RLIC in the NEWS

RELIANCE
Life Insurance

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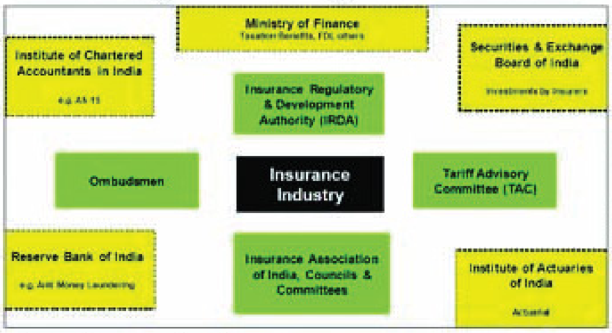
Life Insurance is built to stay for the long-term. Customers have no reason to worry!

Life Insurance – closely regulated by law to ensure long-term trust

What is Life Insurance?

The very purpose of life insurance is to provide protection and financial security to an individual and his family in case of any eventuality. Today, with rising aspirations and the need to acquire assets immediately on loan, there is a significant risk in case something unfortunate happens to the wage earner. Life insurance ensures that money is available to the next of kin in these circumstances. Over the past few decades life insurance products have evolved to include various innovations that make life insurance applicable to different life-stage based needs of people. For example, you can tailor-make plans to ensure your children's future is protected and unchanged in case something happens to you, or ensure that you continue to enjoy the same standard of living post retirement even after your income stops.

A long-term plan: Life insurance plans are structured to last for the long-term. The plan durations are usually long, providing protection over the policy term followed by maturity benefits at the end of the tenure. Most plans offer significantly enhanced benefits if you invest for the long term. Hence, insurance products are ideal to plan for our long-term goals since they ensure that any short-sightedness should not hamper the life of our family in the long term. Goals like children's education, marriage or retirement planning can often be ignored due to the everyday struggles of life.



Long-term insurers too: Not only are the plans structured to benefit customers in the long run but also the insurance companies are capitalized in a manner to ensure that they sustain over the long term. Life insurance companies are required to be well capitalized with a minimum capital requirement of INR 100 crores. Also, in the last few years some of the private insurers, such as ICICI Prudential, HDFC Life and Reliance Life Insurance, have declared profits which further validates that a strong foundation has been built by these companies to enable sustainable growth in the future.

Insurers are required to maintain statutory solvency margin to demonstrate that the policyholders' liabilities can be met. Solvency margin is the extra capital that an insurance company is required to hold. This margin is based on a prudent basis to ensure that a conservative approach is adopted with respect to policyholder protection. Insurance companies are expected to maintain a minimum of 150% of the required solvency margin. Further, insurers apply mathematical and statistical methods to assess risk, which may lead to provision for additional reserves to meet future liabilities.

The life insurance industry contributes significantly towards the economic development of the country. Insurance products are designed not only to meet customers' needs but also to serve public interest. Insurance companies mobilize household savings and usually invest significant amounts in government securities and other asset classes which stimulate the economy. Hence, it is important that insurance companies are perceived as trustworthy institutions.

How do we ensure all of this?

The insurance regulator, Insurance Regulatory and Development Authority, was set up in 1999 in order to protect the interests of holders of insurance policies, to regulate, promote and ensure orderly growth of the insurance industry. The regulator has played an active role to ensure that the life insurance industry

In addition, to ensure that the insurance companies conform to the trust placed in them by customers, the insurance industry is also regulated through various other government and professional institutions, either directly or indirectly, as outlined below:

Hence, the regulatory supervision along with the risk mitigation approach of insurers provides adequate protection to customers in terms of fulfillment of their benefits in the future.

Strict controls: The life insurance industry in India has undergone a major transformation over the last few years. New guidelines have been introduced from time to time to ensure that customer interests remain protected, encouraging the insurers to constantly improve their offerings and create sustainable long-term relationships with customers.

Why should you stay invested in insurance products for the long term?

For the life insurance sector, the core propositions are providing life and health protection, enabling long-term wealth creation to meet financial goals and providing regular income post retirement.Insurance products are designed to offer a significant value proposition to customers who save regularly and stay invested over the long term. In many products the charges reduce significantly over the term of the contract. Hence, to realize the real value of life insurance products customers need to demonstrate long-term behavior. The longer you continue with your insurance policy the higher would be the benefits you would receive.

Recently, it has been observed that certain customers opt to surrender their policies before completion of the term of the policy. They may have either bought these policies with a short term horizon or believe that they might enhance their wealth through some other instrument. It is important for such customers to understand that insurance products are designed to serve their long-term financial goals and that surrendering their policies will only lead to wealth erosion.

Hence, to derive the maximum benefit from the insurance products, it is important to stay invested for the long term.

The insurance industry is poised for significant growth going forward. The regulator has played a commendable role is providing the industry a platform. The insurance companies have built a strong foundation to deliver on the promise of meeting the future goals of customers. Customers can derive significant value from insurance products by investing for the long term.