

Taking Cover

Ins and outs of home insurance

Go for a comprehensive policy. That won't pinch your purse

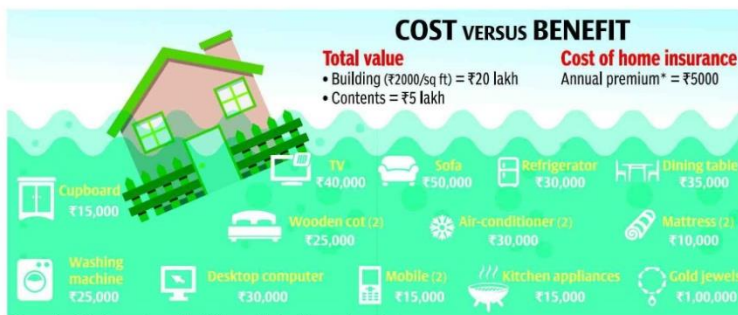
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Whether it was the most expensive addresses in the city or the ones on the outskirts, the Chennai floods didn't spare residents in any location. With hundreds of damaged vehicles in Chennai, claims are already being filed and insurers are set to make good the losses, but it is the damage to property and valuables that is pinching people hard. On average, even a middle-class family's loss appears to be anywhere between ₹50,000 and ₹2 lakh. Here, home insurance could have come to one's rescue. Given that such insurance is inexpensive, it makes sense to buy it, at least now.

Covers reconstruction cost

Home insurance policies cover damages to the building following perils, such as earthquake, fire, landslide, lightning and flood. It is not just in 'total loss' situations, but also in cases of partial damage that the policy comes as a lifeline.

In the recent floods in Chennai, the flooring in many households was damaged because of inundation. Expenses to replace the tiles, cost of plumbing work if any, and expenses to re-paint



*Taxes extra. Reinstatement cover for building and indemnity cover for contents

the house are also paid under the home insurance policy, says Pankaj Verma, Head - Claim Operations, SBI General Insurance, a company that insures one lakh homes in Tamil Nadu. Most home insurance policies in the market today offer these features.

But remember to take a 're-instatement' cover and not an 'indemnity' cover when you buy home insurance.

Only in the re-instatement policies will you be compensated for the cost of reconstructing the home at its current value; in the indemnity policy, the compensation is based on the re-construction cost less depreciation (which takes into account the age of the building).

What if you want to abandon your current home after a calamity and move to a new place?

Most home insurance policies do not cover the cost of re-acquiring land. But Bajaj Allianz's 'agreed value' cover offers this benefit. In this policy, the sum insured will also take into account the value of the land, as agreed between the buyer and the insurance company at the time of purchase of the policy.

But, do note that the cover is only for apartments and it works in cases of a 'total loss' situation where it is declared uninhabitable by the government, says Sankumar Adidamu, Chief Technical Officer, Non-motor, Bajaj Allianz General Insurance.

You may also want to look for insurers to pay for alternative accommodation for one to three months after the house is damaged.

Bajaj Allianz, ICICI Lombard and Tata AIG offer this facility.

A home insurance policy covers not just the building but the contents of your home too — appliances, furniture, clothes, carpet, curtain and jewellery.

Home insurance policies that offer cover for contents, again allow you to choose between an 'indemnity cover' and a 're-instatement cover'.

But, here, you should look at products by home insurers, such as Royal Sundaram, which offer a blanket cover for the contents of your home. You choose a sum insured that will cover all contents and pay a premium accordingly.

Claims are settled on an indemnity basis. You need not list out the items or report their value at the time of purchase of the policy, but at the time of claim, you would need to submit supporting documents. This saves you the hassle of having to re-

port to the insurer every time you replace an item in your house. To ensure a smooth claim settlement, Nikhil Apte, Chief Product Officer, Royal Sundaram, says one has to report the damage to the insurance company as early as possible. "Do not clean up things, or start repair works before the surveyor comes, take photographs of the spot and save it, this can help quicken the claim settlement process."

A home insurance cover for contents also covers loss due to burglary. So, jewels and other valuables, whether they are at home or in a bank locker, can be covered. Note that banks are not liable to make good the loss of contents in their locker.

It doesn't cost much

Home insurance policies are not expensive. For a ₹25 lakh cover for the building on a re-instatement basis, one will have to pay an annual premium of about ₹1,500-2000. If you want to insure the contents worth, say, ₹5 lakh on an indemnity basis, you will have to pay about ₹2,000-3,000 a year.

If you are buying a long-term home insurance policy, say for 20/30 years, you do get 30-40 per cent discount in premium. Do remember to take into account inflation too.

Though insurance policies cover re-construction cost, it is subject to a maximum of the sum insured.



What's not covered?

- Pets
- Cash, documents
- Vehicles

Buy peace

Opt for an 'all-risk' cover. Else, the policy will cover only named perils