



Our Strength is on Your Side.

Understanding the Fundamentals to make the Right Insurance Decisions



Thursday, Sept.13th, 2012, NSDC Building Vieux Fort



Homeowners Insurance

Important Fundamentals



Presented by:
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EC Global Insurance Co. Ltd.

Presentation Outline

- Some Fundamentals: The Proposal Form & Some Guiding Principles
- Homeowners Coverage: **Building, Contents & Public Liability**
- The Risks we Face
- Simple Steps – Practical Solutions

The Proposal Form



SECTION I – BUILDINGS (Summary)

The buildings, garages, walls, gates, fences, outbuildings, paved areas, wall-to-wall carpets, aerials, and landlord's fixtures and fittings, awnings and Jacuzzis etc. Insured values should be **full replacement value**.

Main Building	\$
Additional building if applicable	\$
Swimming Pool	\$
Retaining Wall(s)/Gates/Fences	\$
Sea Walls, Docks, Jetties or similar waterside structures	
Architect & Surveyors Fees	\$
Removal of Debris	\$
Other – please specify	\$
TOTAL:	\$

The Proposal Form



SECTION II – CONTENTS: The household goods & personal belongings of the Proposer, family members or domestic servants permanently residing at the dwelling.

Furniture, Fixtures & Fittings – List items with value of 5% or more \$

Stereo, Television, Video, Personal Computers etc.: Individual items of Audio and Video equipment etc. Items of greater value than 5% of the Contents value must be listed separately. \$

Personal Effects & Clothing: value than 5% of the Contents value must be listed separately. \$

Jewelry: No one article or set of jewelry, gold, silver, precious metals, watches, photographic equipment, guns, works of art, antiques etc. (referred to as VALUABLES) will be deemed to be of greater value than *\$500.00* unless specifically noted on the policy. \$

Other Contents e.g. Library, CD/DVD collection, sports equip. etc. \$

TOTAL: \$

The Proposal Form



SECTION III – ALL RISK (Optional)

Covering Jewelry, Personal effects and other valuables against loss or damage by accident or misfortune.

State the sums insured on the following:

Clothing and Personal Effects

\$

Unspecified Valuables – Articles of greater value than EC\$500.00 requires a valuation report

Specified items (a valuation is required for items of greater value than EC\$500.00)

TOTAL

\$

The Proposal Form



Other areas of the Proposal Form deals with:

- Construction Type
- Location
- Use of Property
- Previous insurance
- Loss History (Details of previous claims/losses)
- Optional Extensions: – Solar water heaters, Theft, Subsidence and Landslip and Satellite systems

The Proposal Form



SIGNED DECLARATION

I hereby apply for insurance as set out in the above form and declare to the best of my knowledge and belief that the foregoing statements and particulars are true and complete. I agree that this application form and declaration shall be the **basis of the contract of insurance** between **EC GLOBAL INSURANCE CO. LTD.** and myself.

And I further agree to accept indemnity subject to the conditions in and endorsed on the Company's Policy. I also declare that **THE TOTAL SUMS INSURED REPRESENT NOT LESS THAN THE FULL VALUE OF THE PROPERTY,** as above mentioned.

COVERAGE WILL NOT COMMENCE UNTIL EC GLOBAL INSURANCE CO. LTD ACCEPTS THIS PROPOSAL, and the Premium or a Deposit paid except as provided by an Official Covering Note issued by **EC Global Insurance Company Limited.**

The Guiding Principles of Insurance

Insurance contracts are a special class of contracts which are guided by certain basic principles or doctrines:

- **Utmost Good Faith** – Greater duties of faith on proposer and insurer
- **Insurable Interest** – Financial interest
- **Proximate Cause** – The actual event that caused a loss
- **Indemnity** – Actual compensation of a loss
- **Subrogation** – Transfer of rights from insured to insurer
- **Contribution** – Proportional sharing of loss by all insurers involved

Utmost Good Faith

- The Principle of **Utmost Good Faith**, is a very basic and first primary principle of insurance.
- The insurance contract must be signed by both insurer and insured in an absolute good faith or belief or trust.
- The person getting insured **must willingly disclose** and surrender to the insurer his complete, **true information** regarding the subject matter of insurance.
- The insurer's liability becomes void, legally revoked or cancelled if any **material facts**, about the subject matter of insurance are either omitted, hidden, falsified or presented in a wrong manner by the insured.

