Question 01 How does Fire Insurance work?

Let us assume that you just finished building a home (excluding land) for PhP5million. Let us also assume that your brand-new home has an economic life of 40 years.

1. If you were to insure your home today, you would insure it for PhP5 million. We call this amount the "Sum Insured".
2. Expressed in Philippine Pesos, the Sum Insured is your declaration of the value of the property that you want insured. It is also the maximum amount that Standard Insurance will pay you in the event of a claim where your home is totally destroyed.
3. If, after just one day of living in it, your home were to be totally lost in an accidental fire, Standard Insurance would pay you PhP5 million. You would then use this PhP5 million to rebuild your home.
4. In this case, you would consider yourself adequately and properly insured.

Let us assume that it is ten years from today.

1. Let us also assume that if you were to build the exact same home from the ground up, it would cost you PhP6.675 million, with the additional PhP1.675 million representing increase in materials and labor over the past ten years.
2. We call this PhP6.675 million amount your home's "Replacement Value".

To summarize, ten years from today:

A	B	C	D
Original Economic Life (Years) 40	Age of Home (Years) 10	Remaining Economic Life (Years) 30	Replacement Value (₱) 6,675,000

3. Your home's "Actual Cash Value" or "Sound Value", on the other hand, is its Replacement Value less Depreciation (i.e., how much of the home's original economic life has elapsed).
4. In this case, your home's Depreciation is PhP1.670 million (PhP6.675 million x (10 years / 40 years) while its Actual Cash Value/Sound Value is PhP5.005 million (PhP6.675 million minus Php1.670 million).

(E) = (B/A) x (D)	(F) = (D) - (E)
Depreciation 25% or PhP 1.670m	Actual Cash Value/Sound Value (₱)5,005,000

If you declare a Sum Insured of PhP6.675 million and use your home's Replacement Value as basis, you will pay an annual Premium of PhP6,675 (Sum Insured x Rate of 0.10%).

In the event that your home is totally destroyed in an accidental fire, Standard Insurance will pay you PhP6.675 million

If you declare a sum insured of Php 5,005,000 and use your home's Actual Cash Value/Sound Value as basis,you will pay an Annual Premium of Php 5,005.00 (again, Sum Insured x Rate of 0.10%).

In the event that your home is totally destroyed in an accidental fire, Standard Insurance will pay you (more or less) Php 5,005,000 (Replacement Value less Depreciation)

Note that while you saved PhP 1,670.00 (PhP 6,675 less PhP 5,005) by buying an Actual Cash Value/Sound Value based insurance policy versus a Replacement Value-based insurance policy, you would be short of funds by Php 1,670 million should you want to restore your property to its condition prior to a total loss event.

Question 02 How do I estimate and determine my Sum Insured?

It is very important that your Sum Insured is updated regularly. It should reflect your home's size (i.e., covered floor area), quality and prevailing construction costs (expressed in PhP per Square Meter).

(Please check the cost parameter guide attached)

Question 03 What if the Sum Insured that I declared is much lower than my home's Replacement Value at the time of loss?

1. If you declared a Sum Insured of only PhP 4,000,000 and paid a Premium PhP 4,000 (Sum Insured x Rate of 0.10%) on a Replacement Value-based policy, and your home was totally destroyed by accidental fire, your home would be considered "UNDERINSURED"
2. Standard Insurance would settle your claim for PhP 4,000,000 which is the maximum limit of liability declared.

$$\text{Claim amount} = \left(\frac{\text{Sum Insured}}{\text{Replacement Value}}\right) \times \text{Amount of Loss} \quad \text{or} \quad \text{Claim amount} = \left(\frac{\text{Php 4,000,000}}{\text{Php 6,675,000}}\right) \times \text{Php 6,675,000}$$

3. You would then have to pay the PhP 2,675,000 out of your own pocket, to rebuild your home for PhP 6,675,000 (Php 6,675 million less Php 4 million)
4. If your home was partially damaged and the cost of repair was estimated at, say, PhP 300,000, Standard Insurance would pay only PhP 179,775.28.

$$\text{Claim amount} = \left(\frac{\text{Php 4,000,000}}{\text{Php 6,675,000}}\right) \times \text{Php 300,000.00}$$

Underinsurance happens when the Sum Insured indicated in your insurance policy is less than the cost of rebuilding or replacing your home at the time of loss or damage.

