



Life Insurance Company Help The Individuals For Their Day To Day Financial Activities

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ABSTRACT: Insurance coverage can be defined as a contract in the form of a financial protection policy. This policy covers the monetary risks of an individual due to unpredictable contingencies. The insured is the policyholder whereas the insurer is the insurance-providing company/the insurance carrier/the underwriter. The insurers provide financial coverage or reimbursement in many cases to the policyholder. The policyholder pays a certain amount called 'premium' to the insurance company against which the latter provides insurance cover. The insurer assures that it shall cover the policyholder's losses subject to certain terms and conditions. Premium payment decides the assured sum for insurance coverage or 'policy limit'.

KEYWORDS: insurance, individuals, financial activities, day to day, policyholder, premium, policy limit

I.INTRODUCTION

Sometimes when you make an insurance claim, the premium amount is less than what it should be. So, in that case, you first have to pay the remaining amount and then claim the insurance money. The extra amount to be paid under such circumstances is called 'deductible'. You can pay lesser premiums and higher deductibles in an agreement with the insurer.¹

Insurance coverage has the below mentioned salient features:

- It is a kind of risk management plan to use an insurance policy as a hedge against an uncertain loss
- Insurance coverage does not mitigate the magnitude of loss one may face. It only assures that the loss is shared and distributed among multiple people
- Various clients of an insurance company pool in their risks. Hence, they pay the premiums together. So when one or a few incur a financial loss, the claimed money is given out of this accumulated fund. This makes each client bear a nominal fee
- Insurance coverage can be provided for medical expenses, vehicle damage, property loss/damage, etc. depending on the type of insurance²
- Premium, policy limit, and deductible are the main components of an insurance coverage policy. The policy buyer should check them thoroughly while buying an insurance policy

Benefits of Insurance Coverage

An insurance policy performs various functions and comes with multiple benefits. Below are some of its most fundamental advantages, along with some of the secondary and the rest are additional ones. The basic functions of insurance coverage are:



1. Provides Protection

Insurance coverage does reduce the impact of loss that one bears in perilous situations. It provides monetary reimbursement during financial crises. It not only protects the insured from financial woes but also helps in checking mental stress arising out of it.³

2. Provides Certainty

Insurance coverage provides a feeling of assurance to the policyholders. The insured pays a small portion of the income for this certainty that will help in the future. So, there is a certainty of handsome financial aid against the premium. It will protect the policy buyer when met with accidents, hazards, or any vulnerabilities.⁴

3. Risk Sharing

The very manner in which insurance policy functions makes it a cooperative scheme. An insurer would be unable to pay from one's capital. An insurance company pools in collective risks and premiums because it covers a large number of risk-exposed people. The payout to the one who claims insurance coverage is out of this fund. Thereby, all policyholders share the risk of the one who actually suffered the loss.

4. Value of Risk

Insurance policy assesses the volume of risk and also anticipates the various causes of it. It evaluates the amount for insurance coverage and the premium payment amounts on a risk value basis. It safeguards against unforeseen events and consequential loss.⁵ Above were the primary benefits of an insurance coverage policy. Apart from the above, it also has some additional benefits and secondary functions that it performs such as the ones mentioned below:

1. Capital Generation

The fund generated from the various premiums acts as a pooled investment for the insurance company. The insurers invest this lump sum into money market instruments. For instance, in stocks, mutual funds, and other productive channels. This helps in generating income and profit for the business. It guards against the loss of capital for the company.

2. Economic Growth

Insurance policies mobilize domestic savings into providing financial stability. It also directs towards loss mitigation due to damage or destruction for the insured community. It not only equivalently spreads the risks but also promotes trade and commerce by utilizing the fund.⁶

3. Saving Habits



Insurance policies help inculcate saving habits among individuals. They keep a portion of income to pay premiums that will act as a guard for unknown future predicaments. Many insurance plans come as insurance-cum-savings or insurance-cum-investment schemes. This further encourages people to save and invest.⁷

II.DISCUSSION

Types of Insurance Coverage

Insurance policies can cover up medical expenses, vehicle damage, loss in business or accidents while traveling, etc. Life Insurance and General Insurance are the two major types of insurance coverage. General Insurance can further be classified into sub-categories that clubs in various types of policies. These are:

1. Life Insurance

One can avail the life insurance in order to protect the family due to premature death or death during the tenure of the policy. It provides the family with a lump sum when the insured person meets with an untimely death. This helps the grieving family to battle with financial struggles that may occur in absence of a breadwinner.⁸

Is Term Insurance the same as Life Insurance?

Term Insurance is the most common form of life insurance where you pay the premium for the pre-decided term. If you pass away within the term period, the money you are insured of is given to the family. But it remains with the insurance company if you survive through the term policy's tenure. Unlike term plans, whole life insurance or endowment plans pay upon maturity as well if you outlive the term. Some Pension Plans, or post-retirement plans also carry insurance coverage. One is to pay the premium up to a certain time. You receive the promised amount upon maturity. The family gets the money upon the untimely death of the insured.⁹

Hence, Term Insurance is one among many types of Life Insurance plans.

