



Final SIP Report

Batch: MBA FT 2020 - 22

The Capital Box

Project Title: A study on whether taxation is a selling tool for life insurance

Location: Work from Home

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TITLE PAGE

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Project Title	A study on whether taxation is a selling tool for life insurance
Address	Unit No 304, Plot No 8, Sector 41, Gurugram, Haryana-122003
Date of Report	12 th July, 2021
Purpose of Report	To understand if tax emptions are one of the sales techniques for life insurance or not.
Submission To	Faculty Mentor, MBA Programme Office, Placement Committee

DECLARATION

I, SPARSH BINDAL, hereby declare that this internship report titled as the Summer Internship Final Report is an authentic work prepared by me during the period of internship with THE CAPITAL BOX as a portfolio management intern. It is to the best of my knowledge and belief. This is to declare that all my work indulged in the completion of this Summer Internship Report such as researches and analysis is my work.

I also confirm that the report is solely prepared for my academic requirement not for any other purpose and with a view of partial completion of my first year of MBA.

ACKNOWLEDGEMENT

I take this opportunity to thank the Institute of Management, Nirma University that keeps mandatory summer internship training program in order to provide practical exposure to the students. I would like to thank The Capital Box team for providing me with the opportunity to pursue my summer internship at the organization. I would like to use this opportunity to express my deepest gratitude to Mr. Siddhant Kewaliya and all the other members of the department for taking out time from their busy schedules to provide me with the guidelines and constant support to carry out the project and provide me with the training required to conduct the research. I would also like to thank Prof. Harismita Trivedi (Faculty Mentor) for all her support throughout the course of my internship and her wisdom that guided me during the research work.

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EXECUTIVE SUMMARY

The Capital Box is a portfolio management firm that aims to provide investment solutions, risk management solutions, retirement planning solutions and consultancy services to the clients. It is non-banking financial institution operating in the financial sector in India. During the period of internship my work was focused in the insurance sector where the interns had to push two life insurance policies in the market. It led to drawing conclusions from practicing and gaining experience in the field that would later factor-in in the project assigned by the firm. A study on whether taxation is a selling tool for life insurance. This study was aimed at objectifying the understanding the consumers' decision process and motivating factors for buying life insurance and whether tax exemption is one of those motivating factors or not. This was done by collecting interview testimonials of several people working in sales department in life insurance companies and via circulation of a questionnaire for the consumers. Moreover, data regarding tax exemptions and the underlying assumptions was referred to from the government sites and several articles were referred to in order to understand the consumers' decision-making process. Furthermore, the data and evidences showed that tax exemptions are a good tool for selling life insurance and thus can be used by the sales agents in the sales pitch. Moreover, such study could allow sales agents to develop new pitches and sell more and bring in more revenue. Also, it could be used in developing new marketing strategies for life insurance policies.

PART – A

ABOUT THE COMPANY – The Capital Box

The Capital Box was incorporated on 14th June, 2016. The Capital Box is aimed at offering customized solutions to measures that secure and create a long-term sense of safety to its consumers. The company provides its customers with financial solutions in the areas of tax, risk management and retirement choices. They serve with precision a wide range of clients, from families to enterprises by providing consultancy, financial products and risk management strategies, and are focused on specialist markets and complex needs portfolios. The key values of the firm maximize integrity. They empower clients by providing knowledge, tools, and resources intended at promoting effective communication and giving customers' aspirations and objectives clarity.

Vision

The Capital Box's vision is to be the body of trust for its clients and professionals by acting as their key financial advisory company which cooperates with the enterprise throughout its life.

Mission

The Capital Box missionizes aiding all its clients by understanding and empowering their goals in the way of developing, implementing and consulting in the fields of financial products, taxation, retirement and so on.



Services Offered:

- Tax Solutions
 - » Direct Tax
 - » Indirect Tax
 - » Transfer Pricing

- Risk Management Services
 - » Risk Management Planning
 - » Quantitative & Qualitative Risk Analysis
 - » Management Residual Risk
 - » Trade Risk Management
 - » Collateral Management

- Retirement Solutions
 - » Retirement Investment Strategies
 - » Estate Conservation Issues

- Consultation
 - » Business Tax
 - » Personal Funds
 - » Insurance
 - » Mutual Funds
 - » SIP

ABOUT THE BUSINESS SECTOR – The Financial Sector

The financial sector is a segment of the economy comprised of businesses and institutions that offer financial services to commercial and retail clients. This sector includes a diverse variety of sectors such as banks, financial firms, insurance companies, and real estate corporations. The Indian financial sector is fundamentally strong, operationally diverse, and demonstrates competence and adaptability, in addition to being responsive to India's economic goals of building a market-oriented, industrious, and successful economy. India has a diverse financial industry that is rapidly expanding, both in terms of current financial services businesses' healthy development and new market entrance entities.

