

A STUDY ON CONSUMER AWARENESS TOWARDS FIRE INSURANCE AND PREFERENCE OF FIRE INSURANCE COMPANY

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Abstract - In a period of business it has its strength, weakness, threats, opportunities and risk. And to tackle risk a businessman buys a insurance to transfer the risk to third party so it won't affects its operation. One of the major invention a human has done is of fire and it is one of the risky one. Same acts in case of business as the risk like financial risk you may overcome by operations but if there is risk of fire in your business premises, it will literally burn down all your wealth. So this paper would research about the awareness of Fire insurance. As well as looking at the companies who provide fire insurance services in this category and recognizing the preferred fire insurance company in this category by looking at its past performance and feature provided by them. And also exploring the behavior of consumer towards fire insurance

Key Words: Insurance, premium, Sum insured, damage, Replacement Value, Actual Cash value

1. INTRODUCTION

Owning a business always comes with an uncertainty factor which is called as risk. Risk can be of different types. So generally to avoid the risk one takes help of 'Insurance'. Insurance basically act as a security for the loss you suffer due to risk.

1.1 Fire Insurance

As in given in name, the fire insurance gives you insurance against the all the damage caused by fire related incidents. Fire insurance can be for business as well as personal household. It may be confusing that fire insurance comes under property. But in property insurance it only covers the damaged caused to the structure but in fire insurance it covers nearly affected structures too; for eg. furniture and stock. Etc.

1.2 Types of Fire insurance

Fire insurance has been broadly classified in 5 types

a. Specific Policy: Loss suffered by the assured is covered only up to a specific amount which is less than the real value of insured property. It is an example of under-insurance. The insurer generally inserts an average clause in such a policy so that in the event of losses in future, he only bears the chargeable proportion of such loss.

b. Comprehensive policy: It is as an all-in-one-policy. It not covers losses arising from fire but also burglary, third party risks, etc.

c. Valued policy: Under this, the insurer agrees to pay a fixed sum of money irrespective of the amount of loss to the insured.

d. Floating policy: It covers the property lying at different places against loss by fire. An average clause will always be there in a floating policy.

e. Average Policy: A fire policy which contains 'Average Clause' is called an Average Policy. Under a specific policy in the event of loss, the insured can claim up to the full amount of his policy, even if he has under-insured his property. For example, the property insured for Rs. 10,000 is valued at Rs. 20,000 at the time of loss. This comes under case of under-insurance.

1.3 Eligibility

All those person/business/institutions are eligible who may want to protect his/her business from an unpredicted loss in the event of fire. Anyone who owns a building, apartments, furniture, household articles, business etc. Retailers or shopkeepers, godown keepers. Bank, financial, education, research institutes. Service providers including hotel owners, hospitals, lodging, clinics, etc. Manufacturing and industrial firms, transporters, etc.

1.4 Sum Insured

One has to be really careful while deciding sum insured. There are following factors which you should keep in mind before you decide sum insured:

1. Value stock Present in the building.
2. Value of structure of building itself
3. Value of valuables, precious materials or antiques
4. Plant and machinery, furniture or other important personal assets.

1.5 Documents Required to File Fire Insurance

These following documents you should possess while claiming fire insurance

1. An authorized copy of policy that you have brought along with schedule and clauses
2. Duly filled claim form
3. Newspaper proof if the incident was published in media
4. Previous claim record if any
5. Photographs of the damage
6. FIR lodged regarding incident
7. Fire brigade report
8. Forensic report whenever is needed
9. Final investigation report.

1.6 Objective

To study consumer awareness and attitude towards fire insurance.
 To study performance of the top five fire insurance providing companies.

