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Empirical Study on the Perception about Life Insurance in India

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ABSTRACT

Technically, it is not possible to ascertain the future or avoid various serious hazards events like for example, fire, disability, and premature death, and many more complicated hazards. This is where life insurance plays a major role in the life of individuals. The main functions of life insurance in its countless forms is to authorize individuals to prevent themselves against particular misfortunes by spreading the loss to the person who agreed to coordinate with each other at the time of loss incurred by making endowment to the familiar fund. Yet, In India major population does not have a life insurance.

The aim of the paper is to understand the meaning and functioning of life Insurance. It helps us in understanding why it is necessary for individuals to be insured and its relevance to the economic condition of India. The study method is an empirical study which helps us to understand the perception of general public about life insurance.

This study is especially important in these times of Covid-19 where uncertainty and risk to life are at peak in this pandemic. The knowledge about the life insurance is necessary to change the mind set of people about life insurance policies. The study focuses to learn the consumer perception about life insurance policy and the awareness about it in a practical view.

Keywords: *Insurance, Life Insurance, Empirical Study*

I. INTRODUCTION

The essence of risk and uncertainties have been prevailing in the society since the old ages. To be secured in this difficult time and have stability during the times of uncertainties is a necessity. The term Insurance in general is similar to this practice. A contract of Insurance is where a person (the insured) pays amounts of money called the premium at various specified spans called the term and the insurance company or the agent i.e. the insurer reimburses them during the times of loss.

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Life of an individual does not exist without the risks in it. At every point there exist risks like accident, fire, death, natural calamity etc. Thus, Insurance is a concept that protects a person from the uncertain events that cause dangers, loss, and risk to the some property or the individuals. Insurance cannot avoid the circumstance that causes the loss but can only assure to diminish the loss to a certain extent.

In ancient India we can find people practicing insurance by way of saving and pooling resources and then using them in the times of calamities or any unforeseen even. These acts can be traced in eminent writings of ancient history of India i.e. *Manusmrithi*, *Dharmasastra* and *Arthasastra*. During the pre-independence period two insurance companies were formed but the default was they remained partial with the Britisher's and charged high rate of premiums to the Indians. Later post-independence the Insurance sector in India improved and with the allowance of private and foreign industries gave a boom to the insurance sector in India.

The main aim of a life insurance cover is to safeguard the needs of dependents after one's uncertain, unexpected and untimely death. Furthermore, to the emotional suffering of the family members, the financial insecurity arising out of losing the primary earner can be enormous. This is the reason why most personal finance experts suggest that life insurance should be the main part of one's investment planning. While the Indian life insurance industry has witnessed a lot of transformation ever since the entry of private players, it still has a long way to go in terms of protecting the entire population of our country.

Technically, it is not possible to ascertain the future or avoid various serious hazards events like for example, fire, disability, and premature death, and many more complicated hazards. One of the main functions of life insurance in its countless forms is to authorize individuals to prevent themselves against particular misfortunes by spreading the loss to the person who agreed to coordinate with each other at the time of loss incurred by making endowment to the familiar fund.

In developing countries like India, it is a very common, systematic and desired practice to group together entire risk coverage and savings in the form of life insurance and life insurance companies.

Life Insurance may be defined as a contract between two parties where one party is called the insurer who undertakes an exchange for a fixed particular sum also known as a premium to pay the other party called as insured who helps in fixed amount of money after happening of particular events.

Insurance is just similar to playing safe in near future. In playing safe, a person helps himself from the risk, there is of losing whereas, in insurance, the insurance is always opposed to risk. Thus Insurance is said to be a contract on speculation in the case of *Carter v. Boehm Lords Mans field*.

The insurance and banking sector play a very important role in the economic development of the country contributing 7% of India's GDP. In India the laws that regulate the Insurance sector are Insurance Act, 1938, the Life Insurance Corporation Act, 1956 and General Insurance Business (Nationalisation) Act, 1972, Insurance Regulatory and Development Authority (IRDA) Act, 1999 and other related Acts.

(A) Statement of Problem

The concept of insurance is a very basic and important concept in everyone's life. It helps in mitigating risk and covering the loss that occurs due to uncertain and risky events in life. Life cannot be valued or measured yet the insurance policies are set in such a way, which will compensate for the death of the person.

The fact about insurance sector in India is that it is lowest around the globe at 2.74%. The role of life insurance is to promote social economic development. The importance of insurance and specifically life insurance has yet not penetrated in the society in India at a large scale. More than 75% of the total population of India is still uninsured.

Insurance sector is growing at the rate of 11-12% yet many people are not willing to purchase the life insurance policies. Millennials do not prefer to invest in life insurance policies.

The awareness about an adequate life insurance cover is necessary to protect the individuals and for the decrease the protection gap. The willingness, financial capacity, responsiveness remain major influences in the purchasing of life insurance policies. Therefore to understand the problem and perception of why people do not want indulge in a life insurance policy is a critical issue.

(B) Hypothesis

Life insurance is an imperative aspect for an individual and for the country socially and economically. The perception regarding its understanding and importance is recognised by several. But the indulgence in the level of life insurance remains low.

(C) RESEARCH OBJECTIVES

- Understanding the concept of Insurance and Life insurance.
- To analyze the perception about insurance among the public and its importance.

- Determining the factors affecting the life insurance and its relationship with decisions making of people.
- To recognize the reason behind the extremely less rate of insured people in India.
- Comprehend the Impact of awareness of life insurance.

(D) Research Questions

A lot of research and analysis has been done in the field of life insurance. But the aim of this empirical study is to analyze the perception of people on the topic of life insurance, to know their level of understanding and importance regarding Life Insurance. The key questions that the study attempts to cover are-

1. What is the concept of Insurance and life Insurance?
2. How is the structure of insurance sector in India?
3. How does insurance impact the life of people?
4. What is the level of awareness and importance of Insurance in public opinion?
5. What are the factors affecting the decision for purchasing a life insurance policy?

(E) Research Methodology

Secondary method of research was used to collect data in this empirical study. The use of online available resources and data was the main source of research and data collection. E-library and other legal databases were the main sources of research. Other important sources were the Journals and reports of IRDA, LIC on the aspect of Life Insurance.

(F) Methods of data Collection

Data was collected through secondary sources using a survey questionnaire. Due to covid-19 situation primary data through interviews could not be collected. Google form was used a tool to collect the data and responses.

(G) Scope and Limitation of Study

Life Insurance is an important concept in the life of every individual. To know its value in public opinion was necessary. I have tried our best to collect the most recent data and information from credible authors and writers for writing this Empirical study. Though I did face challenges in collecting authentic information, due to the unavailability of printed books, also primary data collection was not possible and less number of responses were collected through google forms due to the current covid-19 scenario. As a result of which had to depend a lot information and articles available online and on the limited number of responses received. Despite that, I have tried my best to collect the information and data from the most credible

sources.