Homeowners: Building Insurance



The Fundamentals : Building and Contents

The insurance is intended to cover significant losses that you would not normally be able to bear on your own, such as Fire, Hurricane, Flood, Earthquake.

It is not for minor losses such as broken windows, cracked walls, the loss of a few galvanized sheets or minor theft.

The administrative time and cost involved would be too great and unsustainable

Buildings Insurance

This covers:

- The main structure of your home and domestic outbuildings e.g. garages, pool house, kennels etc.
- Permanent fixtures to your home, for example, fitted kitchen, bathroom, floors, burglar bars etc., i.e. whatever you can't take with you when you move.
- **Contents are not automatically covered under Building insurance**

How much should You insure the Buildings for?

- **Current reinstatement value:** Insure for the amount it would cost to rebuild it as is. (Bear inflation rate in mind) This is not the same as the **market value** of the property.
- **Mortgage Balance:** You should not insure for the outstanding balance on the mortgage on you home. *This will result in underinsurance.*
- **Underinsurance** – if you are underinsured your claim will be reduced in proportion to the underinsurance.
- **Over Insurance:** If you over insure there is no increased benefit as claims are based on the current reinstatement or replacement value.

What is usually covered by Buildings insurance?

Damage caused by:

- Fire, lightning, explosion
- Earthquake or volcanic eruption
- Hurricane, storm, flood
- Riot, strike or labor disturbances
- Burglary, housebreaking, theft or attempted theft, malicious damage or vandalism.
- Escape of water from domestic appliances or bursting pipes

Additional Coverage:

- Accidental breakage of fixed plate glass
- Accidental damage to underground tanks, drains and cables
- Alternative accommodation and loss of rent
- Accidental Death & Permanent Disability of the insured

What is usually not included in Buildings insurance?

Damage caused by:

- Storms affecting gates and fences (unless specified)
- Subsidence and Landslip (Can be added)
- Acts of war/terrorism;
- Wear and tear of the structure and inside of property
- Any claim that is less than the excess.

Contents Insurance



Contents Insurance



- This can be a separate policy to your building insurance or a combined policy with your building.
- It covers loss or damage to your Contents, including accidental damage if required.

What is usually covered?



- Loss or damage to items on a “new for old” basis.
- Cash stolen from your home, up to a certain limit
- Accidental damage to certain items – (All Risks)
- Damage to pool patio furniture
- Burglary/Housebreaking
- Credit Cards

What is usually covered?

- Spoilage of food in fridge/freezer due to power cut
- Metered Water
- Students' Possessions
- Wedding Gifts
- Temporary Removal of contents

How much should you insure your Contents for?



You should insure your contents for the figure it would cost to **replace** them.

What is normally not covered?

- Loss or damage when house is left unoccupied for more than 40 days.
- Money or valuables stolen from your home when not secured.
- Deeds, bonds, bills of exchange, promissory notes, cheques, stamps, any documents, manuscripts, medals and coins.
- Motor vehicles and accessories.
- Damage caused by wear and tear.
- Mould/infestation etc.(e.g. Termites)

All Risks Cover

- This includes valuable items that you will take with you when you leave the house, e.g. jewellery, cameras, laptop computers, musical instruments, golf clubs etc.
- If items are unspecified a maximum upper limit will apply for each item.
- Items normally taken island-wide or abroad would normally be covered under the All Risks section of the policy.

Typical All Risks Coverage



Liability Insurance

- Included in most Homeowners policies.
- Covers costs, fees and expenses that you are legally liable for if a third party can prove that you were at fault, e.g. someone on your property gets ill, has an accident, is injured or dies.
- Covers accidental damage you cause to someone else's belongings. (Property Damage)
- Does not cover accidents that happen to members of your family and damage that you cause to your own property.
- **Policy Limits: General Liability : EC\$1,000,000**
Employers Liability: EC\$2,000,000

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"Hello, I'd like to apply for some property insurance."

