



YOUR GUIDE TO FIRE INSURANCE FOR RESIDENTIAL PROPERTY



This Guide is an initiative of the MoneySENSE national financial education programme. The MoneySENSE programme brings together industry and public sector initiatives to enhance the basic financial literacy of consumers. The information in the Guide is of a general nature and may not apply to every situation or to your own personal circumstances. This Guide should not be regarded as a substitute for seeking legal advice on any specific issue. For educational resources on personal financial matters and information on MoneySENSE events, visit the MoneySENSE website at www.mas.gov.sg/consumer.



An initiative of
MoneySENSE
A National Financial Education Programme for Singapore

A guide to help you choose
the fire insurance policy that best suits your needs

www.gia.org.sg

FIRE INSURANCE – COMMONLY ASKED QUESTIONS

- ❖ Who can buy a fire insurance policy?
- ❖ Why do I need fire insurance?
- ❖ Is fire insurance compulsory?
- ❖ What property can be insured?
 - Private apartments with strata title
 - HDB apartments
 - Landed property and private apartments without strata title
- ❖ Can I insure the contents of my home?
- ❖ What am I covered for?
- ❖ Can I buy extra cover?
- ❖ How much should I insure for?
- ❖ What does my insurer need to know about me?
- ❖ What should be disclosed to me by the insurer when I buy a fire insurance policy?
- ❖ Do I get a refund if I cancel my policy?
- ❖ How do I make a claim?

BUYING A FIRE INSURANCE POLICY – THINGS TO CONSIDER

- ❖ What is reinstatement cost?
- ❖ What is replacement value?

SERVICE STANDARDS

- ❖ What does the General Insurance Code of Practice mean for me?

DISPUTES

- ❖ Where can I go to settle disputes with my insurer?
- ❖ How do I file a claim with FIDReC?

USEFUL CONTACT DETAILS

FIRE INSURANCE – COMMONLY ASKED QUESTIONS

Who can buy a fire insurance policy?

A fire insurance policy can be bought by anyone who is a legal owner of a residential landed property or an apartment.

Why do I need fire insurance?

Fire insurance makes good sense. Your property is a big investment, buying a fire insurance policy brings you peace of mind as it covers you for losses or damages resulting from a fire. The contents of your home can also be insured.

Is fire insurance compulsory?

Fire insurance is not compulsory. However, if the property is mortgaged, the mortgagee will require you to have a fire insurance policy on the outstanding loan amount. However, if the property is mortgaged to a bank or financial institution, the bank or financial institution will require you to have a fire insurance policy on the outstanding amount. This policy is commonly referred to as the Mortgagee Interest Policy (MIP).

What property can be insured?

Private apartments

If you are the owner of an apartment, it is likely the apartment block has been registered as a Management Corporation Strata Title property. If so, it is the legal responsibility of your Management Corporation to insure the entire property for fire damage. If the property is damaged, the Management Corporation would then claim from this insurance policy.

You may wish to note that any improvements and/or renovations you make to the property may not be covered in the policy taken up by your Management Corporation. You may need to buy additional or separate fire insurance on these improvements and/or renovations.

If your property is mortgaged to a bank, you are required to take up a Mortgagee Interest Policy (MIP). This is because the financial interest of the bank is not covered by the policy arranged by the Management Corporation. Should the mortgaged unit be damaged by fire and a claim from the policy arranged by the Management Corporation fails, the MIP will protect the bank's financial interest. If there is a failure to service the loan as a result of the damage to the mortgaged unit, the bank can make a claim on the MIP. There is no double insurance involved as the policy arranged by the Management Corporation protects the interest of the homeowner and the MIP protects the interest of the bank.

HDB apartments

If you are the owner of a HDB apartment, you are responsible for the well being of the property. The Housing Development Board has a competitively priced fire insurance scheme for HDB flats. It is important to note that any improvements you make to the property may not be covered and you may wish to buy additional or separate fire insurance coverage. HDB is responsible for providing cover for fire damage to common areas.