What is Unit Linked Insurance Plan?

Unit Linked Insurance Plan is an investment-cum-insurance plan. The premiums provide coverage as well as they are for the purchase of units of market-linked equity, debt, and other instruments. This has the potential to provide an opportunity for wealth creation apart from the life cover provision.

Life Insurance Coverage Plans also come with tax benefits under Section 80C.

2. General Insurance

Non-life insurance policies count as general insurance policies that include insurance coverages for home, auto, education, etc. as mentioned below:¹⁰

1. Health Insurance

You can buy health insurance for yourself or for your family that may include your spouse, parents, siblings, and children. Some insurance companies have tie-ups with hospitals. So here you can use your policy number to avail of cashless services in-network hospitals. In other cases, you can claim reimbursement for hospitalization and treatments. Do check the coverage of the type of disease/illness/health issue. Also, verify what type of costs are covered.

2. Education Insurance

Education insurance can also serve as an investment scheme. You pay premiums by the time your child is 18 years of age or attains a certain age as decided by the insurance policy. You can have a lump sum with imposed regulations that you can use for a child's educational purposes and not any other. Use an education calculator to



estimate the amount you may need when the child grows up. Such calculators are often provided by insurance companies or insurance offering sites. The parent/ foster parent/legal guardian is the owner of the policy.¹¹

3. Home/Property Insurance

If man-made or natural calamities damage your valuable property then this policy can cover the financial loss and provide monetary aid. Losses due to theft, floods, or any other mishaps can be alleviated.

4. Motor/Auto/Vehicle Insurance

This is one of the mandatory policies in current times. First of all, it protects your valuable asset against road accidents or any other damage and covers the losses. Secondly, the traffic rules suggest you carry insurance papers while driving.¹²

5. Travel Insurance

You may have seen that you get an option to buy insurance for minimal costs when booking a rail or air ticket. Alternatively, you can buy travel insurance if you are a frequent flyer and especially if you travel internationally. You can claim for baggage loss, trip cancellation, or delay in flight.

Apart from the types of insurances discussed above, there are miscellaneous insurance coverage policies for furniture, goods, machines, etc. There are other types of insurance such as Fire Insurance (damage due to fire), Marine Insurance (for cargo ships), Tenant Insurance, Landlord's Insurance, and so on. Group Medical Insurance Policies often cover the employees of an organization if the latter has any.¹³

Wrapping it up:

The benefit of having insurance is that it prevents burning a hole into your pocket in unprecedented times. It gives you financial assistance for your losses and damage. The basic function of all types of insurance coverages is to provide damage control to the insured by bringing in a lot of people who pay to cover their risks. The fund is further used for capital formation through investment in the markets. This helps the insurance companies to keep running and settle/adjust the claims of the insured people. It also boosts the economy.

III.RESULTS

If you also find yourself stuck in this dilemma, read on to find out why you should invest in a health policy right away.

1. Secure your family's health

The kind of lifestyle we live and the environment, everything puts our health in danger. Also, medical expenditures are inflating at a high rate. Investing in excellent health insurance benefits you and your family by providing a cover for health-related expenditures. A lot of costs are covered in the policy, and the company bears most expenses, so you don't have to pay out of pocket.¹⁴

2. Cover against critical illnesses

Life is uncertain, and no one is always prepared to face high expenses all the time. However, having medical insurance can save you from burning a hole in your pocket and risking your finances by having you covered for critical illnesses that cost a lot for treatments.

3. Health insurance benefits for employees

Most employers provide a health insurance policy for their employees. But, not all of them cover your family and parents. Also, if you plan on changing your job, you risk losing the protection. Therefore, having a separate individual medical insurance that covers your family and parents can prove to be highly beneficial.¹⁵



4. Tax benefits:

Section 80D of the Income Tax Act 1961 lets you enjoy tax benefits for the premiums paid for health insurance. Below are some tax benefits you and your family can avail:

- If you have individual health insurance, then you can claim Rs.25,000 for you and your family (spouse and children)
- When you and your parents are below 60 years of age, you can claim a total tax deduction of Rs. 50,000
- If your family (self, spouse, and children) is below 60 years and your parents are above 60 years, the insurer offers a tax deduction of Rs.75,000
- If you, your family, and your parents are above 60 years, a tax benefit of Rs. 1,00,000 is permitted
- Members of Hindu Union Families and Non-resident individual can avail tax deduction of up to Rs. 25,000¹⁶

5. Cashless claim:

With this clause, you can enjoy cashless claim benefit for your hospitalisation term. You can present your insurance card to the hospital (one from the insurer's network), and the hospital and the insurance provider will settle the payments. You will have to be hospitalised for more than 24 hours to be able to claim the expenses.

