



A Comparative Study of Home Loan Insurance and Motor Vehicle Insurance at ICICI Bank Hyderabad

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DOI - 10.5281/zenodo.21451180

Abstract:

This study presents a comparative analysis of Home Loan Insurance and Motor Vehicle Insurance offered by ICICI Bank in Hyderabad. Insurance plays an important role in protecting individuals from unexpected financial risks and losses. In the banking sector, different types of insurance products are provided to ensure financial security for customers. Among them, Home Loan Insurance and Motor Vehicle Insurance are two commonly used insurance services that help individuals safeguard their assets and liabilities. Home Loan Insurance is designed to protect borrowers and their families by covering the outstanding loan amount in case of unforeseen events such as death, disability, or loss of income of the borrower. This type of insurance ensures that the financial burden of repaying the home loan does not fall on the family members. On the other hand, Motor Vehicle Insurance provides financial protection to vehicle owners against losses caused by accidents, theft, fire, natural disasters, and third-party liabilities. It helps vehicle owners reduce the financial impact of damages and legal responsibilities arising from road accidents. The main objective of this study is to compare these two insurance products in terms of their features, benefits, risk coverage, premium structure, claim settlement process, and customer awareness.

Keywords: Home Loan Insurance, Motor Vehicle Insurance, ICICI Bank, Risk Protection, Claim Settlement.

Introduction:

Insurance is a financial tool that provides protection against potential future losses or risks. By paying a premium, individuals or entities transfer the financial burden of unforeseen events to an insurance provider. It serves as a safety net, offering peace of mind and financial stability. Insurance also promotes responsible financial planning and helps individuals recover from setbacks without depleting their savings. Among the various types of insurance products available, Home Loan Insurance (HLI) and Motor Vehicle Insurance (MVI) are essential offerings, each addressing different aspects of a borrower's

financial security. Both products serve to safeguard the financial interests of both the lender and the borrower. ICICI Bank, a leading private-sector bank in India, offers both Home Loan Insurance and Motor Vehicle Insurance as part of its comprehensive suite of financial products. The bank's approach to offering these insurance products has been pivotal in helping customers mitigate risks associated with significant financial commitments, such as home loans and vehicle loans. However, while these insurance products share the goal of risk mitigation, they differ in their specific features, pricing structures, and the impact they have on the borrower's financial

behaviour. Home Loan Insurance typically aims to protect the borrower and lender in case of unforeseen circumstances that prevent the borrower from meeting their loan obligations, while Motor Vehicle Insurance focuses on mitigating financial losses related to vehicle ownership, such as accidents, damage, or theft. The inception of Home Loan Insurance can be traced back to the early 20th century when financial institutions recognized the need for securing large loan amounts. Over time, this insurance evolved to encompass a broader range of risks, offering better protection for both the borrower and the lender. Similarly, Motor Vehicle Insurance has been around since the early 1900s, with India making third-party vehicle insurance mandatory to safeguard individuals against accident-related liabilities. Today, both of these insurance products have become integral to the loan and vehicle purchasing process, with banks like ICICI offering tailored solutions to meet the diverse needs of their customers.

Problem Statement:

Insurance plays a vital role in providing financial protection to individuals against unexpected risks and uncertainties. Banks and financial institutions offer various insurance products to safeguard the financial interests of their customers. Among these, Home Loan Insurance and Motor Vehicle Insurance are two important types of insurance that help individuals protect their assets and reduce financial burdens in case of unforeseen events.

Literature Review:

The review of literature on home loan insurance and motor vehicle insurance provides a foundation for understanding the factors that influence customer satisfaction, product adoption, premium pricing, claims handling, and the overall effectiveness of these insurance products. This

review synthesizes various studies, theories, and findings relevant to the banking sector, particularly in relation to ICICI Bank's insurance offerings. By examining existing research, the review aims to highlight the key variables that shape customer perceptions and decisions when choosing between these two types of insurance. A comprehensive understanding of home loan insurance and motor vehicle insurance is critical for analysing customer satisfaction and the overall effectiveness of these products. Home loan insurance is primarily designed to protect both borrowers and lenders in the event of default or unforeseen events such as death or disability, while motor vehicle insurance is primarily aimed at protecting vehicle owners against accidents, theft, and third-party liabilities. Kaur (2018) highlights that home loan insurance is often considered a low-priority product by customers, as its benefits are not immediately visible compared to motor vehicle insurance, which is compulsory and directly tied to the vehicle's usage. This difference in product relevance plays a significant role in how customers perceive and choose insurance products. Customer satisfaction with insurance products is largely shaped by the pricing structure, ease of claims handling, and the overall transparency of the product. Kumar and Jain (2017) argue that pricing and the convenience of filing claims are essential factors in ensuring customer satisfaction. Home loan insurance, as compared to motor vehicle insurance, often has lower customer engagement due to perceived complexities in the policy's terms and its long-term benefits.

