

All about home insurance business essay



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A Home is a place of innumerable memories; no money is better spent than what is invested on your home. Your home would be one of the single biggest investments that you would make in your life and it is but natural that you would like to protect it. This is where householders insurance will help you. Thus safeguarding your home from unforeseen events becomes a priority and the best way that can be done is by securing your home with insurance. An adequate and a comprehensive household insurance policy should be on top of your priority list. It is just not enough to have an insurance cover for your home but what matters is the right home insurance that covers all possible liabilities and contingencies that may arise due to Burglary, Larceny, and Theft.

Home Insurance or Householder's Insurance as is commonly referred to is a type of Property Insurance that covers Private Homes. It is kind of Insurance policy that combines variety of personal insurance protections. It includes loss of property occurring to:

One's Own House

Its contents

Loss of Personal Possessions of the House owner

And Liability for any accidents that may happen in the house

The House stays insured for the period for which the policy period and a certain rate premium is charged for insuring it.

The Cost of householder's insurance depends upon what it would cost to replace the house and its contents. Depending on the additional items attached to the property insured, additional riders are added. The householder's policy is a contract that illustrates what will be covered in case of occurrence of any event.

The Householder's policy is a term contract; i. e.: it is in effect for a fixed period of time. The Payment that the insured makes to the insurer is called Premium. This premium is payable on each term before the term of the policy is said to expire.

Different rates and level of premium (high or low) is charged depending on the quantum of risk associated with the insured house.

Example: If a house is located next to a fire station then a lower premium is charged as opposed to a house located far away from a fire station.

Similarly, a house equipped with fire sprinklers & alarms, security measures, additional locks and neighborhood security attracts a lower rate of premium than one which is not equipped with any of these additional security measures.

Householder policy provides cover both to building and its contents.

Householder Insurance Policy offers comprehensive protection for your home (residential building) and its contents against a variety of risks. Some Points to keep in mind while deciding sum insured while opting for Household Insurance:

For building, the sum insured must cover the full cost of rebuilding the property including architect fee etc and the cost of clearing away the debris and cost of obtaining sanctions for any new building regulations or by-laws.

For contents, the sum insured should be the replacement value except for Section III (All Risks) where it should be market value but for Jeweler it will be market value less 10% (making charges) or purchase cost.

However, most companies offering Householder's Insurance in India give you the option to choose to opt for insurance only for the building (structure) of your home, or only the contents or both.

The Policy covers losses to the structure and/or its contents of your home via natural and manmade calamities.

Generally, A Package policy is designed to meet the requirements of a householder by combining under a single policy, a number of standard policies usually taken by householders. Discount in premium is offered depending upon a number of sections of the policy, by the proposer.

Below is an illustration of a package policy:

This Package Policy Comprises of 10 Sections in all, illustrated as under:

Section 1: Fire & Allied Perils

Coverage for building

Covers contents of the dwelling belonging to the proposer and his/her family members permanently residing with him/her.

Allied Perils:

Fire, Lightening, Explosion of gas in domestic appliances

Bursting and overflowing of water tanks, apparatus or pipes.

Damage caused by Aircraft

Riot, Strike, Malicious or Terrorist Act

Earthquake, Fire and/or Shock, subsidence and Landslide (including
Rockslide) damage

Flood, Inundation, Storm, Tempest, Typhoon, Hurricane, Tornado or Cyclone.

Impact damage

Section 2: Burglary & House breaking including larceny & theft

Covers contents of the dwelling against loss due to burglary, house breaking,
larceny or theft.