(H) Significance of the Study

This study will help us gain an insight on the topic of insurance. It will provide a detailed study on the subject of Life Insurance. The study focuses to learn the consumer perception about life insurance policy and the awareness about it in a practical view.

(I) Review of Literature

1. In the book “**Murthy -Modern Law of Insurance in India**” By **KSN Murthy and KVS Varma** chapter 12 is about the Nature and scope of Life Insurance. This chapter elaborates the finest details about life insurance. It explains the term life insurance, how is it different from other insurances, its types, its working i.e. how the policy works, formation of the insurance contract between the parties, and all other necessary concepts to understand the basics of life insurance policy.

To understand more about the working and the extent of life insurance policy Ch.13 helps in understanding the extent to which the insured will be protected and risk will be mitigated. It is based on the maxim “*ex turpi causa non oritur action*” which says that no cause can be wrong but emphasizes on the exceptions to the maxim i.e. suicide and violation of criminal law which resulted in death. Thus, the book is extremely important to understand the basics of life insurance, its nature, scope and its functioning.

2. To understand the insurance system in the country it was necessary to understand the foremost report regarding the Insurance sector in India i.e. ‘**The Malhotra Committee Report**’ by former Finance Secretary and Reserve Bank of India (RBI) **Governor R.N.Malhotra**. The committee was set up to assess the insurance sector prevailing at that time in India. The role of the committee was to examine the structure of the sector, its strengths and weakness, its objectivity and efficiency in providing services to the public. The committee after scrutinizing the system, it suggested various reforms and recommendations governing the structure of Insurance keeping in mind the future of the country. The report was extremely important as it changed the shape and structure of the Insurance system in India. Through its recommendations changes like entry of private companies in the field of Insurance, allowance of foreign investment in the sector, setting up of IRDA which will play the role of regulating agency of insurance, speeding up the process of settling claims along with necessary changes in risk management and underwriting. In short the committee enforced changes in the structure, competition, regulatory bodies, investments, customer service in the Insurance sector which will enhance the working in future times.

3. The paper ‘**A Study on Structure of Insurance Sector in India**’ by **R.Vijaya Naik** talks about the structure of Insurance sector in India. It explains the basic of insurance, its meaning, types, and importance. The paper focuses on Life insurance in India. It tries to explain and analyses the concept of Life Insurance overall and in India. The paper explains that insurance is a way of protection from uncertain loss that might occur. In explaining the working of the insurance, in insurance policy the protection or benefitting or making good the loss is through claiming the Insurance claim on which the premiums have been paid. While evaluating the life insurance market and the working of life insurance policies the author observed that the claims in life insurance are not fulfilled due to small glitches in the steps to be done by the policy holder. This is a major drawback in the insurance sector. The insurance aims to share the loss and the risk that the insured will be facing and thus suggesting some reforms the sector of life insurance in India.

4. G.Suganya the author of the paper ‘**A Study on Assessing Insurance Awareness in India**’ focuses the study to understand the awareness of insurance in the paper and the importance of awareness about insurance in India.

The paper explains the concept and evolution of insurance sector in India. It also evaluates the market of insurance, private sector and the public sector companies in Insurance. It also contains a figure depicting the growth of premiums paid in Life Insurance in India. Through the graphs the author comprehends that the even though trend of life insurance had risen but fallen again, the number of uninsured people are on the majority. The awareness of life insurance and its meaning is prevailing in 60% of the uninsured people also.

The paper also analyses the other aspects of insurance also, like the factors which affect the purchasing the insurance policy like age, income, affordability etc, the premiums, the claims and the right and duty to pay the same. The consequences of non-payment of premiums are under estimated by the policy holder and cancellation of the insurance policy due to the same is unknown to most of the people.

5. “MN Srinivasan & K Kannan Principles of Insurance Law, 10 ed” in the chapter 2.3 ‘Life Insurance and non-life insurance business’ explains the market and business of life insurance and non- life insurances in India. It was necessary to understand the scope of life insurance and also its comparison in terms of growth and market with other types of insurances. The market for life insurance had doubled in the financial 2016-17 yet LIC remains the major shareholder for up to 70.04% share market holding in terms of life insurance. The general insurance sector has six public sector holdings while in Life insurance LIC is the only public

undertaking and is very important in the life insurance market in India. To understand the perception of people it is necessary to also understand the market of insurance and life insurance specifically.

6. The paper “**Customer Preferences in Life Insurance Industry in India**” by Dr. Sunanya Khurana revealed the customer preferences about the insurance sector by a survey conducted in the city of Hissar. The objective of the study was to know the factors influencing the purchasing of the insurance, the preferences of customers in terms of kind, plans, the investment sector, the objective and motivation to buy an insurance plan. The study showed different aspects like the respondents choice were favoring the public sector policy of LIC in comparison to private companies like HDFC, SBI, ICICI prudential etc. The money back policy was an inclination than ULIP’S.

7. “**An Empirical Analysis Of Life Insurance Industry In India**” By Harpreet Singh Bedi And Dr. Preeti Singh. This paper gives us an insight into the Insurance industry in India. The authors critically analyze the performance of the life insurance sector pre and post-independence. They highlight the reforms and changes brought in the sector. With challenges and difficulties faced, they have analyzed the growth of life insurance companies with liberalization, privatization and globalization playing a major role.

II. THEORETICAL FRAMEWORK

(A) Meaning and Importance of Insurance-

To live is to be uncertain and all humans being living endeavor some kind of risk. All the forces surrounding us are uncertain and risky. There exist difference between the terms risk and uncertainty even though they have been used interchangeably and are considered familiar. Any outcome that has a possibility of a potential loss can be termed risk. Whereas uncertainty is a component of risk. It is the uncertain outcome that will bring along the risk with it. It is necessary to be secure, to be stable and to face the uncertainties without any problems. Thus risk management is an essential aspect in the things that possess risk, be it life, organization, vehicle, any process. The meaning of risk management is that it identifies the risk at an earlier stage and then steps are taken accordingly to minimize the loss. Risk management involves understanding the risk and forming strategies, techniques to prevent the loss from the possibility of the risk. Insurance is a not kind of risk management, but it’s a kind of risk financing tool whereby the organizations foresees the risks and finances the loss in the times event that can hinder the with potential of an organization or a person or any other object and for which an insurance claim may be submitted to compensate with loss that occurred Though

the contract of insurance called the Insurance Policy. Insurance Policy is a contract between two parties where by one party agrees to make good the loss of other in return of some amount paid by the first party. Insured is the person who buys the insurance policy for safe guarding the risk he wants secure by paying insurance premium amounts, the Insurer is the organization or the person who shares the risk. During the time of the loss the insured claim the loss and the insured after Insurance is a type of Indemnity contract. It is not a wagering contract and it is also different from guarantee. These contracts shall not violate any provisions of the Indian Contracts Act 1872 and shall be in according to the prevailing and governing laws.