Patel (2019) suggests that customers tend to favor products that offer immediate, tangible benefits, and motor vehicle insurance typically meets this criterion better. This is particularly relevant for ICICI Bank in Hyderabad, as the study aims to understand how well the bank's offerings of these insurance products align with

customer expectations. Premium pricing is another significant factor influencing the purchase decision.

Agarwal (2016) emphasizes that competitive pricing, balanced with adequate coverage, is key to attracting customers to insurance products. The premium for home loan insurance is generally lower than that for motor vehicle insurance, reflecting the difference in the perceived risk associated with these products.

Singh and Mehta (2018) identify that delays and complex procedures in claims settlement are the primary reasons for dissatisfaction with insurance products. Motor vehicle insurance tends to have a faster and more straightforward claims process, as it typically involves clear documentation and assessment procedures. In contrast, home loan insurance claims may involve a more intricate process, especially when linked to loan default or complex financial situations, which may deter customers from purchasing the product.

Objectives of The Study:

1. To study and compare the performance of Home Loan Insurance and Motor Vehicle Insurance offered by ICICI Bank in Hyderabad.
2. To understand the reasons for differences in performance of selected loans at ICICI Bank.
3. To learn the pricing premiums, insurance claims and cost of operations associated with Home Loan Insurance and Motor Vehicle Insurance at ICICI Bank.

Research Questions:

1. What is the level of customer awareness about Home Loan Insurance and Motor Vehicle Insurance offered by ICICI Bank in Hyderabad?

2. What are the main features and benefits of Home Loan Insurance and Motor Vehicle Insurance?
3. How do Home Loan Insurance and Motor Vehicle Insurance differ in terms of coverage, premium, and risk protection?

Research Methodology:

1. Research Design:

The research design refers to the overall plan and structure used to collect, measure, and analyse data for the study. This study adopts a descriptive research design to analyse the use of derivatives, particularly futures and options strategies, in the trading of shares of ICICI Bank. The design helps in understanding investors' awareness, usage, and perception of derivatives trading.

2. Sample Size:

The sample size of the study is 50 respondents.

3. Sample Area:

The study focuses on respondents from Hyderabad and Secunderabad in Telangana State.

4. Data Collection:

The study uses both primary and secondary sources of data.

Primary Data:

- Collected through a structured questionnaire survey from respondents.

Secondary Data:

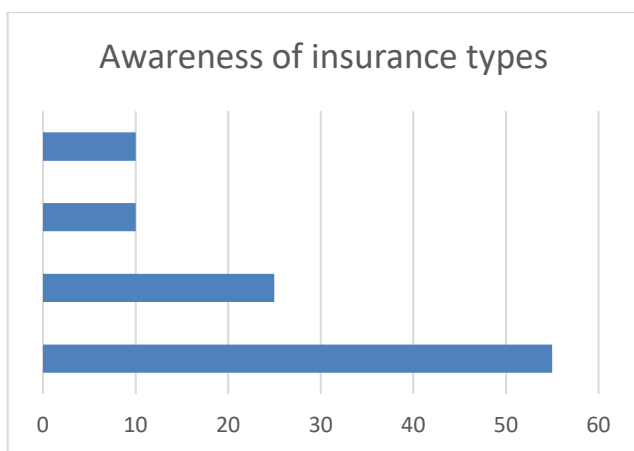
- Collected from journals, research papers, websites, government reports, and books.

5. Sampling Technique:

The study uses the convenience sampling technique to select respondents.