Section 3: All Risks (Jewellery & Valuable)

Covers loss or damage to your jewellery and valuables by accident or
misfortune whilst kept, worn or carried anywhere in India subject to the
value declared in the schedule

Section 4: Plate Glass

Loss or damage to fixed plate glass in the insured premises by accidental
breakage subject to limit of sum insured

Section 5: Breakdown of Domestic Appliances

Covers domestic appliances against unforeseen and sudden physical damage due to mechanical or electrical breakdown

Section 6: Television Set including VCP/VCR (All Risk)

Covers loss or damage to T. V. Set including VCP/VCR by fire and allied perils, burglary, house breaking or theft, breakage due to accidental external means, mechanical or electrical breakdown. Any legal liability arising out of bodily injury or accidental death of any person other than insured's family members or employee as also damage to property not belonging to or in the custody of insured , caused by use of the T. V.

Section 7: Pedal Cycles (All Risks)

Covers loss or damage to pedal cycles by:

Fire & allied perils

Burglary, housebreaking, theft

Accidental external means

Third party personal injury or Third party property damage also.

Section 8: Baggage Insurance

Covers loss or damage to insured's accompanied baggage by accident or misfortune whilst the insured is traveling on tour or holiday anywhere in India.

Section 9: Personal Accident

Covers Death or bodily injury by accidental, violent, external and visible means to the insured person named in the schedule and subject to limits specified therein.

Section 10: Public Liability

Covers Insured's legal liability for bodily injury or loss of or damage to property of third party limited to amount specified in the schedule and workmen's compensation liability to domestic servants engaged in insured's premises.

Exclusions:

Willful Destruction of property

Loss or damage caused by willful wear and tear and consequential loss of any kind.

Loss or damage, directly or indirectly, caused by or arising from or in consequence of or contributed to by nuclear weapons material and/ or Ionizing radiations.

Loss or damage, whether direct or indirect occasioned by the happening through or arising from any consequences of war, invasion, act of foreign enemy, hostilities, (whether war should be declared or not), civil war, rebellion, revolution, insurrection military or usurped power or civil commotion or loot or pillage in connection therewith.

Today opting for a Home Insurance while taking a Loan has become compulsory and is a pre-requisite requirement of all financial institutions while processing a loan approval document.

Homeowners insurance is a type of insurance that almost any homeowner should know about. Not only is homeowners insurance among the most popular forms of personal insurance, it is also among the most compulsory of all the different types of insurance. You cannot imagine substituting homeowners insurance with any other type of insurance for this reason. Almost any homeowner who either owns or leases a property will need one and fortunately with so many leading insurers dealing with it, get one with ease these days. It is also important for another reason. Most of the mortgage lenders need homeowners insurance in order to protect their interests. In the event of a homeowner defaulting on monthly mortgage payments, the insurance would protect the lender's investment.

Homeowners insurance is known to differ from one place to another. For instance the cost of insurance may be different from one place to another. Similarly the type of homeowners insurance may also vary from place to place. Whenever you are looking for affordable homeowners insurance, it is always preferable that you start with your existing insurer from whom you have purchased other insurance products. Often insurers are known to give hefty discounts if you were to purchase multiple insurance products from them. Such umbrella insurance policies are among the best ways when you are on the lookout for cheap homeowners insurance.

Householders insurance is an important purchase for many people. There are two major reasons to buy it are:

To protect your assets: Homeowners insurance covers the structure of your home and your personal property, as well as your personal legal responsibility (or liability) for injuries to others or their property while they're on your property.

To satisfy your mortgage lender: Most mortgage lenders require you to have insurance as long as you have a mortgage and to list them as the mortgagee on the policy. If you let your insurance lapse, your mortgage lender will likely have your home insured.

The need for acquiring Householder's insurance is dependent on various factors:

Need for Household Insurance is dependent on Income of Household earner and to what extent.

Requirement of Household Insurance is dependent on type of house of the bread earner of the household.

Necessity for Household Insurance is dependent on Geographical Location of Household.

In this study, our aim would be to find the Need for Householders insurance in the region of Noida and the preference of policy holders in choosing one kind of householder's insurance product over the other. It is also aimed at finding out the popularity of products offered by a Public Sector Insurance

company over a Private Player or vice versa. The root cause of the problem is Non Acceptance of Insurance as a factor in the minds of Indian consumers. Insurance being an optional opportunity and not compulsory under law, it is often seen that Indian consumers choose to not opt for it once their loan is repaid and financial interest of the lender ceases to exist. And hence, this study will aim at finding a cause for this problem and also refer a probable suggestion for solving the problem to a certain extent.

