



LIFE INSURANCE – A PLATFORM FOR SAFEGUARDS AN INDIVIDUAL’S LIFE WITH BENEFITS

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ABSTRACT

“Life is full of uncertainty; we’ve just got to learn to live with it”. This uncertainty leads to fear of risk in our life. Fear of risk can be satisfied by taking all precautions to avoid risk. It is important to understand that risk is the part of any person’s life. “It is part and parcel of our life”. We can’t avoid this only we can manage this with some avenues. The basic human trait is to be averse to the idea of taking risks. There is always an urge to minimize the risks and take protection against possible failure. So, Insurance is one of the best techniques to face this uncertainty. Life Insurance is a tool which safeguards an individual’s life with benefits. It is also helps to outlast life’s unpredictable losses.

The present study focuses on the importance and benefits of life insurance in the individual’s life. We all know about the benefits of the life insurance but its human tendency to avoid the thought of losses can be happen in the future.

This study provides significant facts and figures based on relevant research studies and literature. It also presents an overview of the need and benefits of life insurance products which can safeguard an individual’s life.

KEYWORDS- Life insurance, Risk, Need based analysis, Insurance plans

Introduction

Life is a most precious gift of nature which is full of risks and uncertainties. As we are social human beings so we have certain responsibilities towards our loved ones. Due to this all people want to minimize or diversify the risks present in the life. We cannot prevent the misfortune but any way save our treasured ones from the losses occurs due to deficiency of lives. So Life Insurance is a tool which safeguards an individual's life with benefits. Life insurance is not only gives assurance for the monetary losses but it provides the new market and avenues to the society.

That's why LIC chosen its slogan that **“Jeevan ke sath bhi Jeevan ke baad bhi”**. Until you are financially independent, you need to protect those you love from the loss of your income.

Life insurance provides financial protection in the event of your death – ensuring that your family continues to have some financial security even when you are gone.

“Life insurance can be a value-added solution,” says **Robert Chewning**, Senior Vice President and National Director of Insurance for Wells Fargo Wealth Management. “It can provide leverage to fund financial goals and obligations clients may have. It gives them a tax-efficient way to transfer wealth and to provide cash at a very predictable time. Life insurance can enhance wealth accumulation, as well, and provide returns that may rival some other assets.”

Life Insurance is the key to good financial planning. On one hand, it safeguards your money and on the other, ensures its growth with complete financial well-being. Life Insurance can be termed as an agreement between the policy owner and the insurer, where the insurer agrees to pay a sum of money upon the occurrence of the insured individual's or individuals' death or other event, such as terminal illness, critical illness or maturity of the policy.

Life insurance plans, unlike other investment avenues, are beneficial when you look at them as a long term avenue of investment which also offers protection through life cover. Life insurance policies are of different types based on the risk and return tradeoff.

Objective of study

-  To analyze the role of life insurance to the Individual's life.
-  To analyses the need of the life insurance products at different stages of life.
-  To study the Impact of Life insurance products to the financial planning of an individual.

Review of literature

In the present section an attempt has been made to examine the review of literature related to the study.

BharatiV.Pathak (2008) researched that Insurance is one of the most growing sectors in the Indian economy. Insurance is a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss. Insurance is defined as the equitable transfer of the risk of a loss, from one entity to another, in exchange for payment.

ManojKumar(2010) A thriving insurance sector is of vital importance to every modern economy. First because it encourages the savings habit, second because it provides a safety net to rural and urban enterprises and productive individuals. And perhaps most importantly it generates long-term investible funds for infrastructure building. The nature of the insurance business is such that the cash inflow of insurance companies is constant while the payout is deferred and contingency related.

The Prudential Insurance Company of America researched on How Life Insurance Helps to the individuals. According to it Life insurance offers the stable protection that you and your family—and even your business—need in a constantly changing world.

