SATTREX CAPITAL

WEALTH THAT GROWS AND LASTS FOREVER • PRINCIPLE NO. 6

Human Life Value (HLV) & The 4 Human Endowments

Protection: Quantifying Income Earning Capacity & Capitalizing Human Asset Worth

To one of the wealthy ultra-HNIs in India, a proposal was made for a **₹200 Crore ($2 Billion equivalent)** life insurance cover. The client agreed and applied for ₹150 Crores, and the insurance underwriter ultimately approved and offered a **₹120 Crore ($1.2 Billion)** risk cover. Why would anyone need such a massive amount of insurance?

1. THE PARABLE OF THE APPLE TREE & THE GOVERNMENT TAKEOVER

Consider a farmer who has nurtured an apple tree for 20 years. The tree produces an average yield of 1,000 apples per year at a net profit of ₹10 per fruit, generating **₹10,000 net profit per year**.

One day, the Government orders a compulsory acquisition of that specific tree for public use. Assuming the tree's productive lifespan is 100 years, there remain 80 productive years ahead ($80 imes ₹10,000 = ₹8,00,000$ lifetime value). The farmer seeks compensation. How much should the adjudicator award the family?

> **The Prosecution Argument:** "The farmer has 3 more apple trees left and does not need this money. He is rich, so compensating him with ₹1,00,000 is enough."
> **The Verdict:** Irrespective of how wealthy the farmer is or how many other trees he owns, the loss of *this specific earning asset* must be fully compensated based on its future earning potential (₹8,00,000). Human beings are earning assets whose earning power converts into wealth for their families.

2. THE TWO TYPES OF ASSETS EVERY INDIVIDUAL OWNS

1. TRANSFERABLE ASSETS (FINANCIAL & PHYSICAL)

Assets that can be owned, used during life, and **ownership can be transferred to loved ones** upon death via will or inheritance.

- Residential House & Land
- Commercial Businesses
- Cash & Bank Balances
- Stocks, Bonds & Mutual Funds
- Jewelry & Vehicles

2. NON-TRANSFERABLE HUMAN ASSETS (EARNING CAPACITY)

Assets that can be used to earn money during life, but **ownership CANNOT be transferred** upon death. They perish with the individual.

Driven by the 4 Human Endowments:

- Intellect
- Talents
- Brand / Reputation
- Experience

3. THE 4 HUMAN ENDOWMENTS

Consider an architect, surgeon, or corporate promoter. Their earnings are driven by four internal endowments:

1. INTELLECT	2. TALENTS	3. BRAND	4. EXPERIENCE
Professional Knowledge	Creativity & Skill	Market Reputation	Years of Insights

A professional cannot pass their intellect, brand, or experience to their children like a physical house. The family has a legitimate right to the monetary value these 4 endowments generate. **Life insurance is the only legal mechanism to monetize and transfer non-transferable human asset value to loved ones upon death.**

4. REAL CASE STUDY: MR. PRABHAKAR REDDY (PROMOTER, GPR INFRA)

Promoter Background & Assumptions

- **Name:** Mr. Prabhakar Reddy (Age 43), Promoter of GPR Infra.
- **Track Record:** Won 2 International Awards in the last 5 years; renowned for timeliness and execution.
- **Previous Year Net Income: ₹8 Crores (₹80 Million)**.
- **Planned Retirement Age:** 55 years (16 active earning years remaining).
- **Projected Business Growth Rate: 15% CAGR** year-on-year.
- **Safe Discount Interest Rate (PV Factor): 7% per annum**.

16-Year Human Life Value (HLV) Cash Flow Projection Table

Age	Projected Annual Income (₹)	Age	Projected Annual Income (₹)
Age 43	80,00,000	**Age 51**	2,44,72,1829
Age 44	92,00,000	**Age 52**	2,81,43,0103
Age 45	1,05,80,0000	**Age 53**	3,23,64,4619
Age 46	1,21,67,0000	**Age 54**	3,72,19,1312
Age 47	1,39,92,0500	**Age 55**	4,28,02,0008
Age 48	1,60,90,8575	**Age 56**	4,92,22,3010
Age 49	1,85,04,4861	**Age 57**	5,66,05,6461
Age 50	2,12,80,1590	**Age 58**	6,50,96,4930
PRESENT VALUE (PV @ 7% Safe Interest Rate)			**₹216,97,49,943 (₹217 Crores)**

FINAL UNDERWRITING & RISK COVER RECOMMENDATION:

Total Present Human Life Value (HLV) = ₹217 Crores ($2.17 Billion)

Based on the present value of Mr. Reddy's future income stream, a life insurance proposal of **₹200 Crores** was presented. Following medical and financial underwriting, the insurance company approved a total risk cover of **₹120 Crores ($1.2 Billion)**, fully monetizing his non-transferable human asset value.