

Perception of People regarding Term Insurance as a Financial Security Tool

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Abstract

Exploration of the perception of individuals regarding Term Insurance (TI) as a financial security tool is something that could be undertaken. The TI is a sort of assurance for life that offers protection for a predetermined amount of time, usually between 10 and 30 years. If the insured person passes away within the insurance term, it provides annuity proceedings to the beneficiary of the policyholder. However, despite its potential benefits, TI remains relatively less understood and underutilized compared to other financial instruments. Furthermore, people often associate life insurance with negative emotions such as morbidity and mortality, leading to aversion or reluctance to consider TI. Understanding the perception of people regarding TI as a FS tool is crucial for policymakers, insurance providers, and financial advisors. By addressing the underlying factors that influence individuals' perceptions, the adoption and utilization of TI can be enhanced, leading to improved FS and protection for individuals and their families.

Keywords: Term Insurance, Financial Security, Perception, Life Insurance, Risk Mitigation, Awareness, Misconceptions.

Introduction

Term insurance is the kind of life insurance that gives financial safety to individuals and their families for a specified period, known as the policy term. It offers a death benefit to the policyholder's beneficiaries if the insured individual passes away during the term of the policy. Despite its potential benefits, TI remains relatively less understood and underutilized compared to other financial instruments. The perception of people regarding TI as a FS tool plays a crucial role in its adoption and utilization. FS is a fundamental aspect of individuals' lives, and planning for unforeseen circumstances, such as the loss of a loved one, is essential. TI serves as a risk mitigation tool by providing financial support to dependents in the event of the policyholder's untimely death. However, various factors influence how individuals perceive TI and whether they consider it a viable option for securing their financial future.

One significant factor affecting the perception of TI is the lack of understanding about its features, good effects, and affordability. Many people are unaware of the differences between TI and other kinds of life insurance, such as whole life or universal life policies. Consequently, they may not fully comprehend the value and suitability of TI for their specific needs.

Moreover, misconceptions about the cost-effectiveness of TI can deter individuals from considering it as a FS tool. Some people believe that TI premiums are prohibitively high, especially compared to alternative investment or savings options. These misconceptions can lead to a biased perception of TI and hinder its adoption among potential policyholders. Additionally, the perceived complexity of insurance products, including TI, can contribute to a negative perception. The technical jargon, extensive policy documentation, and the intricacies of underwriting processes may create a sense of confusion and scepticism among individuals. This complexity can discourage them from exploring TI as a viable option for their FS needs.

Furthermore, people's perception of TI may be influenced by their attitudes towards risk and investment. Some individuals prefer investment options that offer immediate returns or have tangible benefits during their lifetime, rather than investing in a product that only pays out upon their death. The intangible nature of the death benefit provided by TI may not resonate with individuals who prioritize current financial goals over long-term protection. Another factor shaping the perception of TI is the association of life insurance with negative emotions such as morbidity and mortality. Discussions about death and financial planning for the event of one's passing can be uncomfortable and unsettling for many people. Consequently, individuals may exhibit aversion or reluctance to consider TI, as it serves as a constant reminder of their mortality. By identifying and addressing the underlying factors that shape individuals' perceptions, the adoption and utilization of TI can be enhanced. This, in turn, will contribute to improved FS and protection for individuals and their families.

Literature Review

The study by Turgaeva et al., (2020) focuses on the evaluation of FS in terms of insurance providing companies, specifically in relation to the internal control by organisations. The authors discuss the importance of internal control systems in ensuring the financial stability

and security of insurance companies. They explore various factors that contribute to FS, such as risk management, compliance with regulatory requirements, and efficient resource allocation. The article provides insights into the methods and techniques used in assessing FS, emphasizing the role of internal control mechanisms.

Zuchandke et al., (2010) examine the influence of the addition of social long-term insurance within Germany assessment of FS in cases of in-length needs. The authors analyze the financial risks associated with long-term care and evaluate how the insurance scheme affects individuals' FS in such situations. The article highlights the importance of insurance coverage in mitigating the monetary burden of LT care and provides insights into the FS assessment in the context of LT care insurance.

