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Monsoon damage: Have adequate cover to rebuild property

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In recent times, monsoon has become synonymous with floods and property damage. Heavy rains have damaged properties in Bengaluru and Delhi this year, making home insurance indispensable.

Types of coverage

Home insurance offers three types of coverage: Structure, content, and comprehensive. The first protects the physical structure of the house, including walls, roof, foundation, and permanent fixtures. Content coverage protects movable items in a house, such as furniture, appliances, electronics, and clothing, against theft, damage, or loss due to other insured perils. Comprehensive coverage combines both structure and content cover into a single policy, protecting both the building and its contents.

Not all coverages are suitable for everyone. "Homeowners should opt for structure cover but may avoid

content cover if they are renting. Comprehensive cover is ideal for homeowners who live in the house and desire complete protection. Tenants should opt for content cover," says Tarun Mathur, co-founder and chief business officer, Policybazaar.

Determining sum insured

The sum insured for home insurance should be enough to reconstruct the house in case of

total damage. Use the carpet area to determine the sum insured. "Multiply the carpet area by the cost of construction to get a fair estimate of the sum insured," says T A Ramalingam, chief technical officer, Bajaj Allianz General Insurance.

Home insurance covers only the cost of construction, not the cost of land. "Assume a construction cost of ₹3,000-5,000 per square foot. Multiply this by the total square footage to get the sum insured, then enhance it by 10-15 per cent. It's better to be over-insured than underinsured," says Kapil Mehta, co-founder, SecureNow.

For the contents of the house, insurers typically require an inventory of items, including the year of make and model. "Create an inventory of all your belongings and estimate their total value. Ensure your insurance covers at least this amount to replace all items in case of total loss," says Mathur.

Mehta suggests declaring expensive antiques, paintings, jewellery, gold, or watches specifically to ensure they

are covered.

A ₹50 lakh comprehensive cover would cost between typically cost between ₹9,200 and ₹11,500 (excluding GST).

Is monsoon damage covered?

Flood damage is included in all home insurance policies. "Ensure your home insurance includes STFI (storm, tempest, flooding, and inundation) cover for protection against monsoon rains," says Mehta.

Mathur suggests considering additional riders, if necessary, like personal accident cover, especially if you live in a flood-prone place.

High-rise apartments

Residents of high-rise apartments face unique challenges, as damage to one area can affect everyone in the building. High-rise residents benefit from two main types of insurance coverage. "If the building is protected by a master policy covering structural components and common areas, individual unit owners should hold a content coverage policy for personal belongings, improvements, personal liability, and additional living expenses if their unit becomes uninhabitable," says Mathur. If the building does not have a master policy, it's better to buy a comprehensive cover that protects both structure and content.

Finally, Mehta emphasises using market value as the parameter to estimate the sum insured. Regularly reviewing the policy and enhancing the sum insured is crucial as construction costs increase over time.



KNOW THE EXCLUSIONS IN HOME INSURANCE

- Common exclusions include damage due to war, nuclear hazards, wear and tear, gradual deterioration, intentional acts, and certain natural calamities which require separate riders
- Clearly state if the house has a terrace, a basement, or is partially used as an office; failing to do so may lead to claim rejection
- Pre-existing damages, structural defects, poor maintenance, wear and tear, or poor workmanship are not covered