

Taking Cover

Disaster-proof your home and car

With India being vulnerable to catastrophic events, go for a comprehensive policy

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Cyclone Vardah caused severe damage to property and vehicles in Chennai last week. The Assocham estimates losses from this cyclone at around ₹6,500 crore. This cannot be considered an isolated incident; data from the National Disaster Management Authority shows that India is vulnerable to a large number of disasters. More than half of the landmass is prone to earthquakes of moderate to very high intensity; over 40 million hectares (12 per cent) of land is vulnerable to floods; close to 5,700 km, out of the 7,516 km long coastline, is prone to cyclones and tsunamis.

Given the uncertainty, a comprehensive insurance cover for your home and vehicles can be of help, irrespective of where you reside.

Car insurance

A motor insurance policy has two parts — an own damage (OD) cover and a third-party liability cover. While the third-party liability cover is compulsory, the OD cover is optional. Damages due to a natural catastrophe, such as a cyclone, fall under the OD cover.

In the Chennai floods last year, many car insurers rejected claims for repair or replacement of the engine as, in most cases, it was a 'consequential loss' as the owner tried to move the vehicle through a water-logged area. Consequential losses are not covered under the regular motor insurance policies as they are not the outcome of a catastrophic event, but the result of a

certain action of the policyholder, says Sanjay Dutta, Chief Underwriting Claims and Reinsurance, ICICI Lombard.

But in case of events such as cyclones, there is no such distinction, says Pankaj Verma, Head-Claims, SBI General. "If the car was parked under a tree and was damaged because of the high winds during a cyclone, resulting in the tree collapsing on the car, it will still be covered under motor insurance. Any act-of-god is covered under the insurance in a motor policy or fire policy, unless it is specifically excluded," he explains.

Accessories such as music player, stereo system, parking camera and air-conditioner are not covered under the regular motor insurance policy unless you specifically ask for it and pay an additional premium.

Car interiors and upholstery are covered, but they attract high depreciation. For all rubber, plastic and nylon parts, tyres and tubes, batteries and air bags, the insurance cover assumes 50 per cent depreciation. For fibre glass components, 30 per cent depreciation is charged. For wooden, metal and other parts, depending on the age of the vehicle, depreciation may vary from 5 to 50 per cent.

To avoid any disappointments at the time of need, you can opt for add-on covers that come with the motor insurance policies, says Sasikumar Adidamu, Chief Technical Officer, Bajaj Allianz General Insurance. For instance, a consequential loss, say to the engine, will be covered under 'engine protect' or 'engine se-



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cure'. You can also consider a 'zero depreciation' cover or what is called 'bumper-to-bumper' cover. This cover is slightly expensive but pays full price for claim on spare parts. 'Invoice cover' is another add-on. Here, the policyholder will be paid the cost of buying a new car of a similar make and model. The additional premium you will have to cough up for zero depreciation and invoice cover will be about 10-20 per cent.

Home insurance

In catastrophic events, not just the building but also the contents of the house get damaged. In the cyclone last week in Chennai, residents of the city saw severe damage to window-glass panels, doors, roof, compound wall, AC units kept in the terrace and furniture in the sit-out and garden. A home insurance will

come in handy in such situations, says Nikhil Apte, Chief Product Officer, Royal Sundaram General Insurance.

For home insurance, you can either choose a basic fire policy or a comprehensive cover. While a fire policy may cover the house only against fire and allied perils, a comprehensive home insurance will also cover other risks, such as loss due to burglary or theft along with earthquake, fire, landslide, and flood. In case of fire policies, also note that any consequential loss will not be covered. For instance, in New India Assurance's fire policy, any loss or damage to an electronic machine arising from short circuiting, or leakage of electricity, is excluded.

To cover the structure of your house, sign up for a 're-instatement cover' rather than an 'indemnity cover'. The former will

compensate you for the cost of reconstructing the home; in the indemnity policy, the compensation is based on the reconstruction cost less depreciation.

In addition, make sure you buy a policy that pays up for replacing the damaged contents. If you want a cover for electrical/mechanical break down, you should ask for it specifically, otherwise, it is generally excluded. Also, remember that DG sets and solar panels, which are usually installed outside the house, may not be covered under home insurance and one needs to specifically include these under the policy.

For content worth ₹4 lakh, the premium works out to ₹1,500-2,000 which is ₹4-6/day. For the structure, assuming sum insured of ₹50 lakh, the annual premium would be ₹2,500-3,500.



Ask for more

- Cover for car accessories
- DG sets, solar panels and other items kept outside the house
- Cover for compound wall

Flood loss

Last November, heavy monsoon caused floods in the southern parts of the country. The total losses were estimated to be at least \$2 billion, of which insured losses were \$0.8 billion, says Swiss Re