

Does your regular car insurance cover flood and water damage?

Flood damage is typically covered under a comprehensive insurance plan that offers protection for damage caused by natural disasters such as floods, earthquakes, and cyclones, as well as accidents



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Heavy rainfall in several parts of North India has resulted in waterlogging, landslides, road cave-ins, etc, causing severe damage to properties, cars and two-wheelers. While the current status of economic loss due to these floods is yet to be estimated, SBI Research projects the damage in the range of Rs 10,000-15,000 crore.

For car owners, whose vehicles are damaged by floods, repair costs can be an expensive affair. "Although third-party insurance is mandatory, but around 79 per cent of four-wheelers are covered and 65 per cent four-wheelers are insured for own damage only. For two-wheelers, it is much worse, as around 35 per cent of vehicles are insured under third-party and 39 per cent are covered for own damage," noted the SBI report.

The big question is if your car insurance policy covers the damage caused by floods?

If you have bought only the mandatory third-party insurance cover, the loss caused by a flood or any natural calamity will not be covered. And in case you have a basic comprehensive plan, it will cover partial losses due to flood. It will not cover loss to the engine.

Point to note: There are two types of motor insurance policies. One is a third-party motor insurance policy, which is mandatory, and another is a comprehensive insurance policy, which is optional. Apart from these, you have add-on options for further protection.

Here are the main types of damages caused by a flood to your vehicle, according to PolicyBazaar

Engine damage: Water seeping into the car engine caused by a flood can cause partial or total damage to the engine's internal parts.

Gearbox damage: Water ingress in the gearbox can cause the unit to malfunction or could be completely unusable.

Electric and electronic damage: Water can cause damages to electrical and electronic functions. It can cause a short circuit to the electronic or electrical components, or the warning lights on the dashboard could malfunction.

Upholstery damage: The interiors could be damaged due to the dampness caused by the water ingress. This includes the carpet, seats and other soft furnishings.

Owning a comprehensive car insurance policy can save you from spending from your pocket against unforeseen losses during floods.

A comprehensive motor insurance policy which is a cover that provides third-party liability cover and also own damage cover, can cover losses from cyclones or floods. The above policy is ideal if you reside in a flood-prone area as a single hit by the flood can severely damage your vehicle and lead to a reduction in value. In some cases, it can turn into a total loss situation where the damage is beyond repair.

"Flood damage is typically covered under a comprehensive insurance plan that offers protection for damage caused by natural disasters such as floods, earthquakes, and cyclones, as well as accidents, fire, vandalism, and theft. It is also pertinent to note that Comprehensive Insurance is a fundamental policy that may not cover all types of damages or losses. It is hence recommended to opt for add-ons to the comprehensive cover such as Zero Depreciation coverage to ensure that you are not responsible for bearing depreciation expenses related to flood-related damages, which can be substantial; Engine Protect add-on safeguards against potential waterlogging-induced engine damage, reducing the risk of significant financial setbacks; Roadside Assistance (RSA) becomes invaluable in waterlogged areas by providing swift towing services and preventing further harm to your vehicle," said Animesh Das, Chief Underwriting Officer, ACKO.

"At Tata AIG, any loss or damage to the vehicle caused due to flood, hail storm and heavy rains is covered by comprehensive coverage plan under own damage section of policy.

For the flood prone area, we recommend obtaining comprehensive package insurance. With comprehensive, one will get the full coverage towards the damages that can occur from certain types of natural calamities like wildfires, floods, hurricanes, hailstorms, earthquakes, landslides and mudslides. Comprehensive term includes coverage from animal damages too.

Also through "Engine Secure" Addon, damage to the engine through ingress of water into the engine and resulting into the hydrostatic lock is covered, if it is opted by the customer subject to terms of the policy," said Neel Chheda, Senior Executive Vice President & Head - Auto Insurance, Tata AIG General Insurance.

Certain add-on policies are a must in the monsoon:

To enhance the basic coverage benefits of comprehensive car insurance, you can opt for specific add-ons necessary for the monsoon season. Some of the essential add-ons, that can help you prepare your vehicle for monsoon mayhem are as follows, according to Nitin Kumar, Head - Motor Insurance, Policybazaar.com

1. Engine protection: Engine is the heart of the vehicle. It is crucial to refrain from attempting to start your car if it has been submerged in water or parked in a waterlogged area. Starting the car under such circumstances can result in engine seizure, which is a commonly encountered problem during the monsoon season, and the associated repair expenses can be extremely high. It's important to note that damages to engines caused by the actions of the car owner are not included in comprehensive insurance policies. To mitigate the risk and prevent potential financial burdens, it is strongly advised to opt for an engine protection add-on that covers both repair and replacement costs.

2. Zero Depreciation: As the name suggests, this add-on compensates the vehicle owner for the total loss or damage caused to the vehicle without factoring in depreciation. However, it is important to note that this add-on guards all vehicle components at 100% except for tubes, batteries and tyres, which are covered at 50%.

3. 24x7 Roadside Assistance: Opting for a roadside assistance add-on can come in handy during monsoons when you are left stranded. This add-on can help you in case of emergencies such as towing, on-the-spot repairs, fuel requirements, and even arranging for alternative transportation.

4. Return to Invoice: Your standard motor insurance policy compensates you based on the IDV. In cases where the damage is beyond repair or the cost of repair is higher or more than 75% of the vehicle's IDV, this add-on comes right to your rescue. For a new car up to 3 years old, if the customer has a 'return to invoice' add-on, in case of a total loss, the customer gets the full invoice value as the claim amount.

