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Most of us take a loan to buy a home and pay equated monthly instalments over several years. But when it comes to protecting the house from damage by way of a natural calamity, we are reluctant to buy insurance.

While a home insurance policy will not pay for the regular wear and tear of your home, it will pay for any damage caused by natural calamities. With weather patterns becoming highly unpredictable and instances of floods and landslides increasing, it is useful to have a home cover.

In the light of the recent floods in Kerala and Karnataka, let us see what covers are offered under a comprehensive home insurance policy and what to keep in mind while buying one.

According to Puneet Sahini, head - product development, SBI General Insurance, the penetration of home insurance is very low in India. In spite of there being an increase in the purchase of homes in the country, home insurance is still an under-purchased product.

Sasikumar Adidamu, chief technical officer, Bala Allianz General Insurance said, "The penetration of home insurance in India is just about 1% of the total general insurance penetration of 0.9%. We have noticed that in natural calamities that have happened in the recent past, economic losses are more than the insured losses".

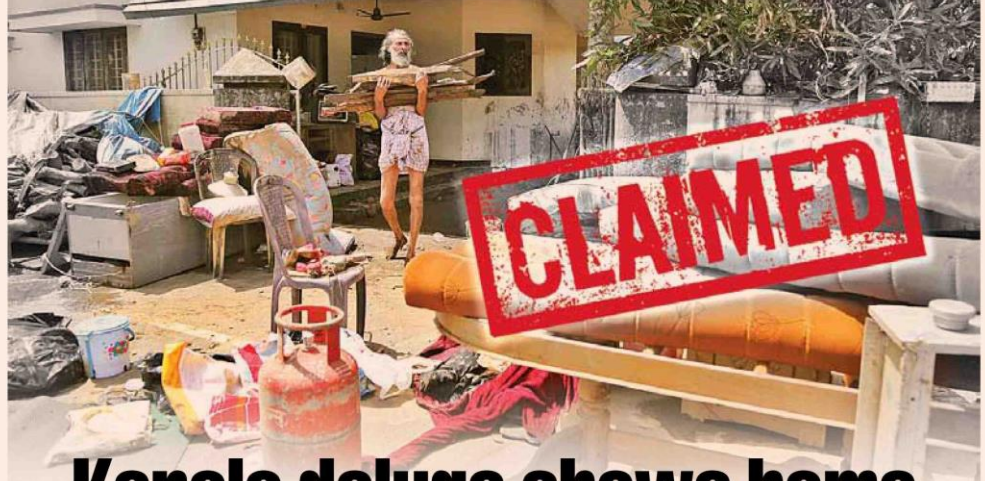
#### What is covered

A home insurance is available in two forms:

1. Coverage for building/structure only
2. Coverage for building/structure and contents

Coverage for structure and its contents can be availed across a number of options, which can be decided by the customer. Both policies provide cover against natural calamities like floods.

For instance, in a situation like the recent floods in Kerala, a comprehensive home insurance policy not only protects the structure of the house, but also covers loss or damage to the contents, portable equipment, valuables like jewellery, curios, works of art, etc. Other than floods, home insurance provides coverage for loss



## Kerala deluge shows home insurance is now critical

Comprehensive home insurance pays for damage to the structure, and also the contents

and damage caused by lightning, fire, volcanic eruptions, bushfire, storms and subsidence, including rock slide and landslide. Loss due to man-made, anti-social activities like strikes and riots and damage caused by malicious intent are also covered.

"Generally, a comprehensive home insurance policy provides coverage for individual house and assets/belongings stored in the house, but policy covering only the house or content can also be taken. Risks like terrorism and earthquake can be covered on additional premium," said Nirmal Bhattacharya, chief underwriter, Universal Sampo General Insurance.

#### What is not covered:

A home insurance policy does not cover damage or collapse of the building due to structural defects, latent defects, poor maintenance, workmanship, etc.

Other major exclusions are willful damage, negligence, natural heating, spon-

aneous combustion, war, nuclear perils, consequential losses (indirect loss as a result of not being to use the property due to fire, etc), theft, pollution, contamination, coastal or river erosion, normal wear and tear or damages while undergoing home repairs.

#### Useful add-on covers

There are a host of add-on covers, which are relevant in situations like floods where the home becomes uninhabitable, such as additional rent for alternative accommodation (covers rent up to 12 months), expenses for temporary resettlement which cover one-time cost for emergency contingency purchase and to-and-fro transportation of home contents to alternative accommodation, said Sahini.

Apart from insurance against structure and contents, insurers also offer add-on covers for jewellery and valuables, accidental loss or damage to plate glass/or neon boards/glow



#### BENEFITS OF HOME INSURANCE

It offers coverage in case of natural and man made calamities like flood, landslides, fire, strikes, riots, etc

It does not cover damage due to structural defects, latent defects, poor maintenance, willful damage, etc

You can buy separate covers for the structure and contents or a comprehensive policy that will cover both

signs, loss of or damage to your personal computers, television, audio/video equipment, electrical mechanical breakdown of domestic appliances, personal accident cover, workmen's compensation, public liability, etc. You can opt any of the mentioned add-on cover as per your needs and prior-

ity, said Bhattacharya.

#### Conditions while buying home insurance

While premiums are pre-decided, there could be variations depending on the plan customers opt for: bifurcated as per agreed value-basis, reinstatement value-basis and indemnity value-basis and the add-on covers they choose.

"We check the adequacy of sum insured as per location of the property, list of contents to be insured, locality of the property from the safety perspective if valuables are to be insured. However, these factors don't impact the premium," Adidamu said.

The sum insured for the structure is covered on the basis of reconstruction cost. The sum insured for contents is covered on market value-basis and is subject to depreciation at the time of claim based on the age of the contents.

The pricing of insurance for structure and contents is

generally the same across the country. Some insurers may offer products that cover the insured based on the geographical location, with a 'loading and discount' matrix for more prone or less prone geographies, said Sahini.

According to Bhattacharya, the premium for a property situated in natural calamities-prone areas would be slightly higher as compared to normal areas, because in such areas both frequency and severity of loss could be high.

Details like year of construction of the house, type of house construction, location of the house, total carpet area, location of the flat in case of an apartment, details of contents are generally required to assess the potential risk before issuing a policy.

"The sum insured is calculated by multiplying the built-up area of your home with the construction rate per square feet," Bhattacharya said.

