LIFE INSURANCE AND HUMAN LIFE VALUES

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GENERAL
Life insurance concerns people's lives. Life insurance is founded basing on different experiences and realities of human life. It provides men and women with an institution through which they can systematically create financial security for their families and businesses. It also serves the economy as an important channel through which capital is made available to business and industry. It is a business that affects everyone directly or indirectly.

Life insurance is an arrangement through which a man can plan for the continuation of an income if death, disability, or old age destroys his ability to earn a living. Life insurance in its generic meaning is used to include all forms of insurance designed to protect against loss of income arising from inability to work, whether this be caused by death, accidental injury, sickness or old age. In its narrow or specific meaning, life insurance implies protection in the event of death only. Income protection in event of accidental injury or sickness is covered by the term “health insurance”. And the word annuity is used to connote income replacement in old age. Perhaps a better generic term for the broader field of human life is income insurance.

Every person must have a continuous flow of income from cradle to the grave in order to pass through life without poverty. This income originates from two sources:

1) Man's work producing income.
2) Man's accumulated capital producing income.

It is the object of life insurance to provide the alternative source of capital as a producer of income when the first source viz., labour ceases to produce income on account of old age, death or disability. A person has to earn income not only for himself but also for his dependants viz., wife and children, until the latter become independent.

There is no doubt that almost everybody needs insurance that replaces income in one way or other. Insurance is a contract whereby the insurer undertakes to pay a fixed amount on the happening of a certain event in return for a price known as premium. Thus, in this sale transaction, the customer the insured have to pay a price fixed by the seller -the insurer for an intangible commodity called protection. Life insurance means payment of a certain sum on the happening of an event say death, which is uncertain, in consideration of a small amount of premium.

An agent is a person appointed by the Insurer on remuneration and trained to contact insuring public for procuration of the insurance business from the general public. The agent plays an important part in conclusion of the insurance contract from the prospects. An agent's role in the sale of insurance is highly significant and being the field underwriter, the insurer depends heavily upon his judgment and ethical standard. Convincing a prospect of the insurance need is a tough job. While most people do not hesitate a moment to insure their cars or property, they consider life insurance is a gamble to profit only on death. They feel it is like gambling while in fact not insuring one's life is gambling with oneself and the family. Human life is the most valuable property, which needs to be insured prior to anything else.

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Thus, the insurance functions of life insurance companies deal with human life values. Unfortunately, too many people tend to think of economic values solely in terms of tangibles: real estate, equipment, inventories. They do not consider the enormous value of the earning power of human lives. The risk in life insurance is measured in terms of monetary value of the life.

Life Value: Man, within himself, represents great worth that creates all utility in tangible property. After nature, everything we have in this universe springs from man. Life value, therefore, is the basic value. There is so much financial value on human life. Ideas and energy make
money in our life and both come from man himself. Man is endowed with highly intellectual ability and he makes ceaseless and untiring efforts for the betterment and advancement of his life, which gives him the highest happiness, comfort and benefits.

Property values already in existence may be greatly enhanced by the human life value. The nation's income from rent, interest and business profit after payment of taxes are probably doubled because of the intelligent direction given by the life value of the owners of the property involved.

In order to exhibit the worth inherent in him, man has to live. For living man needs food, clothing, shelter and other things which are necessary for survival and comfort. He buys these things with money. Wherefrom he gets money? He has to work to earn. It means consumption of a certain amount of mental and physical endowment, and a certain part of one's allotted time in producing this earned income. This leasehold on life is very valuable. Sooner or later, every man or woman who works for a living must have his work income stop, either because of premature death or permanent disability, or because he either chooses to retire or outlives his work period.

Man always strives for financial independence, but that cannot be secured continuously unless the earned income is supplemented by property income. Property income means profit or income produced by such property acquired as was not designed for utility purposes. If that is not available, he is dependent upon other people. These other people may or may not be compelled to make the contribution, and if not compelled, may or may not be willing to contribute for a long period of time. In normal times relatives, and also friends, would help if one's immediate family were in trouble; but they cannot be expected to do so for ever.