RESEARCH METHODOLOGY

Hypothesis:

Ho: Need for household insurance policy is independent of the house owner.

H1: Need for household insurance policy is dependent of the house owner.

Ho: Need for householders insurance policy is independent of level of awareness of the target audience.

H1: Need for householders insurance policy is dependent of level of awareness of target audience.

Ho: Need for householders insurance policy is independent of premium charged by insurance company.

H1: Need for householders insurance policy is dependent of premium charged by insurance companies.

Research Design: Descriptive Research

Sample Size and Design:

Target Population – Universe or the whole mass under study will be Residents of Noida.

Sample Frame – Will be working and non-working class males and females, professionals, students and business class and housewives.

Sampling Unit – Individuals.

Sampling method – Non Probability method under which convenient Sampling method.

Sample size – 200.

Method of Data Collection – Primary data

Tools of Data Collection – Questionnaire

Period – The primary data is proposed to be collected through various means of communications, i. e. In person, by telephone, e-mail , between 20. 01. 2013 to 06. 02. 2013 the period and mode of collecting data shall be reviewed suitably at the appropriate times so as to make it meaningful and closest possible to the objectives set for the research study.

LITREATURE REVIEW

According to a recent report of Lloyd, the Indian Insurance market is likely to change in the coming few years significantly due to regulatory changes. In addition, the premium growth is being driven by other factors such as growing consumer class, increased Foreign Direct Investment, Infrastructure Development, and increased awareness of catastrophe exposure. Despite

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Significant positive changes, the insurance market must still face the challenge of poor consumer perception and the danger that the pace of reform will slow down. Several significant structural changes are going to come in the Indian insurance market that will influence the country's development in the medium and long run. So far, the entry of large number of Indian and Foreign private players has led to greater choice in terms of products and services for Indian Consumers. A growing realization of the benefits and importance of sophisticated insurance and re-insurance tools has broadened the pool of potential buyers of insurance. Given this backdrop, the insurance market has seen considerable growth post liberalization in 2000. Over the years the insurance market will see the maturation of insurance market accelerate. Regulatory changes in the four areas – products, market players, distribution and re-insurance will drive change in the Indian Insurance market in the medium term.

Price competition has already begun to increase and is likely to continue to do so far in the coming time.

The practice of cross subsidization is likely to be phased out as a risk-based pricing is used increasingly for all products.

As Indian Insurers build a profitable portfolio, they are likely to have increased access to international market

Finally Growing Demand for insurance is likely to be met by increased capacity as Foreign Insurers look to access this growing market.

As per a recent research by ICRA – Global Insurance the following facts were discovered:

Private Sector’s Growing Influence

Market Share – Redistribution

Operational Flexibility

Client Servicing

Strong Infrastructure and systems

Focused underwriting strategy

Superior Claim processing facility

Distribution – Rise of Banc assurance

According a research paper published in U. K named “ UK Household Insurance 2011” sourced from Data Monitor, Published in September 2011. The household insurance market benefited from a solid increase in gross written premiums and a decrease in gross claims costs. Profitability in the market, however, decreased as insurers increased their provisions for unexpired risk reserves. The structure of the market has been affected by the continued economic downturn as a higher proportion of the population has moved into rental accommodation. This has resulted in a 9. 4% increase in private renters in the UK in 2009/2010 and will require a change in strategy for providers. Aggregators are aggressively seeking to grow their share of the household insurance distribution channel to replicate their

success in the private motor insurance market. Thus, there arises a need for household insurance which will provide for a peace of mind to the house owners with regards to the safety and security of the house.