Landed property and private apartments without strata title

Landed property owners and apartment owners without strata title are able to exercise their choice if they wish to purchase fire insurance for their property.

Fire Insurance at a glance

Property that can be insured	Types of policy	Who should insure	Obligations	Amount to insure
LANDED PROPERTY				
<i>In respect of the physical damage to:</i>				
The building	Fire (building)	Owner	Own	Reinstatement cost
The contents	Fire (contents)	Individual owners and Tenants	Own	Replacement value
In respect to outstanding mortgage payment	Mortgagee interest	Owner and financial institution	Mortgage agreement	Outstanding loan amount
PRIVATE APARTMENT – WITH STRATA TITLE				
<i>In respect of the physical damage to:</i>				
The common area	Fire (building)	Management Committee (or MCST)	Statutory requirement under the LTSA	Reinstatement cost
Improvements in the individual unit	Fire (building)	Individual subsidiary proprietors*	Own	Reinstatement cost
Contents within the individual unit	Fire (contents)	Individual subsidiary proprietors	Own	Replacement value
In respect to outstanding mortgage payment	Mortgagee interest	Owner and financial institution	Mortgage agreement	Outstanding loan amount
PRIVATE APARTMENTS – WITHOUT STRATA TITLE				
<i>In respect of the physical damage to:</i>				
To the individual unit	Fire (building)	Individual owners	Own	Reinstatement cost
Contents within the individual unit	Fire (contents)	Individual owners	Own	Replacement value
In respect to outstanding mortgage payment	Mortgagee interest	Owner and financial institution	Mortgage agreement	Outstanding loan amount
HDB				
<i>In respect of the physical damage to:</i>				
The common area	Fire (building)	HDB as owners	Own	Reinstatement cost
Improvements in the individual unit	Fire (building)	Individual subsidiary proprietors	Own	Reinstatement cost
Contents within the individual unit	Fire (contents)	Individual subsidiary proprietors	Own	Replacement value
In respect to outstanding mortgage payment	Mortgagee interest	Owner and HDB/ Financial institution	Mortgage agreement	Outstanding loan amount

* Individual subsidiary proprietors are owners of individual units who hold the common property as tenants-in-common, in accordance with their respective share in the registered strata title plan.

Can I insure the contents of my home?

The contents of your home, including furniture, carpet, TV, computers, books, lamps, ornaments, appliances, kitchenware and personal effects can be insured as well. Often, a contents insurance policy is issued separately from your fire insurance policy, although some insurers issue a combined policy.

What am I covered for under a fire insurance policy?

Most policies cover physical damage to your property arising from following the perils:

- ❖ Fire
- ❖ Lightning
- ❖ Riot and strike
- ❖ Bursting or overflowing of water tanks, apparatus and pipes
- ❖ Earthquake, wind and storm
- ❖ Explosion
- ❖ Impact damage
- ❖ Malicious damage
- ❖ Smoke damage
- ❖ Sprinkler damage

How much should I insure for?

It is important to insure your property for the right amount. When insuring a house or an apartment, the sum insured should be the total cost to rebuild or reinstate it plus the professional fees and removal of debris. This means the total benefit you will get is limited to the total cost of rebuilding or reinstatement. It does not mean that the more fire insurance policies you buy, the higher the amount you could claim in the event of fire damage.

As a general guide to estimate the sum insured, you can refer to the replacement cost table for Private Residential Developments available at http://www.gia.org.sg/consumerfaqs_fire.cfm. This estimates the replacement cost of your property based on the gross floor area and the type of development of your property.

As for household contents, the replacement value or worth at the time of the inception of the policy may be taken as the sum insured.

Always check carefully and make sure you understand what is covered before taking up a policy.

What is reinstatement cost?

Reinstatement cost refers to the cost of reinstating the building back to its original condition. This excludes the foundation and the value of the land.

What is replacement value?

Replacement value is the cost of replacing or repairing the damaged property to a similar condition before the damage occurred.

What happens if the sum insured is inadequate?

