

# Insurance for Residential Property

## Types of insurance policies

There are three main types of policies to protect your property and household goods:

- **Fire** - this policy covers loss/damage to your property building and contents caused by three types of perils, namely fire, lightning and explosion of gas used for domestic purposes only.
- **Houseowner** - this policy covers your building, including its fixtures and fittings, garages, walls, gates and fences, against several specified risks.
- **Householder** - this policy covers your household goods only, i.e. the moveable possessions in your property against specified risks.

If you wish to have comprehensive cover for your property and its contents, you should buy both houseowner and householder policies.

## Coverage for each type of policy

The table below show the main perils covered as well as exclusions under the three insurance policies:

TYPES	Fire	Houseowner	Householder
<b>COVER</b>			
Fire, lightning and explosion caused by gas used for domestic purposes	✓	✓	✓
Loss/damage caused by aircraft, explosion (other than gas used for domestic purposes), road vehicles or animals, bursting or overflowing of water tanks or pipes, electrical installations, windstorm, tempest, earthquake, volcanic eruption and flood	✗*	✓	✓
Theft with violent/forcible entry or exit	✗	✓	✓
Loss of rental	✗*	✓	✓
Liability to third parties for accidents in your property	✗	✓	✓
Compensation for death of insured	✗	✗	✓
Subsidence and landslip	✗*	✗*	✗*
Riot, strike and malicious damage	✗*	✗*	✗*

\* These exclusions can be covered under your policy (also known as extensions) with payment of additional premiums.

Please check for the details of the coverage, exclusions and extensions with your insurance company/insurance agent before purchasing the policy.

## What you should know when buying insurance cover for your property

### Insured Value/Sum Insured

Ensure your property is adequately insured at all times, and take into account the renovations and enhancements made to your property.

You should also decide on the basis of compensation for loss/damage to your property, whether it is on indemnity or reinstatement basis, and the sum insured shall reflect the choice. For reinstatement basis, sum insured should cover the cost of rebuilding your property in the event of loss/damage. You may need to seek the advice of a professional property valuer to know the estimated value of your property.

If your property is under financing and insured by the financier, you should make sure that the property is adequately insured. Usually, the coverage arranged by your financier will be for the amount of loan taken. You may therefore, want to take up additional insurance cover to better protect your interest.

When purchasing a householder policy, you must ensure that the sum insured reflects the coverage needed to replace all the contents in your property. You must also declare items that you want to insure specifically to ensure that you get the full compensation in the event of their loss/damage. You may also take additional coverage for valuable items such as artwork, jewellery, antiques or collectibles.

It is also important to keep documents that show the proof of ownership and the value of items insured, for example, purchase receipts. Photographs of your valuable items, if available, may also be very helpful in the event of a claim.

### Average Condition

If the amount insured in your insurance policy is less than the rebuilding cost (i.e. under-insurance), you are deemed to be self-insuring the difference. The *average condition* will apply in the event of a claim.

Example:

The total cost to rebuild a house is RM100,000, the sum insured is RM80,000 and the loss is RM5,000. The average condition will be calculated as follows:

$$\frac{\text{Sum insured: RM80,000}}{\text{Rebuilding cost: RM100,000}} \times \text{Loss: RM5,000} = \text{RM4,000}$$

In the above example, the insurance company will only pay RM4,000 instead of RM5,000 for the loss. You have to bear the difference of RM1,000.

## Responsibility for Purchase of Insurance

If you are buying a property from a developer and the property is under the construction stage, the insurance of the property is the responsibility of the developer. You only need to insure the property only upon vacant possession from the developer.

For properties with strata titles such as flats, apartments and condominiums, it is mandatory for the Management Corporation (MC) to purchase fire insurance for the whole building. The individual unit owner is required to pay to the MC his/her respective premium portion. At the same time, if the unit is purchased through a loan, the financier would normally require the unit owner (borrower) to obtain an insurance policy for the unit, leading to a situation of double insurance.

However, if you have obtained the loan from a financial institution under Bank Negara Malaysia's supervision, borrowers will not be required to buy another insurance policy for their units. Instead, these financial institutions will accept the insurance policy already purchased by the MC subject to certain terms and conditions. In this instance, you need to obtain the individual certificate of the master policy from the MC and present it to your financial institution as evidence of insurance. If your loan is not from a financial institution under the supervision of Bank Negara Malaysia, you can negotiate with the institution concerned.

## Payment of Premium

- Premium must be paid and received by your insurance company within 60 days from the inception date of the cover, otherwise the cover is automatically cancelled and you will still be responsible to pay the proportion of premium for the 60 days.
- It is advisable that you pay the premium directly to the insurance company, either by cash, credit card or cheque. Should you decide to pay the premium through your agent, ensure your cheque is made payable only in the name of the insurance company.

Insist on a receipt for the premium paid to your insurance agent or insurance company. Do contact your insurance company if you have not received the policy after one month of purchase.

## What you should know when making a claim

### If your property suffers damage/loss

- You must **notify your insurance company** in writing with full details **as soon as possible**.
- You must take the **necessary measures to mitigate further loss/worsening** of the situation.
  - If temporary repairs are required to stop further damage, you should ensure that these are carried out immediately and the bills of work carried out should be kept as part of your claim. An example of temporary repair is to use a waterproof polyethylene/plastic sheet to cover damaged area to avoid further damage by rain water.
  - If the repairs required are of a permanent nature, you should obtain estimates of the repairs required and send them to your insurance company for approval before commencing with repairs.

## Settlement of Claims

The compensation amount depends on the basis of the cover:

- **Indemnity basis** will pay the cost of repairing the damaged building less the amount for wear, tear and depreciation; or
- **Reinstatement value basis** will pay the full cost of repairing the damaged building without any deductions being made for wear, tear or depreciation, provided that the sum covered is adequate to cover the total cost of reinstating the building.

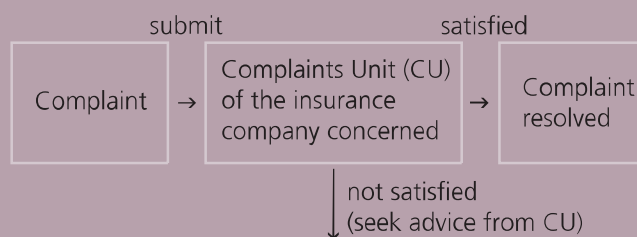
In the absence of any special provision, the cover will be on indemnity basis. If you want to be covered on reinstatement basis, your policy should have the relevant clause attached to it.

Excesses, being the amount you have to bear before your insurance company indemnifies you, are applicable for certain perils, such as overflowing of domestic water tanks, windstorm, earthquake and flood claims.

## Making a Claim

- You must submit your claim with **all supporting information and documents** to your insurance company. The more information you have on the damaged items (description of each item, the date of purchase and purchase price), the easier it will be for your insurance company to assess your claim.
- You should cooperate fully with the adjusters/investigators appointed by your insurance company to assess your claim.

## How to lodge a complaint and redress avenues available



Write to either:

- 1) Bank Negara Malaysia; or
  - 2) the insurance mediator at the Financial Mediation Bureau.
- Alternatively, you could take your case to court.



For more information, log on to [www.insuranceinfo.com.my](http://www.insuranceinfo.com.my) or visit the kiosks at most branches of insurance companies or contact your agent