

A Research Survey on People who has not Fire Insurance

Kamil TAŞKIN

Researcher, The Faculty of Economics and Administrative Sciences,
Sakarya University, Turkey,
ktaskin@sakarya.edu.tr

Recep YILMAZ

Lecturer, Karasu Vocationaly School, Sakarya University, Turkey,
rcyilmaz@sakarya.edu.tr

Fatih Burak GÜMÜŞ

Researcher, The Faculty of Economics and Administrative Sciences,
Sakarya University, Turkey,
fbgumus@sakarya.edu.tr

Abstract: Fire Insurance Usage in Turkey is very small stage now. Turkish people often use the other insurance types like car, earthquake, and asset. The reasons why this situation has not been researched up to now. In our study, we prepared a survey which measuring the reasons of less usage levels of fire insurance. We applied to the survey nearly to 170 people which not use fire insurance policy. After the survey, we entered the data into spss program. We applied some tests and we got some results about fire insurance less usage level in Turkey.

Keywords: Insurance, fire, survey, tests

Introduction:

Real estate investments are a very cost-effective investments for businesses and legal entities. These costs make up 3 basis. Property of the land value, property value and environment value. In case of sudden disaster, (fire, earthquake, flood, etc..) land value does not lose its value, but houses will lose their value for the owner. Housing and office prices are high today, the people who have suffered from damage will force the resources to bringing back. The insurance sector developed insurance policies to minimize the risk like fire, accident, earthquake. Today, housing and dwelling fire insurance have been developed in case of the tangible damage for the property to protect the owners of built. Although fire insurance based on historical areas, this type of insurance has not been developed at Turkey. This study focus on the reason why the fire insurance branch has not been expanded all over the country.

Insurance Sector In World:

In economic terms, insurance refers to the pooling mechanism used to reduce the downside of risk (Masci and Tejerina; 2006;1).

The insurance industry forms an integral part of the global financial market, with insurance companies being significant institutional investors. In recent decades, the insurance sector, like other financial services, has grown in economic importance (Hussels, Ward, Zurbzuegg; 2005, 258-259)

Twenty years ago, banks and insurance companies maximized the size of their balance sheets: banks accumulated assets in search of a larger market share, and the insurance industry was mostly liability driven. Recent years, risk has increasingly transferred from banks to nonbank institutions such as insurers, mutual funds, pension funds and hedge funds (Hausler; 2004,1).

Insurance sector has been increasing its huge economic and strategical power. In many countries insurance sector has more improved structure and economic power than banking sector (Ünal,1994,46). At table 1 shows the Premium production of developed countries and turkey. As table 1, developed countries has a huge percentage in total Premium production. Only USA produced excess to 1 trillion dollars. This means the giant size amount of funds which could be effected to economies.

Table1 : Premium Production In World In 2003.

Countries	Billion Dolar	%
USA	1.117.944	35,41
Japan	472.820	20,62
United Kingdom	254.363	8,63
Germany	170.137	5,77
France	161.483	5,48
Sweden	39,876	1,35
Turkey	3,316	0,11

(www.swissre.com)

Insurance firm has more affect on economic structure. The biggest insurance firm is the Citigroup and it has 1.4 trillion asset structures. The first 100 firm have asset changing between 1.100 and 243 billion dollar (Oskay, 2005; 64).

Insurance Sector in Turkey

In Turkey insurance sector has not been developed in comparison with developed country. For example, European Union Countries produced 1.1 trillion US dollar insurance premium in 2004. The same year, England become the country which the most piled insurance premium with 294 billion US Dollars (www.tsr.org.tr). In 2003, USA produced 1.117,944 billion US dollar.

Table 2: All And Fire Insurance Premium Production

Years	Quantity of collected insurance premiums	Amount of fire insurance premiums collected	Fire insurance premiums to the total rate (%)
1986	124	33	27,01
1987	201	54	26,70
1988	369	93	25,33
1989	671	167	24,92
1990	1.427	283	19,81
1991	2.602	408	15,68
1992	5.272	781	14,82
1993	11.099	1.792	16,14
1994	20.471	3.785	18,49
1995	40.807	7.043	17,26
1996	82.689	13.870	16,77
1997	182.635	27.469	15,04
1998	354.669	49.104	13,85
1999	623.522	100.971	16,19
2000	1.144.889	165.252	14,43
2001	1.600.478	284.233	17,76
2002	2.355.308	419.531	17,81
2003	3.300.858	529.173	16,53
2004	4.271.629	655.711	15,35
2005	5.042.403	733.046	14,54
2006	6.236.143	1.192.800	19,13
2007	7.052.563	1.105.287	15,67

www.hazine.gov.tr

Table 2 shows that total and fire insurance Premium production in accordant to years. Sector is incline to improve but this inclination is a bit slow. Foreign investors and professional management shortage is the biggest problems in Turkey’s Sector.

