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In Himachal Pradesh, during the recent floods, Anil Singh's house in Mandi was swept away right before his eyes. In a matter of seconds, all of Anil's lifelong earnings vanished. He cannot fathom how he will manage to provide for his family now, or how he will hide his worries from them. Anil is not the only individual affected by this natural disaster. More than 5,000 homes were destroyed in the state due to the devastation caused by floods and landslides.

If Anil had taken home insurance to cover the risks of natural disasters, he wouldn't be facing this situation today. Unfortunately, very few people, including Anil, opt for insurance coverage for their homes and businesses.

What is the insurance gap in India?

The SBI Ecowrap report states that in the year 2022, due to natural disasters, there was a global loss of 22.56 lakh crore rupees. Out of this, 10.25 lakh crore rupees were covered by insurance. This means that the uninsured loss was 54%. In India, in 2020, there was a total economic loss of 52,500 crore rupees due to floods, but the insurance cover was only 11%. This time, it is estimated that the country may suffer an economic loss of 15,000 crore rupees due to floods and landslides, while the insurance cover is only 8% of the property. Thus, the insurance gap in the country is 92%.

Where does India stand in natural disasters?

India has faced the most natural disasters after the United States and China since 1990. These disasters include floods, landslides, cyclones, earthquakes, and droughts. The country has experienced 764 cases of natural disasters since 1900. From 1900 to 2000, India witnessed 402 natural disasters, while from 2001 to 2022, there were 361 such incidents.

Floods are the most common natural disaster in India. According to the report, approximately 41% of the natural disasters are related to floods. After floods, the country faces the most cyclones.

Why insurance is important?

Bajaj Allianz General Insurance's Chief Technical Officer (CTO), T.A. Ramalingam, says that the risk of natural disasters in India is comparatively higher than in other countries. For most people, fulfilling the dream of owning a home requires a significant investment over their lifetime. Taking a home loan is often necessary to achieve this dream. Just like you purchase insurance for a car when you buy it, it is equally important to buy insurance for your home. Home insurance is essential as it provides compensation for potential damages to your home and its valuable contents. Home insurance acts as a protective shield for your home, safeguarding it against unforeseen losses.

How to choose right insurance?

In the market, there are various insurance products available to compensate for losses caused by natural disasters. For home insurance, 'Bharat Griha Raksha' is a standard policy offered by all general insurance companies under the same name. It covers the structure of the house and items like electrical fixtures, bathroom fittings, and garage, among others.

Some insurance products are designed to cover all types of risks, known as householder policies. From these options, you can choose based on your specific needs. You can also enhance the scope of your insurance coverage by adding essential riders to your policy.

How expensive is insurance?

Insurance expert T.A. Ramalingam explains that property insurance is generally intended for the long term and is commonly offered as a single premium policy. The standard property insurance policy, 'Bharat Griha Raksha,' is a 10-year policy. Its premium is around 17 paise per thousand rupees insured, while for householder policies, the rate is 25 paise per thousand rupees insured. Overall, the premium for this type of insurance is quite affordable.

For example, if you are buying a 'Griha Raksha' policy and the value of your flat is 40 lakh rupees, then a 10-year insurance cover can be obtained for approximately 10,000 rupees. In this way, you can get insurance for your home at a cost even less than the price of a cup of tea per day.

Now the question arises, why do people not take insurance for their homes? According to experts, there is a lack of awareness among people about home insurance. The government and the insurance regulator, IRDA, took the initiative and launched the standard policy 'Bharat Griha Raksha' in April 2021. However, insurance companies are not showing much interest in selling this policy. One reason for this is that people think that natural disasters like those in Himachal Pradesh won't happen in their area. Therefore, they believe that they don't need home insurance. Due to this perception, people refrain from purchasing home insurance, despite it being relatively affordable.

However, considering the current circumstances, it is essential to buy this insurance as it provides crucial protection for your home against unforeseen events.