The contract of insurance to be executed is carried out on certain principles. These principles of insurance are

1. Principle of Utmost good faith
2. Principle of Insurable interest
3. Principle of Indemnity
4. Principle of Subrogation
5. Principle of Contribution
6. Principle of Proximate cause
7. Principle of Loss of Minimization

It is necessary that these principles are understood and taken into due consideration while entering into a contract of insurance. Without these principles being adhered to, the contract of insurance may be considered null, void and invalid according to the facts and circumstances.

(B) Evolution of Insurance sector in India-

Even though we can trace the practice of Insurance since Ancient India. Insurance in trade and business activities was evolved through marine trade loans and carrier contracts. Much later in the year 1818 “The Oriental Life Insurance Company” was established in Calcutta which marked the commencement of the insurance business in India. But the company did not function properly and faced huge criticism from the citizens. This is because high cost premiums were charged to Indians unlike to the British residents. In 1823 Bombay Life Assurance Company was established and in 1829, Madras Equitable Assurance Company was established in Madras. The discriminated heavy premiums charged by The Oriental Life Insurance Company were not practiced by the Bombay Life Assurance Company. After the enactment of the British Insurance Act in 1870 and during the last the decades of the 19Th century a lot of British insurance offices were set up in India. These offices gave a tough

competition to the Indian offices as they were making good profits in comparison to the Indian companies.

In 1912, the first statutory law related to Insurance was passed in India, called the Indian Life Insurance Companies Act. The act was enacted to regulate the unregulated insurance sector in India. It was compulsory for the company's and premiums to be verified and confirmed by the authorized person called the actuary. It aimed to structure the sector. The scope of insurance increased and there was a need to regulate the life insurance as well as the general insurance. Thus the act of 1938 was passed which covered both the aspects, secured the public interest. The business in the economic sector boomed as thus the acts as also aimed control the activities of the insurers. During the independence period and the drafting of the constitution Insurance is added to the concurrent list in the Seventh schedule in the Constitution of India.

After observing the unfair trade practices in the business the 'The Insurance Amendment Act of 1950' was legislated. It also abolished Principal Agencies. In 1956, the government nationalized the Life Insurance business through the Life Insurance Corporation. This nationalization was demanded and indeed the need of the hour. By nationalizing the life insurance business the general insurance was also later nationalized in 1972. The General Insurance Business (Nationalization) Act enforced on 1st January 1973, nationalized the general insurance business. The act incorporated 107 companies in 4 companies.

Major changes occurred in the 1990's when Malhotra committee gave recommendations according to which the insurance sector could be operated by the Private sector and the Insurance Regulatory and Development Authority of India (IRDAI) was set up. The IRDAI is authorized governing body for the insurance sector.

(C) Structure of Insurance Sector in India

The evolution of the Insurance sector in India clarifies that there exists two main branches of Insurance in India, The Life Insurance governed by the Life Insurance Corporation and The General Insurance governed by the General Insurance Corporation of India (GIC Re) both are governed by Insurance Regulatory and Development Authority of India. The General insurance is a type of insurance that will include all types of insurance other than of Life Insurance. Motor, fire, home, marine, health, travel, accident etc. will be examples of General Insurance.

The different types of insurance provide coverage to various type of subject matters. The life insurance is strictly limited to the life of individuals. The general insurance will cover all the objects in co-relation to the life of the human being, like the health, travel, vehicles, industrial

equipment's, marine, gadgets, pets, and lots of other things.

(D) Life Insurance in India

Meaning and nature of Life Insurance-

Life Insurance Policy is contract wherein a person having an insurable interest in the life of someone or themselves, secure certain amount in the name and on the life of the person getting insured. On happening of certain event against the insured the amount is paid by the insurer to the nominee of the insured person. This concept of Life insurance is to keep the family secure of the insured person in circumstances of unfortunate death.

The insured person or the policy holder is required to pay premium amounts to the organization or the insurer which will be paid at times like, the end of the policy, a specified date in the policy or at the death of the insured person. It is a way through which the loss of life is compensated by the policy amount in the contract.

The term life insurance is understood, explained and interpreted by many. In the case *Joseph Vs Law Integrity Insurance Company (1912)* life insurance was defined as "A contract of life Insurance may further be defined to be that in which one party agrees to pay a given sum of money upon the happening of a particular event contingent upon the duration of human life in consideration of immediate payment of a smaller sum or other equivalent periodical payment by the other."

"Life insurance is a contract to pay a certain sum of money on the death of a person in consideration of the due payment of a certain annuity for his life calculated according to the probable duration of life. This case remains an important case in concept of life insurance as it was held that the contract of life insurance is not an indemnity contract. As in this contract the sum of amount i.e. the claim will be paid irrespective of happening of a loss or not. Thus it depends on the contingency of the event. The insurer has to pay the amount fixed in the insurance policy and no valuation of the life lost is done.

Life insurance policy can be said to be subjected on the life of certain persons(s), where in the beneficiary receives a lump sum amount mentioned in the policy on the maturity date mentioned in the policy or on the death of the assured person. It is implied that sum is payable on the death of the insured person.

The most important aspect in a life insurance is **the insurable interest**. Insurable interest in case of Life insurance contracts will mean having interest or a specified relationship with the subject matter of insurance. Without an insurable interest the contract of insurance in any case

will be held invalid, unenforceable or even void. In India, there is no specific definition of the term Insurable interest, but in general it means there should exist a relation between the insured person and the policy holder. There should exist an interest in the life of the person insured and it should be more than a monetary and beneficiary relationship. There cannot exist a life insurance policy without an insurable interest in the subject matter.

In life insurance two types of relations can be considered for having insurable interest in each other. The first is the **blood relation** and the second is **Contractual or Pecuniary relationship**. The blood relations will include one's own life, husband wife relation and parent-child relation. In case of one's own life, having interest in one's own life is very obvious and necessary. The sum of the policy can be received by the insured after the term specified in the policy or by the beneficiary after the death. In *Reed v. Royal Exchange Assurance Company* it was held that in case of a relation between husband and wife it was not required for an insurable interest to be proved as it is their interpersonal duty to be supportive, and as the wife is dependent on the husband there exist insurable interest. Thus it is assumed that the relation between husband and wife have insurable interest in each other. In case of parent and child, the presence of sentiments, love and affection are enough to presume the insurable interest in each other. Dependency is also a factor in insurable interest between a parent and child.