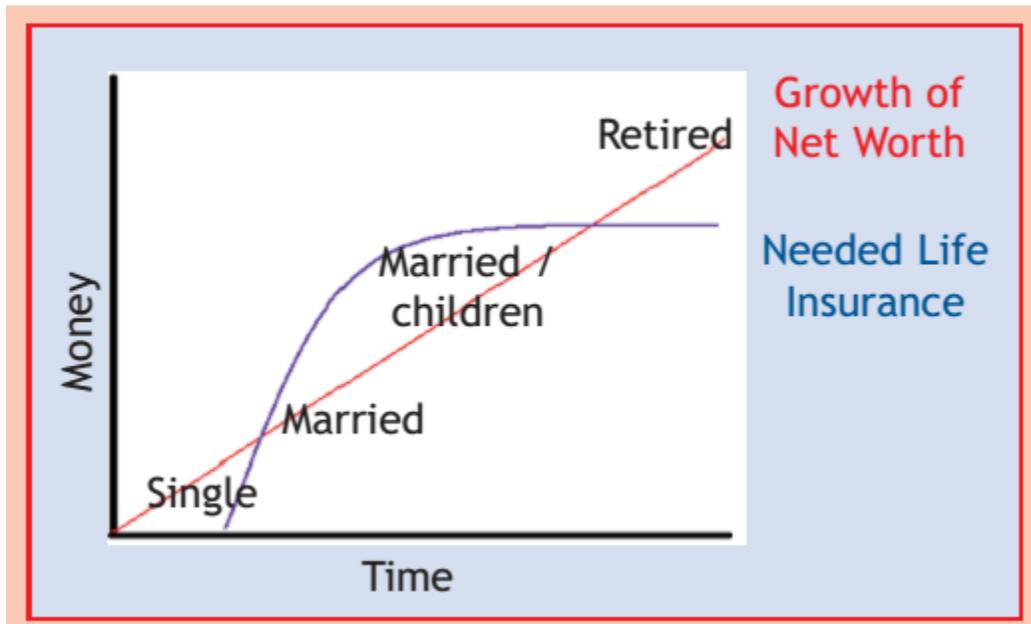
While many people may think life insurance is too expensive and too complicated, it is not essential thing. It is a powerful and flexible tool for protecting you and those you love. When you consider and understand how an insurance policy can help, you realize that insurance can be well worth the cost. It will be a precious gift for your family. So take the time to learn what it can do for you and your family.

Research Methodology

The paper's approach is an analysis of the existing literature and life insurance Company's analysis on customers need. By scouting the secondary data this study presents the brief about the role and importance of life insurance products in India. The study has used secondary sources of information from life insurance companies' websites and research papers, articles published by researchers & insurance experts. This study is an exploratory in nature.

Need for Life Insurance

Your need for life insurance is influenced by your stage of life and your need for protecting your income. When you are single, you may not need life insurance. Then as you take on more responsibility, your need for life insurance grows. And later in life as your responsibilities diminish and your net worth increases, your need for life insurance decreases. Consider your stages of life and need for insurance.



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Single At this stage because you don't have any economic dependents, no one will miss your income if you die. If you anticipate marriage and children, you may consider life insurance because at a younger and often healthier age, your rates will be more affordable and it will be constant at the end of the policy term.

Married This is the stage where your friends and nearby recommended. Some life insurance product for your safety since in the event of your death, the benefit could pay for mortgage/rent payments, credit card debts, funeral costs, and provide transition income for your surviving spouse.

Married with Children Life insurance is critical when you have children because your family would be greatly affected by the loss of your income. Life insurance could pay off the mortgage,

replace income allowing a non-working spouse to spend time with the children, as well as fund future expenses such as college funds or wedding expenses.

Retired This stage of life is so critical because your children no longer rely on your income and you are likely living off of your retirement funds. While you may not need as much life insurance for this stage as compared to earlier in your life, you may still want to consider life insurance to cover funeral expenses and debts, as well as to supplement your surviving spouse's retirement money.

Types of Life Insurance

Basically Life insurance plans/policies can be categorized into the following types. All other life insurance policies are built around these basic insurance policies by combination of various other features.

Term Insurance Policy

Term Insurance, as the name implies, is for a specific period, and has the lowest possible premium among all insurance plans. It is a pure risk cover policy that protects the person insured for a specific period of time. In such type of a life insurance policy, a fixed sum of money called the sum assured is paid to the beneficiaries (family) if the policyholder expires within the policy term. These insurance policies are designed to provide 100 per cent risk cover and hence they do not have any additional charges other than the basic ones. The advantage, apart from the financial security for an individual's family is that the premiums paid are exempt from tax.

Whole Life Policy

A whole life policy is the plan which covers the risk for whole life. It covers a policyholder against death, throughout his life term. Primary advantages of Whole Life Insurance are guaranteed death benefits, guaranteed cash values, and fixed and known annual premiums. The policy does not expire till the time any unfortunate event occurs with the individual. Increasingly, whole life policies are being combined with other insurance products to address a variety of needs such as retirement planning, etc. Premiums paid under the whole life policies are tax exempt.

Endowment Policy

Endowment Policy offers policyholders triple profit in one single plan- saving, insurance and tax benefits. This policy provides insurance coverage to the investor during the policy term. Under such life insurance policies the customers are also provided with an option of investing their premiums into the markets, depending on their risk appetite, using various fund options provided by the insurer, these life insurance policies help the customer profit from rising markets. Endowment plans are especially useful when you retire; by buying an annuity policy with the sum received, it generates a monthly pension for the rest of your life.

