

LIFE INSURANCE AND ITS PROVISION OF IN-BUILD SECURITY

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ABSTRACT

The primitive man fought against the forces and creatures of nature to protect him. The man in the Stone Age struggled for security by taking shelter in a cave. Gradually, security was strengthened by the formation of groups within which, all its members shared the common risks. With the passage of time, forms of security changed to meet particular needs. Man derived security from the possession of land and livestock. It was agricultural economy in India, which gave rise to the system of joint family which was the main and often the sole form of security in sickness and old age. It also assured the basic education to the children. The principal function of life insurance is to protect against the financial consequences resulting from the loss of human lives and to provide a systematic method of accumulating a fund for educating children, meeting financial emergencies and finding old age security and other benefits including tax saving and other welfare measures. Life insurance has a socially and economically stabilizing influence.

Keywords: Insurance, Agricultural Economy, Financial Sickness

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The urge for protection led to the invention of insurance. Life insurance policies are the instruments of social security for the welfare of individuals. In today's uncertain world it has earned paramount importance and is one of the basic necessities of life. With the arrival of human life on Earth, the problem of want or poverty has haunted human beings, in some or the other form; and they always made efforts to secure relief from it. The quest for security and freedom from want and distress has been the unflinching urge of man through ages. Thus, right from the cave age till date, the story of evolution of mankind is in fact a saga of continuous search for security. Though centuries have passed but these problems remained the same, in context to the changes in economic and social circumstances.

EVOLUTION OF LIFE INSURANCE AND SEARCH FOR SECURITY

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and creatures of nature to protect him. The man in the Stone Age struggled for security by taking shelter in a cave. Gradually, security was strengthened by the formation of groups within which, all its members shared the common risks. With the passage of time, forms of security changed to meet particular needs. Man derived security from the possession of land and livestock. It was agricultural economy in India, which gave rise to the system of joint family which was the main and often the sole form of security in sickness and old age. It also assured the basic education to the children. Gradually, Industrial economy supplanted the purely agricultural economy, resulting in the disintegration of joint family system. With the advent of Industrial Revolution first in England, and thereafter in other countries including India; man became an individual unit and found his security in money power, which enabled him to buy food, clothing, shelter and other basic necessities of life.

NEED OF SECURITY FOR HUMAN LIFE

Man is no more solely dependent on any group for the solution of his problems of personal

security. He has to provide for all his family needs, and keep aside something on a regular basis as savings for any contingencies in life because life is unpredictable. This necessity of the man multiplied with his persistent quest for safety, security and welfare which brought into the idea of life insurance. Insurance enables man to share in an equitable manner, with other men, the major risks in life, which are usual in the modern life. People found security in their work, which is investment of time, and property. As long as one has an able body and sound health; one can keep earning and ensure one's family's well-being. It is his income, personally earned, through investment of time at his disposal, which helps him to get along happily. But there is no guarantee that he will always be able to earn, that his income would be regular and continuous, irrespective of what happens to him, that the usual hazards of life like disease, disability, unemployment and death should always be guarded against in his own world. This guarantee comes through the institution of insurance in general and life insurance in particular; life insurance enables man to share in an equitable manner, with other men, the major risks to income, which are unavoidable in today's industrial world. Life insurance is a much more evolved solution to the problem of uncertainty of life than the joint family system or any other system which the human ingenuity has so far invented. Insurance is a product of a cooperative effort of a large group of people similarly threatened by four hazards of human life namely, unemployment, old age, disability and death.

LIFE INSURANCE AS AN AID TO FOUR HAZARDS OF HUMAN LIFE

Both men and women has to work very hard so as to meet out the basic amenities of life. Generally they invest about eight or more hours of their time to earn money. The creation of capital of such magnitude out of his/her savings, demands continuous work for years, which can be interrupted, diminished or destroyed by the serious hazards of life like unemployment, old age, disability and death. Life insurance is the arrangement through which one can face these hazards of human life and plan for the continuation of an uninterrupted income if such hazards happen and destroys the ability to earn

a living. In other words, life insurance is the only means and measure that is designed to protect against the loss of income arising from inability to work – irrespective of whether it is caused by death, accidental injury, sickness or old age.

IN BUILD SECURITY IN LIFE INSURANCE

Further, life insurance intrinsically provides an alternative source of income when the insured's working capacity, ceases due to old age, death or disability. Insurance enables man to share in an equitable manner with other men the major risks and contingencies of life. Life insurance is a perfect combination of the twin principles of 'savings' and 'security' and the plans are easy, convenient and practicable. It affords security against premature death or disability, which are the basic risks for every individual. Its special virtue is that it can be used to spread the savings conveniently throughout the working period of life.

Further, the very idea of having to provide for the future in the shape of small installments out of the present earnings, keeps the person quite reassured of his future, widens his outlook on life, and gives him a sense of security. Life insurance is the only measure of social security to provide against the hazard of death and for the insured's own old age. Life insurance essentially leads to the maintenance of income in a definite way. For instance, in the case of endowment type of policies maturing during the lifetime of the insured persons, the insurance money serves the purpose of old age provision (though it can also be used as provision for the marriage or education of children). Similarly, in the whole life type of policies or even in endowment type of policies, where death occurs before the expiry of the term of policy, life insurance serves the inevitable purpose of family protection.

Thus, life insurance is the only available means of legal and financial assurance in a person's future plan and it is thus a form of social security. Insurance safeguards the interests of one and all who have got a financial stake in the existence of a particular person or persons. The value of life is immeasurable and its loss in the real sense cannot be met. But it can come to their rescue to replace the value of such lives

through the only device called life insurance. It tries to provide the people with the strength and the security that makes life worth living. The principal function of life insurance is to protect against the financial consequences resulting from the loss of human lives and to provide a systematic method of accumulating a fund for educating children, meeting financial emergencies and finding old age security and other benefits including tax saving and other welfare measures. Life insurance has a socially and economically stabilizing influence. The stability of life insurance allows safety and security to policyholders and their beneficiaries. Life insurance affects almost every living person in the country and today it occupies an important place in our society. In the process, it also raises the standards of the community and promotes the welfare of the society. Life insurance is primarily concerned with the benefit of individual and his family members, but in recent times, it has been clothed with some social security policies, which the state provides to fulfill on a constitutional mandate through the life insurance industry.

Thus, life insurance is the greatest and the most efficient system of providing means for all contingencies and of covering all risks to enable everyone to obtain security at the most economical rate. In this way, life insurance becomes of paramount importance today as the fourth basic necessity for every individual. It tries to provide the people with the strength and the security that makes life worth living.

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