

# With bad weather wreaking havoc, it's high time your home is insured

## Enquiries Surge After Natural Calamities Like Kerala Floods

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**Bengaluru:** The recent floods in Karnataka that left many dead, displaced thousands and damaged hundreds of homes saw very little in the way of home insurance claims. Of over 7,500 claims received in 15 districts of Karnataka, only 120 were home insurance claims, said industry sources, adding that the majority were of vehicle insurance.

With the estimated loss at Rs 6,000 crore, industry experts say the insured losses will be less than 2%-3% (Rs 120-Rs 180 crore) of this. Of this, home insurance losses will be a minuscule percentage.

"Every time there is a calamity, we see an uptick in enquiries, like the Chennai 2015 rain and Kerala 2018 floods. But post-floods, after things normalise, the interest drops off. We don't see a perceptible increase in people buying home insurance," said Sanjay Dutta, chief — underwriting & claims, ICICI Lombard.

During the 2015 Chennai rains, around 90% of properties damaged were not insured. Likewise in the 2018 Kerala floods, of Rs 40,000 crore losses, only 3.5% of Rs 1,400 crore worth damages were insured losses. "The Mumbai rain has become an annual event — poor infrastructure, building on water bodies, sees homes getting flooded and damaged with excessive rains nearly every year. Certain parts of Bengaluru are very prone to inundation from the annual rain," said an official of the National Insurance Co.

With a steady stream of bad weather events, insurers say home insurance has become more of a necessity. "We're seeing rainfall and

### WHY YOU NEED HOME INSURANCE

- A home is usually the largest financial and emotional investment which can get severely damaged due to flooding, excessive rain, burglary, vandalism, fire or earthquake

- Most home loan borrowers, by default, get a basic cover which covers structural damage from fire, rain, etc. It won't provide cover for damage to household contents

- Basic cover will not cover additional structures like garages, pools, garden sheds

- Takes care of personal accident or loss of life, to an extent. Loanee home insurance usually has a provision to cover life of primary breadwinner, so that the family doesn't have to pay any further EMIs in case of her death. Some policies cover for personal liability if one's dog bites a domestic worker or a tile falls off the roof

flooding which used to happen once in 50 years or once in 100 years happening with more severity and frequency. Even though people think it won't happen, such events are happening with more severity and within a short space of time," said an official of the Oriental Insurance Co.

Given the string of natural catastrophe disasters, Swiss Re's 2018 report listed India at second place in its list of worst catastrophes. China came in first. The report also noted that only a fraction of the total damage for events like the Uttarakhand floods and Kerala rains were insured losses. Insurers also say as unpredictability of weather with climate change becomes a reality world over, insurance rates might go in future — as the severity and frequency of



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**CAUGHT OFF-GUARD:** While there's awareness about the need for home insurance, most people tend to think such disasters won't actually affect them

### PERSONAL PROPERTY INSURANCE

- Comprehensive cover would also include damage or theft of personal household goods like jewellery, paintings, furniture and electronic gadgets, including mobile phone

- Usually home inventory is done by owner and insurance surveyor to determine value of contents. Though it's cumbersome to list every single item, it's invaluable in case of damage or theft

floods make reinsurance more expensive.

"Insurers still have very few people taking up home insurance, so that means we don't have volumes. If we had more volumes, it could get as cheap as the PM's Rs 12 accident insurance. In any case, home insurance today is the cheapest available insurance product," said the Oriental Insurance Co official.

### Unpredictability of weather

Insurers say that even though we are only halfway into financial year 2019-20, this year has more vagaries in nature and more unpredictability than ever before.

"We are in H1 of FY20 and there's been so much flooding in Kerala, Karnataka, Tamil Nadu, Assam, Bihar, Madhya Pradesh and Odisha. From property claims of Rs 31 crore in Q1 of 2018, it has doubled

to Rs 72 crore for Q1, 2019," said Mohan CR, national head, property and risk management, Bajaj Allianz General Insurance Co.

Insurers also say that because of the narrow base and high number of catastrophes, losses have heightened in this segment. "We reported an underwriting loss of Rs 32 crore compared to a profit of Rs 43 crore. Our claims ratio has gone up from 41%-83%," said Mohan.

For Karnataka, insurers say they're mostly getting vehicle insurance and crop insurance claims. While vehicle insurance is mandated by law, crop insurance is de rigueur for most farmers as there are subsidised government schemes like the Pradhan Mantri Fasal Bhima Yojana. "So, the only section largely left uncovered is home insurance. That shouldn't be the case as

its among the basic needs — food, clothing and shelter," says ICICI Lombard's Dutta.

### Home insurance largely restricted to loans

The largest chunk of business insurers get for home insurance is from banks. Loanee home insurance, which banks mandate as part of taking a loan, is still one of the biggest drivers for purchase. "When it comes to non-interest income, insurance is among the third-party products a bank sells. We do business along with home insurance sales, along with buyers of home loans," said Abhijit Majumder, CGM, State Bank of India, which has a home loan book of Rs 46,000 crore in Karnataka.

With the real estate market in Karnataka showing the most promising growth, insurers say this has boosted

### FOR CLAIMS

- Important to document damage by taking photographs and videos
- Better to keep damaged goods and not throw them out as insurance surveyor will assess damage
- Better to wait for survey by insurance company before house repairs
- If repairs are urgent, then insurance company needs to be presented all repair receipts and bills for reimbursement

### FAQS

- Home insurance quite inexpensive in India as not many people buy such policies
- Home insurance, with personal property cover, still remains one of the cheapest policies
- Most insurers process claims within 2-5 days; more complicated claims can take up to 10-15 days if there has been extensive damage requiring a survey

**BIG PICTURE**

the segment. "At Bajaj Allianz General Insurance, we have seen around 15% growth in home insurance in FY 18-19 as compared to FY 17-18. With increase in number of homes getting financed, financial institutions are also contributing towards the growth as they facilitate home insurance while financing the loans," said Deepak Dhar, head — speciality lines & marine underwriting, Bajaj Allianz General Insurance.

But, insurers are quick to point that home loan-based insurance does not cover damage to household contents. "That's a basic cover for any damage to the structure. It doesn't go beyond that. But after a flood, there is a major house renovation project that needs to be carried out and for that home insurance would help," says ICICI Lombard's Dutta.