When a home is Underinsured, any claim will be subject to an "Average". Your insurance policy carries an "Average Clause" which reads:

"If the property hereby insured shall, at the time of loss, be collectively of greater value than the sum insured thereon, then the Insured shall be considered as being his own insurer for the difference, and shall bear a ratable proportion of the loss accordingly"

The Average Clause applies in all cases of Underinsurance, whether or not such Underinsurance was intentional

$$\text{Claim amount} = \left(\frac{\text{Sum Insured}}{\text{Replacement Value}}\right) \times \text{Amount of Loss}$$

Your Fire Policy is an "Open Policy" and is different from other kinds of insurance policies. It is only at the time of loss that the Sound Value/Actual Cash Value of the Insured Property is determined to establish whether the property is adequately insured.

Question 04 How can I avoid Underinsurance?

You can avoid Underinsurance by having your home appraised regularly (e.g., every two to three years) by a licensed property appraiser.

Question 05 Assuming that I am adequately insured (i.e., not Underinsured), will I receive 100% of my claim?

Yes! You will receive 100% of your claimed amount, as long as:

- The property you are claiming on is insured and premium is paid
- The Sum Insured declared in your policy is based on your home's Replacement Value.
- The cause of the loss is covered by your policy; and
- Your policy does not specify a deductible

Question 06 What is a Deductible?

1. A deductible represents your participation in the event of a claim. Standard Insurance will only pay the amount of your claim that is over and above your Deductible.
2. A Deductible mitigates the risk that the insured party may engage in reckless or consistently unsafe behavior.
3. Standard Insurance does not apply a Deductible for fire losses.
4. For catastrophic losses (e.g., earthquakes, floods, typhoons), we apply a Deductible equal to 2% of the actual cash value at the time of loss of each affected item, for each claim or series of claims arising out of one occurrence.
5. For the purpose of this clause, the following shall beconsidered as separate items of insured property, regardless of what is indicated in the policy schedule:
   1. Each building, including machinery, equipment and fixtures normal to its operation;
   2. All machinery and equipment contained in each building;
   3. All stocks in trade (raw materials, work-in-process, supplies and finished goods), contained in each building;
   4. All other contents contained in each building.

EXAMPLE

Building 1 (Main House)	Php 10,000,00.00
Building 2 (Maid's Quarter)	Php 3,000,000.00
Nature of Loss	Typhoon
Damage	Building 2 only
Amount of Loss	Php 500,000.00
ACV at the Time of Loss	Php 5,000,000

COMPUTE FOR:

1. Deductible and Loss Amount
2. Average Clause
3. Claim Amount

DEDUCTIBLE:

2% of the Actual Cash Value
2% x Php 5,000,000 = Php 100,000
Loss Amount:
Amount of Loss - Deductible
Php 500,000 – Php 100,000 = Php 400,000

AVERAGE CLAUSE:
Sum Insured / Actual Cash Value
Php 3,000,000 / Php 5,000,000 = 60%

CLAIM AMOUNT:
Amount of Loss x Average Clause
Php 400,000 x 60% = Php 240,000

INSURED AS CO-INSURER FOR THE DIFFERENCE PHP 260,000

How to determine if your Total Sum Insured Value needs to be appraised and updated:

Step 1: Determine the Total Floor Area of your building/s in square meters.

The **Total Floor Area** is the sum of all areas (in square meters) of all floors and all buildings.

Step 2: Determine the Sum Insured Value of the Building/s only.