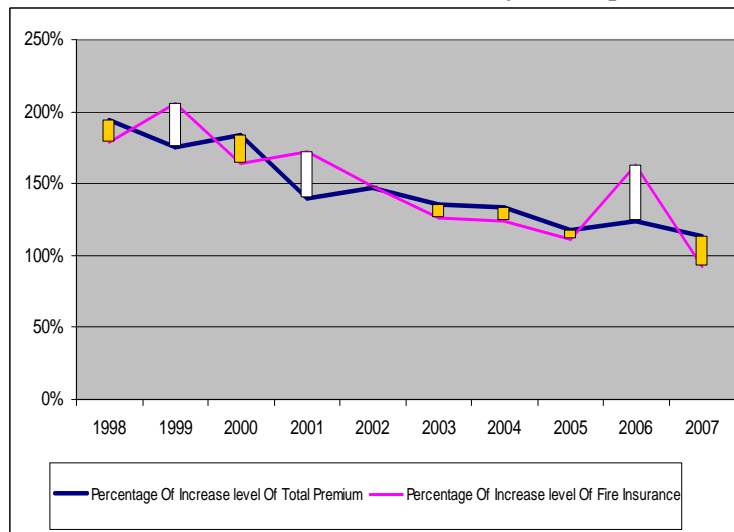
Survey Research

Our survey research have been put into practise in Marmara region and along april and may in this year. Survey have been filled by 170 participants nearly. Aim of this study is to measure of the reason why less level fire insurance and knowldge level of the participants about fire insurance and fire measurments. There is no academic research to measure to inclination of not being made fire insurance. This is the first and ongoing academic research on this topic.

In Turkey, although insurance sector is incline to develop but either insurance capacity or fire insurance production is very low level. In Table 1 and Table 2, this situation are being appeared clearly below.

Table 3: Amount Of Total And Fire Insurance Premium In Turkey As Graphic

Year	Percentage Of Increase level Of Total Premium	Percentage Of Increase level Of Fire Insurance
1998	194%	179%
1999	176%	206%
2000	184%	164%
2001	140%	172%
2002	147%	148%
2003	136%	126%
2004	133%	124%
2005	118%	112%
2006	124%	163%
2007	113%	93%



In accordant to these table, Turkey produced 7,05 billion US Dolar and the percent 15,67 of this produced premium is fire insurance. Total premium level and fire insurance level are increasing inclination but this inclination is very slow and inadequate. Table 2 shows that percentage of increase level of total premium and percentage of increase level of fire insurance. Comparison with England, Turkey’s total premium level is very small, nearly 1,5 percentage of England’s premium production.

Table 4: Participant’s Gender, Mounthly Income And Educational Degree

		Frequency	Percent
Gen der	Man	114	70,80
	Woman	47	29,20
Mounthly income	333 - 666 \$	36	22,36
	667 - 999 \$	52	32,30
	1000 - 1333 \$	36	22,36
	1334 - 2000 \$	24	14,91
	2001 - 2666 \$	7	4,35
	2667 and over \$	6	3,73
	Educational degree	Primary School	19
Secondary School		24	14,91
High School		53	32,92
Associate Degree		7	4,35
B.A.		49	30,43
Master and over Degree		6	3,73

Upper table shows the participants peculiarities. Striking point of this table that is the participants' income level. % 55 of participants has income below 1.000 US dollar. This is the most important reason about less level of fire insurance demand. The more income level increase, people are incline to spend their funds to insure their goods. This is the reason why is the insurance sector more strong and effective on economy at developed countries at the same time. At these countries, people have more income in accordance to undeveloped countries' people and spend their income to getting valuable goods and insure them. In our country, people reasonable wages and they are incline to spend this income to essential poverty.

Table 5: Why Do You Not Use The Fire Insurance ?

Why Do You Not Use The Fire Insurance?	Frequency	Percent
1 Nobody offered me to fire insurance	62	38,5%
2 A low probability of fire out	54	33,5%
3 I have no information about this type of insurance	53	32,9%
4 I'm getting my own measures	50	31,1%
5 I have no enough income to spent to premium of fire insurance.	49	30,4%
6 Premium amounts, too much	48	29,8%
7 Fire insurance to do was continually postponed	26	16,1%
8 I have no confidence in the insurance sector	24	14,9%
9 I've done before, never satisfied	8	5,0%

If we take a look at table 4, it is obvious that the most striking result is weakness of marketing. Agencies and insurance firms think about this topic. If marketing operation is accelerated, it is probable that fire insurance branch may be extended. 62 participants and 53 participants declared that we had not enough information about fire insurance and its benefits.

A huge percent of participants declared that fire out probability is very small. In accordance to other risk (desiases accident...), fire out probability may be seen as very small probability but expand speed and damage of fire could be very effective and mortal.

The other result of this table is existence of high premium prices and having income level weakness.

Table 6: During your life, have you ever eyewitnesses very close to any fire around your house?

	Frequency	Percent
Yes	52	32,30
No	108	67,08

The reason why the people who has not fire insurance policy could be that they have never seen a fire around their houses. % 67 of participants have not been eyewitnesses to fire. This is a psychological result. The people are incline to focusing on things effected them. As a result, It is clear that marketing and enlightenment studies must be increased by the firm. In point of result of fire, fire always has a big risk.

