Life Insurance Project

Part 1

Krishangi Trivedi, 81

**Credit Card Insurance**

We are already aware of the types of credit card insurance for example;

1. Credit Life insurance where the bank pays the outstanding amount in case of untimely death or if the person becomes disabled.
2. Credit Disability Insurance where some minimum amount due is paid for during a temporary period of medical disability.
3. Credit insurance in case of involuntary unemployment where the bank pays off the minimum payment due on the cardholder's account in case they have been laid off from work.
4. Insurance of credit for property where, the bank will pay off for the purchases made using the credit card end up getting damaged or get stolen.

Apart from these there could be yet another type of credit card insurance **especially for freelancers and businessmen**. In lives of businessmen or freelancers there are multiple instances where times are rough and because they don’t have a source of fixed income they have to suffer a loss and sacrifice many things. If in such a situation they have to pay for the amount due on their credit card it would be a huge financial burden on them. One might suggest that such people could easily get a settlement. Yes they definitely can but the thing is that a settlement has a huge negative impact on the person’s credit score. Because of this there is a chance that the person may never be able to apply for another credit card or any kind of loan.

In credit card insurance it wouldn’t just be the bank who pays for the amount due. The insured and the bank can come to an agreement where the bank can take a small amount from the account of the insured as premiums for the insurance. This premium would not be a large amount as again it shouldn’t be a lot of burden for the freelancer or businessman since they already have a lot of things to worry for. This premium would also depend on the freelancer’s profession or the kind business someone runs. Job security would play a major role in deciding every individual’s premium amount. Majority of the amount due will be paid by the insured through the premiums they might have collected over the months/years. And if there is still some amount due, it will be paid for by the bank.

In case during a particular year business isn’t going very well and the person is facing financial crisis or if a lot of job opportunities aren’t coming in a freelancer’s way; they wouldn’t have to worry about their amount due on their credit card with the help of this insurance. This will especially be helpful in cases like the global pandemic of Covid-19. Thousands of family suffered financially. Many businesses were affected. Many workers and freelancers couldn’t find jobs. Lots of people failed to repay their credit card loan amount. They had to suffer a lot of harassment from the credit card companies. This caused a lot of mental and emotional stress. If in such a case they had the option of a credit card insurance they would’ve been able to pay the minimum loan amount without any worries.

People can also opt for saving some money to be able to pay for the credit card loan. But the thing is that it is difficult to commit one’s self to do so. The saved amount could easily be used up for other purposes. Through credit card insurance they will have a hassle free way to save up for the amount due.

This will also help them in keeping their credit score safe.

In a country like India where credit cards are very famous and almost every household has at least one credit card this kind of an insurance would be very useful. Many people would be more than happy to buy this type of insurance. This product will especially be famous in middle class families who run a business and also the younger generation who nowadays like working as a freelancer rather than working in a company as an employee. Credit card companies and banks could be a big help in making people aware about this product. Credit card insurance could also helpful in selling credit cards to people who were worried about not being able to pay for the amount due.