We just discussed about the benefits of health insurance now let's understand these advantages in detail to make the most of it when in need.

1. Hospitalization expenses –

One of the biggest benefits of health insurance offered on health plans in India is that it offers cover for hospitalization expenses. It covers various aspects under this, such as accidental hospitalization, sickness related hospitalization, ICU room charges and cap-free room rent.¹⁷

2. Day-care procedures cost–

Hospitalization is not the solution in every case, at times you need day-care facility at home specially for senior citizens. That time this cover saves you from unwanted expenses.

3. Complimentary annual check-ups -

Regular health check-ups is always a good idea and when it is free it is better. With a good health insurance policy comes a complimentary regular check-up facility.¹⁸

4. Cover for psychiatric treatment –



Mental illness is serious issue, if you still don't believe it let us tell you 7.5% of the total population of India is suffering from mental illness. And to cure and take care of the patient proper medical treatment is necessary.

5. Maternity/ infertility treatment and new-born care cover –

This particular cover can be availed after completing two years of purchase of the policy. It covers expense of child delivery, required pregnancy terminations, treatment for new-born baby and infertility treatment.¹⁹

There are several insurance benefits of investing in a health insurance policy, and it is better you start investing as early as possible. This will not only help you save but will also help you protect your health better as you age.²⁰

IV.CONCLUSIONS

Key Features of Insurance

Listed below are the key features of an insurance plan that you should consider:

- I. Insurance is a tool for risk transfer.
- II. Insurance is a community solution as several people, who are exposed to the same risk, pool their funds together to bear the loss.
- III. The contract is based on the 'utmost good faith' principle unlike other business contracts.
- IV. Insurance cover does not affect the chance of loss or minimise the magnitude of loss.
- V. As a party to the insurance contract, you should always try to avoid, mitigate and minimize the losses.
- VI. You can only insure against risks which are unpredictable in occurrence and magnitude.
- VII. Speculative, financial (betting) and business risks cannot be insured.²¹

Benefits of Insurance

There are a lot of benefits of buying insurance and listed below are some of them:

1. Financial Safety for Family:

They provide cover against life's uncertainties and protect you against losses arising from different unexpected events in life.²²

2. Safety of Financial Status:

Certain events like medical emergencies can have a significant impact on your cash flow management. Insurance ensures you don't have to pay out of pocket for such situations.

3. Wealth Creation Goals:

Insurance policies like ULIPs give you investment opportunities and help you fulfil your essential financial goals.²³

4. Wealth Preservation:

Life insurance policies like endowment and moneyback plans are some of the safest long-term investments possible. These plans help you preserve your wealth from inflation and taxes for long periods.

5. Wealth Distribution:

Few investment plans offer the kind of safety offered by life insurance pension plans. After retiring at the age of 60, you can live up to 100. Only life insurance pension plans can guarantee a regular income for that period.²⁴



Must-Have Life Insurance Policies

Insurance plays an important role in our lives. Be it a life insurance policy, or a motor insurance, having insurance coverage helps us financially in different stage of our lives.

Listed below are different types of insurance coverage that one should have:

1.

Term Insurance Plan:

This is the purest form of life insurance wherein you pay a premium towards the policy, and in case of your death during the policy tenure, the nominee receives the sum assured. With term insurance, you can receive high coverage against a lower premium. iSelect Smart360 Term Plan by Canara HSBC Bank of Commerce Life Insurance offers critical illness cover against 40 listed illnesses.

2.

Health Insurance Plan:

Knowing the rising cost of healthcare and the number of diseases you can have, it is wise to have a financial cushion against health contingencies.²⁵

A health insurance plan will cover the expenses of your healthcare expenses as per the health policy that you have.

3.

Motor Insurance:

A motor insurance is mandatory for those who own a vehicle in India. It is compulsory to avail of a third-party liability motor insurance. However, you can have a comprehensive package – personal accident cover that offers coverage against the risks of damage.

4.

Home Insurance:

Your home is exposed to various kinds of risk like theft, damage due to natural calamity, etc. Hence to protect your home against such damages, you must avail of home insurance.

Such insurance plans will help you stay afloat even after a costly mishap or calamity.²⁶

Tax Benefits of Insurance

Along with providing financial security, insurance also offers tax benefits. Here are some of the tax benefits offered by insurance:

1. You can claim a life insurance premium of up to Rs 1.5 lakh under Section 80C.
2. Under Section 80D, you can claim a medical insurance premium of up to Rs 25,000 for self and family and additional Rs 25,000 for parents. The deduction limit rises to Rs 50,000 if the insured are senior citizens.
3. Under Section 10(10D), the life insurance benefits you or the nominee receives from the insurance company are tax-exempted. This means both maturity value and death benefit received from a life insurance policy will be tax-free.

However, the maturity benefit is tax-free only if your annual premium for the policy does not exceed 10% of the base life cover in the policy.²⁷



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