For a house or apartment, if the sum insured is less than the full reinstatement cost, in paying the claim, the insurance company will pay the full sum insured if there is a complete destruction of the property. However, if there is only a partial loss, the insurance company will pro-rate the payment according to the proportion of under-insurance. This is known as the condition of average, which is a common feature internationally for fire insurance policies.

The amount to be paid will be computed using a formula that takes into account the insured amount, the value at time of loss and the amount of loss. For instance, if the total cost of reinstating a landed property is \$400,000 but the property is insured for only \$300,000, there is an under-insurance of 25%. In the event of a fire which resulted in only partial damage to the property, the insurer will only pay 75% of the reinstatement cost. So, if the partial damage

claim is \$100,000, the insurer will pay \$75,000, and the policyholder will have to bear the remaining 25%, which is \$25,000. Therefore, make sure that the insured amount is adequate/sufficient throughout the policy period.

Can I buy extra cover?

Many insurers offer conditional extensions to the basic fire insurance policy. An extension gives additional cover for risks not stated in a basic policy. An additional premium may be charged to cover the increased risk. These policy extensions may include:

Alternative accommodation – If your home is so badly damaged you cannot live in it until repairs are made, your policy will help meet the reasonable cost of alternative accommodation.

Loss of rent – Should a rental property become uninhabitable due to perils insured by the policy, this extension will compensate you for rent which continues to be payable by you or rent which would otherwise have been payable to you.

Other policy extensions:

- Landslip and subsidence by flood
- Removal of debris

Extension wordings may vary from insurer to insurer. You should clarify with your insurer if in doubt.

What does my insurer need to know about me?

The insurer needs to know some information about you and about the risk you are asking the insurance company to accept. This is to help it assess the business accepted from you and your needs as a policyholder. The proper premium can then be set.

It is important to answer these questions truthfully. Failure to do so may affect the level of payout you receive in the event that you make a claim.

The following are questions you may be asked:

- ❖ Has the property ever suffered any loss? For example, fire damage or theft.
- ❖ Occupancy of the property
 - Owner-occupied
 - Tenanted
 - Unoccupied
- ❖ Will the property be used for purposes other than a dwelling
- ❖ Details of the property to be insured
 - Description
 - Construction
 - Location
 - Sum insured

If you do not understand what is being asked, you should clarify with your insurer, agent or broker.

What should be disclosed to me by the insurer when I buy an insurance policy?

- ❖ Premium payable
- ❖ Period and scope of coverage
- ❖ Non-standard exclusions
- ❖ Claims reporting procedures
- ❖ Insurer's cancellation and refund policy

It is important to read your policy as soon as you receive it. This way, you can be sure that there are no surprises should you need to make a claim.

Do I get a refund if I cancel my policy?

The common practice is that both you and your insurer can cancel your policy for any reason by giving written notice to the other party.

If your insurer cancels the policy, it will refund you the unused proportion of the premium.

Some insurers refund the premium on a pro-rata basis with the deduction of a small administration fee. Others use a method that calculates what would have been charged if

your policy were a short-term policy. This usually applies if the cancellation is at your request. Please check with your insurer how this is calculated.

Please note that refunds might be subject to a minimum amount, and that your insurer might reserve the right not to refund any premium if a claim has been made on the policy.

How do I make a claim?

Should the property insured be damaged, contact your insurer as soon as possible. You will usually be required to complete and return a claim form. Sometimes, an insurer may appoint an independent loss adjuster who will look into the circumstances of the loss. The loss adjuster is an independent insurance claims specialist whose role is to ascertain the cause and extent of the loss.

Upon completion of the investigation, the insurer will make an offer to settle the claim against a signed claims discharge form. Code of practice differs from each loss adjusting firm. Having said that, the Chartered Institute of Loss Adjusters runs professional examinations for those who want to be professionally certified as a Chartered Loss Adjuster.

