Insurance Policy Implementation and Securitization of Funds

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Abstract- The insurance sector plays a critical role in economic stability by providing risk mitigation and long-term financial planning tools for individuals and institutions. This study explores the implementation of insurance policies and the securitization of insurance-linked funds, emphasizing their role in capital formation and risk management. The research focuses on how insurance companies design, launch, and execute policy frameworks, including underwriting standards, premium structures, and claim settlement mechanisms. Furthermore, the study examines the concept of securitization in insurance— transforming future cash flows from policy premiums or claims into tradable financial instruments. This enables insurers to manage risk more effectively and raise liquidity while transferring a portion of the risk to the capital markets. The paper investigates regulatory frameworks, market behavior, and financial instruments such as catastrophe bonds and insurance-linked securities (ILS). It also highlights the challenges in implementation, including data accuracy, actuarial assumptions, and investor confidence. The findings emphasize the growing importance of innovative financial tools in strengthening the insurance sector's stability and its contribution to the broader financial ecosystem. This research is relevant for policymakers, insurance professionals, and investors seeking a deeper understanding of fund securitization practices in the insurance industry.

Indexed Terms- Insurance Policy, Securitization, Insurance-Linked Securities, Risk Management, Premium Collection, Financial Instruments, Policy Implementation, Catastrophe Bonds, Capital Markets, Liquidity Management

I. INTRODUCTION

The implementation of an insurance policy involves several key steps, including policy design, risk assessment, premium calculation, and claim settlement. Insurance companies analyze various risk factors associated with policyholders to determine suitable coverage and premium rates. Once a policy is issued, it must be continuously monitored to ensure compliance with regulations and proper risk management. Effective implementation requires collaboration between insurers, regulatory bodies, and policyholders to maintain transparency and efficiency. Additionally, digital advancements have streamlined policy management, allowing for automated processing and quicker claim settlements. Scrutinizing insurance funds is essential to ensure financial stability and fair claim distribution. Regulatory bodies and internal auditors assess how premiums are collected, invested, and utilized to cover claims and administrative expenses. Proper fund allocation is crucial to avoid liquidity crises and fraudulent activities. Insurance firms also conduct periodic financial audits to maintain solvency and uphold policyholder trust. By enforcing strict financial scrutiny, insurers can mitigate risks, enhance credibility, and provide long-term security to policyholders.

II. RESEARCH METHODOLOGY

Research design: Descriptive method
Research method: Survey method
Research instrument: A Well- Structured questionnaire
Sources of data: Primary data& Secondary data
Primary data: The first –hand information has been Collected by Directly

Secondary data: The secondary data was gathered from Industrial magazines, broachers,and prior Study reports.

Sample size: 100

Population size: 100

Simple percentage = No. of respondents/Total no. of respondents X 100

Weighted Average = Weighted total/ Total No. Of Respondents

III. DATA ANALYSIS

3.1 GROW MONEY FUND

CALCULATION OF IRR :-
FOR 3 MONTHS(JAN- MARCH) OF BHARATI AXA LIFE INSURANCE COMPANY

% Of fund for 3months = 3.61%

Bench mark = 4.38%

Total equity = 64.1

No of companies = 22

Hence cash flow(C) = Total equity/no of companies

=64.1/22

$C = 2.914\%$

C_o = (% of fund)(cash flow)

= (2.914)(3.61)

= 10.520

C_1=(Bench mark)(cash flow)

=(2.914)(4.38)

=12.763

$IRR(r) = (c_1-c_o)/c_o$

=0.23

r=0.213%

Illustration:-

Here the internal rate of return of the product is 0.213%. Hence this Product is having acceptability.

3.2. SAVE AND GROW MONEY FUND

CALCULATION OF IRR FOR :-
FOR 3 MONTHS(JAN- MARCH) OF BHARATI AXA LIFE INSURANCE COMPANY

% of fund for 3months = 2.64%

Bench mark = 2.98 %

Total debt = 43.18%

Total equity =56.82%

No of companies = 22

Hence cash flow (C) = Total equity/no of companies

For debt port polio = 43.18/11

C_d = 3.925 %

C_o = (% of fund) (cash flow)

= (3.925) (2.6)4

= 10'363 %

C_1 = (Bench mark) (cash flow)

= (3.925) (2.98)

= 11.69%

$IRR(r) = (c_1-c_o)/c_o$

r=0.129%

For equity port folio = 56.82/11

C_e= 5.165%

C_0 =1 3.635%

C_1 = 15.932%

r = 0.129%

Illustration:- Here the internal rate of return of the product is 0.129%. Hence this Product is having acceptability.

3.3. STEADY MONEY FUND

CALCULATION OF IRR FOR :-
FOR 3 MONTHS(JAN- MARCH) OF BHARATI AXA LIFE INSURANCE COMPANY

% Of fund for 3months = 1.76%

Bench mark = 1.82%

Total equity = 78.4

No of companies = 22

Hence cash flow(C) = Total equity/no of companies

=78.4/22

$C = 3.564\%$

C_o = (% of fund)(cash flow)

= (1.76)(3.56)

= 6.266%

C_1=(Bench mark)(cash flow)

=(1.82)(3.564)

=6.486%

$IRR(r) = (c_1-c_o)/c_o$

=0.035

r=0.035%

Illustration:-

Here the internal rate of return of the product is 0.035%. Hence this Product is having acceptability.

3.4.SAVE AND GROW MONEY PENTION FUND

CALCULATION OF IRR :-
FOR 3 MONTHS(JAN- MARCH) OF BHARATI AXA LIFE INSURANCE COMPANY

% of fund for 3months = 2.80%

Bench mark = 2.98 %

Total debt = 55.92%

Total equity   = 44.08%
 No of companies   = 22
Hence cash flow (C) = Total equity/no of companies
For debt port polio = 44.08/11
Cd =5.084 %
Co = (% of fund) (cash flow)
= (5.084) (2.80)
= 14.234 %
C1 = (Bench mark) (cash flow)
= (5.084) (2.98)
= 15.15%
IRR(r) = (c1-co)/co
r=0.64%
For equity port folio = 44.08/11
Ce= 4.007%
C0 = 11.220%
C1 = 11.941%
r = 0.64%
Illustration:- Here the internal rate of return of the product   is 0.64%. Hence this Product is having acceptability

3.5. STEADY MONEY PENTION FUND

CALCULATION OF IRR FOR :- FOR 3 MONTHS(JAN- MARCH)
% Of fund for 3months = 1.79%
Bench mark   = 1.82%
Total equity   = 81.730
No of companies   = 22
Hence cash flow(C) = Total equity/no of companies
=81.730/22
C =3.715%
Co = (% of fund)(cash flow)
= (1.79) (3.715)
= 6.650%
C1=(Bench mark)(cash flow)
=(1.82)(3.715)
= 6.761%
IRR(r) = (c1-co)/co
=0.016%
r=0.016%
Illustration:-
Here the internal rate of return of the product   is 0.016%. Hence this Product is having acceptability.

CONCLUSION

The study highlights the significant role of insurance in financial security and economic development. While Bharati AXA offers a range of products, certain policies like "Build and Protect Series One" and "True Wealth" demonstrate higher risks due to their negative IRR values. To enhance the insurance sector, policy innovation, improved awareness, and government intervention are essential.

The findings suggest that insurance can be a powerful tool for economic stability, especially in an agriculture-driven economy like India. However, low awareness and misconceptions hinder its growth. Strengthening regulatory measures and promoting financial literacy can boost confidence in the insurance sector and ensure long-term financial security for policyholders.

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