Primer: All about Home Insurance

July 28, 2011 | ET Bureau

Home insurance policies are offered by general insurance companies to cover your home against risks from natural calamities such as fire, floods, earthquakes, or landslides. Besides, there are various sections of the policy that broadly covers the structure of the house alone, or your belongings, such as jewellery, furniture, electronic appliances, etc, or even both. Some policies also cover your rent expenses if you have to move out to another house because your actual house has been damaged due to any of the covered perils listed by your insurer.

September 26, 2011 | Economic Times

A house is often the most expensive asset that is owned by an individual. The average Indian spends a good part of his life's savings on buying and furnishing his house. Unfortunately, he does not pay too much attention to protecting it against natural or man-made disasters. He will insure his car, which costs Rs 3 lakh, but his Rs 30 lakh house and its contents are usually not covered.

In this project, we estimate the demand for householder's insurance in Noida. Since we are interested in a number of factors influencing the demand for Home Insurance, we approach the problem from multiple

directions. We first analyze how the insurance contract is bundled and how contract provisions, insurer characteristics and insured risk characteristics and demographics influence the contract. We also estimate the demand for home insurer's. There is a notable result that home owners are price sensitive and the coverage is also dependent on income of the home owner.

The insurance industry in India has passed through a period of structural changes under the combined impact of financial sector reforms in the general insurance sector in particular. The market for insurance services previously was monopolistic while the market place was regulated and insurance companies were expected to receive assured spreads over their costs of funds and systematic demand for their products. Existence of entry barriers for new insurance companies meant that competition was restricted to public insurers. In case of life segment meant of insurance, LIC had a dominant role, while in non - life business segment, New India, United India, National and Oriental General Insurance Corporation were having monopoly. With the liberalization of insurance sector, the paradigm for insurance industry has witnessed a sea change during the last decade. The emerging scenario has infused greater competitive volatility in the system, because the insurance sector has now entered into a competitive phase due to entry of more players in the field.

Registered Insurance Companies

Source: Various Issues of IRDA Journals

Sectors

2006-2007

2007-2008

2008-2009

2010-2011

2011-2012

Public

4

4

4

4

4

Private

8

10

13

14

18

Total

12

14

17

18

22

Our study is exploring several significant aspects of residential insurance markets. Our initial work encompasses:

The Key Determinants for demand for household insurance depends on Premium of insurance cover.

The influence of insurer cost structures and other factors influence the amount of insurance supplied and also has an effect on the regulatory price restrictions.

We also focus on policy features and bundling/unbundling of perils and coverage's.

SUMMARY OF INITIAL FINDINGS

Interesting observations arise from this analysis. Our observations concerning other statistical results remain more tentative until we refine the speculation of our initial model. The basic demand problem for the homeowner is to single out an optimal policy from among the menu of policies offered in the market. This involves a complex trade off among the various attributes of the coverage and options purchased the characteristics and needs of homeowner, and the perceived quality of the companies from which coverage can be purchased. Demand in this market arises from the optimal consumer choice of a bundle of product and company attributes, given the personal characteristics of each homeowner and economic demographic characteristics of the neighborhood (i. e.; Area: “ Noida”) where he/she resides. The feasible set of such bundled products is the set of

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insurance policies coverage options, and company attributes that can be sustained in a competitive equilibrium under regulatory constraints.

DATA ANALYSIS

Q. 1. Annual House Hold Income?

Code

Response

Percentage

0

Blank

0

1

<100000

7

2

10001-300000

8

3

300001-500000

41

4

500001-800000

31

5

> 800001

13

Inference Drawn:

Q. 2 You have a house holder's insurance policy?

Code

Response

Percentage

0

Blank

0

1

Yes

61

2

No

39

Inference Drawn:

Q. 3 If No, any specific reason for not opting for house holder's insurance.

Code

Response

Percentage

0

Blank

56

1

High Premium

9

2

Unawareness

34

3

Wastage of money

1

Inference Drawn:

