

Fire Insurance

One of the most important duties of JMB is Insurance.

The powers and duties of the JMB are enumerated by Section 8 of the Act which stated

8. (1)(c) to insure and keep insured the building to the replacement value of the building against fire and such other risks as may be determined by the Body;

8. (1)(d) to apply insurance moneys received by the Body in respect of damage to the building for the rebuilding and reinstatement of that building;

8. (3) The Body shall be deemed—

(a) for the purposes of effecting any insurance under paragraph (1)(c), to have an insurable interest in the building equal to its replacement value or any value as determined by the Body; and

(b) for the purposes of effecting any insurance under paragraph (1)(d), to have an insurable interest in the subject matter of the insurance.

Intpretation:

The Joint Management Body must insure the following insurance:

1. Fire & All perils Insurance (Min perils Subsidence & Landslip, RSMD & BOW)

Building – For all the units that is individually own including all the common property.

In this case when the purchaser have a Loan with the Bank, the purchaser need not buy an additional insurance and can use the individual “Certificate of Insurance” issued from the Master policy.

It should include the following clauses:-

Reinstatement Value (valuation report by an accredited quantity surveyor at least once in 5 years)

Removal of Debris

Architect & surveyor Fee

Rent Clause

2. Public Liability Insurance

Legal liability to pay compensation for accidental bodily injury or accidental damage to the property to the Vistors for using the common property of the Building.

Under Section 4 Establishment of a Joint Management Body

(2) The Body established by subsection (1) shall be a body corporate having perpetual succession and a common seal.

(3) The Body may sue and be sued in its name.

(4) The Body shall comprise the developer and the purchasers.

Intpretation:

As the JMB is a body corporate the volunteered committee members can now be sued by the purchasers for Breach of Duty. An E&O or a PL policy to protected the personal liability of the individual committee.

3. Error & Omission or Professional Liability Insurance

The Insurer will pay on behalf of any Insured all Damages resulting from any Claim for any Breach of Duty of the Insured.

N/B The policy should be placed immediately after the formation of the JMB.

Strata Title Risks Solution:

Products Offered:

1. Fire Insurance
2. Fire Consequential Loss
3. All Risk Insurance
4. Crime Insurance (Burglary & Money)
5. Plate Glass Insurance
6. Machinery Breakdown Insurance
7. Public Liability Insurance
8. Property Terrorism
9. Professional Indemnity for Joint Management Body (JMB) or Management Corporation (MC)

For more information visit us at <http://sites.google.com/site/chrisacompany/> under Strata Title Insurance

FIRE INSURANCE FOR STRATA-TITLED PROPERTIES

FREQUENTLY ASKED QUESTIONS (FAQs)

[Q1]

I have been informed that the fire insurance taken by the Management Corporation is compulsory. At the same time, the bank where I took a housing loan for the unit of condominium I have purchased also requested me to pay for fire insurance policy which has been arranged by the bank. Do I need two insurance policies ?

[A1]

Under the Strata Titles Act, it is mandatory for the Management Corporation (MC) of buildings such as apartments and condominiums to purchase fire insurance for the whole building. The individual unit owner is required to pay to the MC his respective premium portion. If the unit is purchased through a loan, the financiers would also normally require the borrower to obtain an insurance policy for the unit. There is the possibility of a situation of double insurance under these circumstances.

However, if you have obtained the loan from a bank or finance company under the supervision of Bank Negara Malaysia (BNM), it has been agreed that borrowers will not be required to buy another insurance policy for their unit. Instead, these financial institutions will accept the insurance policy already purchased by the MC subject to certain terms and conditions. If your loan is not from a lending institution under the supervision of BNM, you will need to negotiate the insurance arrangements with the lending institution concerned.

[Q2]

Can I get a refund for cancellation of my insurance policy due to double insurance for the same unit?

[A2]

An insured is entitled to cancel his or her insurance policy under the provisions of the policy. In the event that the insured is able to provide evidence that there has indeed been double insurance on the same building, the insured can request for termination of the policy to the insurer concerned. A pro-rata refund (for the remaining period of the insurance) may be granted to the insured by the insurer in the event the policy of insurance is terminated on the insured's request.

However please take note that a policy of insurance issued for dwelling risk is subject to a minimum premium of RM60. This is to cover the administrative and operational expenses of the insurance.

[Q3]

What are the covers provided under the insurance policy issued to the Management Corporation?

[A3]

Usually, a Master Fire Insurance Policy is issued to the Management Corporation for Strata-Titled Properties and the following are the minimum covers under the said policy:-

- i) Fire
- ii) Subsidence and Landslip
- iii) Riot Strike and Malicious Damage
- iv) Bursting or Overflowing of Water Tanks Apparatus or Pipes

(NB: Covers under items (ii), (iii) and (iv) are the minimum covers to be taken as required by the Association of Banks and the Association of Finance Companies of Malaysia).

[Q4]

The Management Corporation would usually issue debit notes advising unit owners for the payment of their share of the fire insurance premiums for his/her unit. However, insurance details such as period of insurance are not stated in the debit note advice slip. How do I get these information?

[A4]

The full details of the insurance are stated in the master insurance policy issued to the Management Corporation. Therefore, unit owners should be able to obtain these details from their respective Management Corporation to check on the insurance taken for your unit. It is advisable for unit owners to request these information from the Management Corporation in each occasion that they pay their insurance premiums.

[Q5]

Can the individual unit owner purchase additional insurance for his/her own unit apart from the insurance taken by the Management Corporation?

[A5]

Other than the requirements under the Strata Titles Act, a unit owner may choose to effect additional insurance coverage for his/her unit and/or contents of the unit, in addition to the coverage under the Master Fire Insurance Policy taken up by the Management Corporation.

[Q6]

How will I be compensated under the master policy taken by the Management Corporation in the event of a loss?

[A6]

In the event of a loss, the insurance company will compensate the Management Corporation as the master policy owner. The Management Corporation has the responsibility to reinstate the building with the compensation paid to it. In the event that reinstatement of the building is not

possible, the Management Corporation will consult with all the unit owners on the best solution that is in the interest of all the unit owners.

source: Persatuan Insurans Am Malaysia, [Piam News](#)

<http://www.piam.org.my/news/piamnews/p017.htm>