This study by Tsvetkova et al., (2019)'s objective was to examine the international and Russian insurance markets and confirm or deny the claim that the CAMELS rating system may be used to assess the financial soundness of particular Russian insurance businesses. Application of the CAMELS approach revealed that Russian insurance businesses are not in a good financial situation, especially those that are not a part of internationally interconnected systems. Due to group resources and the potential to draw capital from more financially stable associated firms, companies that are members of business groups have some protection from the detrimental effects of external causes despite being subject to group-related risks. The study's findings led to an understanding that in order for Russian insurance businesses to grow financially stronger, they must adopt international business practises. French et al., (2015) analyze the potential risks and vulnerabilities that the insurance sector can pose to the overall stability of the financial system. They discuss the role of insurance in managing risks, the potential systemic risks associated with insurance activities, and the regulatory frameworks in place to mitigate these risks. The article provides insights into the importance of insurance in maintaining financial stability and offers a comprehensive analysis of the key issues in this area.

Schich (2010) examines the vulnerabilities of insurance firms to the crisis and analyzes the key factors that contributed to their exposure. The article discusses the role of insurance in the broader financial system and evaluates the effectiveness of regulatory measures implemented to enhance the resilience of insurance companies. The study provides valuable insights into the specific challenges faced by the insurance industry during the financial crisis and the lessons learned from that experience. Elnagdy et al., (2016) focuses on understanding

the taxonomy of cyber risks for cybersecurity insurance in the financial industry, particularly in the context of cloud computing. The authors explore the various types of cyber risks that financial institutions face and propose a taxonomy to categorize these risks. The study highlights the importance of cybersecurity insurance in managing and mitigating these risks. The findings contribute to the understanding of cyber risk management in the financial sector and provide insights into the development of effective cybersecurity insurance products.

Zakaria et al. (2016) focuses on the intention to purchase life insurance among staff members in public universities. The authors explore the factors that influence individuals' decision-making process when it comes to buying life insurance. The research uses a case study approach and investigates the perceptions and attitudes of university staff towards life insurance. The findings of the study provide insights into the determinants of life insurance purchasing behavior, including demographic factors, risk perception, and financial literacy.

Staccione et al. (2019) examine the insurance market in Italy, with a specific focus on the Veneto region, concerning financial liability for environmental damage. The study explores the role of insurance in managing environmental risks and compensating for potential damages caused by pollution or other environmental incidents. The authors analyze the insurance market structure, existing policies, and challenges in providing adequate coverage for environmental risks. The findings contribute to a better understanding of the relationship between insurance and environmental protection, particularly in the context of a specific region. Weedige et al. (2019) investigate the influence of insurance literacy on decision-making in personal insurance. The study examines how individuals' knowledge and understanding of insurance products and concepts affect their choices and behaviors related to insurance. The authors explore the relationship between insurance literacy, risk perception, trust in insurance providers, and the purchase decisions made by individuals. The research emphasizes the importance of improving insurance literacy among consumers to enable more informed decision-making and enhance the effectiveness of insurance products and services.

Elnagdy, Qiu, and Gai (2016) present a study focused on developing a comprehensive framework for cyber incident classifications using ontology-based knowledge representation in the context of cybersecurity insurance in the financial industry. The authors address the growing need for effective cyber incident categorization to support risk assessment and insurance underwriting processes. They highlight the significance of ontology-based knowledge representation as a tool to capture and represent the intricate relationships and

dependencies within the cybersecurity domain. This study contributes to the existing literature by proposing a novel approach to cyber incident classification that can enhance the effectiveness and accuracy of cybersecurity insurance in the financial sector.

Prikazyuk and Motashko (2015) focus on analyzing the security of the insurance market in Ukraine and identifying the key factors that influence its stability. The study explores various dimensions of security, including legal, economic, and regulatory aspects. The authors investigate the impact of political stability, financial transparency, and regulatory frameworks on the insurance market's security. By conducting a comprehensive analysis, Prikazyuk and Motashko contribute valuable insights into the factors that determine the stability and resilience of the insurance market in Ukraine, providing a basis for policymakers and industry stakeholders to enhance its security. Achkasova (2017) offers a methodological approach for assessing the FS of the insurance market. The author recognizes the importance of FS in the insurance sector and develops a structured framework that integrates various indicators and criteria to evaluate the market's stability. By considering financial performance, risk management practices, and regulatory compliance, Achkasova's approach provides a holistic assessment of the insurance market's FS. This study contributes to the literature by providing a practical tool that can assist policymakers and industry participants in monitoring and improving the FS of the insurance market.

