

Introduction of standard fire products for Dwellings, Micro and Small Businesses April 2021

Insurance Regulatory and Development Authority of India (IRDAI) has issued guidelines to introduce standardized products for Dwellings, Micro and Small Businesses to provide coverage for Fire and Allied Perils with effect from 1st April, 2021. These products will benefit the policyholders by bringing in uniformity in the policy structure and ease of understanding of the policies.

Based on the guidelines issued, these risks pertaining to Dwellings and micro level and small level enterprises shall be de-notified from All India Fire Tariff (AIFT) 2001 w.e.f 1st April 2021 and new standard products as mentioned below shall be introduced to cover the Standard Fire and Special Peril policies.

- i. Bharat Griha Raksha (meant for Home Building and Home Contents)
- ii. Bharat Sookshma Udyam Suraksha (meant for enterprises where the total value at risk at one location is upto Rs. 5 Crore)
- iii. Bharat Laghu Udyam Suraksha (meant for enterprises where the total value at risk at one location is more than Rs. 5 Crore and upto Rs. 50 crore)

Significant features of these products are as under:

- **Bharat Griha Raksha:**
 - Meant for covering Home Building and/or Home Contents in India for any sum insured
 - Policy duration shall not be more than 10 years
 - Policy covers in-built perils like Earthquake, Terrorism over and above the standard fire and special perils like Fire, Lightning, STFI, Malicious Damage, etc.
 - Policy offers in-built covers for Loss of Rent and Rent for Alternative Accommodation, Removal of Debris and Architect's, Surveyor's fees
 - Policy also offers optional covers – Personal accident cover of 5 lacs each for insured and spouse and Cover for Valuable Contents on Agreed Value Basis
 - There is no underinsurance applicable
 - There is no excess applicable
- **Bharat Sookshma Udyam Suraksha:**
 - Meant for covering Offices, Hotels, Shops, Industrial/Manufacturing risks, Utilities located outside Industrial/Manufacturing risks, Storage risks and Tank farms/Gas holders in India
 - The total 'value at risk' does not exceed ₹ 5 Crore (Rupees Five Crore) across all insurable asset classes at any one location at the commencement of the insurance
 - Policy duration shall not exceed 12 months
 - Policy covers in-built perils like Earthquake, Terrorism, Forest Fire, theft within 7 days of occurrence of insured event in addition to the standard fire and special perils like Fire, Lightning, STFI, Malicious Damage, etc.
 - Policy offers various in-built covers Additions, alterations or extensions, Temporary removal of stocks, Cover for specific contents, Start-up expenses, Professional fees, removal of debris, costs compelled by Municipal Regulations, Floater Cover for Stocks
 - Policy also offers standard add-on – Declaration Policy for Stocks
 - Excess – Rs. 5,000 for each and every claim

- Underinsurance Waiver upto 15%
- **Bharat Laghu Udyam Suraksha:**
 - Meant for covering Offices, Hotels, Shops, Industrial/Manufacturing risks, Utilities located outside Industrial/Manufacturing risks, Storage risks and Tank farms/Gas holders in India
 - The total 'value at risk' exceeds ₹ 5 Crore (Rupees Five Crore) but does not exceed ₹ 50 Crore (Rupees Fifty Crore) across all insurable asset classes at any one location at the commencement of the insurance cover
 - Policy duration shall not exceed 12 months
 - Policy covers in-built perils like Earthquake, Terrorism, Forest Fire, theft within 7 days of occurrence of insured event in addition to the standard fire and special perils like Fire, Lightning, STFI, Malicious Damage, etc.
 - Policy offers various in-built covers Additions, alterations or extensions, Temporary removal of stocks, Cover for specific contents, Start-up expenses, Professional fees, removal of debris, costs compelled by Municipal Regulations
 - Policy also offers standard add-on – Declaration Policy for Stocks, Floater Cover for Stocks
 - Excess – 5% of each claim subject to a minimum of Rs. 10,000
 - Underinsurance Waiver upto 15%

For any further queries or details, please call us on our toll free number 18002664545 or e-mail us at care@kotak.com or visit the nearest Kotak General Insurance Branch.

