

# Owners bear most of flood-loss burden

## Insurers Expect ₹2,500Cr Claims From Chennai Against Estimated ₹15,000Cr Loss

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**Mumbai:** In natural catastrophes in India, the insured property losses have always been a fraction of economic loss. A similar situation is expected after Chennai floods, with insurance companies now estimating losses at around Rs 2,500 crore as against the economic loss which is expected to run into several thousand crores.

Although floods in Chennai were more severe and lasted longer than in Mumbai, insured losses are still expected to be much lower than in the 2005 deluge. The insured losses stood around Rs 4,000 crore in 2005 against economic losses of around Rs 15,000 crore.

"In Chennai, around 10,000 claims have been reported in the industry. My initial expectation was that losses might be around Rs 2,000 crore. It could go up to Rs 2,500 crore with some large claims being reported," said G Srinivasan, chairman, New India Assurance – the country's largest insurer. Insurers estimate that given the vehicle

population of close to eight lakh cars, tens of thousands of vehicles would be damaged in the floods. The costliest damages are to the electronic control unit and other elec-

where insurers paid for most of the losses after Hurricane Katrina, or in New Zealand where almost 80% of the post-quake reconstruction in 2011 was funded by insurance.

### WHEN DISASTERS STRUCK



tronic equipment, followed by possible damage to engine and upholstery.

Besides, around eight private aircraft have been damaged due to flooding at the Chennai airport and a couple of them have raised claims for a total loss. The small aircraft claims amount to Rs 200 crore. There are also claims from auto ancillary units and auto manufacturing companies and small-scale units.

According to Srinivasan, the insured losses are expected to be around 4% of the economic losses. This is in sharp contrast to the US,

"In India, less than 1% of the people who can afford an insurance policy buy a cover for their homes. Of the total premium written by the general insurance industry, less than 3% is pertaining to home insurance or cover for dwellings. This number is also largely due to the insistence of banks and financiers to take a cover while giving out home loans," said Tapan Singhel, MD, Bajaj Allianz General Insurance.

Insurers say ultimate claim payout eventually emerges lower than the estimate because of under insurance.