While a life has a very definite value, it is essential to a man's long-run financial success that he either lives long enough to cash in on the value, or that it can be replaced through life insurance. Earnings represent the past; ability, habits and character predict the future. The value of that future cannot be discounted, however, though it can be replaced, in the event of premature death or permanent disability, through the use of insurance. Life insurance is the only way, which enables one to capitalize the life value first, and then pay for the substitute value over his lifetime.

Life values are more reliable and permanent. The case of personal services rendered by a man in the past employed by others or is self-employed is a good example. The fruits of his labours of the years gone are to be reaped in the years to come. If self-employed, current profits are partly due to current work and partly due to things done in the past. When others employ one, promotion and increase in compensation are based partly upon what one is expected to do, but largely upon what he has done in the past. The man who dies prematurely takes a double loss; the loss of the worth of all of his future pay, and the loss of part of the worth of what he has done in the past, but which depended upon the future for the collection of that balance.

In a large majority of cases, the family depends for its livelihood on the current earnings of the head of the family, who, in other words, is the breadwinner of the family. The members of the family have a right to look to him for adequate maintenance and it is his duty to provide maintenance to them as best as he can. If this source of income were to be cut off by death, the family would find it necessary to make economic and social adjustments, which might result in serious physical and psychological harm. The mother might have to take outside employment at the expense of her home-making responsibilities; the children might have to go to work at the expense of their formal education; the family members might have to accept charity from relatives, friends or social agencies at the expense of their independence and self-respect; and the family standard of living might have to be reduced to a level below that essential for health and happiness.

Sooner or later, in the case of every man, either because he dies prematurely or because he lives out his working years, it becomes necessary for him to shift from work income to property income unless he is willing to end up as a financial failure. There is but one place where some portion of the life value can be underwritten and guaranteed to the family regardless of the number of years that a person lives, and that is in life insurance. Life insurance not only projects the money value of the man beyond his lifetime, but it also reflects and projects his personality and his thoughtfulness for the well-being of the
family group.
The discussion on the life values of the human being only suggests that the continued life of the wage earner has an economic significance not only to himself, but to his family (wife & children).

**ECONOMIC VALUE OF HUMAN LIFE**

Dr. S.S. Huebner, the famous social scientist of America first published his treatise on the subject in 1927. He proposed the human life value concept as a philosophical framework for the analysis of basic economic risks faced by individuals. The basic tenet is that everyone has a human life value that should be assessed and protected in the same manner as any other valuable asset. Those who earn more than what they need for self-maintenance are valuable for those who depend upon them. It is true that this value cannot be calculated exactly, because the earning ability depends upon such things as education, personal drive and ambition, personality, character, health, training, experience and a host of other factors equally difficult to evaluate.

As already seen, this human life value faces three threats:

- Death
- Disability
- Retirement

Unless correctly planned and protected, with its loss the family may be devastated. Life and health insurance can replace this economic loss and guarantee a secure retirement.

Generally, the economic value of a producer will have tendency to decrease with the passage of time. His earnings level may continue to increase with the development of his abilities for a certain period or indefinitely; but with each passing year, the remaining period of productivity becomes lower.

Basically earning power alone does not create an economic value that can logically serve as the basis of life insurance. A human life has an economic value only if some other person or organization can expect to derive a pecuniary advantage through its existence. Most income producers either have dependants or can expect to acquire them in the normal course of events, which forms a basis for insurance.

In the majority of cases, the family of an income producer is completely dependent upon his personal earnings for subsistence and the amenities of life. In other words, the “potential” estate is far more substantial than the existing estate the savings that the family head has been able to accumulate. The family's economic security lies in the earning capacity of the family head, as is represented by his ‘character and health, his training and experience, his personality and power of industry, his judgment and power of initiative, and his driving force to put across in tangible form the economic images of his mind. Again, the intrinsic value of the life of an individual results from his ‘knowledge, ambition, perseverance, initiative, honesty, personality and judgment’.