Q4. If Yes, What Perils are covered in your Policy

Percentage

Response

Yes

No

Blank

Fire & Allied Perils

54

0

46

Burglary Theft Larceny

50

3

47

Electronic Appliances

43

6

51

Baggage

25

22

53

Personal Accident

29

24

47

Add-on Covers

15

31

53

Inference Drawn:

Q5. Your Householder’s Insurance Policy Provides adequate cover

Code

Response

Percentage

0

Blank

39

1

Strongly Disagree

3

2

Disagree

6

3

Neutral

17

4

Agree

26

5

Strongly Agree

9

Inference Drawn:

Q. 6. You satisfied with the premium charged for your policy?

Code

Response

Percentage

0

Blank

39

1

Strongly Disagree

2

2

Disagree

9

3

Neutral

17

4

Agree

25

5

Strongly Agree

8

Inference Drawn:

Q. 7. You have any past claim experience?

Code

Response

Percentage

0

Blank

34

1

Yes

23

2

No

43

Inference Drawn:

Q. 8 If Answer to the above question is YES, then did your Policy Provide you adequate cover?

Code

Response

Percentage

0

Blank

69

1

Strongly Disagree

4

2

Disagree

5

3

Neutral

7

4

Agree

10

5

Strongly Agree

5

Inference Drawn:

Q9. Time taken by the Insurance Company to address your claim related query was adequate?

Code

Response

Percentage

0

Blank

69

1

Yes

22

2

No

9

Inference Drawn:

Q. 10. Reason for not having Householder's Insurance Policy

Percentage

Response

Yes

No

Blank

High Cost

19

12

69

Not Required

12

14

74

Low Level of Awareness

23

12

65

Any other

8

17

75

Inference Drawn:

Q. 11. Any planning to purchase a householder's insurance policy?

Code

Response

Percentage

0

Blank

50

1

Yes

17

2

No

33

Inference Drawn:

Q. 12. You think in your social circle, has anyone experienced any of the following?

Percentage

Response

Yes

No

Blank

Fire Damage in the Household

38

47

15

Theft/Burglary in household

48

39

13

Damage to electrical & electronic appliances

34

46

20

Death or injury due to accident

23

59

18

Inference Drawn:

Q. 13. If Yes, how did it affect them financially?

Code

Response

Percentage

0

Blank

9

1

Yes

37

2

No

54**Inference Drawn:****Q. 14. Your opinion about householder's insurance?****Code****Response****Percentage****0****Blank****3****1****Wastage of money****34****2****Worth the investment****63****Inference Drawn:****CONCLUSION****RECOMENDATIONS**

The present scenario demands house owners to have a Householder's insurance cover in order to protect them from future uncertainty. This segment has a huge potential to grow and expand its operations in the non life segment. Hence companies should tap this opportunity and pay attention to introduce insurance covers to cater to the needs of all classes of people.

Majority of respondents who are policy holders have responded that their company does not explain to them coverage available to them in the householder's policy they have opted for and only in the case of a claim do they find out that various items were not part of the standard cover and hence were part of exclusions. Hence amendments can be made in this regard to inform the customers.

Promptness in claim settlement can be enhanced as it is one of the important aspects which will enhance the reputation of the policy issuing company as well as build a bond of trust and goodwill in the minds of the customers which will help to retain and attract new customers as well.

Companies can create more awareness in the minds of the customer about its products amongst potential customers by means of advertisements and efficient insurance agents and other sales channels which in turn will help build up a strong customer base.

One Suggestion that I would like to recommend to the industry is to make householder's insurance compulsory for lifetime of the house-owner irrespective of the fact whether the house is under a mortgage or loan or not. It is often seen that the home insurance being compulsory is automatically renewed as long as the financial interest of a bank is involved but policy ceases to be in force once the amount of loan outstanding on the house is paid off. Post which the home owners neglects the renewal or continuation of the cover. It would prove to be a boon for the industry if this cover be made compulsory for life time of the home owner just as in the case of Third Party Cover under motor insurance in Motor Vehicle Act.

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