

Your home cover will depend on whether you own a flat or house

One variant of home insurance pays a fixed sum assured, while the other pays for repairs and rebuilding

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Inquiries for home insurance are on the rise over the past few weeks, according to information from various online platforms. Homeowners want to know the scope of coverage of home insurance after the recent cyclones in Kolkata and Mumbai and the earthquakes in and around Delhi NCR.

Usually, a low selling product, the interest in home insurance has suddenly picked up. "The inquiries for home insurance have almost doubled on our platform in the past few weeks," said Sanjay Singh Chauhan, business head, SME and home insurance, Policybazaar.com, an online insurance aggregator.

Choosing the right product can be confusing as they come in different shapes and sizes. Then there's also the question if a property owner should go for an individual home insurance or is it better for the resident welfare association (RWA) of the society to purchase one for its members.

"If the buyer owns a flat in a building, it's best to opt for a variant that offers 'agreed value'. If the property owner has an independent house, he should opt for the variant which pays for the construction of the property," said Chauhan. Opting for an individual policy is better than relying on an RWA's policy, he added.

We tell you the variants available in the market and how to choose the one that suits your needs.

INDIVIDUAL COVERS

If you want to protect your property against natural calamities, most insurers offer two options.

First, where the insurer pays based on the "reinstatement value" of the property. This variant covers the cost of construction of the house.

The insurer will settle the loss by replacing the damaged property or the item with a new one.



which is equal to but not better than the one damaged," said Deepak Dhar, national head, speciality lines and marine underwriting, Bajaj Allianz General Insurance.

Typically, insurers have a chart for the cost of construction based on which they settle the claim. The money is paid out in parts as the construction progresses. Within this, some insurers also allow the property owner a clause to increase the sum assured by a pre-determined percentage.

The reconstruction cover is more suitable for those owning an independent house

Say, if the cost of reconstruction comes to ₹20 lakh and the person chose 20% escalation, the insurer will pay ₹24 lakh.

The second variant is where the insurer pays based on the agreed value. "Agreed value is the mutually decided sum assured between the insurer and insured. Typically, agreed value is based on the opinion of an independent valuer, or government-notified circle rates," said Abhishek Bondia, principal officer and managing director, SecureNow.in, an insurance broking firm.

The customer can choose to rebuild the house or can buy another house somewhere else with the money. In the latter case, the policyholder has to transfer the title of the insured property to the insurer. The premium for the agreed value cover is slightly higher than the reinstatement value cover.

A few insurers also offer a third option which is an indemnity cover. "Under this, the insured gets compensation for the item damaged after a deduction for wear and tear," said Dhar.

For those who own independent houses, opting for the variant which covers the construction is preferable as the insured can rebuild the house after damages. But that is not possible for those living in flats and an agreed value cover will suit them better. "Such consumers only own a part of the building structure. The agreed value cover will pay the full sum assured in case of a total loss due to any perils covered under the policy," said Anurag Rastogi, chief actuary and chief underwriting officer, HDFC ERGO General Insurance.

Sometimes, buying home insurance could be tricky. Some com-

panies sell policies with terrorism cover and some without it. Some could charge extra for it. Similarly, policies may cover an earthquake but not flooding due to an earthquake. So look at the list of exclusions, and the terms and conditions closely before buying a cover.

THE ADD-ONS

Most insurance companies sell home insurance with an add-on to cover the contents of the house. A customer can opt for the burglary and house-breaking add-on, which covers contents such as cash, securities and other valuables kept at home.

A third-party liability cover pays for damage caused by the insured's property to a third party.

Then there's an add-on which covers damage or breakdown of

Flat owners should go for the agreed value variant as they own units that are part of an overall structure

home equipment like refrigerators, washing machines, air conditioners and so on.

Usually, these covers are bundled or packaged under a "homeowner or a householder policy". Besides the three add-ons, there are many others that an individual can choose from like rent for alternative accommodation, temporary resettlement cover, keys and lock replacement, and so on.

"Many of the add-ons are covered under the all-risk policy. It's better to opt for it," said Bondia.

RWA COVERS

The structure cover can be bought by the RWAs as a group policy for its residents. But this is a cover that needs to be renewed annually.

According to Chauhan, the premiums for the standard fire and special perils policy (SFSP) are under tariffs and, therefore, any kind of discount is not possible for bulk purchase. But the RWA policy also covers common areas, lifts, clubhouse and so on.

If an individual is buying an all-risk policy, which also covers the contents for a longer tenure, the insurer offers a discount on the premium. That's why opting for an individual cover works out to be

better than relying on the policy your RWA purchases.

Buying a home insurance cover does make sense, especially for those who stay in areas that are likely to be affected by natural calamities.

Since April, Delhi NCR has recorded more than 14 earthquakes of low and medium intensity. Also, Mumbai and regions around the city are likely to witness more intense cyclones in the future due to climate change.

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