Persons Renting Houses or Apartments

You don't have to own a house to insure your contents.

Renters Insurance protects the renter against possible damage or loss of his household contents and personal belongings due to fire, theft/burglary, flood and other perils. It will also include Public Liability cover for lawsuit claims arising from bodily injury or property damage.

What is the Policy Excess/Deductible?

The excess or deductible is the amount of a claim that you will have to pay yourself

or

That first portion of the loss that **must be exceeded**, before the policy can trigger a payment.

This will depend on the type of claim being made.

Hot Button Issues with Insurance

Typical areas of challenges and controversy includes:

- 1. Application of 2% Catastrophe deductible*
- 2. Underinsurance & Application of Average Clause*
- 3. Damages NOT included or covered by policy/Exclusions*
- 4. Fraudulent Claims and Loss Adjusting*
- 5. Possible overstatement of losses/Inflating claims*
- 6. Timely submission of supporting documents for claims*
- 7. Challenges to collect outstanding premiums*

The Policy Contract: *Things to do!*

- A legally binding contract – READ IT!
- Understand the usual hot-button issues e.g.
 - **Underinsurance**
 - **Excess**
 - **Average Clause**
 - **Exclusions**
- Ask questions. Get clarification
- Understand your duties and obligations
- Review policy every year and keep it current



What can affect my premium?

- The amount you insure your house for.
- The type of construction.
- The value of your contents.
- Where your property is located.
- The type of cover you want.
- Claims record or Loss History
- Risk management measures taken
- Applicable discounts.

Simple Steps to Strengthen Your Insurance Protect

1. Take an inventory of your Contents.
2. Take pictures or even video tape right around your Building as well as the interior and Contents
3. Make sure that “Catastrophe Perils” are included in your Property insurance (Hurricane, earthquake, volcanic eruption flooding etc.)
4. Get professional advice from people you can trust.
5. Pay premiums on a timely basis

Simple Steps – Practical Solutions

- Pay attention to the Proposal Form. Answer an ALL questions.
- Disclose all material facts. Contract could become void.
- Remember “Principle of Utmost Good Faith”.
- Insure adequately. Avoid underinsurance.
- Know your insurance company/Keep communication open.

Simple Steps – Practical Solutions

- Review values at Christmas time (new contents/renovations)
- Be mindful when entertaining at home/serving alcohol/Dogs
- Develop a good relationship with your banker & insurer.
- Advise your insurer of changes you make to the building
- Adopt your own risk management measures:
 - Burglar Alarms
 - Smoke Detectors
 - Fire Extinguishers

Ways to Enjoy Extra Benefits at EC Global

Reason For Benefit	How You May Qualify
Your Age	If you are retired, "Honour 50" Customers of Bank of Saint Lucia
Burglar Alarm System	If you have a monitored alarm system from Guardsman Ltd
Smoke Alarm System and Fire Extinguishers	If you have at least 2 smoke detectors fitted and a fire extinguisher
Neighborhood Watch	If your home is located in an active neighborhood watch community
Voluntary Increase in Policy Excess	If you decide to accept a higher excess, where circumstances permit
Loyalty	If you have additional insurance with EC Global, e.g. Motor insurance
Civil Servants	If you are Government employee, e.g. Teachers, Nurses, Firemen etc.



The Risks We Face



National Oceanic and Atmospheric Administration Predicts Near Normal 2012 Hurricane Season

<http://www.wsfa.com/story/19528715/hurricane-season-2012-where-do-we-stand-so-far>

- For the 6 month season started on June 1, there's a 70 percent chance of 12 to 17 named storms (So far: 14 named storms, 7 hurricanes and 1 major hurricane))
- With top winds of 39 mph or higher
- 5 to 8 will strengthen to a hurricane with top winds of 74 mph or higher
- Of those 2 to 3 will become major hurricanes with top winds of 111 mph or higher, ranking Category 3, 4 or 5.
- Based on the period 1981–2010, an average season produces 12 named storms with 6 hurricanes, including 3 major hurricanes.

Hurricane Strike Paths Since 1851

The yellow lines indicate the paths of major hurricanes, which do seem to cluster more in the northeastern part of the Caribbean region than in the Southern sections.





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