Money Back Policy

In a Money-Back plan, you regularly receive a percentage of the sum assured during the lifetime of the policy. It creates a long-term savings opportunity with a reasonable rate of return, especially since the payout is considered exempt from tax except under specified situations. In case of death during the policy term, the beneficiary gets the full sum assured.

ULIPs

ULIPs are market-linked life insurance products that provide a combination of life cover and wealth creation options. A certain part of the premium is invested in listed equities/debt funds/bonds, and the balance is used to provide for life insurance and fund management expenses. Unit-linked plans are more flexible. You can stop contributing after 5 years and the fund will keep compounding your corpus till the vesting date. You can opt for higher exposure in the stock market for your plan if your risk appetite allows it. Lower risk options like balanced funds are also offered. ULIPs can be useful for achieving various long-term financial goals such as planning for retirement, child's education, marriage etc.

Role of Life Insurance

Life Insurance plays an important role in every one's life at the all stages. It provides the dual benefits of savings and security. It acts as a financial security in your investment portfolio which hedge risk of your income. This is the only investment tool should be an integral part of your financial plans. The following benefits are tried to collect from the research done on secondary data.

Ensures Risk Cover - Life today is full of risk and uncertainties; in this scenario Life Insurance ensures that your loved ones continue to enjoy a good quality of life against any unforeseen event.

Planning for life stage needs - Life Insurance not only provides for financial support in the event of untimely death but also acts as a long term investment. You can meet your short term as well as long term goals like your children's education, their marriage, building your dream home or planning a relaxed retired life, according to your life stage and risk appetite. Traditional life insurance policies i.e. traditional endowment plans, offer in-built guarantees and defined maturity benefits through variety of product options such as Money Back, Guaranteed Cash Values, Guaranteed Maturity Values.

Protect your family's future- Life insurance provides the income to pay expenses, such as a mortgage, care for a child or parent, higher education, and emergency demands that are bound to arise as the household finds its financial footing.

Hedge against rising health expenses –Now a days Life Insurers safe guard your health through riders or standalone health insurance plans. It offers the benefits of protection against critical diseases and hospitalization expenses. This benefit has assumed critical importance given the increasing incidence of lifestyle diseases and escalating medical costs.

Builds the habit of thrift - Life Insurance is a long-term contract whereas policyholder, you have to pay a fixed amount at a defined periodicity. This builds the habit of long-term savings. Regular savings over a long period ensures that a decent corpus is built to meet financial needs at various life stages.

Safe and profitable long-term investment - Life Insurance is a highly regulated sector. IRDA of India, the regulatory body, through various rules and regulations ensures that the safety of the policyholder's money is the primary responsibility of all stakeholders. Life Insurance being a long-term savings instrument, also ensures that the life insurers focus on returns over a long-term and do not take risky investment decisions for short term gains.

Assured income through annuities - Life Insurance is one of the best instruments for retirement planning. The money saved during the earning life span is utilized to provide a steady source of income during the retired phase of life.

Protection plus savings over a long term - Since traditional policies are viewed both by the distributors as well as the customers as a long term commitment; these policies help the policyholders meet the dual need of protection and long term wealth creation efficiently.

Growth through dividends - Traditional policies offer an opportunity to participate in the economic growth without taking the investment risk. The investment income is distributed among the policyholders through annual announcement of dividends/bonus.

Facility of loans without affecting the policy benefits—It is very attractive feature of the insurance policy that Policyholders has the option of taking loan against the policy. This helps you meet your unplanned life stage needs without adversely affecting the benefits of the policy they have bought.

Tax Benefits—Insurance plans provide attractive tax-benefits for both at the time of entry and exit under most of the plans.

Mortgage Redemption- Insurance acts as an effective tool to cover mortgages and loans taken by the policyholders so that, in case of any unforeseen event, the burden of repayment does not fall on the bereaved family.

Peace of mind, plain and simple-No amount of money can ever replace a person. But more than anything, life insurance can help provide protection for the uncertainties in life

Other Ways Life Insurance Can Help

Life insurance also protects the human life beyond the expectations. It offers a number of options and features that expand the ways they can be used, making them a more flexible and more powerful financial resource.

- Some policies have optional benefits or riders that can help pay for your or your survivors' chronic or terminal illness care expenses.
- One time investment plans are also act as a FD of the banks.
- Some policies provide features that help prevent the policy from ending prematurely if you become unemployed.
- Child plans will continue even the death of the parents till the policy term.

