

Buy house cover on reinstatement basis and not on market value

It will ensure that the insurer pays adequate amount to restore damaged property

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Natural disasters are becoming more frequent and also growing in intensity. Cyclone Biparjoy, apart from causing loss of life, also inflicted extensive damage to property, including residential homes. This event once again underscored the importance of purchasing home insurance.

For many people, their home is the most expensive asset they own. "Such perils can cause extensive damage, leading to a heavy financial burden. Home insurance is a fundamental tool that can provide financial protection — both to your home and its contents," says Gurdeep Singh Batra, national head, retail non-motor underwriting and co-insurance, Bajaj Allianz General Insurance.

A comprehensive home insurance plan can mitigate the losses caused by a variety of hazards: floods, cyclones, hurricanes, earthquakes, hailstorms, and landslides.

Two types of covers

Home insurance policies offer structure and content insurance. "Structure insurance protects the physical structure, including the walls, roofs, foundation, fixtures, and other vital components. It compensates you for the cost incurred in repairing or rebuilding the house in case of damage," says Rahul M Mishra, co-founder and director, Policy Ensure.

Content insurance, on the other hand, provides coverage to home appliances, furniture, fixtures, and other valuable possessions. Parthanjil Ghosh, president-retail business, HDFC Ergo General Insurance, says, "This policy is especially meant for tenants who live in a rented house and are vulnerable to damage to their belongings in case of theft or a natural disaster." It is a must-buy cover for people who have valuable assets in their homes.

Furthermore, a comprehensive insurance is also available which provides protection to both the structure and contents.

"It is suitable for people who live in

A RELATIVELY INEXPENSIVE COVER

Premiums are for a sum insured of ₹50 lakh for 10 years

Insurer	Premium* (₹)
Bajaj Allianz General	11,500
SBI General	11,500
Digit General	10,250
Reliance General	10,250
Cholamandalam MS General	9,791
United India	9,250

Note: Premiums don't include GST Source: PolicyBazaar

their own houses and want to protect both the structure and their belongings," says Ghosh.

Determining the sum insured

When deciding the appropriate sum insured for the building and contents, give careful consideration to factors such as house type, location, and the value of your assets.

For the structure, the sum insured can be calculated by multiplying the built-up area by the cost of construction per square foot at the time of policy purchase. For example, if the property is of 1,000 square feet and the construction rate decided by the insurer is ₹1,500 per square foot, then the sum insured should be ₹15 lakh.

As for the contents, Tarun Mathur, co-founder & chief business officer, general insurance, PolicyBazaar, says, "The sum insured for the contents in the house is based on the actual cash value (ACV) of the assets, or the current market value minus the depreciation based on usage."

Inexpensive cover

This is not an expensive form of insurance (see premium rates in the table). Mathur says, "The calculation of the premium amount depends on a variety of parameters, such as the house's age, structure type, cost of construction, etc."



Buy a reinstatement policy

Keep in mind a few crucial points when buying a cover for the structure. Kapil Mehta, co-founder and chief executive officer, SecureNow says, "Specify that you want this policy on a reinstatement basis (and not on market value basis) so that it pays for restoring the house to its original state and does not deduct for depreciation."

Ghosh suggests buying a long-term policy that comes with an in-built discount and frees customers from the hassle of remembering the renewal date.

Mehta adds that those who have a basement or a terrace must explicitly mention this at the time of purchase.

Must buy in disaster-prone areas

Understand the finer details of the policy you are buying. Mishra says, "Understand the coverage, the exclusions, and other policy terms and conditions." Customers should also check if the policy offers any useful add-on features. Some of the ones available are loss of rent, temporary resettlement cover, public liability, lock and key replacement cover, etc.

According to Mathur, in areas susceptible to natural disasters, people must buy a comprehensive home insurance policy along with tailored add-ons. Nowadays, many housing societies buy this type of insurance and collect the premium cost through the maintenance fee, so do check if your society does so.

