

# What you need to know about Home Insurance



## Why should you buy a Home Insurance?

Your home is your most valuable and important asset and you need to protect it from damages and destruction. The damages or destruction to our home or our personal belongings due to fire, theft or unforeseen circumstances like bursting of pipes can cause substantial financial losses. By buying a home insurance, you get more comprehensive coverage as it usually provides protection for loss or damage to your renovation, household contents, personal belonging as well as personal liability.

## What type of home insurance is suitable for me?

### **For private apartment home owners**

**What you know:** It is the legal responsibility of your Management Corporation to insure the building and the common property for damages due to fire if your private apartment block has been registered as a Management Corporation Strata Title (MCST) property.

**What you may not know:** The fire insurance taken up by MCST does not cover your home renovations like built-in cabinets or improvements you have made to your property. It is advisable to buy a separate fire insurance policy and a comprehensive home insurance covering contents, personal effects as well as renovation.

### **For HDB apartment home owners**

**What you know:** HDB provides covers for fire damage to the building structure, common areas and fixtures and fittings as provided by HDB under the HDB Fire Insurance.

**What you may not know:** The HDB Fire Insurance does not provide benefits pertaining to your renovations, any improvements which you have made to your home, household content and personal belongings. If you require a more comprehensive coverage, it is advisable to buy a home insurance that provides coverage for the above mentioned items. Some policies also provide covers relating to burglary, theft or vandalism.

## How much should I insure my property?

**For building:** The sum insured shall represent the cost of reinstatement/reconstruction of the building. (Applicable to private property) Always ensure that the sum insured for your property is adequate. To obtain the replacement or reinstatement cost valuation to your property, it is advisable to seek professional advice from a qualified quantity surveyor or qualified property valuer.

**For content:** The sum insured shall represent the replacement value of the insured items at the time of the inception of the policy. Try to create an inventory listing of your home contents by listing down the items you are going to insure with original cost and estimated current value.

## Why you should not underinsure?



For instance, Joey is the proud owner of a \$4 million landed property and the reinstatement value is at \$2 million as confirmed by her property valuer. In order to protect her home, she bought fire insurance with a sum assured of \$1 million as she believes that her house is unlikely to be destroyed by a fire in totality at any one time.

About half a year after the policy was in force, a fire broke out in her home causing about \$200,000 in damages. Joey submitted a claim to her insurer for \$200,000 but was rejected by the insurer to claim full amount as the policy was underinsured by 50%. She was eventually paid \$100,000 in claims by the insurer even though she had insured her property for \$1 million.

Thus, always ensure that the sum insured for your property is adequate. You may be penalized by the insurer should a claim arise and the property is underinsured. If you are not sure about the reinstatement cost of your property, you may engage professional property valuer to assist you in determining the value.

## What are some of the terms you need to know when buying a fire or home insurance?

**Peril:** It is a condition that can cause a loss, such as fire and theft.

**All risk Policy:** All risk policy covers losses due to any perils unless specifically excluded in the policy. It is more comprehensive policy that offers a broader protection.

**Named Perils Policy:** It covers losses that are due to the perils that are specifically listed in the policy.

**Average Clause:** A policy condition that requires the policyholder to fully declare the total value of the building and home content to be paid (full loss) in the event of a claim. The claim amount may be reduced proportionately if you have underinsured your property.

**First Loss Policy:** It is an insurance policy in which the policyholder arranges for cover for an amount below the full value of the items insured and the insurer agrees not to penalise the policyholder for underinsurance.

**Excess:** A minimum amount which you have to bear for every claim and the amount varies for different insurer.

**Free Look period:** It is the time period whereby the policyholder is granted a specific period of time by the insurer to examine the policy before acceptance. If the policyholder is unsatisfied, he/she has the right to return the policy with a full refund of the initial premium.

## What are some useful tips?

**Tip 1:** Take some time to compile an inventory listing of your home content and belongings. If you purchase new items, you can update to your inventory listing accordingly. Inform the insurer to increase the sum assured if you find that there is a significant increase in the value of the home contents.

**Tip 2:** Keep the receipts of the valuable items which you have bought to facilitate the claims process.

**Tip 3:** For priceless items like antiques, works of art or jewellery items which are high in value, ensure that you have adequate cover by informing your insurer on these items. There will usually be a limit imposed on the sum assured for each item.

**Tip 4:** If you are the tenant of a flat, you will only need to take up insurance for your own belongings or contents. Thus, you can take up a home insurance which covers contents only.

**Tip 5:** Always inform the insurer of any fire, damages or losses to your home immediately when incident occurs. If you suspect crime is involved, lodge a report with the police as well.

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