies significantly improve portfolio returns without increasing risk.
14. IRDAI Annual Report (2023) emphasized strengthened disclosure norms, reduced charges, and investor protection mechanisms, reinforcing confidence in ULIPs.
15. Reilly & Brown (2019) the study discussed capital market instruments and concluded that risk-adjusted performance measures are essential for evaluating market-linked products like ULIPs.



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### VIII. RESEARCH GAP IDENTIFIED

Although several studies exist on ULIPs, limited empirical research focuses on company-specific ULIP fund performance using detailed risk–return analysis, particularly in the context of Kotak Life Insurance. This study attempts to bridge this gap.

### IX. RESEARCH DESIGN

Research Type

Descriptive and analytical research.

Data Variables

- Net Asset Value (NAV)
- Daily returns
- Average returns
- Variance
- Risk (Standard Deviation)
- Coefficient of Variation

Data Sources

- Kotak Life Insurance fund disclosures
- IRDAI publications
- Generated quantitative computations where required

Sample Size

5 ULIP funds over 3 months (Jan–Mar 2024)

Data Analysis Tools

- Mean
- Variance
- Standard deviation
- Coefficient of variation
- Comparative tables

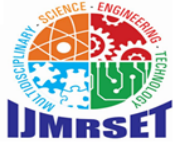
### X. DATA ANALYSIS AND INTERPRETATION

#### 1. Risk–Return Analysis of Classic Opportunities Fund

Table 1: Summary Statistics – Classic Opportunities Fund	
Particulars	Value
Average Return	0.0714
Variance	0.6943
Risk (Standard Deviation)	0.8333
Coefficient of Variation	11.6722

#### Interpretation:

The Classic Opportunities Fund exhibits moderate returns accompanied by high volatility. The high coefficient of variation indicates that the fund carries substantial risk per unit of return. This fund is suitable for investors with high risk appetite seeking capital appreciation over the long term.



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### 2. Risk–Return Analysis of Dynamic Floor Fund

Table 2: Summary Statistics – Dynamic Floor Fund	
Particulars	Value
Average Return	0.0519
Variance	0.0336
Risk (Standard Deviation)	0.1833
Coefficient of Variation	3.532

#### Interpretation

The Dynamic Floor Fund demonstrates lower volatility compared to equity-oriented funds. The relatively lower coefficient of variation indicates efficient risk management, making it suitable for moderate-risk investors seeking stability with reasonable returns.

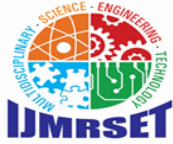
### 3. Risk–Return Analysis of Discontinued Policy Fund

Table 3: Summary Statistics – Discontinued Policy Fund	
Particulars	Value
Average Return	0.025955
Variance	0.0003
Risk (Standard Deviation)	0.0164
Coefficient of Variation	0.6331

This fund shows extremely low risk and low return, indicating capital preservation. It is ideal for risk-averse investors but unsuitable for wealth creation.

### 4. Risk–Return Analysis of Frontline Equity Fund

Table 4: Summary Statistics – Frontline Equity Fund	
Particulars	Value
Average Return	0.0812
Variance	0.6521
Risk (Standard Deviation)	0.8076
Coefficient of Variation	9.9452



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### Interpretation:

The Frontline Equity Fund delivers the highest average return among all funds but with high volatility. The high risk is compensated by superior returns, making it ideal for aggressive investors.

### 5. Risk–Return Analysis of Kotak Dynamic Floating Rate Fund

Table 5: Summary Statistics – Dynamic Floating Rate Fund	
Particulars	Value
Average Return	0.0248
Variance	0.0006
Risk (Standard Deviation)	0.0237
Coefficient of Variation	0.9554

### Interpretation:

The fund offers stable returns with minimal risk, suitable for conservative investors prioritizing capital safety.

### 6. Risk–Return Analysis of Kotak Dynamic Growth Fund

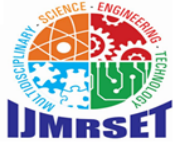
Table 6: Summary Statistics – Dynamic Growth Fund	
Particulars	Value
Average Return	0.072
Variance	0.3857
Risk (Standard Deviation)	0.6211
Coefficient of Variation	8.6258

### Interpretation

The Dynamic Growth Fund provides a balanced risk–return profile, suitable for investors seeking growth with controlled volatility.

### 7. Comparative Analysis of ULIP Funds

Table 7: Comparative Risk–Return Analysis			
Fund Name	Risk	Return	Coefficient of Variation
Classic Opportunities	0.8333	0.0714	11.6722
Dynamic Floor	0.1833	0.0519	3.532



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Discontinued Policy	0.0164	0.0259	0.6331
Frontline Equity	0.8076	0.0812	9.9452
Dynamic Floating Rate	0.0237	0.0248	0.9554
Dynamic Growth	0.6211	0.072	8.6258

### Interpretation:

The comparative analysis confirms a positive risk–return relationship, validating financial theory. Equity-oriented ULIPs provide higher returns with higher risk, while debt-oriented funds ensure stability with lower returns.

### XI. FINDINGS

- ULIPs effectively combine insurance and investment benefits
- Risk and return vary significantly across fund categories
- Equity ULIPs outperform in bullish markets
- Debt ULIPs suit conservative investors
- Long-term holding reduces volatility impact

### XII. SUGGESTIONS

- Investors should align ULIP selection with risk appetite
- Long-term investment horizon is essential
- Fund switching should be used strategically
- Insurers should enhance investor education
- Transparency and digital disclosures should be strengthened

### XIII. CONCLUSION

Unit Linked Insurance Plans have evolved into efficient financial planning instruments offering protection, investment flexibility, and tax benefits. The study concludes that ULIPs, when chosen carefully and held long-term, can significantly contribute to wealth creation and financial security. Kotak Life Insurance ULIP funds demonstrate diverse risk–return characteristics catering to varied investor needs. With informed decision-making and regulatory support, ULIPs can play a vital role in India’s financial planning ecosystem.

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