

LIFE INSURANCE PRODUCTS

Chapter Introduction

The chapter introduces you to the world of life insurance products. It begins by talking about products in general and then proceeds to discussing the need for life insurance products and the role they play in achieving various life goals. Finally we look at some traditional life insurance products.

A. Overview of life insurance products

1. What is a product?

To begin with let us understand what is meant by a product. In popular terms a product is considered same as a commodity- a good brought and sold in the marketplace. The term 'product' comes from the term 'reproduce' which means 'to bring forth' or 'to create'. In other words, a product is the output or result of certain labour or efforts.

However a good's usefulness or utility derives not from the good itself but from its features. This brings us to the marketing perspective. From a marketing standpoint, a **product is a bundle of attributes**. Firms differentiate their product offerings in the marketplace by packing together different types of attributes or different bundles of the same attributes.

The difference between a product (as used in a marketing sense) and a commodity is thus that a product can be differentiated. A commodity cannot. This means that the products sold by different companies, though they may belong to the same category, may be quite different from one another in terms of their features.

A product is not an end in itself but a means to satisfy other ends. In this sense products are problem solving tools. They serve as need or want satisfiers. How appropriate a product is for the purpose would depend on the features of the product.

Products may be:

- i. **Tangible:** refers to physical objects that can be directly perceived by touch (for instance a car or a television set)
- ii. **Intangible:** refers to products that can only be perceived indirectly.

Life insurance is a product that is intangible. A life insurance agent has the responsibility to enable the customer to understand the features of a particular life insurance product, what it can do and how it can serve the customer's unique needs.

2. Purpose of life insurance products and needs covered

Wherever there is risk it is a cause for anxiety. However, we humans have sought to master or at least understand risk, to anticipate and be prepared for it. The instinct and desire to create security against risk has been a key reason for the creation of insurance.