The income of a person is distributed into many ways, a portion of which is devoted to self-maintenance, a portion of which to support of dependants, and, if the income is large enough, a portion is saved to meet future needs and contingencies. If the individual lives and keeps his health, his total income potential will eventually be realized, all to the benefit of his family and others who derive financial gain from his efforts. If he dies or becomes permanently or totally disabled, the unrealized portion of his total earnings potential would be lost and, in the absence of other measures, the family would soon find itself destitute or reduced to strained circumstances. However, life insurance is considered as a device by means of which an individual can project his income for an indefinite period beyond his death. Through the agency of life insurance, an individual can assure himself that his family will receive the monetary value of these income-producing qualities that lie within his physical being, whether he lives or dies. By capitalizing his life value he can leave his family in the same economic position that they would have enjoyed had he lived.

Human life is the most important income earning capital and subject to the vagaries of economic fluctuations. In order to protect its value intact, so that the income, still remains protected when the human life has failed generating income, the amount of insurance needs to be reviewed. As the family head increases his regular income in the course of time and the family standard of living keeps improving, it is essential that life insurance
protection be increased correspondingly. So-called life insurance has the same objective, except that, if adequately taken, it protects against the loss of the capitalized value of the human life, based on earning capacity so that dependants may be kept in status quo after the breadwinner dies.

If one is to ensure no financial loss to the family, there is no other means except life insurance. Human life may be lost or in other words, death may occur either from natural causes or from accidents. The value of such lives should be replaced to the respective family units who are primarily dependent on them. Human life cannot bring life to such lives. But it can come to their rescue to replace the value of such lives through the only device called life insurance.

With respect to the human life value, life insurance has 2 functions:

1. to contribute towards its conservation and
2. to protect against financial losses resulting from its destruction.

The underlying idea of life insurance is just spreading equally the few losses of life values over a large number of people so that the unfortunate few who actually suffer the loss may not feel the burden of being heavy their part. Such spreading is accomplished by an arrangement whereby a number of people agree to contribute a small amount to a common fund out of which such amounts as have been agreed to in advance be paid on death to the representatives of the deceased. By the device of life insurance principle, modern man, whose happiness lies in financial independence, is able to recover the otherwise irrecoverable value of human life. Insurance principle safeguards the interests of one and all who have got a financial stake in the existence of a particular person or persons.

**CONSERVATION OF LIFE VALUES THROUGH LIFE INSURANCE**

The monetary value of the human life is constantly subject to destruction by loss of current earning power through death or to serious diminution through temporary disability occasioned by sickness or accident. The purpose of life insurance is the replacement of such earning power in the above situations. The principal functions of life insurance are to protect against the financial consequences resulting from the loss of human life values and to provide a systematic method of accumulating an estate for educating children, meeting financial emergencies and finding old age security. Its broad mission is to protect against the total and presumably permanent loss of current earning capacity when that loss is occasioned by the economic destruction of the insured life.

Illness, death and old age are three basic threats to the continuation of income from wages or salaries. The first two of these can strike any time during a man's life. And when they do, it is essential that a replacement for the lost income be available if the family is to be spared the hardships of unsatisfactory economic adjustment. Life insurance is the arrangement through which a man can plan for the continuation of an income if death, disability, or old age destroys his ability to earn a living.

Dr. S.S. Huebner nicely brings out this in a brilliant way. Life insurance does not connote the complete idea of the various forms of protection for which provision is made. Primarily the object of life insurance is to replace income cut off by the death of the assured. In modern times loss of income earning capacity by old age and disability and the suitable cover for it also comes within the domain of life insurance. The various objects of life insurance have been put down in a nutshell when it is said that it provides cover against “economic death.” Economic death means a contingency which results in permanent cessation of earning power. This can take three shapes: (i) actual death known as “casket death” when the man is no more in this world; (ii) living death refers to permanent disability resulting in the current loss of earning capacity; and (iii) “retirement death” - comes when a man due to old age becomes weak and loses his income earning capacity. Insurance thus is a very nice device to save money for the rainy day.