On the basis of the services offered the institutions can be broadly divided into two categories – banks and non-banking institutions. Banks are financial intermediaries that give money to lenders in order for them to make income and take deposits. They are carefully regulated in order to maintain market stability and safeguard consumers. Non-banking financial institutions (NBFI) are non-banking financial entities that provide financial services such as investing, risk pooling, and market brokering. The Capital Box is a non-banking financial institution as it carries out risk management and investment related tasks on behalf of its clients.

Market Size

According to a report by IBEF:

- As of April 2021, the mutual fund industry's Assets Under Management were at Rs. 3,237,985 cr. In Fiscal Year 2021, mutual fund schemes in India received Rs. 96,080 crores in inflows via systematic investment plans (SIP). By the end of December 2019, equity mutual funds had had a net inflow of Rs. 8.04 trillion.
- Another crucial component of India's financial industry is the insurance industry. Insurance industry has been expanding at a fast pace. The total first year premium of life insurance companies reached Rs. 2.59 lakh crore in Fiscal Year 2020.
- In Fiscal Year 2021, US\$ 4.25 billion was raised across 55 initial public offerings (IPOs). In FY21, the number of listed companies on the NSE and BSE were 1,793 and 5,647, respectively.
- Indian stock markets—S&P Sensex and Nifty50—rose 15.75 and 14.90%, respectively, in 2020. For the decade ended 2020, the Sensex gained a whopping 173% and Nifty surged by 169%.
- The National Stock Exchange (NSE) will offer derivatives based on the Nifty Financial Service Index in January 2021. This service index is anticipated to give institutions and individual investors more financial freedom.

Analysis of Indian Financial Sector:

- Despite the external setbacks, India's venture capital business remains one of the most active in the financial sector.
- India's banking industry has been substantially changed. The recent additions, such as Internet banking and Core banking, have made financial processes more user friendly and simple.
- The insurance firms' competitiveness has resulted in aggressive marketing and distribution tactics.
- New insurance and banking services have been put into the market to widen the spectrum, which would promote the sector's growth.
- High Net Worth Income segment's participation has increased gradually in the portfolio management.
- Over the last five years, the Indian equity markets have also managed to achieve a good balance between domestic institutional investors and Foreign Portfolio Investors, minimizing the skew toward dependence on FPI inflows and loaning more consistency to the Indian markets.

Competitors of The Capital Box:

Following companies are some of the portfolio management firms in India that provide investment solutions and other facilities:

- Motilal Oswal Portfolio Management
- Alchemy Portfolio Management Services
- NJ Advisory
- Birla Sunlife PMS
- Unifi Capital
- Kotak Portfolio Management Services

PART – B

1. INTRODUCTION

1.1 Nature of Project:

The project assigned by the organization involves a detailed study on the factors that are primary drivers that lead to the purchase of life insurance by a customer and mainly if taxation is one of those key drivers.

There could be several useful implications of such study like:

- 1) Incremental Revenues for Insurance Companies: After going through the study, the company officials will get a better understanding as to how taxation and the underlying subsidies and exemptions can be used to motivate customers to make a purchase of life insurance. This will in turn allow sales employees to deploy the new techniques and convert more sales and bring more revenue in.
- 2) Product Upgradation: Insurance companies can upgrade and bring exciting innovations in their product offerings which will benefit every stakeholder involved in this.
- 3) Increase in Commissions: The middlemen like agents and brokers will also receive benefits like higher income through increased brokerage resulting from heightened sale of life insurance. In some cases, companies like The Capital Box that use life insurance in the form of investment option also enjoy benefits of additional income in the form of such aforementioned brokerage that they receive from the insurance companies.

