

Research Proposal

Research Question:

Should Kotak Mahindra Old Mutual Life Insurance diversify into the Immediate Annuity segment in the Indian market?

Rationale:

Kotak Mahindra Life Insurance is currently focused on its Individual Protection cum Savings and Group Superannuation markets. Since February 2008, the market has faced a slowdown due to higher base effect⁴ and volatile capital markets. Hence, the organization is considering other growth options in order to meet their aim of 100%⁵ growth next year. The annuities⁶ sector is an attractive proposition, with growth rate of 182.6% per annum⁷.

Theoretical framework:

Financial and non-financial factors will be taken into consideration. Techniques such as Investment Appraisal will be used for analyzing financial factors. SWOT and PEST analysis will be used to assess the company's current position. Michael Porter's 5 Force framework will be used to assess the industry structure and evaluate future opportunities and challenges.

Areas of syllabus covered:

- 1.2: Growth and Evolution
- 1.3: SWOT analysis
- 2.1- 2.5: External Factors
- 3.2: Market Research
- 6.2: Investment Appraisal

Methodology:

Primary Research:

- Interviews with management (: Executive Director, : Appointed Actuary) of KMLI, to determine current position of the company, future prospects, advantages and disadvantages of entering the annuities market.

⁴ The gross premium reached 4.1% of GDP, with a 31% CAGR.

⁵ The Hindu Business Line, "Kotak Mahindra targets growth of 100% in new biz premium"
<http://www.thehindubusinessline.com/2008/01/29/stories/2008012951320600.htm>, accessed on 22nd March, 2008

⁶ *Annuities are contracts sold by an insurance company designed to provide payments to the individual at specified time intervals usually after retirement*

⁷ 2007-site. (LICouncil)

<http://info.worldbank.org/etools/docs/library/157239/nbfi-thailand/pdf/mod06/asher06.pdf> accessed on 22nd March, 2008

Business and Management HL

Internal Assessment

May 2009

- Questionnaires for potential clients to narrow down upon target market and determine whether an untapped demand exists within the market.
- Interviews with management of competitors if possible, to assess the present situation in the industry, observe their growth rates and identify current risks.

Secondary Research:

- Review the Annual Report of KMLI to determine relevant financial figures required for this investigation.
- Study customer profiles from existing consumer base of the company, to identify potential customers for the new annuity product.
- Review recent articles from the internet, journals and periodicals on the annuity market, to help identify market trends.

Action Plan:

<u>Date</u>	<u>Task</u>	<u>Modification</u>
5 – 12 March 2008	Topic Selection	Topic changed from pension markets to annuity markets to enhance focus
25/03/08	Research Proposal submitted	
26/03/08	Feedback received	Methodology modified Objectives elaborated upon
12/4/08	Questionnaire for target market written	
9/6/08	Potential customers taken from organization database	
10/6/08	Interviews conducted with 30 potential customers	
14/6/08	Interviews with management fixed for 24 th June	Dates changed as interviewee was to travel
28/6/08	Interviews conducted	
29/7/08	Review Annual Report	
7/8/08	Complete financial analysis: Investment Appraisal and decision trees	Decision trees omitted due to inadequate information
10/8/08	Feedback from supervisor	
18/8/08 – 27/8/08	PEST/SWOT analysis	
15/9/08	First draft due	Postponed due to DAIMUN conference
18/9/08	First draft submitted for feedback	
7/10/08	Final submission	

Possible difficulties and proposed solutions:

Problem	Solution
Statistical bias in the sample used to carry out market research	Use of computer to randomly select 30 customers from database to reduce sampling discrepancies.
Limitation of validity and accuracy of financial data	Very recent data is used, and cross-checked with annual reports to enhance accuracy
Interview questions may be too close-ended, leading to loss of information	Questionnaires for management are largely open-ended.

Word count: 489 words