

# Home insurance: Indians are not at home with it!



Shelter is a basic necessity for all living beings. It affords us safety and security. Yet, in India we tend to ignore issues pertaining to safety and security of our shelters. Where does the blame lie? Government? Insurers? Customers? Or the entire society at large? Maybe the new Real Estate Regulatory Authority Act (RERA Act) can be a game changer in this case. Each of the stakeholders only needs to put out his best foot forward to ensure that the home remains safe.

By Anoop Khanna



In India, a home is a life time investment. It is perhaps one investment that is linked with the emotions of not only an individual but the entire family. People usually invest all their savings in their dream home. When it comes to safeguarding this life time investment, however, people become reluctant.

## Home insurance scenario

The potential of India's affordable housing market is estimated to be INR9.7 trillion (US\$150 billion)! The Government of India has launched an ambitious plan to construct 2 crore (20 million) houses in urban areas and 4 crore houses in rural areas to achieve housing for all by 2022. This would entail a gargantuan investment.

India, however, presents a very dismal picture on insuring this tremendous asset base. Home insurance penetration in India is just about 1%. Hardly 3% of houses in India are insured. Countries like US, UK, France, Australia and China have home insurance penetration in the range of 90-97%.

Speaking to Asia Insurance Review, Mr Tapan Singhel, MD & CEO of Bajaj



Mr Tapan Singhel



Mr M S Sreedhar

Allianz General Insurance Company said: "It is rather a paradox that we Indians are very ardent about owning a house but are equally oblivious towards insuring it against the unforeseen risks that it faces."

The only semblance of home insurance in India is the home loan insurance where the loan taken to buy the property is insured. This covers only the outstanding loan liability from the time the property is bought. In case of an event where the applicant is unable to repay the loan, home loan insurance cover helps the family repay the outstanding amount. It does not provide any special protection in case the home or the contents of the home suffer a loss either by a natural or man-made disaster.

### Vulnerability to catastrophes

Around 60% of Indian subcontinent landmass is vulnerable to earthquakes and other natural catastrophes and at least 38 Indian cities lie in high-risk seismic zone. Further, most Indian cities are densely populated and do not adhere to best architectural layout standards.

Also, a majority of both residential and commercial premises, do not comply with earthquake and flood resistance safety guidelines. These aspects make them highly vulnerable to natural and man-made perils.

### Poor awareness

In the aftermath of Chennai floods, an insurer paid nearly 8,000 claims and only 1% of these pertained to insurance covers for homes. This shows the depressing penetration of home insurance even in metro cities. Mr Singhel said: “The Indian insurance industry still has a long way to go in demystifying home insurance while focusing on simple and affordable policies.”

Rural India houses around 70% of India’s population. According to post-launch survey report of IRDAI’s insurance awareness campaigns (2010-2015) released in February this year, while the overall awareness about general insurance in rural India is around 60%, awareness about home insurance is only 29.7% and in urban areas, it is slightly better at 36.6%. These figures, however, do not necessarily translate into actual penetration.

### Inability to leverage financial inclusion initiatives

Social and cultural attitudes do have a role in the extremely poor uptake of home insurance in India. The lackadaisical attitude of the insurance industry and lack of proactive outreach by distribution channels towards this line of business also does not make things any better for wider acceptance of home insurance.

Several initiatives for financial inclusion have been successful in making Indian population aware of insurance as a risk-transfer mechanism. However, insurers have failed to leverage this network for popularising home insurance product. The bancassurance partners also do not canvass much for this product due to lack of adequate knowledge and also due to low commission structure for such products.

Non-government organisations, cooperative societies, healthcare providers and commercial banks that have been roped in to popularise Rashtriya Swasthya Beema Yojana (National Health Insurance Scheme) and Pradhan Mantri Fasal Beema Yojana (Prime Minister’s crop insurance scheme) could be leveraged to reach out, especially to the rural population for home insurance as well.

### Real Estate Regulatory Authority (RERA) Act

A house-buyer when investing in a house, looks for four major aspects: compliance with the law, delivery of property on time, clear title deeds and dependable quality of construction.

The recent implementation of Real Estate Regulatory Authority (RERA) Act should make the Indian real estate consumers more comfortable on all these four aspects and more aware of insurance as a means of risk transfer.

The realty regulator aims to protect consumers on issues such as delays, price, quality, title, and design. As per section 16 of the RERA Act, the promoter of the real estate project is required to seek an insurance of all new and ongoing projects towards the title of the land and towards construction of the project. At present, property transactions in India are usually not covered by an insurance policy.

RERA will also hold builders liable for all structural defects in the building for a period of five years. Here, the builder has the option to opt for a cover under structural defect insurance. Interestingly, all these options have virtually remained untapped in the Indian insurance market so far.

Insurers can now explore partnering with RERA to improve penetration and transform the home insurance scenario. Yes, things are easier said than done, however, a beginning has been made and it is up to the stakeholders to take it forward.

### Group-home Insurance cover model

In urban India, the focus these days is on high-rise residential apartments and group housing societies. These present a unique opportunity for improving home insurance penetration in urban India.

Mr Singhel said: “Group-Home

Insurance policy model could be a good possibility to influence a larger set of home owners. However, for this, besides the regulator, the builders and employers too, have a vital role in generating cognizance among the home owners about the risk covers for their homes and respective contents.”

Mr M S Sreedhar, Managing Director, Royal Sundaram General Insurance Co Limited said: “We already have a built-in mechanism with intent to cover homogenous risks such as group housing societies and colonies under one of our home insurance products. It offers considerable administrative convenience in insuring risks. We have well defined key parameters for evaluating risks such as existing fire protection systems, proximity to the fire brigade, whether prone to flood/earthquake perils, general maintenance, security arrangements available in the premises, level of surveillance and more.”

“We have come up with an insurance policy with the right coverage, that will be a right fit giving complete protection to flat owners and it is this message we plan to take across to the builders’ community and thereby increase awareness for protection,” Mr Sreedhar added.

### Innovate to enhance trust

Insurers could also look at bundling personal accident and home contents with home insurance to make it more appealing.

All insurance customers, whether urban or rural, expect quick settlement of claims. This also enhances the trust factor which is usually very poor towards insurers in India. To enhance the trust of consumers in the insurance system, insurers can look at leveraging chatbots and similar technological inputs to simplify processes and reduce turn-around-time for claims. This has been achieved by some insurers in the case of motor and travel insurance.

To conclude I would like to quote Winston Churchill: “If I had my way, I would write the word “insure” upon the door of every cottage and upon the blotting book of every public man, because I am convinced, for sacrifices so small, families and estates can be protected against catastrophes which would otherwise smash them up forever.”<sup>A</sup>