1.2 Objectives:

- To analyze the consumer behavioral patterns in order to understand their buying patterns in case of life insurance.
- To ascertain all the possible exemptions and subsidies from income tax that are available for a customer.
- To ascertain if tax authorities exempt life insurance, if so, how.
- To process the collected data and interpret the analysis.

2. METHODOLOGY

2.1 Approach

The data collected for the research is mostly qualitative because it involves monologues of several stakeholders in insurance industry. These monologues depict the observations and possible theories which purport to be essential for research. For the monologues, several people were interviewed in telephonic means. But there is some quantitative data also involving the details of exemptions on income tax. Also, some conclusions were drawn by cold calling prospective customers and trying to sell them the life insurance policies.

2.2 Sources of Data

The data was collected via both primary and secondary sources of data as qualitative information was gathered from primary sources and quantitative data was gathered from secondary sources. Secondary data is data that has previously been acquired and reported by some scholars for their own purposes, rather than for the present study topic. It is available in the form of data gathered from many sources such as government periodicals, censuses, internal organizational records, books, published papers, websites, and reports, among others. Primary data is information gathered for the first time from personal experiences or proof, typically for study purposes. It can also be referred to as raw data or first-hand information.

2.3 Hypothesis

1. Taxation would be a good sales technique for selling life insurance policies.
2. Taxation would be not a good sales technique for selling life insurance policies.

2.4 Method of Data Collection

- Telephonic Interviews: Several people including sales agents, portfolio managers, potential customers were interviewed in order to gather the raw observation (qualitative data) which will be processed and interpreted.
- Government Sources: The data available on tax related aspects is referred from the information available on government portals.
- Articles: Several Articles are referred from in order to understand a theory.
- Questionnaire: Questionnaire in terms of a google form was circulated to get consumers' perceptions regarding life insurance. This would ensure accurate and fresh data regarding consumers.

3. CONTEXT OF RESEARCH PROBLEM

Life Insurance is a contract between the insurance company (the insurer) that promises money in lump sum or periodic payments for the loss of life in return for a certain premium. There are several selling techniques for life insurance like focusing on subsidy and saving on direct tax paid; safeguarding the future of your family; and selling it as a retirement option. In our study, our main aim is whether the tax paid by the customers who are seeking to acquire any type of life insurance policy puts emphasis on the decision of the customer to buy the policy or not. Also, the types of life insurance policies that people prefer based on the time period, rates and most importantly tax deductions.



4. PRESENTATION OF DATA

4.1 Tax Exemption

Under Section 80C - Payment of premiums on life insurance policies not only provides insurance coverage but also specific tax deductions to taxpayers. Section 80C allows for deductions for different things such as life insurance premiums, investments in the Public Provident Fund, investments in NSC, repayment of the main component of a home loan, investments in the Post Office Time Deposit Scheme, Senior Citizens Saving Scheme, and so on. A taxpayer, whether an individual or a member of Hindu Undivided Family (HUF), can seek a deduction as per section 80C for premiums paid on a life insurance policy throughout the fiscal year. But there are several eligibility criteria to be fulfilled in order to claim the deduction.