- Policies that build “cash value” over time can allow you to take supplemental income from that value. That income can be used for unexpected expenses or other needs.
- Some policies have an option to increase the decrease the premium according the financial condition of the customers.
- Optional features on other policies allow you to cover additional people, such as your spouse or children, all in one policy.

Findings

During the Study it is realized that Risks and uncertainties are part of life's great adventure -- accident, illness, theft, natural disaster - they're all built into the working of the Universe, waiting to happen. So to minimize the risk people can take the help of Life insurance to compensate the financial losses arising out of death/ accident/ retirement of the bread winner in the family. It is one of the fund based financial services which provides risk coverage facilities to the human beings. On the loss of income due to unfortunate death of the bread winner in the family, it is only life insurance that offers a guaranteed sum to the dependents of the deceased.

Life insurance is something you not only need, but truly want, as well — to protect your family, dependents, business and legacy.

It has been found that Insurance is not an investment product; it is a Protection instrument for your Family or any one you want to cover. There are other products for your investments. Don't mix Insurance and Investments. They can be good if you understand how to make most out of it, but it requires knowledge and expertise. They offer some flexibility, but still they are not worth it.

The need based analysis on the basis of stages of the life revealed that one kind of life insurance policy is not fulfilling all the purpose of our life. We have to choose the plans of according to our need, preferences and risk capacity. At different stages of life the risk bearing capacities are different. So keep the above all the things keep in the mind and then buy the products for the better & effective planning.

From the above types of insurance plans (policies) it is found that life insurers have different plans according to the need and risk appetite of the customers. People can buy different plans at different stages of life to fulfill the present requirement of life. Maximum life insurance plans are gives good returns in long term, people have to invest their money in life insurance for long term. In short run it may give negative return. Now-a-days most of the insurers offer the combinations of basic plans (term, endowment, whole life) in one plan. So investors have to go through the basic principles of the plan & then choose the one which best suits to the requirement of him.

Conclusion & Suggestions

This paper concludes that Life Insurance is a tool which safeguards an individual's life with so many benefits. So every individual have to buy the life insurance at early age to avail the benefit of low premium, low risk and easy issuance. The returns of the plans or policies may or may not avail by you but it will always be assets which secures your family.

After the study it can be believed that life insurance is a powerful financial tool with a wealth of benefits for you and the important people in your life. It is not a thing which is buying for sake of risk and uncertainty. It does more than just give peace of mind. So in this paper it tried to elaborate that why should individual have to buy Life insurance and make it is as a part of their financial portfolio.

According to a study by Ibbotson Associates* (an independent firm and a leader in asset allocation research), supplementing the fixed income portion of a portfolio by adding whole life insurance potentially may improve overall portfolio performance and reduce risk.

Generally people can't buy love, but they can ensure a safer future and also take care of their loved ones.

People don't always think of insurance as a financial product. But some experts believe that adding life insurance to your overall financial portfolio, may actually improve your portfolios performance.

So in last it can be concluded that there is no doubt that everyone can be good planner by buying a right life insurance plan, at the right age and at the right premium to build a smart financial portfolio by their own.

As per the findings of the present paper, there are some suggestions which should be followed by every individual in their life:

Understand your needs: No one understands your financial situation better than you. That means you should avoid letting someone else tell you how much protection you need. Remember, you may not need an exorbitant policy — you need the policy that's right for you and your family's financial situation.

Start early: The lower the age, lower is the risk associated with the person and hence the insurer will charge lesser premium. Premium amount once decided usually remains the same throughout the policy period. Therefore, it is advisable to start a life insurance policy as early as possible.

Recognize that insurance is for protection — not investing: Term insurance provides protection only, without a savings component. Whole life and universal life policies have a savings component and are much more expensive. You are almost always better off just paying for term insurance, and using the cost savings to invest elsewhere.

Understand the Beauty of Plan: People have to understand the beauty of the life insurance products and research based key features of it. It will always give a supporting hand when all their kith and kin's will leave them.

Educate yourself about the insurance products: People are often naturally cautious of life insurance products because they cannot understand the labyrinth of policy terms, scenarios and cost structures. So it is suggested that now a days so many means (internet, seminars & conferences) are thereto educate themselves about it.

Compare similar products: When you price shop, make sure you compare similar products and their benefits

Keep it simple: Do not make your insurance planning complicated. Because it is based on protecting your family, it should be based on your needs. Don't fall for all the bells and whistles the company may try to sell to you.

Timely check the performance of the plans: Buying a plan is not a solution to avoid risk. People have to check and analysis the performance of it whether it gives return according to their requirements or not.

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