References:

Notifications/ Guidelines	Ref No.	Link
De-notification of All India Fire Tariff (AIFT), 2001 for certain risks and Introduction of standard products and guidelines for Dwellings, Micro and Small Businesses	IRDA/NL/GDL/MISC/006/01/2021	
Guidelines for Fire and Allied perils cover for Dwellings—Introduction of a standard product Bharat Griha Raksha	IRDA/NL/GDL/MISC/004/01/2021	https://www.irdai.gov.in/ADMINCMS/cms/whatNewLayout.aspx?page=PageNo4329&flag=1
Guidelines for Fire and Allied Perils cover for standard products for Micro Businesses and Small Businesses - Bharat Sookshma Udyam Suraksha and Bharat Laghu Udyam Suraksha	IRDA/NL/GDL/MISC/005/01/2021	
De-notification of All India Fire Tariff (AIFT), 2001 for certain risks	IRDAI/Non-Life Insurance/5/171/2020	

FAQs

Bharat Griha Raksha

1. How is the sum insured calculated for Home Building/ Home Contents Cover?
The sum insured for Building is calculated considering the carpet area and the cost of construction. The sum insured for contents will be the cost of replacement of the contents.
2. Is there any in-built coverage/ sum insured for Contents?
The Policy has an in-built cover for General Contents like furniture and fittings, electronics, etc. equal to 20% of the Sum Insured of the Building Cover subject to a maximum of Rs. 10 lakh. Higher Sum Insured can be opted for on payment of additional premium.
3. Are valuable contents covered under the policy?
Valuable Contents, like jewellery, silverware, paintings, works of art, valuable carpets, antique items, curios, paintings can be covered by opting for Optional Cover - Cover for Valuable Contents on Agreed Value Basis
4. Can all the family members be covered under Personal Accident Cover?
Only the Insured and their spouse can be covered under the Personal Accident Cover for sum insured of Rs. 5 lakh each. This is an Optional Cover and can be purchased on payment of additional premium.
5. Is there any limit under the Griha Raksha product?
There is no sum insured limit under the Griha Raksha product.
6. Will the sum insured increase automatically under annual as well as long term policy?
For long-term policy, the Sum Insured for Building shall auto escalate @10% per annum for a maximum of 100% of the Sum Insured at the Policy Commencement Date without additional premium.
E.g. a Sum Insured of ₹10 Lakh at policy inception shall escalate to Rs. 11 Lakh by 1st policy anniversary, Rs. 12 Lakh by 2nd policy anniversary, ₹13 Lakh by 3rd policy anniversary and so on, with the maximum being ₹20 Lakh without additional premium.

For Annual Policy, the Sum Insured shall be automatically increased each day by an amount representing 1/365th of 10% of Sum Insured at the Policy Commencement Date.
7. Will any deductible/ excess be applicable to the policy?
There will be no excess applied at the time of claim.
8. Will there be any underinsurance applicable under the product?
There will be no underinsurance applicable for the product.

Bharat Sookshma Udyam Suraksha and Bharat Laghu Udyam Suraksha

1. What is the basis of sum insured under the policy?
All Building/ Structure, Plant & Machinery, Furniture & Fixtures shall be insured on Reinstatement Value/Replacement Value basis.
Stocks of raw material shall be covered on Landed Cost. Stocks in process shall be covered at Input Cost. Finished goods shall be insured for the Manufacturing Cost.
2. Are valued policies allowed under the product?
Valued policies can be allowed for properties such as Curios, Works of Art, Manuscripts, Obsolete machinery and the like.
3. Are there any provisions to exclude inbuilt perils like STFI/ RSMD?
There is no provision to exclude the inbuilt perils.
4. Can the sum insured limits of the inbuilt covers like Additions, alterations or extensions, Temporary removal of stocks be increased?
The sum insured limits for the inbuilt covers cannot be changed.
5. Can the sum insured be increased or decreased during the duration of the policy?
The sum insured can be increased or decreased on payment of additional premium.
6. What will be the impact on the policy if sum insured exceeds 5 crs in case of Sookshma Udyam Suraksha and exceeds 50 crs or reduces below 5 crs in case of Laghu Udyam Suraksha?
In case the sum insured exceeds or falls below the limits as per the guidelines during the policy period, the policy will be replaced with the applicable policy on expiry of the current policy.
7. Will any deductible/ excess be applicable to the policy?
Yes, Excess of ₹ 5,000 (Rupees Five Thousand) for each claim will be applicable under Bharat Sookshma Udyam Suraksha and Excess of 5 % of each claim, subject to a minimum of ₹ 10,000 will be applicable under Bharat Laghu Udyam Suraksha
8. Will there be any underinsurance applicable?
Underinsurance upto the extent of 15% is waived off.