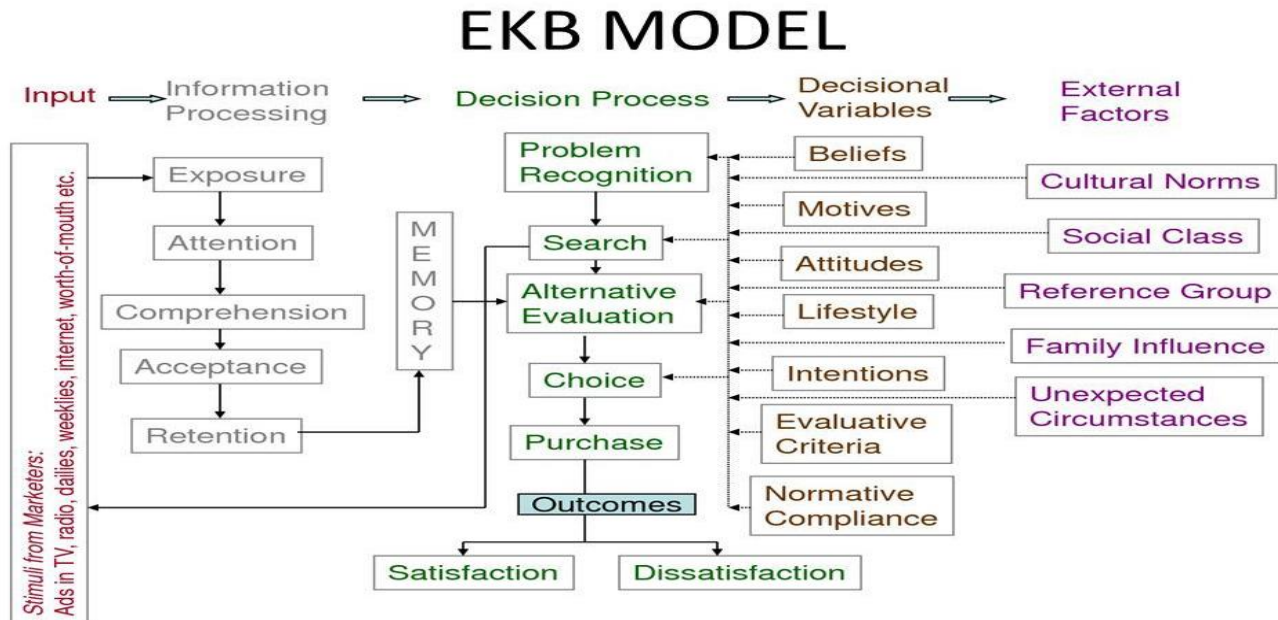
Title	Condition
Who is Life Assured? (Availability of deduction)	Normal Case – Policyholder, Spouse or Children HUF Case – Any Member of HUF
Deduction Allowed	Overall deduction allowed up to Rs. 1,50,000/-
Restriction on deduction (w.r.t Capital Sum Assured)	20% of Capital Sum Assured if policy is issued before 31/3/2012 10% of Capital Sum Assured if policy is issued after 31/3/2012
Minimum Holding Period	Minimum time period of a life insurance policy should be 2 years

Under Section 80D - Section 80D of the Income Tax Act permits you to claim tax deductions for medical insurance premiums paid by the policyholder for themselves, their spouse, their children, or their dependent parents. Following table provides a detailed view on deductions available in medical insurance.

Case	Premium Paid		Tax Deduction
	Self, Family or Children	Parents	
Individuals or Parents under 60 yrs.	25000	25000	25000
Individuals below 60 and Parents above 60	25000	50000	75000
Individual & Parents above 60	50000	50000	100000
Hindu Undivided Family Members	25000	25000	25000
NRI's	25000	25000	25000

4.2 EKB Model

A detailed model of consumer behavior that shows it as a decision process with five stages: need identification, information search, alternative evaluation, purchase choice, and outcome.



4.3 Interviews

A few people were interviewed who are a part of the insurance sector and work around life insurance. They were asked questions related to life insurance and the factors that they use to motivate and convince prospective buyers to buy a life insurance policy. Also, how effective rebates on taxes are in convincing the buyers.

The testimonials are as follows:

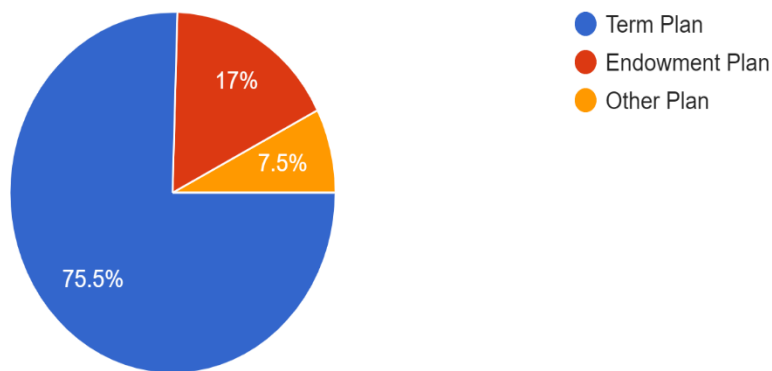
- According to Ms. Rashmi Goyal (Sales Executive, LIC) – “Many times, initially when customers are not interested in the sales pitch and as a last resort, I try to inform them about tax exemptions on life insurance, it works. As soon as the customer hears that they might have to pay lesser tax if they buy the insurance policy, they start paying attention to the details. And then, I can go further explaining the remaining benefits of buying life insurance.”
- According to Mr. Niket Verma (Branch Manager, ICICI Prudential) – “There is no doubt that tax exemptions can be used in the sales pitch but sometimes it doesn't have that much effect on the customers as it should. For instance, if a customer who is being pitched to doesn't pay tax because they don't fall in the tax paying brackets then such deductions won't matter to him/her.”

