

Why choose home insurance as an effective shield against natural disasters like earthquakes?



TL;DR.

It takes a devastating earthquake for people to realize the fragility of life. It takes a number of deaths and an equal number of injured to realize that home must be protected as life and health. The aftermath of natural calamities can be devastating though a lot can be mitigated with adequate insurance coverage amount.

This year has been terrifying for many as the Earth shook and brought down huge structures and buildings first in Turkey and then in other countries including Peru, Ecuador, Afghanistan, Pakistan and more. Tremors were felt in Delhi NCR too causing many people to rush out of their homes to escape being crushed. Many people lost their lives in the rubble and chaos stemming from the earthquake. The trauma and destruction are pervasive, causing many people to check if their houses lie in the earthquake belt or are prone to natural disasters.

Insurance companies are flooded with inquiries regarding home insurance though not a lot many are translated to actual purchases. It is common for people to feel concerned and seek information about the various home insurance plans and the extent to which these policies can help shield against natural disasters such as earthquakes, floods, storms, etc. Roughly a major portion of India is prone to earthquakes with some regions also being designated as high-damage risk zones.

A report published by the National Disaster Management Authority on its site cites, “India’s increasing population and extensive unscientific constructions mushrooming all over, including multi-storeyed luxury apartments, huge factory buildings, gigantic malls, supermarkets as well as warehouses and masonry buildings keep - India at high risk. During the last 15 years, the country has experienced 10 major earthquakes that have resulted in over 20,000 deaths. As per the current seismic zone map of the country, over 59 per cent of India’s land area is under threat of moderate to severe seismic hazard.”

The report added, “The entire Himalayan belt is considered prone to great earthquakes of magnitude exceeding 8.0; and in a relatively short span of about 50 years, four such earthquakes have occurred.

Scientific publications have warned of the likelihood of the occurrence of very severe earthquakes in the Himalayan region, which could adversely affect the lives of several million people in India.”

What is appalling is that most people are willing to spend their lifetime earnings to build or buy a new house, but very few find the need to buy home insurance policies at nominal charges.

Deciding on home insurance

Sumit Ramani, Actuary & Co-founder, **ProtectMeWell.com** said, “In my view, most people don't buy home insurance because they don't know it exists. Equally, the distributors are not incentivized to sell it because of lower ticket size and hence smaller commissions. I believe behavioural biases also have a role to play here. Major damages to the home structure are rare and because of Availability Bias, we tend to ascribe lesser than the actual probability of loss due to home damage.”

Home insurance policies are cheap, yet they do not receive due consideration. Take, for example, you can buy the “Bharat Griha Raksha Plan” sold by BajajAllianz General Insurance by paying only ₹1388 towards premium charges every year. One may also opt for a comprehensive plan with an additional coverage amount. These plans are available at discounted rates to lure more customers into the fold.

Name of the Plan	Bajaj Allianz (Standard Fire and Allied Perils)	Royal Sundaram (Griha Suraksha)	New India Assurance (Griha Suraksha)	Cholamandalam Insurance (Fire and Special Perils Plan)
Annual Premium (Structure Only)	2655	3050	2436	2561
Annual Premium (Content Only)	9445	4537	7071	5985
Annual Premium (Structure + Content)	11800	7587	9561	8546
Source: PolicyBazaar				

The fact that all these policies are available online allows interested buyers to cover the coverage amount offered by various policies along with their respective premium charges. Some insurance companies also sell five-year insurance policies. This benefits the buyers as they have to shell out much less in premiums every year.

Having your house covered means that you can use the money to either buy a new house at a separate location or get your damaged house repaired and reconstructed. It is not that people are not rising to the need to have home insurance in place. The number of people buying home insurance policies is steadily rising and hopefully, more people will include it in their investment portfolios as more countries face the wrath of natural calamities. Numbers shared by the sales team of PolicyBazaar highlight the increasing number of people that have shown interest in buying these policies.