2. RESEARCH METHODOLOGY

Data Source	Primary: Online Questionnaire Secondary: Annual Reports
Type of Research	Quantitative
Area of Research	Vishrantwadi, Pune
Research Approach	Survey Method
Research Instrument	Questionnaire
Sample Size	50
Sample Method	Fixed Sampling

3. DATA ANALYSIS AND FINDINGS (PART 1)

Company /Year	2014-15	2015-16	2016-17	2017-18	Total
ICICI LOMBARD	1,088,513 (22.86%)	995,012 (20.89%)	1,237,079 (25.98%)	1,440,912 (30.27%)	4,761,516 (100%)
TATA AIG	242,346 (16.06%)	267,636 (17.74%)	337,441 (22.37%)	660,666 (43.80%)	1,508,089 (100%)
RELIANCE GENERAL	483,880 (20.48%)	560,425 (23.18%)	632,678 (26.78%)	685,890 (29.02%)	2,362,873 (100%)
UNITED INDIA	8,064,022 (24.41%)	7,906,843 (23.94%)	8,496,331 (25.72%)	8,568,763 (25.93%)	33,035,959 (100%)
BHARTI AXA	320,789 (17.77%)	380,456 (21.02%)	497,984 (27.51%)	610,510 (33.73%)	1,809,739 (100%)

Chart -1: Fire Insurance Net Premium Earning for FY 2014-15, 15-16, 16-17, 17-18 for following companies.

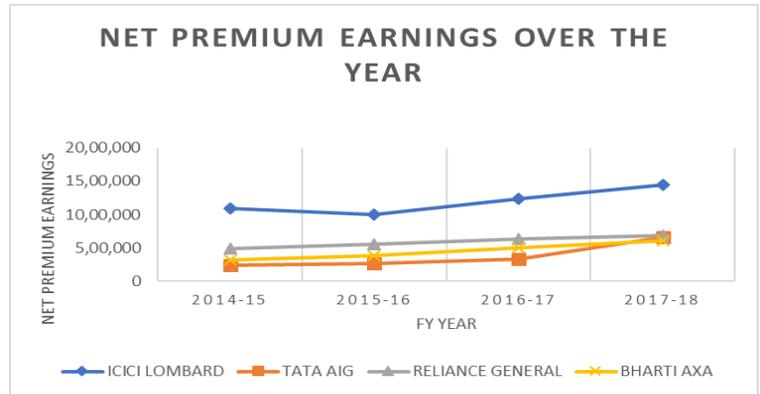


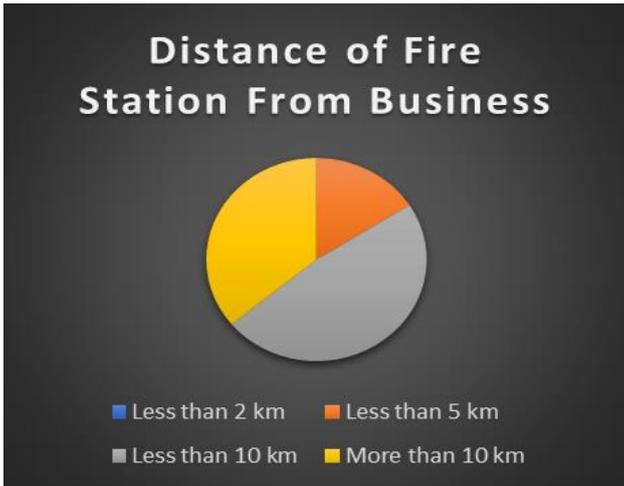
Fig -1: Graical representation (The UNITED INDIA clearly had more earning than rest of the other companies with larger margin so it had to kept out of graphs so it doesn't disrupt comparison of other 4 companies.)

By observing above graphs and table after analyzing annual report from FY 2014-18, we can conclude that, there has been significance rise premium earning from 2015-2016 to 2016-2017, in all three companies. United India Assurance is leading company in Fire Insurance in last four financial year. In private sector company, ICICI Lombard had a significant rise over the past 4 years. An ordinary citizen prefers to choose insurance backed by government than a private insurance as there are different schemes always released by government.. In the above 5 companies, had net premium earning of 43,47,81,76,000 Rs. with United India Insurance company having more than 75% of the total income with earning 33,03,59,59,000 Rs.