Table 7: Are you owner of house which you sit in?

	Frequency	Percent
Yes	110	69,32
No	49	30,43

110 participants have own houses. The others have not own houses and tenant of their house. Whereas % 69 of participants have own houses, they are not interested in make fire insurance.

Table 8: How many people do you know who have fire insurance around you?

	Frequency	Percent
No have	91	56,52
1 person	22	13,66
2-3 person	39	24,22
4-5 person	6	3,73
6-7 person	1	0,62
8 and over	1	0,62

Small percentage of fire insurance is appeared at this table again. % 56 of participants has no identified to people has fire insurance.

Table 9: Do you know the risks are covered by fire insurance policy in detail?

	Frequency	Percent
Yes	10	6,21
No	149	92,55

Participants have neither knowledge fire insurance nor coverage of fire insurance policy. Whereas fire insurance has different some coverage like thunder and exploit.

Table 10: Do you have the measures which of the followings related to the fire in your home available?

		Frequency	Percent
1	Fire extinguisher	71	41 %
2	Fire escape	30	18 %
3	Fire alarm	16	9 %
4	Sand bucket	4	2%
5	Fire Cabinet	8	5,0 %
6	Fire Ball	0	0 %
7	No one	41	25 %

Most preferred equipment is fire extinguisher in the case of fire in accordance to answers. Fire alarm, cabinet and escape are not affected to extinguish to fire. These measurements are helpful to after fire occurred. % 25 of participant has no any measurements about fire. This is the most important result shows that disregards of fire risks of this table.

Table 11 : Have you enough information about fire protection?

	Frequency	Percent
Yes	59	36,65
No	100	62,11

% 62 of participants have no enough information about protection of fire. Although communication possibilities are very widen, this high percentage shows that communication possibilities are not used usefully. Booklets, tv and radio programs must be used for enlightment to people to protect from fire and precautions before the fire occurred.

Table 12: Cross table of "income" and "Why do you not use the fire insurance?"

	333 - 666 \$	667 - 999 \$	1000 - 1333 \$	1334 - 2000 \$	2001 - 2666 \$	2667 and over \$
A low probability of fire out	16,67%	29,63%	22,22%	20,37%	5,56%	5,56%
Premium amounts, too much	14,58%	39,58%	25,00%	12,50%	6,25%	2,08%
Nobody offered me to fire insurance	22,58%	24,19%	27,42%	16,13%	6,45%	3,23%
I have no enough income to spent to Premium of fire insurance.	18,37%	30,61%	26,53%	18,37%	2,04%	4,08%
I'm getting my own measures	40,00%	34,00%	16,00%	6,00%	4,00%	0,00%
I have no information about this type of insurance	30,19%	26,42%	18,87%	11,32%	5,66%	7,55%
I have no confidence to the insurance sector	8,33%	25,00%	37,50%	20,83%	0,00%	8,33%
I've done before, never satisfied	12,50%	25,00%	25,00%	25,00%	0,00%	12,50%
I have continually postponed	11,54%	34,62%	15,38%	34,62%	3,85%	0,00%

Cross table used for comparing with income level and the reasons not to do fire insurance. In accordance to the Table 11, the participants who have not reasonable income are getting their own measures and they find to Premium price are very high. Medium level income participants have less confidence to insurance sector. The more income is higher, measurements against to fire decrease and the reason of high premium price decrease.

Conclusions:

As Turkish Insurance sector has lots of problem, fire insurance branch has some obstacles and problems. Although fire risk and its results' fatality is big, lots of participants ignore to fire insurance. As survey fire insurance branches 3 main problems;

1. The biggest problem is weak income level. Turkish per capita income is incline to increase but it is not enough for improvng to insurance sector. The people has huge income incline to spend their funds to precious goods. As a result precious goods need to be insured.
2. Marketing deficiency is the other big problem. Most of participants declared that they had no knowledge about sector and had not get any fire insurance proposal from agencies.
3. Not to understand of fire risk and its result. It is a bit connected with educational level.

References

Hussels Stephanie; Ward Damian; Zurbruegg Ralf ; "Stimulating The Demand For Insurance" Risk Management and Insurance Review, 2005, Volume. 8, No. 2, 257-278

Targan, Ünal ; " Türk Sigortacılık Sektörünün Ekonomik İşleyişi ve Fon Oluşturma Kapasitesi; İTO Publishing, İstanbul 1994

"Avrupa Birliğinde Sigorta Sektörünün Vergilendirilmesi" <http://www.tsrbs.org.tr>

Oskay; Suna; "Küresel Sigorta Piyasalarında Türk Sigorta Piyasasının Rekabet Gücü" 2005 <http://www.s-oksay.com/econet/downloads/K%C3%BCreSig.pdf>

Hausler, Gerd ; "Risk Transfer and the Insurance Industry"; Contributions from the 31st General Assembly of the Geneva Association, June 2004

Masci Pietro; Tejerina Louis . ; "Insurance Market Development in Latin America and the Caribbean" http://199.79.166.188/sds/doc/FINALIN_SURANCEPAPER_Masci_Tejerina.pdf

www.swissre.com