
FREQUENTLY ASKED QUESTIONS ON FIRE INSURANCE FOR PRIVATE RESIDENTIAL PROPERTIES

1. What does fire insurance for residential buildings cover?

Household insurance comes in many forms with varying coverages, terms and conditions. Fire insurance is one of the more basic protections available to an owner of a property, covering the building and/or its contents.

In the case of fire insurance on the building (not including its contents) of a residential property, it generally covers the building structure, the permanent fixtures and fittings such as built-in cabinets, baths, toilets, air-conditioning units, fixed carpet, parquet flooring and other immovable decorations or improvements. It may also extend to cover outbuildings such as garages, covered porch and perimeter walls. However foundations and swimming pools are normally not covered under fire insurance for buildings.

2. What are the risks insured against?

Most fire insurance for buildings provide cover against damages caused to the building by

- fire
- lightning
- domestic explosion
- bursting or overflow of water tanks and apparatus
- road vehicle impact
- aircraft impact
- malicious intent
- riot and strike
- earthquake, windstorm and flood

Depending on the insurers, other perils such as subsidence and landslip due to windstorm and flood may also be included.

3. What is the sum insured of a residential building?

The term “sum insured” in a fire insurance for residential property is the insured value of the property and the maximum amount an insurer will pay if it is totally destroyed by an insured peril. The sum insured should reflect the cost of rebuilding the insured property (also known as the reconstruction or replacement cost) to its original condition (or its equivalent) at the time just before the damage occurred. For added protection, professional fees and cost of debris removal may be included in the sum insured. Under normal circumstances, the market value of the property is not used as the sum insured and there is no direct relationship between the market value of a property and its reconstruction cost for the purpose of insurance. The sum insured also should not take into consideration the foundation and the value of the land.

4. As a general guide, how do I estimate the sum insured?

It is the responsibility and in the interests of the owner to ensure that the sum insured is adequate, otherwise the owner may find his/her insurance protection wanting in times of contingency. As the cost of fire insurance is normally low and very affordable, the risk of under-insuring one's property certainly out-weighs any savings on the insurance cost.

It therefore makes economic sense to allow for some buffer in the sum insured of your property. When determining an adequate sum insured specific to your property, you should also seek the assistance of a qualified property valuer or quantity surveyor.

The Replacement Cost Table below provides a general guide to replacement cost of various private residential developments. To estimate the replacement cost of your property, you first need to know its Gross Floor Area (GFA). GFA is the area of the building enclosed in covered spaces excluding balcony, verandah, car park and driveway areas. You can obtain the GFA from the developer of your property or the Managing Agent in the case of a condominium unit (i.e. Strata Titled property). Alternatively, you can estimate the GFA by measuring the external area of your house.

For instance, if your property is rectangular in shape, you need to measure the external length and width of your house and multiply these two figures to arrive at the GFA. If for some reason you cannot measure the external dimension of your property, you can measure the internal area and add the thickness of the wall to the dimensions. In the case of a multi-storey property, the GFA of the property is simply the sum of the GFA of each floor.

After you have estimated the GFA, you need to identify the type of development your property falls into in the Replacement Cost Table. You can then arrive at an indicative replacement cost of your property using the methodology illustrated in the worked example below.

The replacement cost so derived is at best only an estimate of the sum insured for the purpose of fire insurance for your property. To obtain the replacement cost valuation specific to your property, you should seek professional advice from a qualified property valuer or quantity surveyor.

REPLACEMENT COST TABLE
(PUBLISHED DATE: June 2005)

DEVELOPMENT TYPE	Cost per GFA (S\$/psm)	Cost per GFA (S\$/psf)
Condominium		
Executive Condominium	1,380 – 1,580	129– 146
Medium-Quality Condominium	1,430 – 1,890	133 – 176
Good-Quality Condominium	1,760 – 2,180	163 – 203
Luxury-Quality Condominium	2,130 – 2,740	198 – 254
Landed Residential		
Semi-detached House	1,430 – 1,760	133 – 164
Terrace House	1,310 – 1,640	121 – 152
Luxury Bungalow	2,080 – 3,010	193 – 280
Landed Cluster Housing	1,580 – 1,890	146 – 176

Source: *Rider Hunt Levett & Bailey*

The above replacement cost per GFA for the respective development types covers the cost of rebuilding a landed house or an apartment. Excluded from this cost are foundation cost, professional consultant fees, fixtures and fittings, loss of rental and other consequential losses and Goods and Services Tax (GST).

Each replacement cost in the Table provides for an average home to be rebuilt to its existing standard and specifications. It does not cover any cost of upgrading the specification and quality of the house. The above cost also assumes that quotations for the replacement work are called within 6 months of the damage occurring.

While every effort has been made to ensure the accuracy of the contents of this table, Rider Hunt Levett & Bailey will not be responsible in any way for any error, inaccuracy, loss or detriment arising out of or in connection with the use of or reliance on this Table. It should be highlighted that within each residential building type, there is a wide range of different specifications, quality of materials and finishes. Expert advice should accordingly be obtained should a replacement cost valuation be required for a specific property.

REPLACEMENT COST CALCULATION

EXAMPLE:

Mr Lim lives in a semi-detached house located in a suburban district with a gross floor area (GFA) of 230m². Mr Lim would like to purchase a fire insurance for his property and wishes to know an indicative sum with which he can insure his house.

REPLACEMENT COST CALCULATION	
Step 1 Obtain Gross Floor Area (GFA)	
Mr Lim's house has a GFA of 230m ² .	
Step 2 Select appropriate unit cost from Replacement Cost Table	
a. GFA (m ²) of semi-detached house	230 m ²
b. Unit Cost (S\$/m ²)	S\$1595/m ² ¹
c. Estimated Reconstruction cost 230m ² x S\$1595/m ²	S\$366,850
Step 3 Add estimated value of building fixtures and fittings	
d. Estimated amount of	S\$25,000 ²
e. <i>Sub-total</i>	S\$391,850
Step 4 Add Professional Fees, Demolition and Removal of Debris, Goods & Services Tax (GST) ³	
f. Professional Fees @ 10% of sub-total (e)	S\$39,185
g. Demolition and Removal of Debris @ 5% of sub-total (e)	S\$19,593
h. <i>Replacement cost excluding GST</i>	S\$450,628
i. GST @ 5%	S\$22,531
j. <i>Total</i>	S\$473,159
Estimated Current Replacement Cost	<u>Approx. S\$ 473,000</u>

¹ Note – Average cost/m² used in this instance.

² Note - Value of built-in furniture and fixtures, light and electrical fittings, etc. estimated by owner.

³ Note- Professional fees for reconstruction work are assumed at 10%, demolition and removal of debris at 5%, and GST at 5%

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