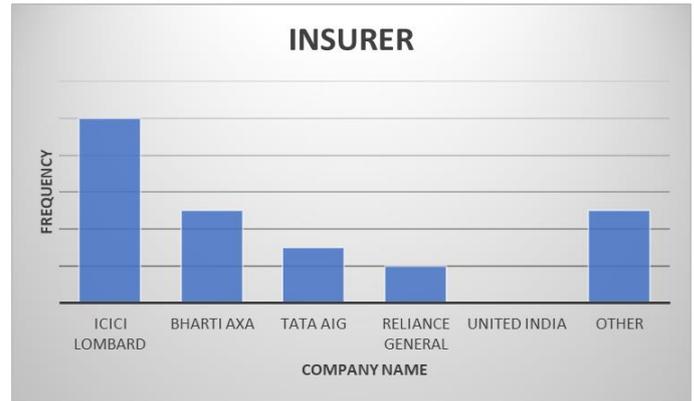
4. DATA ANALYSIS AND FINDINGS (PART 2)



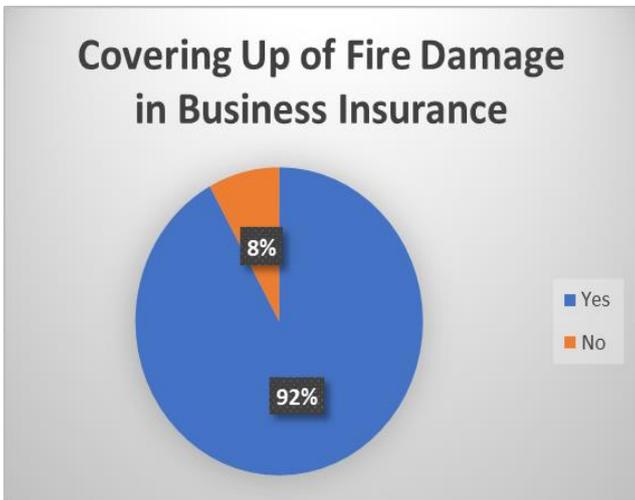
Not all the business had suffered but out of 50, 14 of the business had suffered damage due to fire.



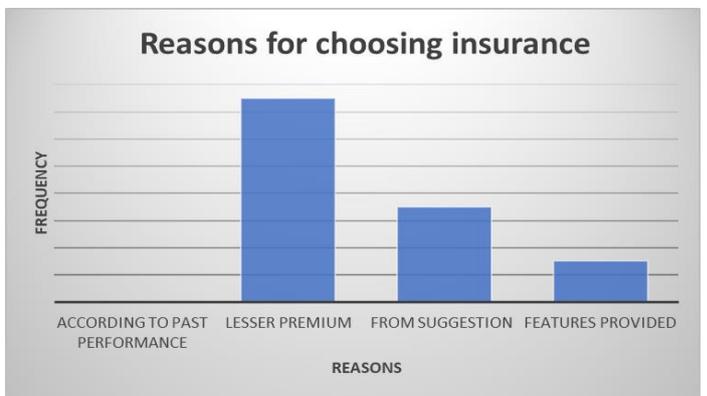
Half of the business were under Range of 10km from the fire station, whereas 18 of them were at a distance more than 10 km.



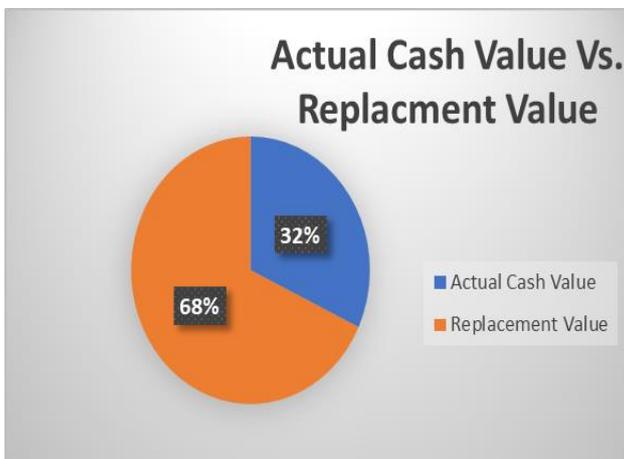
10 business preferred choosing ICICI Lombard, then followed by Bharti AXA, TATA AIG, other private insurance company and Reliance General.



