Date: 21.2.2021	**Publication:** Orissa Post
Page no.: 11	**Edition:** Bhubaneswar

Understand your property insurance contract better

General insurance policies are contracts which have both financial and legal lingos. If you belong to the vast majority of the Indian crowd that does not believe in reading the insurance policies pre/post the policy purchase, this article is written just for you!

- Insurance offers protection to your property and other assets against impending losses. The cover is provided against the sum insured declared, at the time of policy issuance. If you are being issued an insurance policy, through an agent/through your bank/through an insurance broker, check for the term SUM INSURED in the policy. Sum insured is the maximum liability to be incurred by the insurance company in the event of a total loss. As insurance is a legal contract, the insured is expected to insure his property for its full value and pay premium on that. If in the event of a claim it is found that the property has not been insured for its full value, the amount of loss payable is proportionately reduced. This is called underinsurance, according to which, if the sum insured at the time of loss is less than the actual value of the property, insurers are liable to pay only the proportionate loss that the sum insured bears to the actual value.

TAKEAWAY: No matter which channel provides you with the insurance policy, always check for the adequacy of the SUM INSURED. If the Sum Insured is not up to the actual valuation of your property, the claim would not be settled in full as explained above.

- **Basis of Valuation:** Generally, there are two methods of valuation of the property to be insured, one is Market Value and the other is Reinstatement Value. In case of Market Value, in the event of a loss, depreciation is levied on the asset depending on its age. Under this method, the claim amount paid is unlikely to be sufficient to buy the replacement. In the Reinstatement Value method, the insurance company will pay the cost of replacement, subject to the Sum Insured opted. Under this method, no depreciation is levied. One condition is that the damaged asset should be repaired / replaced in order to get the claim.

TA RAMALINGAM

TAKEAWAY: In case of the Reinstatement value method, the premium can be higher, but then so is the Sum Insured that can help you recuperate better from the loss as against Market Value method; which may or may not be enough.

- **Coverage:** The insurance policy typically lists down the perils against which the policy covers you. The perils may be flood, earthquake, fire, short circuiting etc. If it is an ALL RISK POLICY, you are covered for everything except the exclusions mentioned under the policy. Insurance policies are usually annual policies but can be issued for shorter periods. Hence, also check for the period of insurance along with the contents insured under the policy. Approach the insurance company if something is missed out from the insurance coverage.

TAKEAWAY: Check if the insurance policy provides you with adequate coverage. If not, approach your insurer to get it endorsed in your insurance policy.

- **Exclusions:** Just like an insurance policy lists what all it covers, it also lists the things/perils that fall out of its scope.These vary from policy to policy andare mentioned specifically in the policy wordings.

TAKEAWAY: One needs to understand what each exclusion stands for, so as to seek specific coverage against the excluded itemif permissible orbe prepared for out of pocket expenses in case of an emergency.

As insurance is a financial investment to protect you in case of a future loss scenario, it is of utmost importance for you to understand the insurance contract offered to you. And to understand the contract, one has to read through the document, before signing up for it, ALWAYS!

(The writer is Chief Technical Officer, Bajaj Allianz General Insurance)