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Article · June 2016

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ROLE OF LIFE INSURANCE INDUSTRY

As one of the leading industry which provides many employment opportunities, produces higher profit and provides funds for the investment, the life insurance industry has a huge role to play in the entire economy of Sri Lanka. Life insurance industry provides particular benefits to the society economically and socially. Socially, it protects the people from financial hardship. As an example a family that loses its income provider will not have to deprive its children of a higher education. Economically, it also provides the employment opportunities. This is not just direct employment in the industry itself but also, because insurance companies no longer have to hold funds in reserve in case a disaster happens, they can invest those funds into their other businesses.

The economic role is of particular importance because according to the government, a lot of money needs to be invested into the basic infrastructure of Sri Lanka if it is to continue to grow at its present rate. The government's expenses already amount to more than its income, and so there is a role for private companies to play in developing this infrastructure and this includes insurance companies. The money they raise from premiums can be invested into the development of the basic infrastructure needs of Sri Lanka such as irrigation, housing, water, drainage and sanitation. In this way, insurance benefits society as a whole, not just for those who hold insurance. We can see from all of this that a well-developed and evolved insurance sector benefits economic development and at the same time strengthens the risk-taking ability of the country. Insurance has a role to play at the individual level too. Some of the benefits for the policyholder are as follows;

1. Investment option

Insurance products are an excellent investment option where the policyholder not only gets the advantage of insurance cover, but also a return on their investments based on their risk appetite.

2. Protection of financial security

Insurance companies provide compensation in case something happens to the assets or the individual insured, as per the terms and conditions of the policy. Life insurance protects the family against the loss of the income provider, helping to provide for the family's needs and

the children's education and marriage. Hence the effect of loss is considerably reduced for an individual.

3. Tax benefits

Insurance offers considerable tax benefits under the Income Tax Act

4. Planning for life stage needs

Today the insurance products that are being offered by insurance companies are designed to suit the needs of individuals in different age groups. This allows individuals to invest in insurance policies to meet their various and changing priorities.

5. Develops the habit of saving

An individual learns to save a certain amount of money from their income in order to pay their insurance premium. This encourages the habit of saving among individuals.

6. Loan against insurance policy

Individuals can also take out a loan against their insurance policies, subject to the conditions and privileges of the policy, without affecting any policy benefits.

7. Releases capital and management

When the management of a company knows that many of the risks faced by that company are covered by insurance, they no longer need to set funds aside to cover the impact of those risks taking place. They are also free to concentrate on developing and growing their business. This makes the company more effective, which in turn helps to improve the overall economy of the country.

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