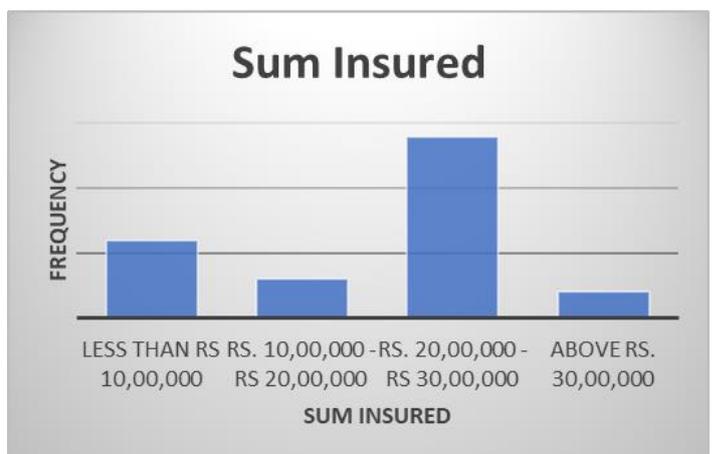
More than 90% of business had their insurance covered under business insurance and only two them had special fire insurance



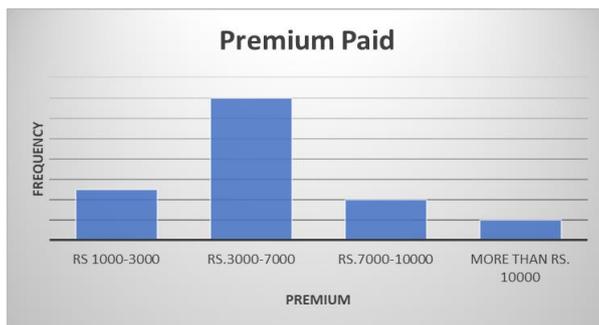
15 Respondents bought insurance because of lesser premium, followed by suggestion and features provided



68% Respondents preferred taking Replacement Value instead of Actual Cash Value 32%.



70% business had sum insured of Rs. 20,00,000 – Rs 30,00,000, 6 of the business had Sum insured between Rs. 10,00,000 – Rs. 20,00,000.



28 of the business paid annual premium of Rs 3000 – Rs. 7000, 10 of them paid annual premium of Rs 1000 – Rs 3000, Rs. 7000 – Rs 10000 by 8 businessman.

5. CONCLUSION

From past financial reports it is clear that UNITED INDIA INSURANCE COMPANY is the leader in fire insurance category but considering the growth factor, TATA AIG & ICICI LOMBARD had shown significant growth in this category over the past years. Businesses may not have always suffered a major damage in past due to fire and most of the times it didn't happened but still they opt for fire insurance for security of business. Most of business were near fire station but considering Pune as city, there is an issue of traffic and by the time Firemen reach at the incident place, there is an high probability that damage has already been happened. Most of the business have their fire insurance covered under the business insurance .As the more preference in receiving replacement value i.e. replacement cost is preferred than actual cash value because in replacement value you do get the cost to replace the property on the same premises with other property of comparable material and quality used for the same purpose but in actual cash value you get the value of the assets that has been damaged but minus depreciation. Mostly businessman won't shut down their business after incident because that's their source of income, so they generally opt for replacement value. Growth factor of ICICI Lombard played initial component in being most preferred company in Fire Insurance. Majority of the customer preferred buying insurance which had lesser premium and that does makes sense because India is price conscious country even in case of Insurance. The mouth to mouth next came in play this factor because in India a person would prefer to believe on suggestions by his friend and family rather than your popularity, advertisement or the feature you provide.

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