ISSN: 1309 - 0712
İşletme Araştırmaları Dergisi
Journal Of Business Research Turk
www.isarder.org

Is There Any Relationship Between Making Fire Insurance With Persons ’Demographics Features And Otherwise With Persons’ Anxiety Level?

Fatih Burak GÜMÜŞ
Sakarya University
Faculty of Business Administration
Esentepe Campus, Sakarya, Turkey
fbgumus@sakarya.edutr

Kemal ŞERİT
Sakarya University
Social Sciences Institutes
Accounting And Finance Branch
kemal.serit@ogr.sakarya.edu.tr

Extensive Summary

German historian Frank Uekötter likens disasters to bees: They sting and suddenly die (Lubken and Mauch, 2011, p.1). This metaphor refers to a reality in a short concise manner. Disasters have the potential to cause serious harm by coming out at a time. At what time, in which size and where they will occur are uncertain. This uncertainty is covered by the concept of risk. Risk is described as the addressing the probability of occurrence of hazard together with the consequences upon occurrence. Human are at many risks as long as they survive. There are risks of death, earthquake, financial, accidents, fire, management and much more risks in human life. Despite of all kind of measures, risks can cause material and moral losses when they occur. Most of these material and moral losses can be decreased or replaced with the completely same other one. That's exactly where insurance operation comes into. It fulfills the risk function of compensation for the material and moral losses as its most important and primary function, in the return of premiums taken before the realization of risk. The reasons for the emergence of insurance as its history and its most crucial function, are compensation and reimbursement of losses and damages via distribution of probable risk among individuals. This function has been the first to come to mind for many years and also today at the mention of insurance.

Industrilization to gether with urbanization, growing population, technology that cannot be catched up have carried insurance in a very different position than it once was. Today, the insurance industry is thriving in both our country and the world due to growing and diversified risks through the years. Insurance sector are performing many different functions in a powerfull way.

Today, long-term funds collected by insurance companies are very important source of saving and these huge funds have significant contributions in development of lending operations. Through insurance, international trade has developed more quickly than in the past. Social collapse and losses have become preventable via insurance by the gurantee of disasters like earthquake which gained the potential to cause extraordinary losses with the urbanization, tsunami and radioactive leak.

One of the featured insurance branches is fire insurance. Though fire insurance is assumed to be designed to protect individuals from fire, it retrieves their possible loss. Forest fire and skyscraper fire may especially cause extreme damages and loss. However, number of the insured houses is quite low because of the fact that house fire incidents and house fire risk is relatively low, in addition to individuals' negligence. Therefore, while number of the individuals who shares the risk gets low, amount of premium paid in fire insurance branch gets higher.

This study builds individual households on the reasons for taking or not taking out a fire insurance policy. The main purpose of this study was to determine either demographic characteristics or level of anxiety was effective in taking out fire insurance policy. However, information about individuals' perception of fire insurance was tried to be reached. For this purpose a questionnaire involving some demographic characteristics of individuals and also an international –Beck A- anxiety scale which aims at the determination of individuals level of anxiety was designed. The survey about individuals' perceptions of fire insurance was conducted face-to-face to 619 homeowners after excluding incorrectly entered questionnaires. According to the survey results obtained from the analysis, there is a significant association between the anxiety levels and taking out fire insurance policy. In addition, value of the housing and witnessing a fire within the vicinity of the house affect the perception of fire insurance policy. Individuals have been acted in agreement with expected utility theory, at the same time have not been acted different from efficient market hypothesis.

However, there is no relation identified between value of household goods, number of the individuals and number of the old and young in the house and number of the individuals who take out fire insurance policy.

One of the prominent results of our study is that the individuals who take out fire insurance policy are dependent on this type of insurance and have considerable information about fire insurance. Those who take out fire insurance policy know what they do and decides conciously. And those who decide not to take out fire insurance policy are comprised of individuals that do not have enough information about this type of insurance and show lesser degree of awareness about the risk of fire. This situation may lead us to the conclusion that there is a significant customer potential for insurance companies. That the insurance companies do not differentiate themseles in terms of fire insurance has emerged as a result of this study.

According to traditional theory investment decisions should be based on theexpected utility theory. Maximization of the expected utility of returns is the most important principle of financial decisions. If we state the same judgement reciprocally, in this case, minimization of the expected expenditures is the most important principle of investment decisions as well. When the effect of loss increase, expected utility theory suggests that premium payments will be higher for risk-averse individuals. (Hogarth and Kunreuther, 1989, p.5). So the effect of reduction in losses means a utility gain for investors. When the effect of the loss increases expected likely losses will also increase and this will lead individuals to increase maximum utility at the expense of making more Premium payments. In this study results were obtained accordingly.

In addition, according to the results of our study, unlike efficient market hypotesis, physcological differences in individuals are also effective in insurance preferences. In this study has emerged that individuals level of anxiety is also efective on the insurance preferences along with risk reduction, loss avoidance as far as possible and choosing utility gains. Anxeity level differentiates fire insurance preferences. In this study we have demonstrated in a different way than similar studies that individuals make decisions not only rationally but also under the influence of their emotions.