

Life insurance



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Life Insurance Table of Contents Introduction 3 Life Insurance 3 Sum Assured 4 Recommendations and Conclusion 5 Bibliography 6 Introduction Life insurance is part and parcel of life. As the world is fast changing and speed has become one of the major driving forces of our life, it has also become more risky at the same time. Apart from that, the effects of terrorism and other similar factors have increased the insecurity that one's life faces in this millennium.

Life Insurance

Life insurance is the assurance on one's life by an insuring company of a certain sum of amount, which the legal heirs or the near and dear one's of the insured, receives upon the unfortunate death of the insured. The purpose of the entire plan of life insurance is to mitigate the financial distress that the family or the legal heirs of the deceased faces upon the death. The amount that one receives upon the event of death is pre-fixed as it is the sum assured of the life insurance policy. To get the benefit of the life insurance scheme, the policy holder (generally the assured) has to pay certain sum to the insuring company, known as premium. Traditionally, the life insurance policies used to be of two main types namely term policy and endowment policy but now at the face of the increased competition, leading insurers have come up with more customised policies (like retirement plans, children education plans, investment plans, etc) to benefit the insured.

Sum Assured

While deciding the amount of sum assured, a person should keep several factors in mind. Firstly, he should calculate the amount that would be required by his heirs or the family to maintain the same standard of living that they presently have. Also, the payment of premium of life insurance

helps in savings of one's tax. But again, the sum assured and the sum of premium also depend on the age of the insured, place where they live among other factors. If the person (assuming he is the primary bread-earner) is around 35 years of age, a sum assured of US \$ 100, 000 would suffice the need. The husband can take such policy which can even act as his retirement planning. But again, the amount of sum assured would depend on the income that the person earns. The policy upon the lady of the family can bear the sum assured of at least US \$ 75, 000 (assuming her age to be above 30 and below 35). The child if aged around 8-10 can also have a policy. The policy of the child should be basically for the educational purposes and in addition of covering the life, the policy should get matured in such time, which would cater to the expenses of higher education for the child. It can also be in the range of US \$ 100, 000.

Recommendations and Conclusion

It can be assessed from the above arguments that deciding upon the amount of the life insurance policy depends upon so many external factors. Being in the middle income group, the family of three could be well covered by the sum assured of US \$ 300, 000. Higher the amount of the sum assured, higher is the amount of premium. So, the premium paying capacity of the family should also be considered before taking up any new policy. In order to ensure higher return, the family can think of investing in the capital market linked policies. But again, such policies have certain associated risks. Therefore, selection of the policies and the amount should be carefully made.

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