Preface

A human life possesses many an irreplaceable value founded on economic, social, religious, and moral relationships. The human life value is so vast in its monetary sense, and so significant to an individual's growth, and to national economy at large, that it needs proper protection and careful preservation. For instance, a human life may be capable of artistic achievements that contribute, in a unique way, to the culture of a society. Nevertheless, the human life value is constantly subject to loss through premature death, disability, retirement, and unemployment. However, the institution of life insurance, in its Huebnerian dimension and profundity, makes possible the preservation of an individual's human capital in the face of an uncertain lifetime in the risk-ridden society.

The economic value of a human life is derived from its earning capacity -- one's capability of earning for others beyond the limits of one's own self-maintenance -- which is represented by an individual's education and training, good health and ethical behaviour, industry and integrity, creative ability and judgment, and ambition and patience that constitute his/her potential estate. Over a period of time, these economic forces, incorporated in one's own being, are gradually converted into income, a portion of which is devoted to self-maintenance, and a portion to support of dependents. In the event of the breadwinner's premature death or disability, the family need not find itself destitute, or reduced to a lower income than it previously enjoyed, thanks to the modern risk management method of life insurance, which has transformed the perception of risk
from fatalism into sophisticated forecasts of the future, from chance of loss into opportunity for gain, and from helplessness to choice, thereby converting risk-taking into one of the prime catalysts that drives modern society forward. Hence, the far-reaching significance of the human life value (HLV) approach to optimal life insurance protection.

But, surprisingly enough, no systematic research work has been reportedly done in India on life insurance as a method of risk management, much less as a technique of managing personal risks associated with death, disability, sickness, unemployment, and old age, let alone the human life value (HLV) approach to optimal life insurance protection. Moreover, the interrelationship between life insurance and human capital has not been properly recognized and critically appreciated.

The present thesis aims at making a case study of Indian life policyholders with a view to estimating their human life value (HLV), viewed as the present value of the family's share of the deceased breadwinner's future earnings, in order to know whether they have optimal life insurance protection. For appraising the potential earning capacity of the select policyholders, the scientific principles of business management utilized for the appraisal of property values are applied. With these objectives, the study seeks to test two hypotheses—(i) the human life value (HLV) concept provides only an economic rationale, not an economic explanation, for the purchase of life insurance, and (ii) the life insurance purchase decisions in India are not based on the HLV concept, as a result of which the typical life policyholder is inadequately insured -- that have a bearing on the contemporary state and condition of life insurance in India.
The study is carried out by dividing the work into seven chapters. The introductory chapter makes out a case for the need for the present study, spells out the overall aim, objectives, hypotheses, and methodology of the study, indicating the limitations, and the significance of the study. The second chapter describes the nature of risk, and the changing scope of risk management, showing how a business firm and a family can manage the pure risks faced by them. The third chapter gives a brief history of life insurance, describing its variety of innovative policies, the measurement of risk, and the methods for providing insurance protection.

The fourth chapter examines different approaches to optimal life insurance protection in the light of the economic justification of life insurance, the financial impact of premature death on the family, and the method of determining the correct amount of life insurance to own. The fifth chapter offers an in-depth study of the concept of human life value (HLV) in its historical perspective, discussing its qualitative and quantitative characteristics, and examining the economic theories of consumption, and consumption theories in relation to life insurance, in an effort to throw further light on the concept of optimality.

The sixth chapter addresses itself to the task of making a case study of Indian life policyholders with a view to estimating their human life value in order to know whether or not they carry optimal life insurance. The concluding chapter seeks to sum up the main argument of the thesis, present the conclusions reached on the basis of the findings of the
study, and make certain pertinent observations, suggestions, and recommendations based on the study.