Marano (2017) focuses on the sources and tools of insurance regulation in the European Union (EU). The study provides an overview of the regulatory framework in the EU, with a specific emphasis on the Solvency II directive and its implications for insurance regulation. Marano examines the legal, supervisory, and financial instruments employed in the EU to ensure the stability and integrity of the insurance market. By analyzing the regulatory sources and tools, Marano contributes to a deeper understanding of the regulatory landscape in the EU and its impact on the insurance sector. This study serves as a valuable resource for policymakers, regulators, and industry professionals involved in insurance regulation within the EU.

Objectives of the study:

To measure the perception of people regarding term insurance as a financial security tool

Research Methodology:

This study nature is empirical. 180 respondents were approached to give their view on perception of people regarding term insurance as a financial security tool. The data was analysed through frequency distribution and data was presented with the help of pie charts.

Data Analysis and Interpretation:

Table 1 It is most affordable premium

Particulars	Agree	Disagree	Can't Say	Total
Respondents	166	9	5	180
% age	92.0	5.0	3.0	100

Table 1 represents the statement **it is most affordable premium** and 92.0% respondents admit with this statement.

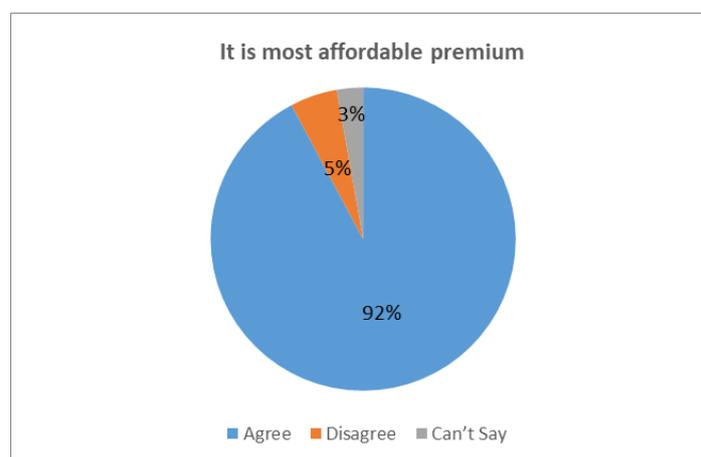


Figure 1 It is most affordable premium

Table 2 It allows affordable coverage

Particulars	Agree	Disagree	Can't Say	Total
Respondents	153	17	10	180
% age	85.0	9.0	6.0	100

Table 2 represents the statement **it allows affordable coverage** and 85.0% respondents admit with this statement.

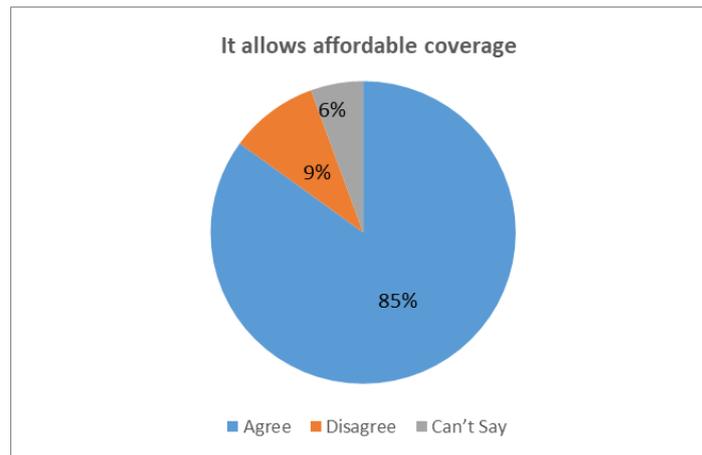


Figure 2 It allows affordable coverage

Table 3 It can be used to get complete future financial security

Particulars	Agree	Disagree	Can't Say	Total
Respondents	157	15	8	180
% age	87.0	8.0	5.0	100

Table 3 represents the statement **it can be used to get complete future financial security** and 87.0% respondents admit with this statement.

