

Making Sense of Home Insurance

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Buying a house is perhaps the biggest investment for most people, yet many of us are not protecting our property assets adequately through home insurance.

While home insurance offers asset protection and peace of mind, it took the recent flash floods to highlight the importance of having appropriate and adequate insurance coverage.

Many home owners suffered financial losses and damages to their properties as a result of being uninsured or underinsured. This generally tepid attitude towards home insurance is due to common misconceptions and unfamiliarity with policy benefits and limitations, some

of which include:

Belief: Home insurance is expensive.

Fact: Home insurance premium is low compared to your property cost. Depending on the coverage, premiums range from \$50 to \$350 per \$100,000. Insurers often bundle a variety of benefits and term it free covers. The truth is, these are factored into the premiums. Examine your policy and risk exposure carefully when choosing an insurer.

Belief: Having the HDB Fire Insurance or policy arranged by my bank is good enough.

Fact: If you have an outstanding mortgage loan with HDB or any financial institution, you are required to buy fire insurance. However, the cover is very basic as the insured value is limited to either the outstanding loan amount or the cost of reinstating the building structure.

The former benefits financial institutions by protecting their loans to home owners. Therefore, a separate policy is needed for the building, as do your renovations and contents (e.g., furniture, household appliances and personal effects).



Belief: I use the purchase price of my house to determine the insured value.

Fact: The purchase price of your property includes land costs and seller's profit. Your policy only covers replacement cost, i.e. the cost to rebuild your home. You should engage a property valuer or quantity surveyor to determine the sum insured. The General Insurance Association of Singapore has published a common guide for replacement costs in its website at www.gia.org.sg/consumer_faqs.php#fire.

Belief: All home insurance coverage is the same.

Fact: The kind of coverage you get depends on your insurer and policy. There are normally two types of coverage – Insured Perils and All Risks. Regular insured perils are:

- Fire
- Lightning
- Explosion
- Impact by road vehicles
- Bursting or overflowing of water tanks or pipes
- Theft by violent or forcible entry
- Specified natural disasters such as floods, windstorms, earthquakes and volcanic eruptions
- Riots and strikes

Any loss or damage that is not caused by the above is not covered. Offering a wider but more expensive cover is the all risks policy. Although it includes accidental damage, it can have a longer exclusion list as compared to an insured perils policy, despite being termed "all risks".

Belief: I am not exposed to flood risks because I live in a high-rise apartment.

Fact: Being in a flood-prone area can affect the value of your property. Residents living in the highest storey can be put out by rainwater overflowing from an open rooftop, whereas water seepage can occur at any level if common corridors are deluged.

Belief: If my home is damaged by a flood or fire, my losses will be reimbursed by the insurer.

Fact: Not all losses are payable. Claims for losses are dependent on your policy coverage, especially the specific and general exclusion terms.



Two home policies covering the same perils may not have the same exclusions.

Also, in the event of an insured loss, you need to submit details of your belongings and proof of their existence. Prepare an inventory of your belongings and valuables beforehand, and make copies of receipts, photos or other kinds of evidence to prove ownership.

Belief: My property will be covered in the event of a burglary.

Fact: Theft is an insured peril only if it involves forcible entry or exit. The misconception is that all break-ins are covered. Insurers usually exclude valuables, paintings and antiques. Otherwise, caps are imposed on a

single article (e.g., \$500 apiece) or collective items (e.g., two-thirds of the total sum insured for all valuables). If you have items that exceed the limit, you should bring this up to your insurer for extra coverage.

The writer is the Head of Property & Casualty Department in NTUC Income. He has more than 20 years of experience in general insurance for underwriting and claims. He holds a Bachelor of Social Science (Hons) from the National University of Singapore and an Advanced Diploma in Insurance from the Chartered Insurance Institute, London.

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