In case of contractual relationships, these will include pecuniary interested relationships such as debtor-creditor, partner-copartner, principal-agent, employer-employee, trust and co-trustee etc. These relations have obligation over each other in monetary and moral values. All these relations including relations by love and affection, by financial relationship, by statute and by courts are said to have insurable interest.

Another essential feature of the Life insurance contract is that it is **not a contract of indemnity**. It cannot be said a contract of indemnity because unlike in the cases of general insurances where the insurer indemnifies the assured a sum of money upon the loss or damage on happening of an event. In case of life insurance there is no indemnification, just a specified amount is to be paid on the death of the insured to its nominee or the beneficiary. It is to secure and save certain amount in case of death of the insured person, for the family or the beneficiaries of the insured.

The nature of Life insurance contract can be understood in the following points:

The contract of insurance and specially the contract of life insurance is a **unilateral contract**. The reason being the contracts being unilateral i.e. Enforceable promises are made by one

party only. Here the insurer is legally liable to pay the insured amount on the happening of the event when the contract is continued and premiums are paid by the insured at appropriate times. Thus life insurance policy is a one way contract where the promise made by the insurer is legally enforceable.

The life insurance policy is a **contract of utmost good faith**. In every insurance as utmost good faith is essential. It is similar in the life insurance. The person getting the insurance and the insurer is bound to tell all material facts to the other party which will have an effect on the policy of life insurance. The contract is made of good faith, trusting and believing the other party.

Even though it is a unilateral contract it is also a **Conditional contract**. Every insurance policy has some terms and conditions along with it. It is necessary that these conditions are fulfilled whether preceding or subsequently the enforcement of the contract. Then only the insurance contract can be fulfilled and the claim will be settled.

Aleatory Contract is a contract where the parties do not contribute equal amounts towards the act. The same is the case with life insurance policy where by the insured is required to pay premium amounts and the insurer is to pay the claim or the policy amount on the date or on the death of the person. The claim is to be paid in full amount in the unfortunate event of death even if the term is not completed or the number of premiums are remaining. Thus the nature of life insurance contract and policies are aleatory.

The life insurance policy is such where the insurer decides the policy amount and the amount of premiums to be paid according to the requirements, conditions and feasibility of the policy holder. But, as there are not much negotiations in the terms and conditions, the working of the policy the insured can only accept or reject the offer of the insurer. Thus life insurance is also a contract of Adhesion. Adhesion in general term means 'to adhere to'. In contract where the terms and conditions are majorly decided by one party.

(E) Types of life insurance policies

Life insurance policies can be categorized into traditional life insurance policies and non-traditional life insurance policies. Following are types of life insurance covers:

- **Term insurance:** Since there is no maturity benefit connected with the term insurance, it is always considered to be the most purest and solid form of life insurance coverage. This policy pays particular fixed sum of amount benefit to the insured's dependents upon his/her untimely death during the policy term. If the insured survives more than expected the policy term, the coverage will cancel without any maturity benefits.

- **Unit-linked insurance plans (ULIPs):** This is a not a traditional life insurance cover offered by insurers or the people who takes up the insurance. This policy is associated to the market and maturity benefits that are based on the policy's collection and gaining power amount in the market. Customers are always and forever free to choose the type of funds based on their risk hunger.

- **Endowment plans:** These plans have insurance protection along with the life insurance policies with the aspect of savings in life. One of the remarkable aspects of endowment policies is that they provide pledge able returns, not like ULIPs.

- **Whole-life insurance:** This is a traditional plan wherein the life insurance coverage is offered throughout the entire life which is maximum of hundred years of the insured person, that is, the person who takes up the insurance. Furthermore, the death of the insured, his/her dependents will get the benefit amount. The premium payment period is fixed at a specific and particular number of years for this policy.

- **Child insurance plan:** This policy is mainly designed to secure the future educational/marriage needs of a child of a primary earner and his family members. A parent can take this policy to protect his/her child's future. If the parent dies during the policy term, the future premiums are surrendered and the child gets the maturity benefit of the policy at the end of the policy term.

- **Retirement plans:** These plans are popular among career-oriented individuals or when there is more than one primary earner. It also allows individuals and group of people to build aggregated plan for their retirement and secure their post-retirement needs. People also underwrite in pension plans to get regular income after their retirement.

(F) How life insurance works

Life insurance is basically a contract between two parties an insurance company who provides insurance to the individuals and an individual wherein the company promises the payment of compensation to the insured's dependents in case of his/her untimely death within the predetermined policy term as promised before with the investigation process. There are different types of life insurance products available in the market. All life insurance covers pay a particular fixed amount of money to the death benefit following the unexpected and uncertain death of the policyholder within the policy term. Savings and the investment-oriented life insurance policies may also assemble the additional rewards or the gratuity during the course of the policy term.

(G) How life insurance can protect your family?

Most of the time, the kinship group and the families in India have only one primary earner and is mostly the male person. The unexpected loss of the primary earner mostly has disastrous conclusions in relation to family's financial security. Undergoing a major financial crunch along with the emotional burden can also result in major abrasion for the family and also for the primary earner. Life insurance also aims to be steered clear of this circumstances by protecting the life of the insured person against unexpected consequences. The family of the insured person can manage their future expenses with the lump sum payment received from the company. Hence, life insurance can safeguard a family from a critical situation associated with the loss of a primary earner.

In the instances of life insurance policies, the principle of indemnity would not apply. It is to be understood that the value of human life cannot be determined; the principle of indemnity would not be applicable as it is not feasible to quantify the losses accustomed in any manner. Life insurance policies are permanently ascertained benefit policies. When a claim is raised, the definite sum assured gets remunerated out irrespective of supplementary existing policies of the insured.

Therefore, in the case of life insurance, if you have several plans, all of them would reimburse a claim separately to the nominees enlisted in every policy. Health insurance plans that tender rewards for maintaining excellent health habitually have their personal mobile apps. In the case of United India Insurance Co., It was held that the goods were smashed during transit, and the insurer was responsible in accordance of the insurance contract.

The principle of indemnity would not be applicable in the case of life insurance because under life insurance, the insurer is obliged to pay the fixed amount decided upon in advance in the occasion of demise or on the expiration of the period of the policy. The rationale is that the life of an individual cannot be treasured in terms of money and therefore the question of compensation of real loss does not arise. Therefore, a contract of life insurance is a contingent contract or a contract of guarantee. Life of a human is not a product with a precise value where reduction slabs can be introduced and technicalities can be made to reconcile claims on indemnity basis.

This is the cause that life insurance contracts cannot be ascertained on indemnity basis. No one can estimate a value to the life of a human who is valuable more than anything to relatives and friends. But does that signify that the insurance policies like individual accident and life insurance do not adheres to the principle of indemnity? Well, it may not justify it completely but perceptibly does partly as the sum insured that can be opted under these policies will be

associated to the profits of the policyholder and will be what is measured enough to fetch back the family out of financial distress in occasion of demise of the earning member of the family.

