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Research Paper

A STUDY ON HUMAN LIFE VALUE AT KOTAK LIFE INSURANCE

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ABSTRACT:

This project explores the concept of "Human Life Value" (HLV) in the context of life insurance, focusing particularly on the approach taken by Kotak Life Insurance Ltd. HLV is a crucial factor in determining the appropriate coverage and financial protection needed by individuals and their families. Kotak Life Insurance Ltd. employs various methodologies and factors to calculate HLV, considering aspects such as age, income, expenses, future obligations, and potential risks. Understanding HLV aids individuals in making informed decisions about their life insurance coverage, ensuring adequate protection for their loved ones in the event of unforeseen circumstances.

INTRODUCTION

“Human Life Value” – A Tool To Know Your Worth

The first thought that comes in mind to provide financial security for our family is life Insurance. Life insurance is the most efficient way of furnishing security & it offers people methods of achieving economic security. But, how much would your family need in your absence is a question, which you find difficult to answer. While there are several ways to arrive at the right amount of cover you need to provide the financial security to your family, the most efficient way is through calculating —Human Life Value.

Human Life Value (HLV) is a methodology to determine the appropriate amount of sum assured you need to have at present in case of future loss of income. In simple words, it is that amount, which can ensure that the standard of living of the family is not affected even if the earning member is not there. HLV calculation is a tool that is used very effectively for financial planning around the world. It is a systematic way of understanding the gaps in the financial planning.

The Human Life Value is just indicative and a starting point in reference to your current ability to set aside money for you and your family's future financial security. There are ready calculators available for calculating the HLV based on current and future income and expenses as well. You can also contact your financial advisor for arriving at the optimum amount of cover through HLV

Once you are convinced with the amount, you can choose various life insurance plans for covering yourself. Policies like term assurance plans, traditional plans and Unit linked plans are available with all the insurance companies providing. While term assurance & whole life insurance plans are purest form of insurance with no returns, Unit Linked Plans can give you good returns in the long term.

NEED OF THE STUDY

Human Life Value (HLV) is a methodology to determine the appropriate amount of sum assured you

need to have at present in case of future loss of income. In simple words, it is that amount, which can ensure that the standard of living of the family is not affected even if the earning member is not there. HLV calculation is a tool that is used very effectively for financial planning around the world. It is a systematic way of understanding the gaps in the financial planning.

SCOPE OF THE STUDY

The scope of the study is limited to the individuals of age group **30 to 55 yrs**. Also the age gap between the individual & spouse is taken around **2 and 4 yrs**.

It is assumed that Rs 10,00,000 and RS 25,00,000 are liabilities and long term emergency funds respectively for all age groups.

OBJECTIVES OF THE STUDY

- To study recent trends in LIFE INSURANCE SECTOR.
- To study how HLV provides financial security to a family.
- To study about benefits of HLV.
- To study how HLV is calculated for individuals of different age groups at KOTAK LIFE INSURANCE.

RESEARCH METHODOLOGY

The present project work has been undertaken making use of both

1. PRIMARY DATA
2. SECONDARY DATA

1. Primary Data:

The primary data is collected by personal interaction with customers of KOTAK LIFE INSURANCE.

2. Secondary Data:

The sources of secondary data include

- company facts sheets
- Internet

LIMITATIONS OF THE STUDY

- The time period taken for the study is only 45 days. In this short period, the project could not be viewed in many direction.
- The study was made exclusively by taking the expenditure levels 15,000, 20,000 and 25,000.
- The HLV was calculated basing on one angle that is only age and expenditure. It did not take into consideration other factors like children , multiple factor etc

REVIEW OF LITERATURE

HUMAN LIFE VALUE

When determining how much value your income has for your family, the insurance company may use what is called the human life value concept.

This concept was invented in the 1920s by Dr. Solomon S. Huebner, to establish what a family would lose in income upon the death of the sole or chief income provider.

Dr. Huebner, a professor and pioneer in the field of life insurance, was responsible for this and many other developments to help both the insurer and the insured.

The human life value concept uses four factors to determine how much life insurance will be needed to protect your family and assets.

These factors are annual income and expenses, years left until your retirement, and the expected value of the current dollar at the end of this period due to inflation. Using these factors, a reasonably

accurate assessment of the value of your income can be made.

