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ROLE OF LIFE INSURANCE IN THE LIFE OF WOMEN

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Abstract

Comparing to olden days, the role of woman in the family has significantly changed not only in family but also in business. This change also makes the change in a womens' need for life insurance. Because many women today are single parents, spinsters and head of the household which creates a definite financial responsibility and a need for protection from the loss of their salary at home in the event of death. Life insurance for women is vital regardless of career or marital status. Life insurance is important in spite of woman's age or family circumstances. No matter what their stage of life is, women need financial protection. Women make up just under half the workforce and are increasingly the main or co breadwinners in their families. Within married-couple families, the typical working woman brings home 42% of her family's earnings. As economic contributors, caregivers of children and elderly parents, and household managers, women accept a large share of family responsibilities. Whether they are married or not, with or without dependent children, women have very distinct life insurance needs. From primary breadwinners to caregivers, women provide important financial contributions to their families, that contributions should be protected.

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Keywords:

Single parent;
Financial protection;
Care givers;
Economic contributors;
Financial contributions.

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1. INTRODUCTION

Insurance plays a vital role in economic development by helping individuals and families to manage risks and deal with uncertainty. Women are at the forefront of economic development in many markets, representing not only an instrument for growth but a large potential market for insurers. They are also a high-potential sales force for insurers, with particular skills in developing long-term client relationships. In today's world, a woman's contribution to the finances of a family cannot be ignored. In fact they are very busy and may not stop to plan for their future. Besides, they provide much more than men in household matters. But women are seen to be holding themselves back when it comes to buying life insurance.

While most of the men are aware of the fact that life insurance can be an emergency fund and help to meet one's objectives or protect their families, it is the time women should know their importance in their loved one's lives. They need to get themselves insured, in fact, adequately insured. The biggest reason a working woman must buy life insurance is because she is adding to her household income.

Life insurance is supposed to protect income. Even homemakers have an economic value for the household. A homemaker has an intrinsic economic value, though it cannot be substantiated by pay slips or income tax returns. Financial planning is as important for women as for men. They share equal responsibilities for everything in the family. Life insurance plans can not only help to secure against financial uncertainties, they also help systematic plan for achieving some important goals in the life . Regardless their social status or position of the women, they must need to insure their life.

Following are the general classifications of women according to their social status.

(i) Married women:

Married women may again be classified into two,

(a) with income and

(b) without income

(a) The first one is the women who are self employed or working in somewhere else. Increasingly, families depend on the income of two working parents. Their incomes contribute significantly to the financial security of the family. If women are working, then their income can have a significant impact on the quality of their family's lifestyle. Their income helps to cover the cost of ordinary living expenses such as food, clothing, and utilities, and it provides savings for children's college education, and for retirement life. So life insurance is equally important in their lives, whether it is to avoid their families' future being derailed in case of premature death or disability, or to ensure quality education for their children when they are gone.

In addition, if the women who run their own businesses or hold important positions in private businesses, having a life insurance plan would ensure its continued existence, even in their absence.

(b) The second one is just simply a homemaker. Maintaining a household is a full-time job and they have many important roles and duties. The cost of the services performed by a stay-at-home mom could be quite significant if someone had to be hired to do them. If any unexpected incident happen to them the surviving spouse may have to pay for services such as child care, transportation for children, and housekeeping. Taking over these added responsibilities, results in a reduction in income. Proceeds from life insurance can help to pay for services that keep the household running and allow to keep working.

(ii) Unmarried

The spinster or younger (below 25 years of age) may come to this category. They may be a student, employed or unemployed. They will also be allowed insurance coverage for their valuable life .

(iii) Single parent

Women whom divorced or widowed with children are known as single parent. Their role is more significant than the married women. Their primary duty is to care for their children only. But they may have some additional responsibilities also. So if any unexpected incident happens to them prematurely, life insurance can provide ongoing income to cover child-care costs, medical expenses, debts, and future college costs.

(iv) Single woman/Spinster.

Women who are not get married beyond certain age of limit (aged 25 and above) are coming under this category.

(v) Others

Women who are divorced or widowed without children.

The above two cases (iv) & (v) the women play more or less same role in their family. They may be working or not. Sometimes they may have dependents in their family. Sometimes they may be dependents on their family. However they need life insurance for their own safe guard and for the benefit of the dependents.

1.1. History of Life Insurance

The first insurers of life were the marine insurance underwriters who started issuing life insurance policies on the life of master and crew of the ship, and the merchants. The early insurance contracts took the nature of policies for a short period only. The underwriters issued annuities and pension for a fixed period or for life to provide relief to widows on the death of their husbands. The first life insurance policy was issued on 18th June 1583, on the life of William Gibbons for a period of 12 months. It was in the eighteenth century, societies began to be formed for issuing life insurance policies. Among such societies the Amicable Society (1705), the Equitable Life Assurance Society (1762), the West Minister Society (1792) were the important societies. The premium rates were varied in view of reputation and the health condition of the insured. During the early years of nineteenth century, a large number of life insurance companies were formed in India. Some of these companies preferred to amalgamate their business with other companies and a good number failed to function effectively. In order to stabilize and strengthen the insurance business, Life Insurance Companies Act, 1923 was passed and later amended it in 1946, 1958 and 1967.