The sum insured that can be selected under a life or personal accident insurance policy will be usually up to 20 times the yearly returns of the policyholder that is an indirect method to apply and chase indemnity principle. Life insurance works of the individual life value concept that is equal to current value of all forthcoming earnings an individual can make for his family in life.

(H) Benefits of life insurance

Death and maturity benefits are the most obvious and the most important benefits of life insurance covers. Nevertheless, there are many other benefits that are offered by life insurance policies along with these two. The benefits offered by life insurance covers are mentioned as follows:

- **Death benefit:** Death Benefit is like fixed sum and the fixed amount that is received paid by the insured's family members. It is basically the amount self-reliantly chosen by the policyholder at the time of signing up for the policy.

- **Maturity benefit:** Maturity Benefit refers to the amount got by the policyholder if he/she survives more than the chosen policy term. There are no maturity benefits in term covers. Nevertheless, various covers like endowment plans, ULIPs, retirement plans, and many more offers maturity benefits for policyholders. Maturity benefits basically also have bonus payments that are provided by the company.

- **Loan facility:** Loan Facility is not applicable to term insurance counterbalance. Various investment oriented plans also provides loan facility till the extent of the submitted benefit of the policy. Individuals also have an ability to choose to repay the loan amount or use their piled up policy benefits to pay off the loan.

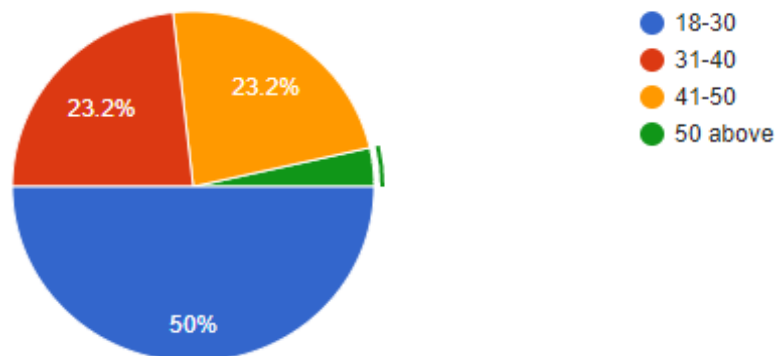
- **Tax benefit:** The premium amount paid for a life insurance policy is exempt from income tax according to the Section 80C of Income Tax Act. This tax benefit is an added superiority available for all life insurance buyers.

III. DATA ANALYSIS

The google form circulated for the collection of data had various questions related to Life insurance. It was framed in a way to understand the perception of people regarding life insurance policies. Following section will analyze the responses of the questions in the google form.

Age Group

56 responses



The survey was circulated to various people and got responses from 56 people. The age group was divided into specific groups. 50% responses were received from people within age group of 18-30 age. 23.2% were from both the groups 31-40 and 41-50 age. Other 5% were people of age above 50.

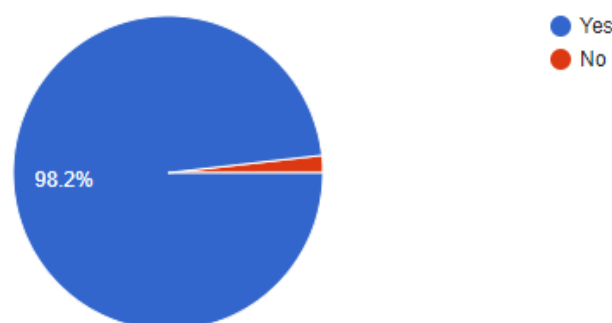
It is necessary to know the age groups to understand the responses and the perception for knowing the various factors and response related to life insurance. To know, understand insurance depends on the age group.

Insurance specifically to life insurance policies will depend hugely on the age group of people as premiums to be paid, the settlement claim. The settlement claim will be depending on the age and the medical qualifying examinations.

Thus when a person has to buy insurance the age group of the person and the knowledge of the person of insurance is extremely important.

Do you know what life insurance is?

56 responses

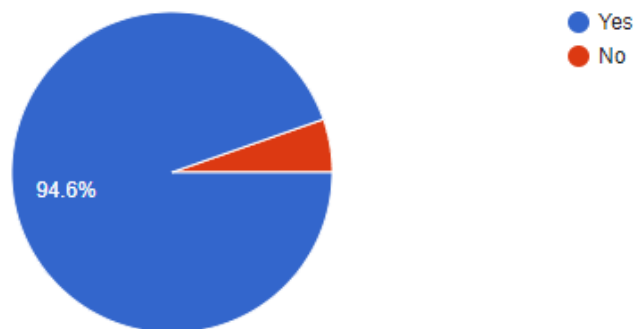


The most important and basic question is to know whether people know what life Insurance is.

98.2% people knew what life insurance is while a very small minority did not know the meaning of life Insurance. Thus a majority people do understand the meaning of life insurance. The awareness about life insurance is essential. Life insurance is a way of providing stability to the family after the death of the insured. The way a life insurance works is like a contract.

Do you think life insurance is necessary ?

56 responses



Being aware about the concept of life insurance isn't enough, to know the importance of it is necessary. A majority of the people around 94.6% are familiar with the significance of life insurance. While the other 5.4% of the people of the responses should also understand the relevancy and necessity of life insurance in life.

Life insurance is essential to life. It provides protection to a husband, a wife and child. It ensures that in event of any unforeseen death of a person the family behind does not suffer and live stable without suffering on the claimant amount.

In a Survey conducted by IRDA about the awareness of life insurance it was discovered that the relevancy about insurance was more in the insured people than the uninsured. This brought an effect that the majorly insured knew the benefits of insurance and were in favor of them while the uninsured were unaware about the benefits and did not find the relevant.

Life insurance is necessary because it has various advantages, short term as well as long term. It is helpful for the individuals and it families. Insurance plays an important role in the development also. Life insurance can be a way of saving for the future, a way of living life in future by investing now or an escape through social problems. When some accident, calamity or any dreadful injury happens the life insurance policy will help the family and the insured person in difficult times monetarily.

It must be noted that unlike other insurances the loss here cannot be valued monetarily yet the amount is received by the beneficiary or the nominee or the individual as the case maybe.

If no, why?

4 responses

There is nothing called security in life

Since I'm not aware of what life insurance is, I'm sure it's not necessary. Because if it was necessary it should be made known to everyone in whatever field they're studying.

Other investments have better return.