Every person imbued with normal ambition desires to increase his current production as much as possible and to accumulate an estate of decent proportions. In the fulfillment of this desire, life insurance serves the individual creatively in 5 main ways, viz., by promoting his initiative, by increasing and maintaining credit, by fostering thrift, by conserving and improving through
sound investment that which may be saved out of surplus, and by prolonging the working life itself. In the words of the famous poet William Wordsworth, 'Bliss was it in that dawn to be alive, but to be young was very heaven'.

Man has two obligations: one to himself to retire with income when his workdays are over; the other to his family to realize for them the value which he represents to them his life value. Life insurance is the only institution which assures one a lifetime in which to build his replacement fund, because it has a maturity in full in event of death, whether that happens prematurely or whether he lives out his expectancy. It is the one and only place where the capital fund necessary for the welfare of the family can be underwritten and guaranteed in event of premature death.

Since one can take a lifetime in which to rebuild his replacement fund, if it is done in life insurance, it naturally follows that if he uses a good life insurance plan, one cannot lose his life value to his family, and so he can comfortably and safely use more of his current earnings for current goods and services for himself and the family.

**HOW LIFE INSURANCE PLAYS OR HELPS IN CONSERVING LIFE VALUES**

The object of life insurance is to insure lives - not to prolong life itself, but to prolong its benefits beyond life's termination. It guarantees the family the things which he expects to furnish, and which they have a right to expect him to furnish them. Nevertheless, there is ample testimony to prove that life insurance actually does, in many cases, have a tremendously favorable influence upon body and mind. There is a definite proof that a group of people with a life income under an insurance contract live several years longer than the average people who do not have such an income. Spending the margins over the current budget requirements, including insurance program, for cultural and recreational purposes would in itself add to a man's days, because it would add to the enjoyment of them, and certainly the man lives longer who does enjoy living. Freedom from fear and freedom from worry over what might become financial problems to the family are powerful weapons in the successful fight against a serious illness.

Generally, premature death and permanent disability are the only two events, which should cause any prolonged stop in the normal work program of a man or woman. There is no need, however, for either of these occurrences to terminate the family income, since the institution of life insurance can assure freedom from want under such circumstances. No man would stop work, deliberately and upon his own decision, when by doing so he would stop work income, unless he had a substitute for that work income; because that man would thereafter become a financial burden, so far as his family is concerned, and would throw upon them the necessity for providing income at least for the bare necessities of life. Only through life insurance one can underwrite the value of a life.

A lot of people worry about living too long, or else dying too soon and about the meantime, too! Life insurance can eliminate that worry, and life insurance projects a great deal more than the money value beyond one's lifetime: it always reflects and projects his life, his personality and his memory.

The loss of earning power throws the burden of replacing income either upon stored capital or upon the family unit, the members of which may or may not be trained to assume the responsibility or else the burden falls upon society. Whatever the society gives it will be in the form of money or materials or services, and they are from current or stored resources of others who have a feeling of proprietorship about whatever is taken away from them. Life insurance obviates a man to fall a prey to the whims of the society and prudence dictates adequate life insurance protection.

It is a maxim that businesses prosper to the degree in which the business renders a service to society. Life insurance is no exception to the rule. Life insurance was founded upon the idea of service to humanity. Life insurance exists so that the survivors of a family unit may live. It is an essential factor in making a reality of ideals.

While loss of anything of value might be serious, it is not vital to the well-being of the family unit. But the premature loss of the life value is vital. Nothing is negotiable at a man's death for this life value other than life insurance.