How you can protect your Home - with Home Insurance

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Executive Summary: Home Protection insurance can protect your dream home against structural damages and contents. Based on your needs you can select the cover for Burglary, theft, fire and allied risks, natural calamities and terrorism acts. Decide the amount of structural cover by calculating the carpet area and multiple the same by the cost of construction. Generally, for structural protection, the insurance companies reimburse the loss on a reinstatement basis. Read the fine prints and keep sub limits, non-occupancy claims and co-payment clauses in mind before choosing the appropriate policy.

We are sure that you realise that despite installing sophisticated alarm systems and having fire extinguishers, your home is at the risk of being damaged, either due to natural calamities or man-made occurrences. A Home Insurance policy, also sometimes known as a Householders Policy is an insurance which will give your house protection against various risks.

Types of Home Insurance and optional covers:

Home Insurance is basically of two types –

(a) Insurance for the Structure and

(b) Insurance for the Contents.

Some insurance companies differentiate it as damage due to (a) Fire and Allied risks and (b) Burglary and Theft. Irrespective of the categorization, there is little differentiation in the products offered by different insurance companies, and finer details vary, the benefits of which differ from individual to individual.

The structure or the building of your house can be damaged due to various reasons, including but not limited to fire, explosion, aircraft damage, lightning, nuclear or missile testing and most importantly - natural calamities such as earthquakes, tsunami, floods, cyclones etc. Similarly, you can lose the contents inside your house due to fire and allied risks or due to burglary, theft and larceny. These contents can be jewellery, valuables, electronic and electrical appliances and equipments, furniture etc. By taking a home insurance for the structure and contents, you can get the value of Sum Insured in case of damage.

Many insurance companies like Tata AIG and Future Generali offer additional covers such as public liability cover and personal accident cover which can be opted when you purchase a home
insurance. Some companies like ICICI Lombard, Tata AIG and Future Generali also give you compensation towards the amount of rent you will have to bear in an alternative accommodation. Terrorism cover is usually an optional cover, but the policy by Reliance has it in-built in the main policy itself. These additional covers come at a cost, and an additional cover opted for means you will have to shell out more premiums.

How is the amount of cover determined?

The Sum Insured of the Structure is usually the reconstruction cost. This is determined by multiplying the area of your house by the prevalent construction cost. The value of land is not considered in this case. Remember that you cannot insure the structure if you are a tenant and do not own the property. In such a case, only the contents can be insured. The Sum Insured for the Contents is based on the market value or replacement cost. Most insurance companies do not ask for submission of documents for this purpose. However, remember that depreciation is deducted from the market value while determining the amount to be insured.

Things to remember while buying a Home Insurance:

- As in the case of any other insurance, it is important to read the fine print and confirm all aspects with the insurer before you sign the dotted line. This becomes more critical in home insurance as each insurer will have different conditions attached to the contents being insured.
- Although some insurers do not ask for documentation, make sure that you have documents in place for the structure and contents you are insuring.
- Policies generally have a sub-limit on the Sum Insured for different categories of contents and this varies from one company to another. For example, the value of jewellery insured cannot exceed 25% of the total value of contents insured in some policies.
- Some companies like HDFC Ergo and ICICI Lombard offer policies for more than one year which can save you renewal hassles and possibly some money. But evaluate your need before opting for the tenure.
- Almost all companies have non-occupancy clause; ie: they will not settle your claim if the house is unoccupied for a period more than 30 days without intimating the insurer. Find out about this clause and opt for the company which has the longest period.
- Some policies have a co-payment clause- ie: the insured is required to pay the first 5% of the claim or 1% of the Sum Insured against a particular section. These limits vary from one company to another and can be found by reading the fine print. For example, the policy by Bajaj Allianz has such stipulations.
- Generally for structural protection, companies reimburse the loss on the basis of reinstatement value.
Which Home Insurance policy can be chosen?

We have evaluated 9 Home Insurance policies in the country on the basis of various parameters. Unlike other insurance policies, many insurance companies do not disclose the premium rates online and would require you to contact them personally. This is because home insurance can be modified according to your unique situation and requirements and hence they prefer to model it individually. For example, policies by Bharti AXA Home Insurance, New India Assurance Householder’s policy, Reliance Householder’s Package policy and TATA AIG Insta choice do not disclose premiums online. Further, not all policies offer the option of purchasing the policy online. In today’s fast paced world, many people prefer to save time by purchasing the policy online. Therefore, you will have to keep this factor in mind before choosing your policy.

We have evaluated two policies by Bajaj Allianz. The Easy Householders Package policy has among the lowest premiums. But the Sum Insured option is very limited. On the other hand, the My Home Insurance plan by Bajaj Allianz has a wide variety of coverage options with a comparatively higher premium. Future Generali’s Home Suraksha plan has a wide variety of options to choose from and also has a low premium. HDFC Ergo’s policy has limited cover and also has a comparatively high premium. Similarly, ICICI Lombard’s Home Insurance policy also has a high premium; however, you have the option of choosing a higher tenure for both own and rented properties.

While we have attempted to give you a comprehensive analysis, we advise you to read the individual company prospectus carefully as this product has differences in finer details and the individual requirements may vary from person to person. This analysis covers offerings from major insurers only & this is not an all-product comparison. The analysis is valid as on the date it is being published. A detailed comparison of the options is available below. If you prefer to download the excel file, please click here.