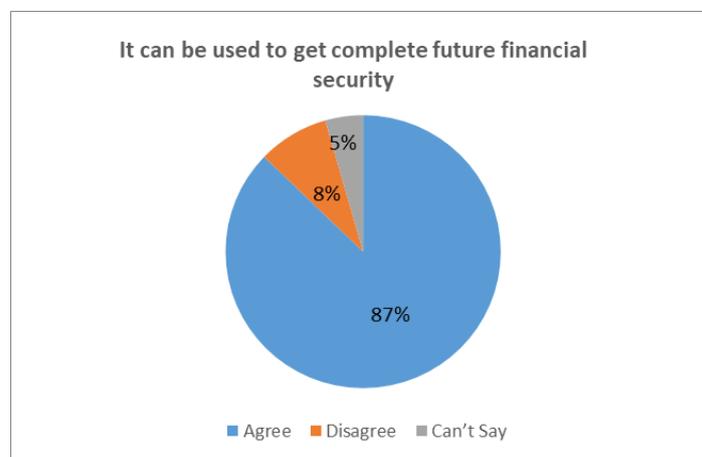


Figure 3 It can be used to get complete future financial security

Table 4 It has no saving component as compared to other plans

Particulars	Agree	Disagree	Can't Say	Total
Respondents	161	11	8	180

% age	89.0	6.0	5.0	100
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Table 4 represents the statement **it has no saving component as compared to other plans** and 89.0% respondents admit with this statement.

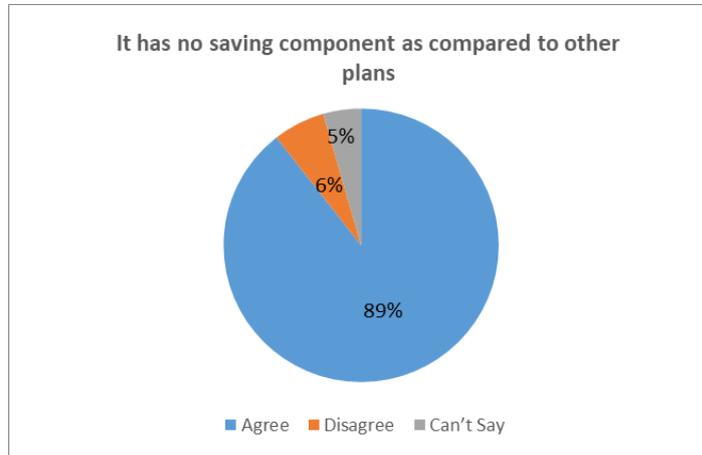


Figure 4 It has no saving component as compared to other plans

Table 5 This policy is well suited for people with growing families

Particulars	Agree	Disagree	Can't Say	Total
Respondents	164	10	6	180
% age	91.0	6.0	3.0	100

Table 5 represents the statement **this policy is well suited for people with growing families** and 91.0% respondents admit with this statement. Considering all the responses of the statements, it was found that to a good percentage, the respondents have agreed that the term insurance is a great financial security tool.

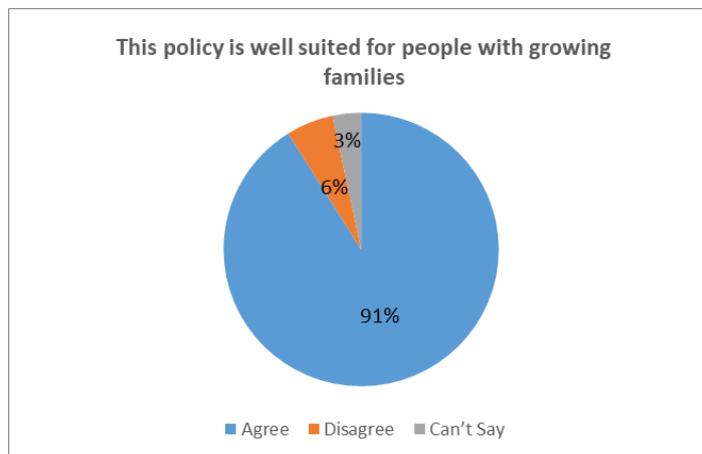


Figure 5 This policy is well suited for people with growing families

Conclusion

In conclusion, TI is a FS tool that offers protection to individuals and their families in the event of untimely death. However, the perception of people regarding TI plays a crucial role in its adoption and utilization. Factors such as lack of awareness, misconceptions about cost-effectiveness, perceived complexity, and negative associations influence how individuals perceive TI. Understanding and addressing these factors can contribute to the improved adoption and utilization of TI, thereby enhancing FS for individuals and their families.

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