5. Consumables: During monsoon, consumables expenses too arise. This add-on covers the expenses for engine oil, nuts and bolts, mud flap, brakes etc. which aren't typically covered in any comprehensive plans.

Can an insurance company deny claims related to flood damage?

Damage due to intentional action:

Though a basic comprehensive car insurance policy provides coverage for all flood-related damages, insurance companies can refuse to reimburse if there is damage to the car due to the driver's intentional action.

If the car owner attempts to restart their vehicle while it is submerged or stuck in a flooded area, water can enter the engine, resulting in hydrostatic lock, causing severe damage to the car engine.

For example, if your car is parked in a basement and gets drowned, and instead of reporting it to the insurance company and towing it to a service centre, you instead first try to start your car, then your engine will go into hydrostatic lock. In that scenario, the insurance company will not cover the engine failure because it is consequential damage due to an intentional action.

"Given that the comprehensive policy does not cover hydro lock conditions, any claims arising as a consequence of customer actions may face potential rejection. To safeguard against such risks, it is advisable for customers to opt for the Engine Protector add-on cover, which will provide coverage for damages in these situations," said Nitin Kumar, Business Head – Motor Insurance, Policybazaar.com.

Damage to engine:

A private car package policy covers Own damage to the vehicle (due to accident or any external means including natural catastrophe), Theft of the vehicle, Third party liabilities and Personal accident covers of Owner-driver & inmates of the vehicle (if cover is taken). While flood damage is covered under the standard policy, certain consequential damage such as damage to the engine due to water ingress is not covered unless Engine protect add-on is separately taken. Similarly for EVs if battery is damaged due to water ingress same will not be covered unless "Battery-protect" add-on cover is separately taken," said Gaurav Arora - Chief - Underwriting & Claims Property & Casualty, ICICI Lombard.

Delay in informing insurance company: An intimation to the car insurance service provider at the earliest is the best thing to do when filing for claims. Most insurance companies offer a grace period for the reporting process, but it's always better to intimate the company as soon as possible. "Delay in the accident reporting leads to a more complicated car insurance claim settlement process and often results in 100% claim rejection as well," according to ICICI Lombard.

"To avoid damage to your motor vehicle, avoid driving in a water-logged area, where water height is above the center of the tire. In case the vehicle is submerged in water do not try to crank or push start the engine. Even one attempt can cause major damage to the engine. If water has entered the passenger compartment, do not turn the ignition "ON" that can result in short circuit in the electrical system," said T A Ramalingam, Chief Technical Officer, Bajaj Allianz General Insurance.

Here's how to file a standard insurance claim if your car is damaged due to floods

Call your insurance provider immediately

To initiate a claim owing to damage caused due to floods or cyclones, the first step would be to inform the insurance company regarding the damage or loss, which can be done through their customer care number/toll-free, website or even on their apps.

Gather photographic evidence

Take photos from all angles, of the damage that has been done, to send to your insurer. Do not attempt to move the cause of damage, or the car, or do anything to distort the scene.

"Gather as much evidence as possible such as clicking pictures or shooting videos of the damaged car. Keep the Registration Certificate (RC) of the car, Driving License (DL) of the owner-driver, Policy Document (soft copy), and documents pertaining to the evidence handy. Once the insurance company has surveyed the damages to the car, the claim will be processed," said Animesh Das, Chief Underwriting Officer, ACKO.

Wait for the surveyor

Wait for the surveyor from the insurance company to examine the vehicle before you attempt to fix the problem. You may need to provide the details of your car, self, and insurance to the surveyor.

"An appointed surveyor by the insurer will assess the damages to your vehicle and prepare a report. The insurer will accordingly inform the insured regarding the extent of the damages. Subsequently, the insured can get the repairs done at the insurer's network garage on a cashless claims basis or at their preferred garage and attain a reimbursement claim. Insurers also provide on-the-spot faster claim settlements where sharing pictures of the damages to the vehicle are uploaded on their app, and the claim can be settled. The extent of the claim will depend on the motor insurance policy, the add-on covers opted for by the customer and the policy terms and conditions," said T A Ramalingam, Chief Technical Officer, Bajaj Allianz General Insurance

Service at an authorised workshop

When you call your insurer, they are likely to arrange for a tow to the nearest authorised service centre. Do not attempt to fix the problem at just any centre as it may not be under the insurer's list of authorised centres, leading to a possible rejection of your claim.

Tips to follow when your car is submerged in a flood or water, according to Acko:

If your car is submerged in water, don't switch on the ignition or attempt to start the car by push-starting it.

Disconnect the battery and tow the car to the garage.

Do not attempt to start the car even if the water has receded.

Check your car brakes for their functionality as they tend to be affected when water enters the brake discs, lines, or pads.

"In an inundated condition vehicle should not be started, one should try and tow the vehicle to the service centre as soon as possible and intimate a claim to the insurer. In case the vehicle is swept away and cannot be located an intimation to the Police should be given immediately," said Gaurav Arora - Chief - Underwriting & Claims Property & Casualty, ICICI Lombard.

What should you keep in mind while opting for a car insurance policy?

I. Customers must read enough literature on motor insurance and research on different product offerings from multiple insurance companies. Find the policy which best suits your needs

II. Get enough information on the add-on covers as well and opt for those that best suits your needs

III. Policyholders must read through their policy document carefully and understand their inclusions like coverages, features, and benefits but at the same time they must understand their exclusions as well which will help in a seamless claims experience

IV. Provide all the necessary information to your insurer in order to receive plans covering your needs

V. Choose a credible insurer who has a good track record in claim settlements versus an insurer providing you a cover with lesser premium and hence lesser coverage

VI. Always read your policy document correctly asking sufficient questions including understanding of the exclusions and the inclusions