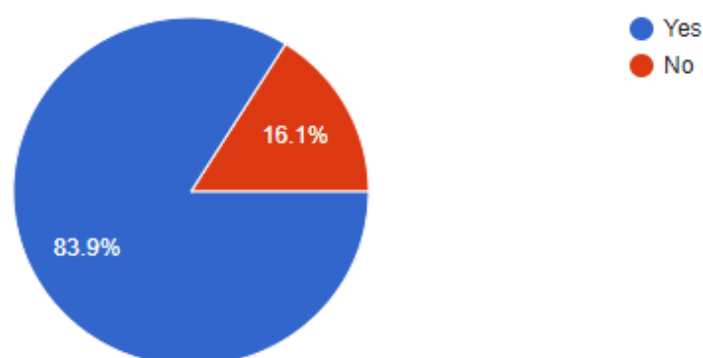
To save family for financial issue

In response to the question why do you think life insurance policy is not necessary, the 4% people have given their views. These people have different perception about life insurance policy as related to security, savings, and investments. The reasons for not considering it essential and significant can be less knowledge and right awareness about life insurance.

The reason of other investment should be studied in detail and understood according to the working of the insurance contract. As in life insurance it's just not about compensating the loss it's about giving support to the insured in cases of term policy or claims that will be useful during his lifetime or will provide lump sum security to the family member. It will not force the dependent family member to be in an economically difficult position in life due to the death of the person.

Do you have life insurance?

56 responses



Knowing about the life insurance and its importance is different than having a life insurance policy. Even though a person might know and understand the importance of life insurance policy it is not necessary that the person will have a life insurance policy may it be for himself

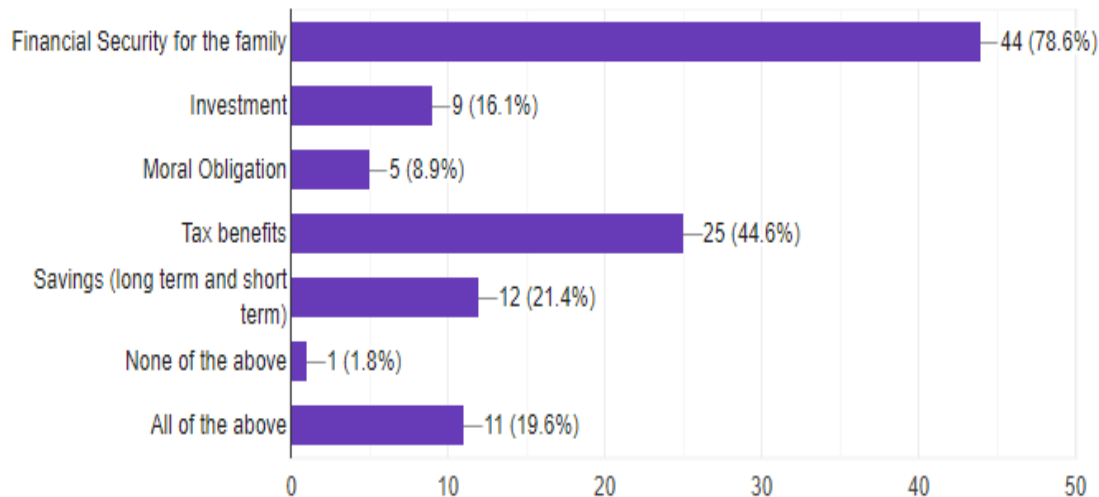
or a person who he has an insurable interest in.

The above chart depicts that almost 84% of the people have life insurance policy while the other 16 percent do not. There are a lot of factors affecting and influencing while purchasing a life insurance policy. These factors include age, financial capacity, returns, and also some other factors like friends, family, work place and agents play a major role in impelling the decision of purchasing a life insurance policy.

According to government analysis and data it is seen that a majority of Indians do not have life Insurance policy. It is said that more than 75% of the people i.e. more than 100 crore people do not have life insurance policy. This should be an alarming stage where the efforts are taken to increase the awareness and importance of life insurance policy. Different steps, schemes should be promoted to increase the number of insured people. If the number of insured people increase it will benefit mutually to the people and companies and thus will indirectly also affect the economy of the country.

According to you what are the reasons for Purchasing a life insurance policy?

56 responses



When purchasing a life insurance, there are a lot of factors and reasons due to which a person feels appropriate to purchase a life insurance policy. As life insurance policy has the basic concept of providing security and stability to the family, majority of people also consider it as one of the major reasons to buy a life insurance policy. Around 44 people out of 56 (76%) in my survey responses think financial security for the family, it is necessary to purchase a life insurance policy. As if someone is a dependent that person will have to suffer in case of any unfortunate death of the earning member of the family.

The other major reason of purchasing a life insurance policy are the tax benefits that come along with the life insurance policy. According to Income tax Act the amount paid towards the payment of premium is eligible for tax deduction up to maximum of Rs. 1, 50,000 or up to 10% of the sum assured.

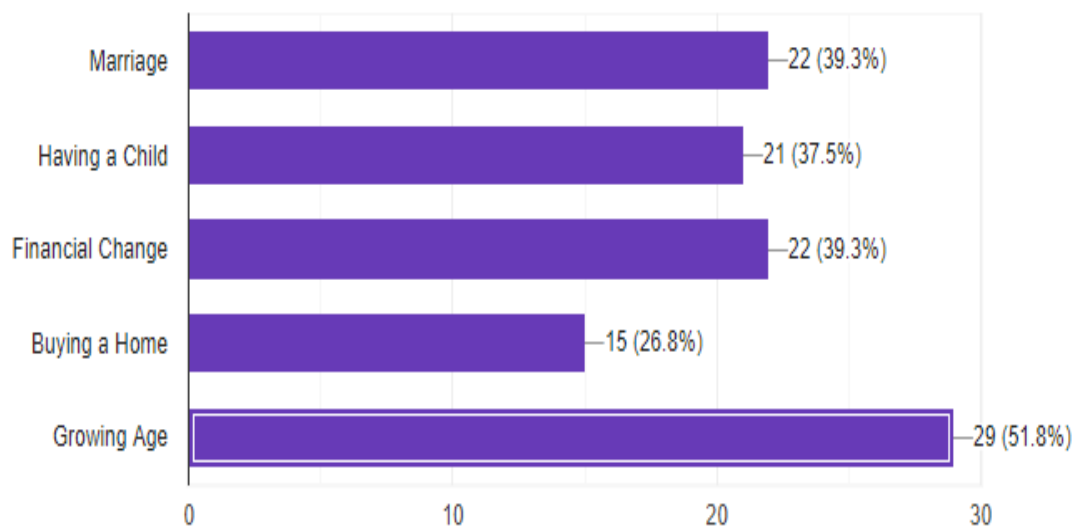
While other major reasons according to 21.4% people to buy a life insurance policy are savings which will include long term and short term. Life insurance as a saving is a general concept as the amount of premiums you pay are considered savings. The claim amount received will be according to the policy term thus will be short term or long term according to the plain.

