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# North India floods: How to file insurance claims for your damaged car

In the case of cars being swept away due to torrential rains, you will have to file an FIR for loss of vehicle. Typically, the vehicles will be located after a few days. If not, this will be treated as a total loss and insurers will pay out the insured declared value (IDV) of the car. If it is located and the cost of repairs is more than 75 percent of the IDV, again, amount equal to the IDV will be paid out.

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**A car untraceable due to floods could end up as a total loss claim**

The terrifying visuals of cars being washed away and houses collapsing due to floods in Himachal Pradesh and Uttarakhand, along with waterlogged streets in Delhi and Gurugram, have once again brought to fore the havoc that torrential rains can wreak on lives and properties.

General insurance companies are bracing themselves for **claims from the region**. "We have received around 50-55 claim intimations from car owners so far. Torrential rains hit these states over the weekend. So, our sense is that many people wouldn't have ventured out. From that perspective, claim impact could be limited, but it's too early to tell. Perhaps, the picture will be clearer in another two to three days' time," says TA Ramalingam, Chief Technical Officer, **Bajaj Allianz General Insurance**.

If your car got swept away by floods and cannot be recovered – or is recovered with significant damage -- chances are that insurers will treat this as a case of total loss.

Typically, if the cost of getting your vehicle repaired exceeds 75 percent of its **insured declared value** (IDV is your car's ex-showroom price minus depreciation in line with its age), an amount equal to the IDV is paid out.

"If it is less than this limit, there will be a sanction for repairs and the cost will be reimbursed," adds

Ramalingam. However, in situations where there is massive damage, insurers could use certain other parameters to ascertain whether it can be treated as a case of total loss or not.

"Insurance companies and OEMs (original equipment manufacturers) come to an agreement on the quantification of loss, depending on the level of water submergence– whether it is up to the floor level or dashboard level. If it is dashboard level and above, it is considered a total loss. In the case of high-end vehicles, electronic parts are located at lower levels and the quantum is decided accordingly. This also varies from model to model. So, the entire IDV minus the excess (or compulsory deductible) is paid out to the policyholder," says Nitin Deo, Chief Technical Officer, Zuno General Insurance.

The compulsory deductible is the amount that the policyholder has to bear out of her own pocket, depending on the car's engine capacity – Rs 2,000 if it exceeds 1500cc and Rs 1,000 if it doesn't – before the insurer settles the claim.


To file a claim, an FIR and police investigation will be necessary. "If the insured car has been swept away and cannot be located, there will not be any evidence to speak of. A simple FIR may not always be enough. Insurance companies could insist on a non-traceable certificate from the police, which is issued after an investigation of the circumstances surrounding the disappearance of the vehicle in the floods," explains Hari Radhakrishnan, Regional Director, First Policy Insurance Brokers.

**Zero depreciation, engine protect covers to the rescue**

Besides causing damage to the car, rains and water inundation can also lay your car's spare parts to waste. In such cases, the claim will be paid out after subtracting the applicable depreciation mentioned in the policy. For instance, on plastic parts, the rate of depreciation will be 50 percent, while it will be 30 percent for fiberglass parts and nil for glass.

For all other parts, the rate of depreciation is linked to the age of the vehicle. It is five percent for vehicles that are six months to one year old and can go up to 50 percent in case of vehicles that are over 10 years old. “Most policyholders purchase a zero-depreciation add-on. This ensures that the actual value of the parts will be paid out,” says Deo. “Some policyholders also buy the consumables add-on to cover the cost of oil, and nuts and bolts, for example. So, if you have purchased these add-ons, the entire loss you have incurred on the car minus the deductible will be paid out."

An engine protect cover comes in handy if you have to drive through waterlogged roads. “Many policyholders tend to think that if their engine is damaged due to water ingress, the claim will be paid. However, this is not the case, unless you have purchased an engine protect add-on,” says Animesh Das, Chief Underwriting Officer, Acko General Insurance.

**Grey area around innovative pay-as-you-use add-ons**

Since July 2022, several general insurance companies have been offering innovative, optional riders such as pay-as-you-drive and motor floater add-on covers. For instance, if you were to buy the pay-as-you-use rider, you can save on premiums if your car usage is limited. You can activate or deactivate the insurance cover typically through the company’s app, depending on your usage.

What if you had switched off the coverage when floods swept away your car? “Every insurer has different terms and conditions for add-ons such as pay-as-you-use or pay-as-you-drive. However, typically, the switch-on, switch-off feature will come into play in case the policyholder was driving a car. If it was parked in the garage and it got flooded, then switch-on, switch off will not apply. Moreover, since the damage is caused by external factors such as floods, the add-on terms and conditions will not come into play and the claim will be paid,” says Das. Deo, too, reiterates that such claims will be paid.

This, though, remains a grey area with differing views. Finally, it will boil down to your policy’s terms and conditions. “The pay-as-you-use rider allows the policyholder to activate or deactivate coverage for specific periods. If the pay-as-you-use rider was deactivated at the time of the incident, it means that the coverage for that period may not be applicable,” says Pankaj Vashishtha, Founder and CEO, PolicyEnsure, an insurance broking firm. He, however, recommends making enquiries with the insurer concerned as individual policy clauses could vary.

“The claim will likely be rejected. This is because the pay-as-you-use rider benefit is designed to provide coverage only when the benefit is turned on. If the benefit is turned off, the car will not be covered by insurance,” says Ashish Lath, Business Head, InsuranceDekho, an insurance broking firm. However, he points out that there could be some exceptions to this rule.“For example, if the individual can prove that she turned the pay-as-you-use rider benefit off accidentally, the claim may be approved. Additionally, some insurance companies may have a grace period, during which the claim could still be approved even if the pay-as-you-use rider benefit was turned off,” he adds.