The Total Sum Insured Value to be determined here needs to be BUILDING/S ONLY which means it shall exclude the value of the land, machinery/equipment, landscaping, fence, swimming pool and other accessory building (e.g., garage, servants' quarters)

Step 3: Determine the Cost per Square Meter of the building/s

The Sum Insured Value of the Building shall be divided by the Total Floor Area of the Building/s

$$\text{Cost per Square Meter} = \frac{\textbf{The Sum Insured Value of the Building}}{\textbf{Total Floor Area of the Building/s}}$$

Step 4: Determine the Construction Class* of the Building/s - (Table A.)

Refer to the Construction Class Based On Types of Building Materials Used**

- Choose which **Building Type***** fits your property
- Choose the **Construction Class*** (Regular or Medium or High Class) which is similar to your building/s' roof, floor, walls and/or window types

Step 5: Determine the Parameter Cost (Pesos per Square Meter)

Refer to the **Suggested Parameter Cost for Buildings (Pesos/sq.m.)**** - (Table B.)

- Look for your **Building Type*****
- Look for the **Construction Class******** (Regular or Medium or High Class) for your building/s
- The corresponding values shall be the Parameter Cost Range (Pesos/sq.m.) of your building/s

Example:
Building Type: One Family Residence
Construction Class: Regular Class
Parameter Cost: 13,310 to 22,494 Pesos/sq.m.

Step 6: Compare your Cost per Square Meter with the Parameter Cost

- If the **Cost per Square Meter** is Within or Greater Than the **Parameter Cost**
  - Your Total Sum Insured Value is updated and does need to be appraised.
  - Your Total Sum Insured Value can be used as the current replacement value
- If the **Cost per Square Meter** is Less Than the **Parameter Cost**
  - Your Total Sum Insured Value needs to be updated and re-appraised
  - Your Total Sum Insured Value cannot be used as the current replacement value