16% of the responses buy a life insurance policy as an investment and other 5 people i.e. 8.9% people buy a life insurance policy due to moral obligations. Moral obligations are the responsibility over the family members so that in case of uncertain events the family stays safe and secured.

Only 1.8% of the responses do not consider these reasons for purchasing a life insurance policy while 19.6% people consider the mentioned reasons for purchasing a life insurance policy.

What life events would influence your decision of purchasing a life insurance?

56 responses



To decide when and according to what situation one must buy a life insurance policy is extremely important. Growing age is considered to be the most influencing factor to purchase a life insurance policy. 51.8% people think that with growing age it is necessary to secure life as life becomes uncertain at every moment. With growing age life changes, the fitness level of the body and mind also keep on changing thus it becomes necessary to subscribe to life

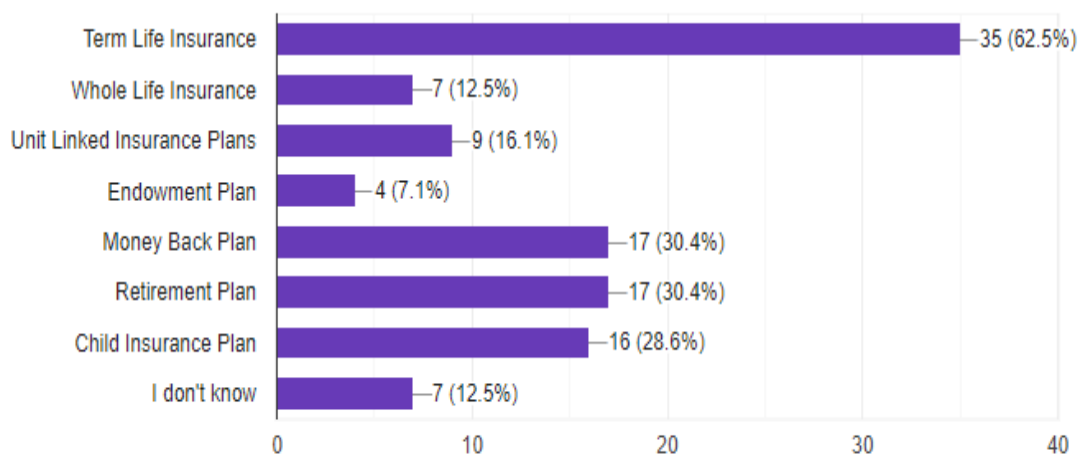
insurance policy.

According to the survey marriage and financial change are the second most important factors at 39.3%, that influence or effect the life insurance purchase decision making. Marriage is a stage in life where a person starts a new family. Thus to keep that family secured in all circumstances life insurance policy plays a significant role. Whether the other family members are dependent or not, the insurance amount helps to keep them in a better position financially. Financial changes are very important that affluences the purchasing power of the policy holder or a new buyer. The person will look at his/her financial capacity while purchasing a life insurance policy. The financial capacity will decide the type of policy, the amount of premiums, and thus affects the decision making.

Having a child and to make the life of the child secure is essential according to 37.5%. As the child is dependent on the parents, and if any uncertain event happens the amount will help the in the future of the life. Buying a home requires huge amount of investment and money, thus it will affect the decision of purchasing a life insurance policy. Here 26.8% people feel that buying a home will influence the life insurance paper.

What kind of life insurance policy do you have or would you prefer?

56 responses



The different type of life insurance policies are explained in the framework. A majority of 62.5% of the people prefer term life insurance where they can get the money back in terms according to the policy or if death occurs at any time in that period of time, then the insurer will give the settlement claim amount to the nominee.

Money back plan and retirement plan both are favored at 30.4%. Life insurance as an

investment or savings plays a role in such types of life insurance policies. In retirement plan wherein you pay the premium amounts and on retirement you get the amount of the claim. Money back policy also works in a manner wherein survival issues won't be there. The settlement amount will be received back in terms during a span of years.

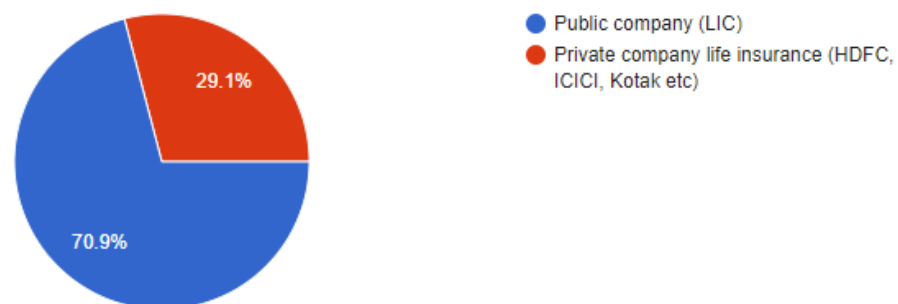
Child insurance plan is preferred by 28.6% around 16 people in my survey. As 37% people responded having a child would influence their decision of having a life insurance policy, it is an important aspect to secure the life of the child. Child insurance policy is mainly designed to secure the future educational/marriage needs of a child of a primary earner and his family members.

The other insurances preferred are ULIP at 16%, whole term life insurance plan at 12% and 7% person people prefer endowment policies. All these policies have their advantages and different ways of working.

Some people also dint know about what kind of policy to choose or were either unaware about the different types of policies.

Which life insurance market would you prefer

55 responses



To choose the right policy from the right agent/ company is really important. The insurance market in India is dominated by the public sector holding company LIC. LIC was incorporated in the year 1956 and was holding a monopoly till 1999, after which privatization of life insurance was permitted by the government. There are 23 private companies that hold almost 28% shareholding in life insurance and LIC holds the majority stake of 73%.

Here in the survey also people tend to choose LIC over private companies. 70.9% chose LIC and 29.1% chose private companies life insurance policies.

If you do not have or do not favour a life insurance policy, your reason for not taking a life insurance policy?