- c) According to Mr. Vaibhav Sethia (Area Manager, Bajaj Allianz) – “Absolutely, tax exemption is a very useful selling tool for life insurance. In life insurance, there are many plans like term plan, maturity plans, fixed income plans etc. that give fixed income to the client at a rate of 7-8% plus aid in tax benefit under section 80C. This in turn helps the client in not only saving the capital through insurance cover but also helps in tax benefit so that the client doesn’t have to buy any other investment option for tax benefit. All benefits in a single investment!”
- d) According to Mrs. Vandana Joshi (Development Officer, LIC) – “It truly depends on the size of the life insurance cover. If the life insurance is of small size, then tax exemptions will play a key role in the selling part lest in large size life insurances, whole thing depends on human life value.”

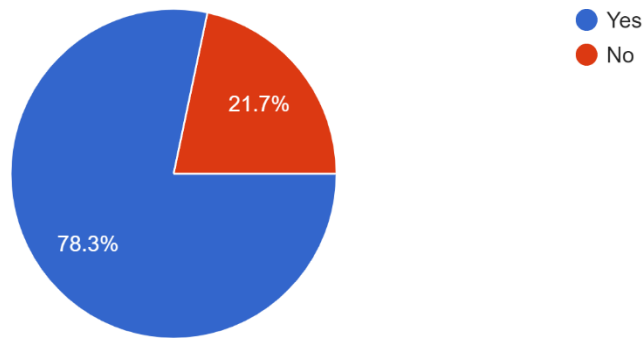
4.4 Results of Questionnaire

The questionnaire was one of the primary data collection method used to collect data on customers’ perception regarding life insurance, the benefits and how they rank those benefits. Furthermore, out of all the responses, most of the policyholders are of age group 21 to 30. Total of 70 responses were received from people who were either employed or studying or own their own business or practice their profession. Also, out of the total responses, 66 people (94.3%) have an insurance. People might have more than one insurance and from the options given in the questionnaire, 73.9% people have a life insurance; 60.9% people have a medical insurance; 56.5% have a vehicle insurance and 10.1% have other types of insurance. Further details of the questionnaire are explained with the help of data charts that depict the percentage of people who opted or chose that scenario/decision:

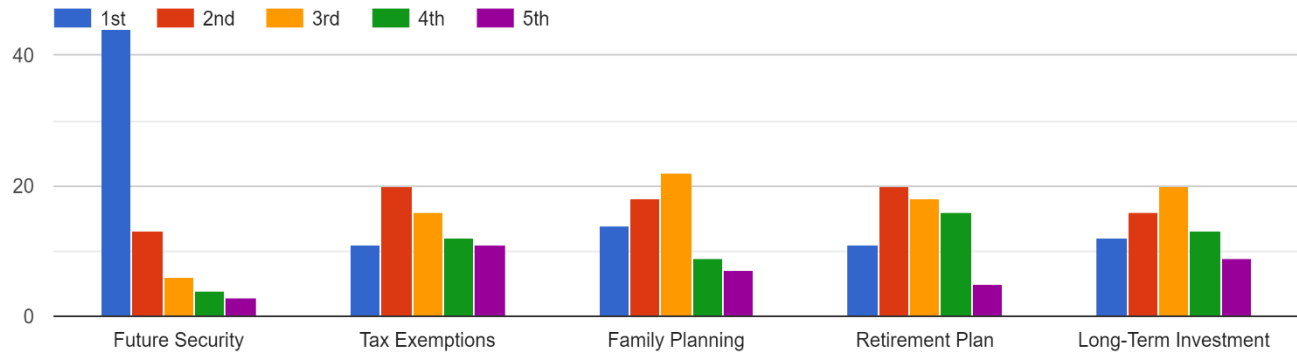
- i. Following pie chart shows the type of life insurance that people had:



ii. Following pie chart shows whether people opt for tax deductions or not:



iii. Following bar chart shows what rankings are given to different benefits of life insurance by the people:



5. ANALYSIS & DISCUSSION

Insurance is an agreement, in which an individual or entity receives financial coverage or compensation from an insurance firm in the event of a loss. The firm pooled the risks of its clients in order to make payments more reasonable for the insured. Insurance plans are intended to protect against the risk of financial losses, both large and little, that may occur as a consequence of damage to the insured or her property, or liability for damage or injury caused to a foreign entity. There are broadly two types of insurance that are life insurance and general insurance.

