

Comparison of Homeowners Insurance between the United States and China

Meng Huang

Abstract:

Construction is a category of property that is extremely vulnerable to the affect of use of time and natural disasters. In recent years, China has occurred in various types of natural disasters, causing great damage on the buildings in affected areas. And the aggravation of China's housing aging has also brought a series of security risks, reflecting the importance of perfecting the housing insurance system. At the same time, developed countries have already gained some experience in housing insurance. Based on this, doing some analysis of the two-property insurance system in various aspects is of some reference significance.

Keywords: property insurance; Chinese; aging of building

Introduction

According to a press release from Hainan's Typhoon Capricorn Defense Emergency Response Command, Typhoon Capricorn resulted in the collapse of about 400 houses and damage to more than 30,000 houses. Data released by the Ministry of Emergency Management shows that in the first half of this year, 23,000 houses collapsed due to natural disasters and 279,000 houses were damaged. Relevant data show that in 2022, nearly 20% of the houses in China's cities and towns will be more than 30 years old, and around 2024, nearly 80% of the houses will enter the "middle-aged". In addition, China is also faced with the difficulty of raising funds for housing special maintenance, while special maintenance funds are misappropriated. In this environment, the implementation of housing insurance is an effective measure to deal with the increased risk of building damage.

Definition of housing insurance

Homeowners' insurance distinguishes itself from the universal homeowners' property insurance that already exists in the country. While the former mainly covers risks to the overall structure of the house, including public buildings, the latter mainly consists of home contents insurance, liability insurance and personal accident insurance. The former protects against extreme risks such as "building collapse", which is the insurance protection for the public part and the shell of the building, while the latter protects against injuries to the occupants and damage to private property. The two are complementary in their relationship. In the U.S., homeowner's insurance is the primary form.

It is divided into eight categories from HO-1 to HO-8, and can be divided into four types: basic insurance, comprehensive insurance, special insurance, and comprehensive insurance, which are relatively rich in types of insurance. For example, the HO-2 expansion insurance covers damages due to frozen water pipes, broken water heaters or air-conditioning systems, and indoor leaks on the basis of the basic insurance. Generally speaking, the subject matter covered by U.S. homeowners insurance can be three parts: the home building itself, home contents, and liability insurance. And it is worth noting that U.S. homeowner's insurance policies cover additional living expenses incurred by restoration homeowners due to their inability to use the home properly, in addition to general property damage.

Due to the difference in population size and living habits between the two countries, the design of the insurance systems in the two countries is also slightly different. In China, multi-story homes are extremely common, so Chinese homeowners insurance focuses on protecting the common parts of the building. In the U.S., single-family homes seem to be more common, so most U.S. homeowners insurance policies are based on the home, with a separate HO-6 condominium policy.

Comparison of insurance mechanisms

According to the report of China Consumer News, from the main body of the insurance, the source of funds, the main body of China's housing insurance is mainly responsible for the safety of housing use, economic associations, community boards, property companies and the management of public buildings, according to the "Shanghai Housing Safety Management Measures", the government

authorized the management of the public housing and housing management departments in accordance with the law on behalf of the housing, the housing management unit is responsible for the safety of housing use. According to “Shanghai Housing Safety Management Measures”, the government authorized management and management of public housing and housing management department according to the law, housing management and management unit is responsible for the safety of housing. The owner of the house is the person responsible for the safety of the use of the house, and if the whereabouts of the user of the house is unknown, the user of the house becomes the person responsible for the safety. According to the pilot, the insurance cost may be supported by the policy and shared by individual and collective owners. As the pilot is still under way, it is not clear what the conditions for claiming insurance are.

In the United States, homeowner’s insurance only covers the home in which the homeowner lives, which means a person can only purchase one , with the homeowner as the policyholder. If you buy a home with full payment, you can choose whether or not to purchase homeowner’s insurance. If you buy a home with a loan, the bank or lending company will require you to purchase insurance. There is a time limit on claims, which must be filed within sixty days of the loss.

Conclusion

Although still on testing stage, China’s homeowner’s

insurance has already demonstrated its characteristics in line with the country’s dense population and settlement habits, covering public areas and the overall structure of the housing stock that may give rise to liability disputes and insurance deficiencies, as well as a form of risk-sharing in response to current natural disasters and the aging of the housing stock. American homeowner’s insurance, on the other hand, reflects the distinctive characteristics of private property. However, in terms of insurance coverage and the division of insurance types, the U.S. homeowner’s insurance still has its own significance.

In the context of rising housing risks, the improvement of the insurance system is an important measure of risk sharing, which is of positive significance to the protection of housing equity in China.

References

- [1] Nie Guochun. “Insuring a house” adds a “lock” to safety [N]. China Consumer News, September 12, 2024 (003)
- [2] Yuan Yuan Capricorn has caused damage to multiple areas, with insurance compensation exceeding 40 million yuan [N]. Daily Economic News, September 10, 2024 (002)
- [3] Sun Hui, Li Mengyao, Liu Mengxiao. Typhoon Capricorn has affected at least 520000 people in our province [N]. Hainan Daily, September 8, 2024 (A03)
- [4] Zhang Lizheng. Research on the “Housing Elderly Care” Mechanism in the Whole Life Cycle: Overseas Experience and Implications [J]. Building Economics, 2023, 44 (11): 12-15. DOI: 10.14181/j.cnki.1002-851x.2022311012