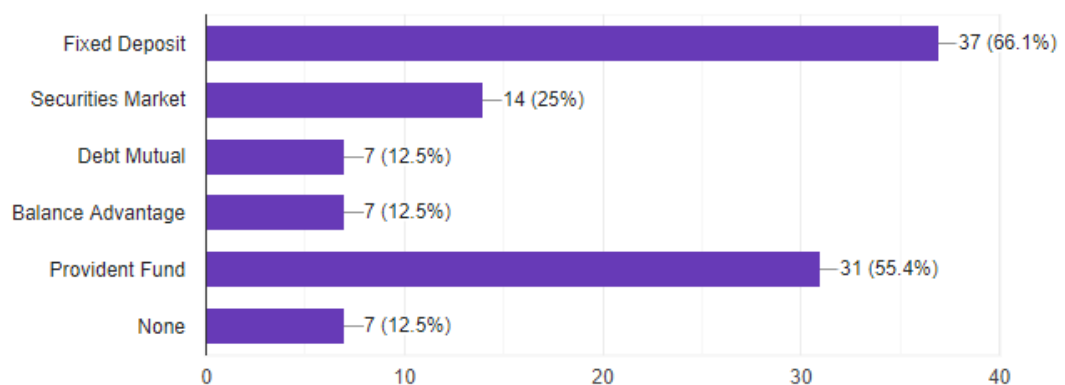
5 responses

Na
Bajaj
No
Actually not aware about it's benefits so didn't buy any.
Other investments offer better and guaranteed return however many life insurance policies come with hidden clauses and don't take into account inflation.

16.1% people said they do not have a life insurance policy but the responses received for not favoring a life insurance policy were not appropriate. One of the reasons of not investing in a life insurance policy are better returns in other investments which do consider inflation rate for returns while life insurance policy does not.

If you would not take a life insurance policy what would be the alternative for it?

56 responses



Life insurance as a way of security and stability is also a method of savings and investment. People who intend to invest also prefer different modes and alternatives of investments. So this question intended to know the alternative of life insurance, as many people think that it is better to invest in other things than life insurance policy.

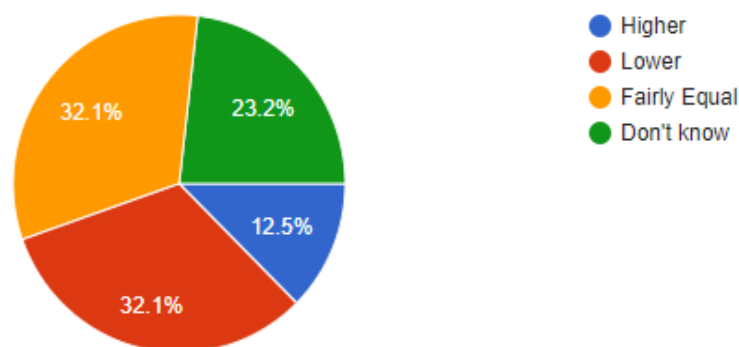
66.1 % people prefer to invest in fixed deposit. The reason behind this might be that the functioning of life insurance and fixed deposit is nearly similar. You pay premiums and installments respectively and receive lump sum amount at the end of the term. As the returns in FD are fixed in the starting and other investment including some kind of life insurance plans

returns are subject to market conditions, people tend to prefer FD's more than other investments.

Other majority of the people preferred provident fund. 55.41%, i.e. 31 people chose provident fund as their alternative to life insurance. Provident fund is a kind of saving from the amount you earn which can be short term or long term saving. These are the amount intended to be saved and used after retirement. Like life insurance scheme, PF also gives benefit in tax saving. Debt mutual and balance advantage both were chosen by 12.5% people. There were also people who did not want to select either or neither of the alternatives against a life insurance.

How do you think are returns in life insurance in comparison to other investments?

56 responses



If people have other alternative or chose other alternatives over life insurance policy, it was eminent to ascertain that whether returns in other investments are higher or lower according to the awareness level of people.

Majority of people have experience that the returns in other investments are lower or fairly equal than the returns in life insurance. Both groups have 32.1% votes. While only 12.5% felt that the returns in other investments are higher than Life insurance. At the same time 23.2% were unaware of the comparative returns.

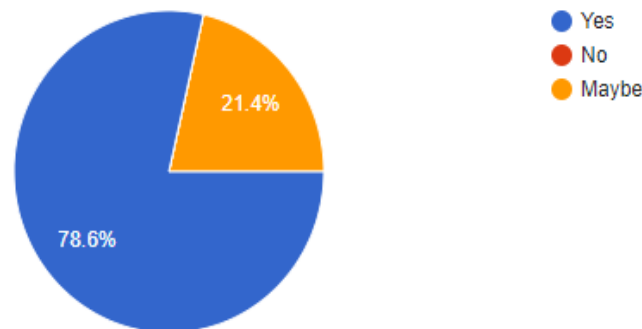
Returns in all kinds of investments vary from time to time and market conditions. All kinds of investments are different, it depends when do you chose which kind of investment. It also depends on the purpose one intends to invest money. The goals might be short term saving, long tern saving, retirement plans, securities investment.

The returns on investment also depend of the amount of risk you are ready to carry. A person may be ready to take high risk in the securities market and receive high returns at the same time some might invest in fixed deposit at the time where the return rates are high and get the

same returns with low risk. So, there are several factors determining the returns in different investments.

Do you think a pandemic like Coronavirus Pandemic has increased the importance of Life Insurance Policy?

56 responses



The happening of such a huge and dangerous pandemic is itself life changing. The fear of catching the disease of Covid-19, the fear of losing your closed ones has caught everyone's mind. It has been recently reported that there has been 18% growth in life insurance sector in the financial 2020. Millennials became more inclined towards life insurance policies. There has been a mental revolution from considering it to be an expense to a necessity as said by the MD & CEO of HDFC Life.

Thus to know about this mentality change I asked people about the increased importance of life insurance after Covid-19. 78.6% percent people said that the significance has increased whereas 21.4% people did not feel the rise in the importance of life insurance due to Covid-19.

IV. CONCLUSION & SUGGESTION

Life insurance is considered as a contract where the insured is agreed premiums, which is also known as certain sums, at a specific period of time along with some consideration, corresponding to the insurer paying some certain amount of money with specific conditions and a particular manner with the contingency upon the duration of human life.

It has been prevailing in the country since pre-independence period and has evolved drastically post-independence. After the incorporation of LIC the life insurance market has been under its control and major shareholding even after liberalization and privatization.

There are different types of life insurance and all of them different benefits. The most important aspect of life insurance is that it helps in giving security and stability to the policy holder and its beneficiary or their nominees. It also helps in different kinds of investments, savings,

retirement plans, making the future of the child etc.

Life Insurance as a concept has been understood by a majority of people and they also understand the vital role it plays in our lives along with our families. The data collected shows majority of the people's perception in favor of life insurance and most of them are insured also.

While the data available for the entire country depicts that a very few minority people have insured themselves even while being aware. The awareness about the life insurance has still not embedded in the lives of people.

The life insurance sector faced a growth in the number of new insurances but also the number of claims have risen due to the number of deaths in the times of Covid-19. In the opinion of the majority people the importance of life insurance and health insurance has increased due to the pandemic.

In an overall view, Life insurance is vital to everyone in different aspects of life. It needs to be deeply rooted in both social and economic view locally and in the country.

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