Table A. - Construction Class of the Building/s

Construction Class Based On Types of Building Materials Used*							
BUILDING TYPE***	CONSTRUCTION CLASS**						
	REGULAR Class		MEDIUM Class		HIGH Class		
RESIDENTIAL BUILDING TYPES							
1	One Family Residence Duplex Dwelling Row House of 2-storey dwelling units Apartment Building, 2 storey or more Residential Condominium	Roof	Galvanized Iron (G.I.)	Roof	Concrete Tegula/Asphalt Shingles/Concrete Deck	Roof	Clay Tegula/Asphalt Shingles/Concrete Deck
		Floor	Ceramic/Vinyl Tiles	Floor	Ceramic/Marble Tiles/Synthetic Granite Tiles	Floor	Natural Granite Stone
		Walls	Painted Hollow Blocks	Walls	Hollow Blocks/Gypsum/Fiber Cement Board with Tiles or Wood Panels	Walls	Hollow Blocks/Gypsum/Fiber Cement Board with Natural Wood/Narra Panels or Natural Granite/Marble Stone
		Windows	Glass on Steel Frames	Windows	Glass on Aluminum Frame	Windows	Glass on Aluminum Frame
2	Accessory Building, Servants Quarter, Garage Swimming Pool Open Shed	Not Applicapble - These are Add-on Building Structures to the above Residential Building Types and shall use corresponding Construction Class					
COMMERCIAL, GENERAL & INDUSTRIAL BUILDING TYPES							
1	Commercial Condominium Office Building School Hospital Theater, Convention Hall, Auditorium Supermarket, Malls	Roof	Galvanized Iron (G.I.)	Roof	Concrete Deck	Roof	Concrete Deck
		Floor	Ceramic/Vinyl Tiles	Floor	Ceramic/Marble Tiles/Synthetic Granite Tiles	Floor	Natural Granite Stone
		Walls	Painted Hollow Blocks	Walls	Hollow Blocks/Gypsum/Fiber Cement Board with Tiles or Wood Panels	Walls	Hollow Blocks/Gypsum/Fiber Cement Board with Natural Wood/Narra Panels or Natural Granite/Marble Stone
		Windows	Glass on Steel Frames	Windows	Glass on Aluminum Frame	Windows	Glass on Aluminum Frame/Curtain Glass Walls
2	Hotel Lodging House Motel Restaurant	Roof	Galvanized Iron (G.I.)	Roof	Concrete Tegula/Asphalt Shingles/Concrete Deck	Roof	Clay Tegula/Asphalt Shingles/Concrete Deck
		Floor	Ceramic/Vinyl Tiles	Floor	Ceramic/Marble Tiles/Synthetic Granite Tiles	Floor	Natural Granite Stone
		Walls	Painted Hollow Blocks or Plywood	Walls	Hollow Blocks/Gypsum/Fiber Cement Board with Tiles or Wood Panels	Walls	Hollow Blocks/Gypsum/Fiber Cement Board with Natural Wood/Narra Panels or Natural Granite/Marble Stone
		Windows	Glass on Steel Frames	Windows	Glass on Aluminum Frame	Windows	Glass on Aluminum Frame/Curtain Glass Walls
3	Gymnasium, Recreation Building	Roof	Galvanized Iron (G.I.)	Roof	Galvanized Iron (G.I.)	Roof	Concrete Deck
		Floor	Painted Concrete	Floor	Epoxy flooring	Floor	Epoxy floors withSynthetic floors
		Walls	Painted Hollow Blocks	Walls	Hollow Blocks with ceramic Tiles	Walls	Hollow Blocks Natural Granite/Marble Stone Tiles
		Windows	Glass on Steel Frames	Windows	Glass on Aluminum Frame	Windows	Glass on Aluminum Frame/Curtain Glass Walls
4	Church, Chapels Funeral Parlor/Home	Roof	Galvanized Iron (G.I.)	Roof	Galvanized Iron (G.I.)	Roof	Clay Tegula/Asphalt Shingles/Concrete Deck
		Floor	Painted Concrete	Floor	Ceramic/Marble Tiles/Synthetic Granite Tiles	Floor	Natural Granite Stone
		Walls	Painted Hollow Blocks	Walls	Hollow Blocks with ceramic Tiles	Walls	Hollow Blocks Natural Granite/Marble Stone Tiles or Adobe stone walls
		Windows	Glass on Steel Frames	Windows	Glass on Aluminum Frame	Windows	Glass on Aluminum Frame/Curtain Glass Walls/Stained glass
5	Industrial Building Warehouse Market Cold Storage	Roof	Galvanized Iron (G.I.)	Roof	Galvanized Iron (G.I.)	Roof	Clay Tegula/Concrete Deck
		Floor	Painted Concrete	Floor	Ceramic/synthetic Tiles	Floor	Epoxy Floor/Natural Granite/Marble Tiles
		Walls	Open sided/Metal Sheets	Walls	Painted Hollow Blocks	Walls	Hollow Blocks Natural Granite/Marble Stone Tiles
		Windows	Glass on Steel Frames	Windows	Glass on Aluminum Frame	Windows	Glass on Aluminum Frame/Curtain Glass Walls
6	Carpark Building	Roof	Galvanized Iron (G.I.)	Roof	Concrete Deck	Roof	Concrete Deck
		Floor	Painted Concrete	Floor	Epoxy flooring/ Steel flooring	Floor	Epoxy flooring/ Steel flooring
		Walls	Open sided/Metal Sheets	Walls	Painted Hollow Blocks	Walls	Aluminum Louvers/Hollow Blocks with metal cladding
		Windows	Glass on Steel Frames	Windows	Glass on Aluminum Frame	Windows	Glass on Aluminum Frame/Curtain Glass Walls
7	Gasoline Station	Roof	Galvanized Iron (G.I.)	Roof	Concrete Deck	Roof	Concrete Deck
		Floor	Painted Concrete	Floor	Epoxy flooring	Floor	Epoxy flooring
		Walls	None	Walls	Painted Hollow Blocks	Walls	Hollow Blocks with tiles
		Windows	None	Windows	Glass on Steel Frame	Windows	Glass on Aluminum Frame
8	Hangar	Roof	Galvanized Iron (G.I.)	Roof	Galvanized Iron (G.I.)	Roof	Galvanized Iron (G.I.)
		Floor	Painted Concrete	Floor	Epoxy flooring	Floor	Epoxy flooring
		Walls	Metal Sheets	Walls	Painted Hollow Blocks	Walls	Aluminumor metal Louvers/ Hollow Blocks with metal cladding
		Windows	Glass on Steel Frames	Windows	Glass on Aluminum Frame	Windows	Glass on Aluminum Frame