Data Analysis:**1. Awareness of Insurance Types:**

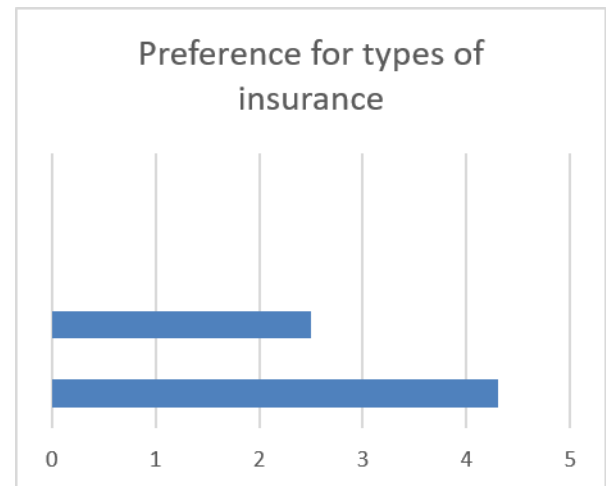
Insurance Type	Respondents	Percentage
Aware of both insurances	55	55%
Aware of Motor Vehicle Insurance only	25	25%
Aware of Home Loan Insurance only	10	10%
Not aware of both	10	10%

**Interpretation:**

The graph shows that most respondents (55%) are aware of both Home Loan Insurance and Motor Vehicle Insurance. However, 25% of respondents are aware only of Motor Vehicle Insurance, indicating that it is more commonly known among customers. Awareness about Home Loan Insurance is comparatively lower, which suggests that banks need to increase customer education regarding this product.

2. Preference for Type of Insurance:

Insurance Type	Respondents	Percentage
Motor Vehicle Insurance	60	60%
Home Loan Insurance	40	40%

**Interpretation:**

The bar graph indicates that 60% of customers prefer Motor Vehicle Insurance, while 40% prefer Home Loan Insurance. This shows that Motor Vehicle Insurance is more popular, possibly because vehicle insurance is mandatory by law and more commonly required by customers.

Findings:

1. Claims rose from 30,000 to 39,000 between 2019 and 2024, indicating higher usage of insurance services. Efficient and faster claims processing will be essential. This will help retain customer trust and satisfaction.
2. Operational costs increased from ₹850 crores to ₹1,050 crores during the same period. Investment in technology and automation should continue. It will improve scalability and reduce manual workload.
3. Premium revenues grew from ₹3,600 crores to ₹4,400 crores, reflecting strong market demand. The bank should reinvest this into expanding product lines. Focused marketing can attract new segments.
4. Motor vehicle loan NPAs remained higher than home loans, indicating higher credit risk in that segment. Risk-based pricing and stricter evaluation criteria should be adopted. This can protect profitability.

Suggestions:

1. It is recommended that ICICI Bank enhance and digitize its claims processing systems to handle the increasing volume efficiently. Improved processing speed can significantly contribute to customer satisfaction. This will also support operational scalability.
2. Continued investment in technological infrastructure and automation is advised to meet the growing demands of the insurance segment. Leveraging automation can streamline workflows. It will also help reduce operational errors and costs over time.
3. Given the steady increase in premium revenues, the bank should consider reinvesting these funds into the development of new insurance products. Expanding the product portfolio can address varied customer needs. Enhanced marketing efforts may further boost policy sales.

Conclusions:

Based on the findings and suggestions, it can be concluded that ICICI Bank's Home Loan Insurance (HLI) and Motor Vehicle Insurance (MVI) products show strong growth in premiums, claims, and customer demand, particularly from 2019 to 2024. While both products have demonstrated positive trends in premium revenue, there are significant differences in performance, especially in terms of risk management and claims. Home Loan Insurance has benefited from a relatively lower level of Non-Performing Assets (NPAs), while Motor Vehicle Insurance faces higher credit risk, primarily due to stricter lending criteria in the auto sector. These disparities highlight the need for tailored risk-based pricing strategies for motor vehicle loans to further mitigate NPAs and enhance profitability. The

operational efficiency of ICICI Bank has been improving with increased investments in technology and infrastructure, yet there remains room for optimization, particularly in claims processing and cost management. By continuing to streamline workflows and adopting advanced data analytics tools, such as ANOVA, the bank can gain deeper insights into the factors impacting profitability and claims. Furthermore, leveraging stable GST rates, along with promotional strategies like bundled offers, can further enhance customer acquisition. To maintain long-term growth, the bank should focus on improving customer education, enhancing retention programs, and preparing for future claims through predictive modelling and data-driven decision-making.

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