Life insurance is described as an agreement between the insured and the insurance company in which the insurance provider pays a predetermined sum to the policyholder's family upon his demise. The life insurance payout is given in consideration for a set amount of premium. A general insurance policy is a contract that provides monetary compensation for the damages other than death. Apart from life, it covers everything. A general insurance policy covers you for financial losses caused by liabilities linked to your home, vehicle, bike, health, travel, and other assets. The insurance provider offers to give you a sum promised to cover car damages, treatment options to cure health issues, losses due to theft or fire, and even financial troubles while travelling. The most common general insurance is the medical insurance, it is a form of insurance that generally compensates for the insured's medical, surgical, prescription medication, and occasionally dental expenditures. Health insurance can either compensate the insured for medical expenditures incurred as a result of illness or accident, or it can pay the care provider directly.

There are various selling styles, but most adhere to a sales process, and speeding up this process is the best way to serve more clients and sell more life insurances. Sales agents frequently believe that the consumer is the one who slows down the sales cycle. Following is some of the life insurance selling techniques that can be used to sell the life insurance:

- iv. Identifying the motivators for the consumer - When a customer accepts that he or she does, in fact, require life insurance, the next step is to identify which sales strategy works best for them. Some customers want to maximize their choices and want their sales agent to give knowledge and assistance in filtering through the difficult decision, whilst others feel overwhelmed and expect their agent to simplify their decision. You must immediately identify what your consumer responds to and adjust your sales process accordingly.
- v. Provide solutions and not policies - Sales pitches and scare techniques are detested by the general public. Top prospects do not want to be lectured on why they need the insurance plans to preserve their assets. People desire answers to their own concerns. For instance,

assisting the consumers in realizing how the policies that agents are selling will help them address an issue they have or are likely to have down the future. Work with the prospects to show them that they can get much more than an insurance policy.

- vi. Establishing long term focus – Many people may face difficulties in spending money on premiums and due to that getting consumers to think about the future may be difficult. The objective is to assist them in comprehending how their current financial actions will influence their future riches.

Now the question arises that if and how we can use the tax exemption as a selling tool? And the answer is yes. The sales agents can easily incorporate tax exemption in one or more of the aforementioned techniques of selling insurance. For instance, in the case of identification of the motivators after knowing the income of the buyer, the agent can deduce the tax bracket of the buyer and as per the relevance bring out the point of tax deductions in the sales pitch. This is evident from one of the interview testimonials, particularly of Mr. Vaibhav Setia.

As of the perception of a customer regarding the tax exemptions, it is clear from the bar chart that people believe tax exemptions and retirement plan together fall on the 2nd rank and thus are a part of 3 basic benefits sought after by the consumers.

Furthermore, from the marketing view of consumer behavior, the EKB Model is considered as it provides a basic decision-making process of a consumer. If a sales agent wishes to incorporate tax exemption strategy into the sales pitch, he can do so when the consumer is at the information gathering stage. This will help a customer factor in one of the important benefits and allow him to reach to a decision quickly.

Conclusion - 75% of the testimonials govern that in most of the generic cases and some of the special cases, tax exemptions can prove to be a useful selling technique/strategy/tool for selling life insurance. As for the hindrance stated by Mr. Niket Verma regarding the technique in question, a longer view or broader point can be brought in. For instance, the fact that the customer is currently not in the tax paying bracket but in near future may have to pay tax can be countered by the agents to bring in the exemption strategy.

All in all, Tax exemption is a good selling point for life insurances and can be widely used by the sales agents.

PART - C

LEARNINGS

- Sub-sectors in Indian Financial Sector and the products and services that are offered in them.
- Insurance, its types, life insurance and kinds of life insurance and how they work.
- Techniques used in selling different financial products
- Client communication and network building
- Coming up with creative and new ways to perform a task
- Taking initiatives and gaining experience in selling insurance policies.

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