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INDIANS place a significant premium on home ownership, but home insurance penetration is remarkably low at about 1 per cent. This means that only a small fraction of Indian homeowners insure their homes against unforeseen events. A big chunk of the net worth is, thus, exposed to financial losses which a home insurance policy could have covered.

"The penetration of home insurance remains significantly low in India. This is in stark contrast with developed countries. In USA, around 95 per cent of homeowners have some form of home insurance, reflecting a high level of awareness and adoption. In the UK, 70-75 per cent of homes are insured, showcasing a well-established insurance culture," says Sajja Praveen Chowdary, head, Policybazaar for Business. Japan, he says, also sees a substantial penetration rate as frequent natural disasters necessitate such coverage. "However, in China, despite rapid economic growth and urbanisation, home insurance penetration is relatively low compared to the western countries."

A report of the Ministry of Housing and Urban Affairs highlights India's rapid urbanisation, where the urban population is projected to increase to about 60 crore (40 per cent) by 2031 and 85 crore (60 per cent) by 2051. "Despite this substantial growth in the housing market, the uptake of home insurance remains minimal. The Indian government's various housing initiatives aim to achieve housing for all, which will involve substantial investment, but this has not yet translated into higher home insurance penetration," says Gurdeep Singh Batra, head, Property UW (E&S), Risk Engineering, Bajaj Allianz General Insurance.

Why the lack of interest

Insuring a home against structural damage due to a fire or natural disasters can significantly protect the investment made in buying and maintaining it. However, several factors contribute to the low penetration of home insurance in India. The primary reason, say experts, is the lack of knowledge and awareness.

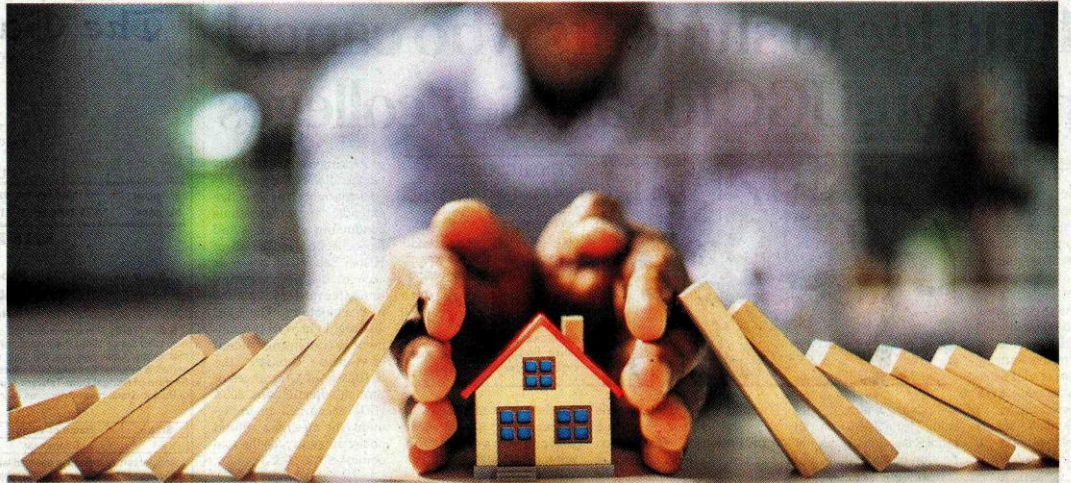
According to Batra, a 2017 survey report on IRDAI's (Insurance Regulatory and Development Authority of India) insurance awareness campaigns from 2010-2015 revealed that only 36.6 per cent of the urban Indian population and 29.7 per cent of the rural population were aware of home insurance. However, awareness does not necessarily translate into purchase of home insurance, which is evident by the low penetration numbers.

Cultural factor is considered another key reason as insurance is not traditionally prioritised unless it is mandated. The perceived high cost of home insurance further deters potential buyers, as many believe it to be an unnecessary expense.

There is also a common belief that claiming insurance is difficult and often futile, which is a misconception. Potential buyers, point out experts, can compare the claim settlement ratios of insurance companies online to make informed decisions. Additionally, the complexity of insurance products, which are often seen as difficult to understand, discourages people from opting for them. Limited distribution channels, especially in the rural and semi-urban areas, hinder the reach of insurance companies.

