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RISK RELATED TO MARKETING OF LIFE INSURANCE SERVICES IN BIHAR

***RANJAN KUMAR THAKUR**

**MBA, Researcher*

ABSTRACT

Market risk relates to the volatility of the market price of assets. It involves exposure to movements in the level of financial variables, such as stock prices, interest rates, exchange rates or commodity prices. It also includes the exposure of options to movements in the underlying asset price. Market risk also involves exposure to other unanticipated movements in financial variables or to movements in the actual or implied volatility of asset prices and options. It is obvious that this volatility affects the actual market value of the company's assets, including those needed to cover the liabilities, and therefore also affects the company's actual surplus. However, the volatility of the market price of assets will also affect the liabilities. This paper is a modest attempt on the study of risk associated with marketing of life insurance services in Bihar.

Key Words:* *Life-Insurance, Risk Factor.

INTRODUCTION

Risk is uncertainty of a financial loss. Nobody can command on uncertainties. Insurance accumulate funds to meet uncertain losses. The main functions of insurance is to provide protection against the possible chances of generating losses. Actually, Insurance eliminates worries and miseries of losses at destruction of property and death. Further, it provides capital to the national economy since the accumulated funds are invested in the productive heads.

Insurance is related to the protection of the economic values of assets. Every assets has a value. It has all expected life time. During this period, it is expected to perform and provide income to the owner. The owner being aware of this, plans and things in such a way that by the time the expected life time of the assets expires, he is ready with the funds required for its replacement. In this way he ensures that the value or income from the asset is not lost well this appears to be a fine arrangement provided the asset completes its expected life time.

All assets carry the risk of being destroyed or damaged. But all assets may not necessarily get destroyed or damaged. Only in a few instances, the probability turns out to be true and the asset gets actually lost or destroyed by accident or some other unfortunate event before the completion of its expected life time. The owner and those deriving benefits from the asset will suffer because the arrangement to make available its substitute is not yet ready.

PURPOSE AND NEED OF INSURANCE

Perils are the events. Risks are the consequential losses or damages. The risk to a owner of a building, because of the period of an earthquake, may be a few lakhs or a few crores of rupees, depending on the cost of the building and the contents in it. Assets are likely to be destroyed or made non functional due to accidental occurrences called perils. Assets can, therefore be insured. A few examples of perils are fire, floods, break downs, lightning and earth quake. Possibility of damage to assets caused by any perils is the risk that assets is exposed to. This is because of uncertainty about the risk that insurance plays the role. Insurance becomes relevant only if there are uncertainties of occurrence of event leading to losses. Insurance is done the contingency of the happening of such events. Where there is no uncertainty no Insurance.

Insurance does not protect the asset. It does not prevent its loss due to the peril2. The peril cannot be avoided through insurance. The peril can sometimes be avoided, through better safety and damage control management.

Advantages of Insurance

Life Insurance is not merely an investment or a saving device much more than that. It has no competition from any other business.3 If the money is invested in buying shares and stocks, there is the risk of the money being lost in the fluctuations of the stock market. Even if there is no loss, the available money at anytime is the amount invested plus appreciation. In life Insurance, however, the fund available is not the total of the savings already made, but the amount one wished to have at the end of the savings period. The final fund is secured from the very beginning. There is no other scheme which provides this kind of benefit. Therefore life Insurance has no substitute. It has the following advantages:

- Facility of nomination and assignment makes the claim settlement easy on death.

- Life Insurance involves compulsory savings.
- Tax benefits on premium paid as well as the amount received by way of claim.
- Specified policies protected against court attachments.
- Loans can be raised against a life Insurance policy.
- The terms of life are hard. The terms of Insurance are easy.
- Life Insurance is not only the best possible way for family protection. There is no other way.
- Insurance is the only way to safe-guard against the unpredictable risks of the future. It is unavoidable.
- The value of human life is far greater than the value of property only Insurance can preserve it.
- Life Insurance is not surpassed by many other savings or investment instrument, in terms of security, marketability, stability of value or liquidity.
- Insurance, including Life Insurance, is essential, for the conservation of many business, just as it is in the preservation of homes.
- Life Insurance perpetuates life, liberty and the pursuit of happiness.

Life Insurance in Rural Bihar

There is vast potential for insurance in the rural sector of Bihar. But 25% population in rural area as against 7% urban area is below poverty line. Rural population is scattered, connecting roads are not so good and long distances have to be covered to meet people. Proper food and stay facility may not be available.

CONCLUSION

Life Insurance is a contract that pledges payment of an amount to the person assured on the happening of the event insured against. The contract is valid for payment of the insured amount during the date of maturity or specified dates at periodic intervals or unfortunate death, if it occurs earlier. Among other things the contracted also provides for the payment of premium periodically to the corporation by the policy holders. Life Insurance is universally acknowledged to an institution, which eliminates 'risk', substituting.

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