1.2. Life Insurance in India

Life insurance in its current form came in India from United Kingdom (UK) with the establishment of a British firm, Oriental Life Insurance Company in 1818 followed by Bombay Life Assurance Company in 1823, the Madras Equitable Life Insurance Society in 1829 and Oriental Life Assurance Company in 1874. Prior to 1871, Indian lives were treated as substandard and charged an extra premium of 15 percent to 20 percent. Bombay Mutual Life Assurance Society, an Indian insurer that came into existence in 1871, was the first to cover Indian lives at normal rate. The Indian Life Assurance Companies Act, 1923 was the first statutory measure to regulate life insurance business.

Later, in 1928 the Indian Insurance Companies Act was enacted, inter alia, to enable the government to collect statistical information about life and non-life insurance business transacted in India by Indian and foreign insurers, including the provident insurance societies. In order to protect the interest of insuring public, earlier legislation was consolidated and amended by Insurance Act, 1938 with comprehensive provisions for detailed and effective control over the activities of insurers. In turn to administer the aforesaid legislation, an insurance wing was established and attached first with the Ministry of Commerce and then Ministry of Finance. This ministry was administratively responsible for policy matters pertaining to insurance. The actuarial and operational matters relating to the insurance industry were looked after by an attached office in Shimla, headed first by Actuary to the Government of India, then by superintendent of Insurance and finally by the Controller of Insurance. The act was amended in 1950, making far- reaching changes such as requirement of equity capital for companies, carrying on life insurance business, ceilings on shareholdings, stricter control on investment of life insurance companies, submission of periodical returns relating to investments and such other information to the Controller as he may call for, appointments of administrators for mismanaged companies, ceilings on expenses of management and agency commission, incorporation of the Insurance Association of India and formation of councils and committees thereof.

1.3 STATEMENT OF THE PROBLEM

Women are increasingly taking control of their family's financial affairs in India. It has been women the finance leader. It is because of the financial discipline which they have inherited from their grandmothers and great grandmothers. But still they have not been taught to protect their life. The main reason is they have no financial independence. In the last two decades, working women have made great significant progress towards economic equality with men. This fact seems to have escaped many life-insurance companies, however one-third of women had no life insurance coverage in 1992. This is about the same proportion of women who were uninsured in 1976, according to the Life Insurance Marketing and Research Association (LIMRA). The gap between womens' and mens' life insurance coverage has narrowed since 1984, but not because agents have done a better job of selling to women, but because women have become independent and hence do not feel guilty to spend money on themselves. Due to this independence trend has tremendously changed and most of the working women are investing in life insurance for their safety, future income and also to protect their children from financial hardships.

More than one third of women acknowledge that they do not have enough life insurance. The ratio of insurance policy taken by the married women with out income category is lower than the married women with income. This is because the former has no financial freedom but the latter has. In addition to that they have some diversification of savings which are in nature of avoiding tax. Similarly two thirds of single parents have no life insurance. Widowed, divorced, or never married single women without dependents are, by far, the most likely to have inadequate life insurance. But they do have financial responsibilities—loans and other debts—that would fall on others, most likely family members, should the worst happen. Life insurance can also cover final expenses.

Women play multiple roles in society. They are conduits for social change and economic progress. Yet, to date, limited research has been done on the women's market — particularly as it pertains to the type of products that women want and need.

The major problem of the life insurance for women is, there is no specific life insurance policies especially for women in the Life Insurance Corporation of India, and all the policies are common for both men and women.

2. METHODOLOGY

The study is based on secondary data obtained through scanning of available literature on the subject from various libraries and institutes. Various websites, magazines, newspapers, journals etc. were consulted. Interviews and group discussions were done with knowledgeable people in this field. The relevant data from various sources has been collected and updated report has been compiled.

3. OBJECTIVES

The present study is an attempt to analyze how far the life insurance is useful in the life of women. The main objectives are:

To find out the awareness level of the women policy holders

To analyze the importance of life insurance in womens' life

4. SCOPE OF THE STUDY

The scope of the study is restricted to only in Life Insurance Corporation of India. It covers the importance of life insurance in the life of the women. The role of LIC in the economic development like, capital formation, contribution to GDP, investment pattern etc., has also been covered.