Steps to Calculate Human Life Value

Every individual wishes to provide for his family/dependents, in the event of him meeting with an eventuality. Despite that, not many indulge in the exercise of determining their Human Life Value (HLV). If providing for your dependents is a priority, then calculating the HLV is an exercise that you must indulge in.

Although the concept of HLV is something that you must have heard on multiple occasions and from various sources (especially from insurance agents), how it is calculated remains a largely lesser-known topic. Secondly, given that there are multiple methods for calculating the HLV only adds to the confusion.

The most common and widely accepted method involves taking into account the total income that the individual is expected to earn over the remainder of his working life, expressed in 'present' Rupee terms. In other words, calculations are made to figure out, what is the present value of the total monies that the individual would have earned over the rest of his working days.

Our view on how HLV should be calculated, however, is quite different. We define HLV as the sum total of the monetary values of all future needs an individual's spouse and dependents have of him, along with the values of all outstanding liabilities. In short, while the conventional way of calculating HLV is by accounting for the 'income', we choose to follow the 'expense and financial commitment' route, which in our view is more objective and realistic.

But only understanding the concept of HLV is not enough. The next step is to understand how the same is calculated. In this article, we outline a 6-step strategy, which will help you in determining your HLV.

INDUSTRY PROFILE

The insurance sector in India has come a full circle from being an open competitive market to nationalization and back to a liberalized market again. Tracing the developments in the Indian insurance sector reveals the 360-degree turn witnessed over a period of almost two centuries.

A brief history of the Insurance sector

The business of life insurance in India in its existing form started in India in the year 1818 with the establishment of the Oriental Life Insurance Company in Calcutta.

Some of the important milestones in the life insurance business in India are:

- 1912: The Indian Life Assurance Companies Act enacted as the first statute to regulate the life insurance business.
- 1928: The Indian Insurance Companies Act enacted to enable the government to collect statistical information about both life and non-life insurance businesses.
- 1938: Earlier legislation consolidated and amended to by the Insurance Act with the objective of protecting the interests of the insuring public.
- 1956: 245 Indian and foreign insurers and provident societies taken over by the central government and nationalized. LIC formed by an Act of Parliament, viz. LIC Act, 1956, with a capital contribution of Rs. 5 crore from the Government of India.

The General insurance business in India, on the other hand, can trace its roots to the Triton Insurance Company Ltd., the first general insurance company established in the year 1850 in Calcutta by the British.

Some of the important milestones in the general insurance business in India are:

- 1907: The Indian Mercantile Insurance Ltd. set up, the first company to transact all classes of general insurance business.
- 1957: General Insurance Council, a wing of the Insurance Association of India, frames a code of conduct for ensuring fair conduct and sound business practices.
- 1968: The Insurance Act amended to regulate investments and set minimum solvency margins and the Tariff Advisory Committee set up.
- 1972: The General Insurance Business (Nationalization) Act, 1972 nationalized the general insurance business in India with effect from 1st January 1973.
- 107 insurers amalgamated and grouped into four companies viz. the National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd. and the United India Insurance Company Ltd. GIC incorporated as a company.

COMPANY PROFILE

About Kotak Mahindra Old Mutual Life Insurance Ltd

Kotak Mahindra Old Mutual Life Insurance Ltd is a 74:26 joint venture between Kotak Mahindra Bank Ltd., its affiliates, and Old Mutual.

About Kotak Mahindra Group

Kotak Mahindra is one of India's leading banking and financial services organizations, offering a wide range of financial services that encompass every sphere of life. From commercial banking, to stock broking, mutual funds, life insurance and investment banking, the Group caters to the diverse financial needs of individuals and the corporate sector. For more information, please visit the company's website at <http://www.kotak.com>.

Old Mutual

Old Mutual is an international long-term savings, protection and investment group. Originating in South Africa in 1845, the Group provides life assurance, asset management, banking and general insurance in Europe, the Americas, Africa and Asia. Old Mutual is listed on the London Stock Exchange and the JSE, among others. For further information on Old Mutual plc, please visit the corporate website www.oldmutual.com.

Our Vision and Mission Statement

An uncommon bond. Strengthened by a common vision.

Apart from common beliefs, values and objectives we believe in the vision of a better tomorrow. It is this deep veneer of faith that has brought us together and fortified our bond.