Year	Number of policies sold during the year
2019	489
2020	425
2021	9008
2022	23481
2023 to date	3845
Source: PolicyBazaar	

More than the resulting number of deaths, it is the number of homeless people left to fend for themselves out in the cold that underscores the growing importance of buying this kind of policy apart from the regular term life insurance and health insurance plans.

What does a home insurance policy cover?

As evident from its name, a home insurance policy secures against natural calamities like earthquakes, though some insurance companies mandate a five per cent deductible in case of any such damage, citing it as “An Act of God”. This means that the first per cent of the claim amount will be borne by the insured while the remaining will be doled out by the insurance company.

Gurdeep Singh Batra, National Head-Property Underwriting (E&S), Risk Engineering Services & Global Accounts, **BajajAllianz General Insurance** said, “Home insurance covers the policyholder against unforeseen loss or damage to their house and contents therein. This policy ensures that the insured has financial protection if anything happens to their home. Apart from protecting against natural calamities, home insurance also covers losses arising out of fire and allied perils, theft, and burglary; it also covers the breakdown of domestic appliances due to voltage fluctuations and also accidental damages. One can insure their flat, apartment, independent building, or villa.”

Batra added, “Broadly speaking home insurance covers the following two aspects. One is a Building-only cover that covers the building or structure of the home. Another is the Content-only cover that covers all the belongings or content present in the house like furniture, appliances, jewellery, valuable items, etc.”

However, not all insurance companies charge such deductibles. Also, deductibles are customized in some cases, though a lot depends on the policy coverage amount. However, policyholders ready to pay more towards deductibles have to pay much lesser in premium charges. A lot depends on what the company offers and what the policyholder seeks, so it makes sense to scourge through the policies offered by the insurance companies on the web and then decide accordingly.

Not all home insurance policies are the same. They are indeed different in their coverage amount, in what they cover and premium charges, Ramani added, “Home Insurance in India is largely standardized and every insurer offers Griha Raksha product which is reasonably comprehensive. This product would typically cover both Home Structure and Home Content insurance. Either of the two could also be bought. Policyholders could also look at choosing the appropriate add-ons based on their specific needs like covering jewellery and other household items.”

Viral Bhatt, Founder, **Money Mantra** added, “Choosing the right home insurance policy can be a daunting task, especially with the plethora of options available in the market. Before zeroing in on any home insurance policy, it is essential to consider a few factors to ensure that you are selecting the right insurance policy that meets your requirements.”

Bhatt added, “First, check the type of coverage offered by your home insurance policy. Some policies provide basic coverage for damages caused due to natural disasters, fires, and theft, while others offer more comprehensive coverage. You should select a policy that provides adequate coverage for your home and personal belongings.”

“Second, one must consider the premium of the policy before finalizing it. Compare the premiums of different policies and select the one that offers maximum coverage at a reasonable cost. Also, ensure you understand the deductibles associated with the home insurance policy. Deductibles are the amount of money that you need to pay out of your pocket before the insurance company starts

covering the damages. You should select a policy with a deductible that you can afford. Check for any exclusions mentioned in the home insurance policy. Some policies may have exclusions that you need to be aware of. For example, if you have expensive jewellery or art pieces, you may want to ensure that they are covered in the policy,” he added.

“Last but not the least, verify the reputation of the insurance company before purchasing the policy. Check for reviews and ratings from existing customers and make sure the insurance company has a good track record,” Bhatt said.

Buying a home insurance plan is the need of the hour considering how the world is increasingly being affected by natural disasters owing to rampant deforestation and rapid industrialization, especially, in eco-sensitive zones.

Insurance is a need and not a luxury. However, only a few realize its importance while others either learn from experience or glean from information widely available online. Only after considering numerous factors, you can select the right home insurance policy that provides adequate coverage at an affordable cost. However, don't hesitate to ask questions to your insurance agent or broker for any clarification or assistance in selecting the right [home insurance](#) policy.

