

# Before choosing home insurance, check reconstruction cost

Only then can one arrive at an appropriate sum insured

**BINDISHA SARANG**

The frequency of natural disasters has increased because of climate change. Just recently, hundreds lost their lives while properties worth crores were damaged by floods and landslides in Maharashtra and Goa.

There are insurance plans like home insurance that can reduce the financial impact of losses caused by calamities such as floods, cyclones, hurricanes, earthquakes, hailstorms, mudslides, among others.

These plans for home insurance are of three types: Those that cover the structure, the content, and comprehensive plans.

## Building insurance

It covers the structure of the building or independent house (but not land) against fire, explosion, thunder strike, storm, flood, and earthquake.

These days many housing societies buy this type of insurance and collect the cost of premium via maintenance charges. Pankaj Mathpal, founder and managing director, Optima Money Managers, says: "Check with your society if your building is covered. If not, ask the society management to buy it, or buy it on your own."

This policy basically covers the cost of reconstructing the house or the building.

## Content insurance

This covers valuable items like precious jewellery, electronic goods, furniture, paintings, and the like, against theft and damage. Both homeowners and tenants can buy content insurance.

TA Ramalingam, chief technical officer, Bajaj Allianz General Insurance, says, "Nowadays, the value of the contents within the house is often more than

## PREMIUMS VARY CONSIDERABLY

Premiums are for Bharat Griha Raksha cover for sum insured of ₹1 crore

Insurer	Annual premium(₹)*
Digit	2,466
Bajaj Allianz	2,714
New India Assurance	3,000
ICICI Lombard	4,072
Cholamandalam	4,180

\*Premiums are inclusive of GST

Source: PolicyBazaar

the value of the house."

Adds Naval Goel, founder and chief executive officer (CEO), Policy X: "Only get valuable items insured or else your premium will shoot up."

## Comprehensive cover

These cover both the structure and the content. Ramalingam says, "We often see instances of water entering houses during floods, damaging not just the contents but also the structure. Hence, a comprehensive home insurance policy is a must as it provides financial security for a person's most prized asset, for which he may have invested his entire life savings."

To customise the policy according to your needs, you can opt for add-ons like temporary resettlement cover, loss of rent, key and lock replacement, etc.



**YOUR MONEY**

## Standard policy

One option you may consider is the regulator-mandated standard home insurance policy called Bharat Griha Raksha. Its standard features make it an easy buy. It covers both the building and its contents. This policy provides complete waiver of underinsurance. This means that your insurer won't check whether the sum

insured equals the value of your insured contents. It will reimburse you up to the declared sum insured.

## Things to keep in mind

Understand the finer details of your policy. Rishad Manekia, founder and managing director, Kairos Capital, says: "Know the coverage, exclusions, and other details, like when to claim and how much you can claim. For instance, home insurance policies typically cover losses against earthquakes. But some may have a compulsory 5-10 per cent deductible in case of damage due to an 'Act of God'." A deductible means that the insured must pay that percentage of the claim out of their own pocket.

Note that damage to cash and documents is typically not covered, while jewellery and other valuables are covered, subject to certain ceilings. While purchasing the insurance policy, mention in the application form all the relevant details of items covered, and keep invoices of all the insured items as you may need them at the time of claim.

Since real estate prices tend to fluctuate, check with multiple contractors what it will cost to reconstruct your house and then arrive at a suitable sum insured.