

# Disaster-proof your home and make it your castle

A home is arguably the most precious asset you own. Protect it with the right cover

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The premium is nominal considering the value of the property covered: a policy covering a building valued at ₹10 lakh comes at about ₹350 a year

Owning a home is everyone's dream. A person invests a lifetime of earnings into this dream project, but a single catastrophic event—such as a flood or an earthquake—can destroy a home that took years to build. This results in enormous financial loss for the individual; it follows, therefore, that the protection of this asset is very important.

India is the third-worst affected country by natural disasters since 1995. Earthquakes have struck in many parts of the country and resulted in the destruction of property worth crores of rupees. Floods and cyclones frequently leave behind a trail of destruction in large numbers. In addition, accidental fires cause damage to homes.

Combined with low penetration of home insurance and a general lack of awareness about this crucial product, people are unknowingly putting their homes in grave danger.

## What it covers

A home can be insured under a 'Standard Fire and Special Perils Policy', which provides protection to your home building and its contents against fire, natural calamities like earthquake, flood, cyclone, storm, and lightning, and also due to riots. You can also add on a 'terrorism cover' at an additional premium.

A person staying in a rented house can also buy home insurance for its contents—excluding the building. A long-term policy, for between three to 10 years, can also be bought to cover the home building alone. Such long-term policies offer a discount on the premium.

In addition to the above, you also have the option to buy a Householder's Package Policy covering various other contingencies in addition to

fire—such as burglary and housebreaking, loss to jewellery and valuables, breakdown of electrical and mechanical appliances, Personal Accident Cover for the family members and legal liability to domestic servants and third parties. The package offers a degree of flexibility in choosing the sections to suit the needs of an individual.

## How big a cover?

There are two ways to arrive at the sum insured: one is on the basis of the market value and the other on the 'reinstatement' basis. The market value should not be confused with resale value. Market value is the value arrived at after deducting depreciation cost from the current cost of construction. The 'reinstatement value', on the other hand, is the value of reconstructing the house.

In case of a loss under the policy on a 'reinstatement value' basis, there is no application of deduction due to depreciation. To arrive at the sum insured on a 'reinstatement value' basis, you have to multiply the 'built-up area' of the house with the current construction cost per square foot. You should also include the value of the compound wall in the sum insured, but the value of the land should not be included in the sum insured.

## What it does not cover

Some of the standard exclusions are loss/damage caused by war, nuclear radiations, and wear and tear. In addition, if the home has remained unoccupied for more than 30 days, the cover under the policy stops unless prior notice is given to the insurer.

## What it costs

The premium is payable at the inception for a one-year standard fire policy and for a long-term policy. The amount is very nominal considering the total value of property covered. For example, for a policy covering a building valued at ₹10 lakh for one year, the premium is only about ₹350. A long-term policy, for 10 years, will qualify for a long-term discount of 50 per cent on the premium. Goods and Services Tax (GST) is applicable on the premium at 18 per cent.

For a Package policy for a normal apartment, the premium for the building (for ₹7 lakh sum insured) and contents (₹3 lakh sum insured) for cover against fire, burglary (₹3 lakh sum insured), jewellery (₹1 lakh sum insured), breakdown of appliances (₹1 lakh sum insured for electronic appliances, and ₹50,000 sum insured for mechanical appliances) and Personal Accident for family members (self and spouse ₹1 lakh each) is about ₹3,000 plus GST.

In case of a loss under the policy, you should immediately intimate the insurance company, which will appoint a surveyor to assess the loss. The intimation should be given either to the policy issuing office or to the call centre of the insurance company.

It is very easy to purchase the policy, and most insurers have an online facility highlighting the salient features of the coverage and the premium chargeable. An online quote can also be obtained by giving details of the value of the property to be covered.

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