THE LOAN GROWTH STORY OF INDIANS

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GROWTH IN PERSONAL LOANS, YEAR ON YEAR

● 2021 (CRORES) ● 2022 (CRORES) ● CHANGE Y-O-Y

ALL PERSONAL LOANS ₹ 3,336,729 ₹ 3,770,285 ● 20%	HOUSING LOANS ₹ 1,571,738 ₹ 1,825,900 ● 16%
PERSONAL LOANS ₹ 798,287 ₹ 988,967 ● 24%	VEHICLE LOANS ₹ 377,920 ₹ 461,375 ● 22%
CREDIT CARD DEBT ₹ 139,493 ₹ 179,178 ● 28%	LOANS AGAINST FDS ₹ 60,529 ₹ 98,302 ● 43%
EDUCATION LOANS ₹ 80,480 ₹ 90,410 ● 12%	LOANS AGAINST GOLD ₹ 72,420 ₹ 83,820 ● 15%
CONSUMER DURABLE LOANS ₹ 22,102 ₹ 34,727 ● 57%	LOANS AGAINST SHARES & BONDS ₹ 5,760 ₹ 6,806 ● 18%

HOUSING
48.43%
₹18.25T

OUTSTANDING PERSONAL LOANS AS OF OCTOBER 2022: RS. 37.7 TRILLION

CONSUMER DURABLES
0.92% ₹347B

LOANS AGAINST SHARES, BONDS ETC.
0.18% ₹68B

EDUCATION LOANS
2.40% ₹904B

OTHER PERSONAL LOANS
26.26% ₹9.9T

VEHICLE LOANS
12.24% ₹4.6T

LOANS AGAINST FD
2.61% ₹983B

LOANS AGAINST GOLD
2.22% ₹836B

DATA: PERSONAL LOANS DEPARTMENT OF MICRO BANK CREDIT BY MAJOR SECTORS NOVEMBER TO 2022, RBI

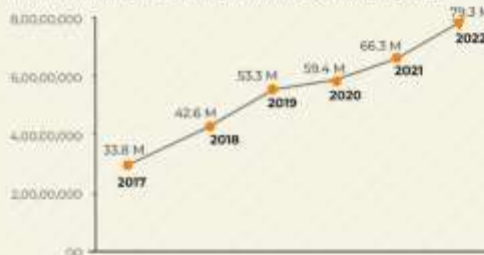
THE AVERAGE CREDIT CARD TRANSACTION DIWALI MONTHS SINCE 2017



DATA: RBI'S BANK-AND-AUTOMATED-TELLER-TERMINAL (BANK-ATM) TO 2022, RBI

CREDIT CARDS IN INDIA

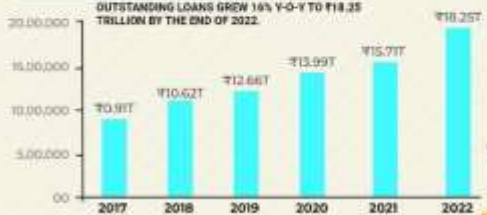
OUTSTANDING CREDIT CARDS ROSE 19.6% Y-O-Y AS OF NOVEMBER 2022.



DATA: RBI'S BANK-AND-AUTOMATED-TELLER-TERMINAL (BANK-ATM) TO 2022, RBI

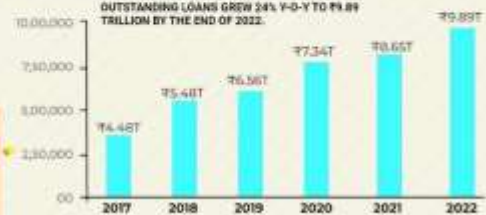
THE HOME LOAN MARKET

OUTSTANDING LOANS GREW 16% Y-O-Y TO ₹18.25 TRILLION BY THE END OF 2022.



PERSONAL LOAN MARKET

OUTSTANDING LOANS GREW 24% Y-O-Y TO ₹9.9 TRILLION BY THE END OF 2022.



Source: MONEYMOO RETAIL CREDIT TRENDS 2022 BY BANKBAZAAR
Infographic Created By: PRINCE

As per RBI data, home loans grew 8.4% between March and October, faster than the preceding six month period during which there were no hikes.