The global Indian financial services brand

Our customers will enjoy the benefits of dealing with a global Indian brand that best understands their needs and delivers customized pragmatic solutions across multiple platforms. We will be a world-class Indian financial services group. Our technology and best practices will be bench marked along international lines while our understanding of customers will be uniquely Indian. We will be more than a repository of our customers' savings. We, the group, will be a single window to every financial service in a customer's universe.

DATA ANALYSIS AND INTERPRETATION

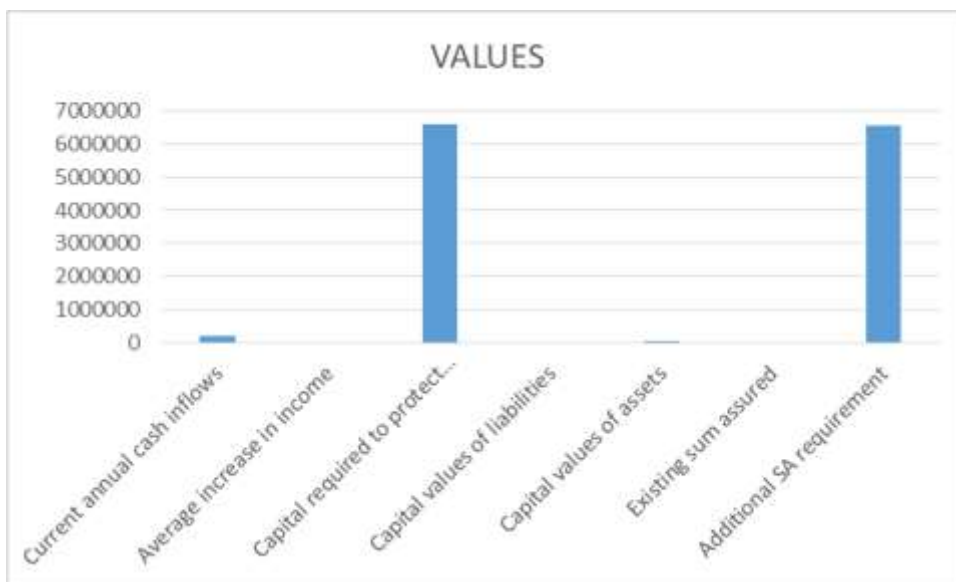
Name	Raju
Age	25
retirement age	58

ASSETS	VALUES
Savings account	50000
PF/PPF	20000
Mutual funds	0
Total	70000

LIABILITIES	VALUES
Personal loan	20000
Educational loan	10000
Home loan	0
Total	30000
YOUR NET WORTH	40000

CASH INFLOWS(ANNUAL)	VALUES
Annual net income (self)	200000
Other inflows	0
Total cash inflows	200000

GOAL SETTING PROTECTION	VALUES
Current annual cash inflows	200000
Average increase in income	8%
Capital required to protect lifestyle	6600000
Capital values of liabilities	30000
Capital values of assets	70000
Existing sum assured	0
Additional SA requirement	6560000



Interpretation:

The above statement shows the calculation of HLV using AGE and Income and Retirement age as parameters.

In this , the age has taken as 25yrs,Income is taken as 2,00,000 and the Retirement age is 58yrs.For these parameters the HLV is 6560000

FINDINGS

The study has been done taking the age groups from 25 to 55 yrs with income groups 200000,300000 ,400000,&500000.

- From the study it is clearly evident that HLV is directly proportional to the monthly Personal income
- From the study it is observed that HLV highest Rs1643000 in 25 years age group
- From the above study it is observed that HLV lowest Rs530000 in 55 years age group.

SUGGESTIONS

Life insurance, especially tailored to meet your financial needs Need for Life Insurance

Today, there is no shortage of investment options for a person to choose from. Modern day investments include gold, property, fixed income instruments, mutual funds and of course, life insurance. Given the plethora of choices, it becomes imperative to make the right choice when investing your hard-earned money. Life insurance is a unique investment that helps you to meet your dual needs - saving for life's important goals, and protecting your assets.

Let us look at these unique benefits of life insurance in detail.

CONCLUSION

Human Life Value (HLV) is a methodology to determine the appropriate amount of sum assured you need to have at present in case of future loss of income. In simple words, it is that amount, which can ensure that the standard of living of the family is not affected even if the earning member is not there. HLV calculation is a tool that is used very effectively for financial planning around the world. It is a systematic way of understanding the gaps in the financial planning.

The Human Life Value is just indicative and a starting point in reference to one's current ability to set aside money for his and his family's future financial security.

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