We human beings are social beings who share our lives with others like us - our loved ones. We also possess an immensely valuable asset - **our human capital which is the source of our productive earning capacity.** However, there is an uncertainty about life and human well-being. Events like death and disease can destroy our productive capabilities and thus cut down or erode the value of our human capital.

Life insurance products offer protection against the loss of economic value of an individual's productive abilities, which is available to his dependents or to the self. The very word 'insurance' in 'life insurance' signifies the need to protect both oneself and one's loved ones against financial loss upon death or permanent disability.

There are other functions, such as savings and investment, but death or dread disease coverage is the most common reason for taking out life insurance. In specific terms, the potential estate value or the wealth expected to be created by the insured individual during his/her remaining earning span of work life, is sought to be replaced or compensated to one's loved ones or to self, should the income generating ability of the insured person be damaged or destroyed during the period of the contract. This is done by creating an **immediate estate** in the name of the insured life, the moment the first premium is paid by him.

So, a life insurance policy, at its core, **provides peace of mind and protection to the near and dear ones of the individual** in case something unfortunate happens to him. The other role of life insurance has been as a vehicle for saving and wealth accumulation. In this sense, it offers safety and security of investment and also a certain rate of return.

Life insurance is more than an instrument for protecting against death and disease. It is also a financial product and may be seen as one among many constituents of a portfolio of financial assets rather than as a unique stand-alone product. In the emerging financial marketplace, customers have multiple choices, not only among alternative types of life insurance products but also with numerous substitutes to life insurance that have come up, like deposits, bonds, stocks and mutual funds.

In this context, one needs to understand what the value proposition of life insurance is. **Customer value** would depend on how life insurance is perceived as a solution to a set of customer needs.

- Does it offer the right solution? or "Is it effective?"
- What does it cost? or "is it efficient?"

Life insurance industry has seen enormous innovations in product offerings over the last two centuries. The journey had begun with death benefit products but over the period, multiple living benefits like endowment, disability benefits, dread disease cover and so on were added.

Similarly from a '**participating in profit**' traditional product, the innovations created '**market linked**' policies where the insured was invited to participate in choosing and managing his investment assets. Another dimension was added, where life insurance products evolved from being a fixed bundle (of defined benefits) to highly flexible unbundled products, wherein different benefits as well as cost components could be varied by the policy holder as per changing needs, affordability and life-stages.