BUYING A FIRE INSURANCE POLICY – THINGS TO CONSIDER

Not all fire policies are the same. To meet the individual needs of customers, insurers offer a wide variety of products. By shopping around, you will have the best chance of finding a policy with your preferred combination of price, excess and requirements relating to use and replacement or reinstatement.

The following are important things to consider when buying a fire insurance policy:

- ❖ Are there restrictions on what the property can be used for?

- ❖ What extra cover can you buy?
- ❖ Does the policy meet the requirements of your bank or financial institution?

SERVICE STANDARDS

What does the General Insurance Code of Practice mean for me?

The General Insurance Code of Practice sets clear minimum standards for insurers, brokers and agents to meet when dealing with individual customers (including sole proprietors). The code applies to insurance contracts which are for an individual's private or domestic use. It includes the following requirements:

- ❖ Brokers and agents should disclose their commission rates if requested.
- ❖ Insurers will respond to your request for insurance within 3 business days.
- ❖ Insurers will confirm cover – or otherwise – within 5 business days after receipt of the required information for policy processing.
- ❖ Insurers will despatch complete policy documents to you within 7 business days from the date of confirmation of cover.
- ❖ Should you decide within 14 days of buying the insurance not to continue with the policy, you may cancel your cover within this period and insurers are obliged to return your money, if you have not made a claim. A maximum premium of S\$25 could be imposed by insurers.
- ❖ Insurers will contact you at least 30 business days before the expiry of your policy, when you need to renew your policy or when the policy will expire.
- ❖ Insurers will acknowledge a claim within 3 business days.
- ❖ Insurers will pay claims within 7 business days of agreeing to a settlement.

- ❖ Insurers will work towards using plain English language in all insurance documents.

DISPUTES

Where can I go to settle disputes with my insurer?

If you feel you have been treated unfairly by your insurer, you should lodge a complaint directly with the insurer, and provide the insurer with your details (name, contact numbers, etc.), the specific nature of your complaint and supporting documents.

The insurer should acknowledge your complaint within 3 business days, and if necessary, request additional information from you within 7 business days of the date of your complaint.

Depending on the nature of your complaint, the insurer may need more time to attend to it. If so, the insurer should contact you and provide an update within 14 business days of your last communication, before proceeding to resolve the problem.

If you have taken these steps and still feel the response is not satisfactory, or if there is no response within the timeframes stated above, you should then appeal to your insurer in writing. You can expect a response to this within 14 business days.

Finally, if you are still dissatisfied after going through these channels, you can contact the Financial Industry Disputes Resolution Centre Ltd (FIDReC). FIDReC is an independent and impartial institution specializing in the resolution of disputes between financial institutions and consumers in an amicable and fair manner.

How do I file a claim with FIDReC?

You can approach FIDReC directly who will advise you on how to go about filing your dispute.

Filing a dispute and having a Case Manager review your dispute is free of charge. If a Case Manager takes your dispute with the insurer concerned and is unable to facilitate a resolution, you can then have your dispute decided by an FIDReC's appointed adjudicator or panel of adjudicators depending on the loss amount that you are claiming for. If you choose to do so, you need to pay a nominal administrative fee of S\$50.

The ruling of its adjudicator or panel of adjudicators is final and binding on the insurer, but not on you. If you are not happy with its ruling, you are free to reject it and pursue a settlement through legal action or other options. However, if you accept its ruling, this means you have chosen to give up your right to proceed with legal action against the insurer.

USEFUL CONTACT DETAILS

The General Insurance Association of Singapore (GIA)

The GIA is the industry representative body of general insurers in Singapore. The GIA is happy to answer your questions on fire insurance processes and practices.

103 Amoy Street
Singapore 069923
Tel: 6221 8788/9
Fax: 6227 2051
E-mail: feedback@gia.org.sg
Website: www.gia.org.sg

Financial Industry Disputes Resolution Centre Ltd (FIDReC)

20 Cross Street #02-01/02
China Court, China Square Central
Singapore 048422
Tel: 6327 8878
Fax: 6327 8488
E-mail: info@fidrec.com.sg
Website: www.fidrec.com.sg