Why it is needed

Home insurance is crucial for several reasons as it provides peace of mind, knowing



WHY ONLY 1% INDIANS HAVE HOME INSURANCE

Despite several advantages, it remains unattractive because of lack of awareness and the perception of unnecessary expenditure

HOW TO INCREASE THE ADOPTION LEVEL

Enhance awareness: Conduct widespread campaigns to educate people about the importance of home insurance, similar to those run for health and auto insurance.

Simplify the process: Simplify policy documents and make the terms and conditions easy to understand.

Leverage technology: Use online plat-

forms and mobile apps to make purchasing and managing home insurance policies more convenient.

Affordable premiums and flexible plans: Offer flexible plans that cater to different income groups and housing types. Provide government subsidies or tax incentives for those purchasing home insurance, particu-

larly in disaster-prone areas.

Regulatory support: Consider making home insurance mandatory for certain types of properties or loans, similar to auto insurance.

Build trust: Building trust by improving customer service and streamlining the claim settlement process is crucial.

that one's house and belongings are protected against a range of potential risks. It provides protection against natural disasters, including floods, earthquakes and cyclones. This coverage ensures that homeowners are financially protected against significant damages resulting from such events, according to Policybazaar.

"India is highly vulnerable to various natural disasters. According to data from the National Disaster Management Authority (NDMA), over 58.6 per cent of India's landmass is prone to earthquakes, more than 12 per cent is susceptible to floods and river erosion, and nearly 76 per cent of the coastline is at risk from cyclones and tsunamis. Additionally, hilly areas are prone to landslides. These increased vulnerabilities, stemming from unplanned urbanisation, development in high-risk zones, climate change and geological hazards, underscore the necessity for Indian citizens to protect their lifetime earnings. This makes home and contents insurance essential for securing your future," points out Batra.

A comprehensive home insurance policy not only protects against natural calamities, but also covers losses due to theft or burglary, safeguarding personal

property and valuables. Fire accidents, which can cause extensive damage, are also covered under home insurance policies. Liability coverage is another essential aspect, offering protection if someone is injured on the property and decides to sue the homeowner.

Contrary to popular belief, home insurance is affordable. A typical policy covering losses up to ₹30 lakh costs about ₹2,000 to ₹5,000 annually, depending on the coverage for a 10-year term. This small investment ensures your home is protected against major losses.

Size of market

The home insurance market in India is expected to grow substantially. Rising property values are a major driver of this growth. The increased risk of natural disasters, theft and other incidents also encourages people to purchase home insurance. Several prominent insurance companies operate in the home insurance market.

Both public and private sector players contribute to a competitive landscape, with a range of products tailored to different customer segments.

The potential for home insurance in India by 2030 is immense, driven by several key

factors. Rapid urbanisation and rising property values will lead to an increased demand for housing and, consequently, home insurance. As India's economy grows, disposable incomes will rise, making insurance more affordable for a larger segment of the population.

According to Bajaj Allianz General Insurance, additionally, insurers offering affordable and flexible plans tailored to different income groups and housing types will make home insurance more appealing.

"By 2030, the home insurance market in India is set to grow significantly. With 68 per cent young population and 55 per cent in the working age group, combined with the addition of 14 crore middle-income and 2.1 crore high-income households, the need for home insurance will surely go up," says Chowdary.

Rising awareness and better financial literacy will help more homeowners understand the importance of home insurance.

Technological advancements, such as digital platforms and data analytics, will make it easier to distribute, manage and claim insurance. With these factors in play, India's home insurance market could see substantial growth in the near future, providing better financial security for homeowners across the country.

HOME INSURANCE VS HOME LOAN INSURANCE

HOME INSURANCE

Home insurance provides essential coverage to safeguard your home against risks. Basic home insurance policies protect the structure of your home against both man-made and natural disasters, including earthquakes, floods, lightning and fires. Depending on the plan, policies also cover home contents, including electrical and electronic appliances like refrigerators, TVs and air-conditioners, as well as portable equipment, furniture and fixtures. Additionally, you can separately insure valuables like jewellery, works of art and curios. To enhance protection, insurance companies offer various add-ons. Public liability coverage protects against third-party injuries or property damage caused by incidents related to your home.



HOME LOAN INSURANCE

Home loan insurance policy covers the liabilities of a home loan in cases where the borrower cannot make payments due to unforeseen adversities. This means that the monthly loan instalments are covered by the insurance when the borrower is unable to pay. It safeguards against the risk of defaulting on the home loan due to unexpected circumstances, ensuring that home ownership is not lost due to missed EMI payments. Essentially, home loan insurance provides a financial safety net for the borrower's family, covering the remaining loan amount in case of such adversities.