Table B. - Suggested Parameter Cost for Buildings (Pesos/sq.m.)

Suggested Parameter Cost for Buildings (Pesos/sq.m.)**** (Ver.2024)							
BUILDING TYPE*** Note: Following are only for the Building Structures. It excludes machinery/equipment, landscaping, fence, etc.		**CONSTRUCTION CLASS******					
		REGULAR Class		MEDIUM Class		HIGH Class	
		From	To	From	To	From	To
RESIDENTIAL BUILDING TYPES							
1	One Family Residence	14,018	23,690	23,690	30,979	30,979	38,828 & higher
2	Duplex Dwelling	12,335	22,007	22,007	28,736	28,736	36,165 & higher
3	Row House of 2-storey dwelling units	10,093	19,204	19,204	26,493	26,493	34,904 & higher
4	Apartment Building, 2 storey or more	16,541	28,596	28,596	39,529	39,529	53,267 & higher
5	Accessory Building, Servants Quarter, Garage	7,289	14,578	14,578	20,325	20,325	28,175 & higher
6	Open Shed	5,046	9,532	9,532	14,018	14,018	20,886 & higher
7	Swimming Pool	15,980	18,363	15,980	18,363	15,980	18,363 & higher
8	Residential Condominium	24,390	40,931	40,931	53,407	53,407	68,826 & higher
COMMERCIAL, GENERAL & INDUSTRIAL BUILDING TYPES							
1	Commercial Condominium	23,690	36,165	36,165	49,762	49,762	64,060 & higher
2	Office Building	14,018	25,932	25,932	36,165	36,165	50,042 & higher
3	Supermarket, Malls	8,411	17,382	17,382	28,736	28,736	37,146 & higher
4	Hotel	21,307	33,782	33,782	47,519	47,519	62,238 & higher
5	Lodging House	8,971	17,382	17,382	24,811	24,811	32,661 & higher
6	Motel	10,653	20,185	20,185	28,035	28,035	36,726 & higher
7	School	8,411	17,382	17,382	27,194	27,194	41,071 & higher
8	Hospital	18,924	32,661	32,661	41,772	41,772	55,509 & higher
9	Theater, Convention Hall, Auditorium	19,625	32,100	32,100	45,136	45,136	59,855 & higher
10	Gymnasium, Recreation Building	8,971	17,382	17,382	24,811	24,811	32,661 & higher
11	Church, Chapels	14,298	24,110	24,110	35,464	35,464	48,641 & higher
12	Restaurant	12,616	22,288	22,288	33,221	33,221	46,398 & higher
13	Market	7,289	14,018	14,018	20,325	20,325	28,175 & higher
14	Funeral Parlor/Home	10,093	19,204	19,204	30,979	30,979	43,314 & higher
15	Gasoline Station	8,411	15,279	15,279	26,493	26,493	38,828 & higher
16	Cold Storage	8,411	15,139	15,139	22,568	22,568	34,904 & higher
17	Carpark Building	5,607	11,635	11,635	19,204	19,204	24,811 & higher
18	Hangar	8,411	15,139	15,139	22,568	22,568	30,418 & higher
19	Industrial Building	6,168	11,775	11,775	18,503	18,503	28,175 & higher
20	Warehouse	6,168	11,775	11,775	18,503	18,503	28,175 & higher