

The importance and characteristics of life insurance

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Abstract

Life insurance should be one of the most important insurances, because the life of a human being is one of the most expensive things. However, unlike in the developed countries, in many other countries like Macedonia, this type of insurance is not really propagated.

In many cases, from the life of a single human being depend the lives of other human beings. The head of a family should be considered as an example. With his/her death the welfare of the other members of the family is endangered, who after his/her death can face financial and material difficulties. As a result to this risk life insurance needs to be more propagated in the insurance market.

Keywords: insurance, life insurance, savings

Main part

For life insurance we could say that “it is a combination of savings and insurance” which offers protection and creates the financial security of a person, its family or/and his business. (Xhevat Bakraçi, 2004, page 233)

According to the authors Green & Trieschmann, life insurance is a method with which a group of people can cooperate to alleviate the loss which results from the premature death of the members of that group. According to them life insurance can also be defined as a way of saving money for their current wealth, which later can be used as an income source in old age.

The main types of life insurance are: (Xhevat Bakraçi, 2004, page 235)

- a) Term insurance – is one of the oldest and simplest life insurances. The amount of the insurance is paid only if the person dies during the period of the contract, which means that the payment takes place after the person is dead. Whereas, if the person continues to live during the period of the contract, then the payment belongs to the insurer.
- b) Whole life insurance – in this type the amount of the insurance is paid after the death of the person, despite when the death happened. This type of the insurance also has the element of saving and among others a fixed premium.
- c) Insurance of the contracting amount in case of experiencing – in this case the insurer is obligated to pay the amount only in cases if the client experiences it in the fixed term. If so happens that the insured dies prior this term the insurer is not obligated to pay the amount of the insurance.
- d) Mixed life insurance or Insurance in case of death and life – in this case the insurer pays the insured amount both in case of the death of the insured or life.
- e) Renters insurance – is a type of insurance in which the insured with the payment of the premium fully or with instalments wants to secure its future or the future of its family. (Xhevat Bakraçi, 2004, page 238)

Agreement for life insurance can sign healthy people from 15 to 55 years old and can be contracted for a period from 10 to 30 years. We need to take into account that the premiums of life insurance are variable, depending on the gender, age and the period of the insurance.

As characteristics of life insurance we can mention : (Ksenija Klasiq, Ivo Adrijaniq, 2002, page 205)

- Life insurance offers protection and gives financial security to the individual, its family or and its activity.
- Covers the risk of death.
- Long-term
- Fixed premiums
- Savings component
- Payment of remuneration
- The calculated gross premium is a paid premium
- Bearer premium is not calculated

- Tax reliefs exist

Risks that are covered with life insurance are: (Ksenija Klasiq, Ivo Adrijaniq, 2002, page 206)

- The death of the head of the family
- Children's education
- Mortgage debts
- Protection of partnership
- Protection of business
- Unemployment
- Survival of the insured

Despite the risks that are covered with life insurance, we also have cases that life insurance companies do not cover. As two more important cases are:

- a) The death happens casually or by accident. If the death is premature but not sudden then the case is not insurable for the life. For example, if a 30 year old who is diagnosed with cancer has a premature but not sudden death, therefore it is not insurable. On the other hand, if a 30 year old dies in a traffic accident, then his death is premature and sudden, therefore this case is insurable.
- b) For a death to be sudden it should happen without premeditation. In this case, the cases that happen as a result of suicides and the cases with high risk are not insurable. For example, if someone drives a car under the influence of alcohol and as result to this dies or if someone dies while exercising a hobby, these risks are not insurable.

Conclusions

Why is it so important to insure our life? Life insurance should be done not only to insure our life, but also for the lives of our family members. Life insurance offers protection and gives financial security to us, our family, and the activity that we exercise, as well as covers the risk of death.

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