5. REVIEW OF LITERATURE

Gayathiri, Lakshmi and Vinaya (2005) observed that assurance followed by empathy and reliability are the important determinant that affect the satisfaction level of the policyholders. Darling selvi (2005), her article described that the benefits derived out of the schemes and enhanced customer centric service facilities influence the satisfaction of the consumers. Chitra, Saraswathi and Devan (2007) identified that offering of policy at low premium, customer centric services and agent services influence in enhancing the level of satisfaction in life insurance. Sheela and Arti (2007) concluded that customer centric services and agents services influence the satisfaction of insurance customers.

6. IMPORTANCE OF INSURANCE IN THE LIFE OF WOMEN

Why women must buy life insurance? The biggest reason for life insurance for women is because they are considered as a valuable part of the house. Of course, about 100 years ago, the value that women were providing to the home was not considered worth insuring, but not anymore. Today the women are equally important for the family, sometimes even more. Women can provide a number of values to the household and help the family to continue living at their current lifestyle.

According to a new report from the International Finance Corporation, AXA and Accenture, women represent a potential market for insurers for more than a trillion dollars however, the impact of women on the global insurance market goes far beyond their role as potential customers. As more and more women in developing countries enter the workforce, obtain degrees and start businesses, insurance becomes an essential part of their lives as they seek to protect their families and their livelihoods.

Life insurance is important regardless of a woman's age or family circumstances. No matter what their stage of life, women need financial protection. Women make up just under half the workforce and are increasingly the main or cobreadwinners in their families. Within married-couple families, the typical working woman brings home 42% of her family's earnings. With women more likely to be economically responsible for their families, life insurance becomes more important than ever. It can help pay off mortgages, secure a spouse's retirement, and fund college educations. It can also help to maintain a lifestyle similar to one funded by a double income. For caregivers, life insurance provides resources families would need to continue to run their households. Stay-at-home moms' contributions are frequently and vastly under estimated.

What kind of insurance women should buy?

Unfortunately there are no specific policies especially for women. The LIC introduced a new policy only for women in 1997, called Jeevan Sneka. But this policy was withdrawn by the LIC. Hence all the policies are applicable to both men and women. As we know that Life Insurance is important for everyone to protect family in case of their demise, the insured money will save their family for educating their children and marriage etc. According to the needs, one can choose Life Insurance Scheme of any form.

6.1. Term Insurance Policy

This policy is pure risk cover with the insured amount will be paid only if the policyholder dies in the period of policy time. The intention of this policy is to protect the policyholder's family in case of death. For example, a person who takes term policy of Rs. 5,00,000 for 20 years, if he dies before 20 years then his family will get the insured amount. If he survives after 20 years then he will not get any amount from the insurance company. It is the reason why term policies are very low cost. So, this type of policy is not suitable for savings or investment.

6.2. Whole Life Policy

As the name itself says, the policy holder has to pay the premium for whole life till his death. This policy doesn't address any other needs of the policy holder. Because of these reasons this kind of policy is not very popular .

6.3. Endowment Policy

It is the most popular Life Insurance Plans among other types of policies. This policy combines risk cover with the savings and investment. If the policy holder dies during the policy time, he will get the assured amount. Even if he survives after the completion of policy tenure, he receives assured amount plus additional benefits like Bonus, etc. In this kind of policy, policy holder receives huge amount while completing the tenure. In addition to the basic policy, insurers offer various benefits such as double endowment and marriage/ education endowment plans. The cost of such a policy is slightly higher but worth its value.

6.4. Money Back Policy

Money Back Policy is to provide money on the occasions when the policy holder needs for his personal life. The occasions may be marriage, education, etc. Money will be paid back to the policy holder with the specified duration. If the policy holder dies before the policy term, the sum assured will be given to his family. A portion of the sum assured is payable at regular intervals. On survival the remainder of the sum assured is payable.

6.5. Annuities and Pensions

An annuity is a series of periodic payments. An annuity contract is an insurance policy, under which the annuity provider (insurer) agrees to pay the purchaser of annuity (annuitant) a series of regular periodical payments for a fixed period or during someone's life time. In an annuity, the insurer agrees to pay the insured a stipulated sum of money periodically. The purpose of an annuity is to protect against risk as well as provide money in the form of pension at regular intervals. Over the years, insurers have added various features to basic insurance policies in order to address specific needs of a cross section of people.

7. CONCLUSION

Women want protection and peace of mind not only for themselves, but for their husbands, children and parents. They do not want to be a burden. Since women’s needs and preferences are different in their life cycle, it requires the insurers to tailor products and services. There are five or six tipping points during a woman’s life, at which she makes a significant number of her insurance-related decisions: marriage, entering the workforce, buying a house/car, having children, divorce/widowhood and retirement.

Life insurance means protection against risks in life. While men might not give it due attention, risks also exist in a woman’s life, sometimes even more than a man’s life, women themselves step forward to take life insurance for their own or their beloved ones’ financial future. Even though a woman may not be considered a breadwinner in a conventional manner, she also needs to protect against life’s risks. If women are with any sort of financial obligation, they should consider life insurance.

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