

DESIGNATION DISRUPTED BY INSURANCE

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Mr. Alex Cipressi, who lives in Midland, and is renovating a prominent heritage home there, was shocked to be informed by his insurance company that his premiums would be doubling - all due to a designation proposed by the Midland Heritage Committee.

"I've done everything to mitigate the potential harm and risk that could pop up against the home, but the insurance companies don't see that... They're fearful of (old houses)," Cipressi said.

The Midland Today article discusses many ongoing issues with finding affordable property insurance for heritage homes, particularly if designated:

bit.ly/MidlandHomeownerWinsDelay

Similar designation vs. insurance conflict in a different locale: bit.ly/HeritageHomeowners

The Midland situation is far from the only time that the owner of a heritage property has requested deferral or reversal of a heritage designation because of crippling insurance premiums. Justifications for exorbitant heritage premiums frequently cited by insurance brokers:

- Heritage buildings are poorly built and/or in derelict condition
- Greater risk of fire or flooding due to outdated heating, wiring, plumbing
- Belief that the policy for designated heritage property must ensure replacement using the same workmanship and materials as in the original construction
- Designation increases the value of a heritage property
- The difficulty and expense to find craftsmen qualified to replace or repair heritage windows, woodwork, plaster molding, brick, or stonework; and more time needed to repair said heritage features

Heritage buildings that are a minimum of several decades old were not built to meet current building code or safety standards, and may contain contaminants, so some increased risk is a legitimate concern. But coverage and high premiums may also be based on incorrect assumptions about the structural integrity of heritage buildings and/or a misunderstanding of the protection required in the relevant designation by-laws or easement agreements:

- Many/most heritage buildings are better built and more environmentally "green" than anything built today and should be supported, not denigrated
- Brokers should acknowledge risk reduction following appropriate replacements of outdated systems



Alex Cipressi's century home

Photograph: N. Matthews

(comprehensive list below)

- There may be NO requirement (under law) of re-creating a destroyed heritage structure using original materials or techniques
- When a property is publicized for designation, the insurance company may recognize a previous evaluation error. Insurance may be higher because it is an older building, but premiums should be the same, whether designated or not
- Heritage craftsmen ARE at a premium. But owners can choose to accept a facsimile of heritage features using modern materials and craftsmanship and/or replacement by similarly sized building on the same location which could emulate but not necessarily reproduce heritage attributes
- The expected higher cost and longer time needed for repair work on buildings constructed of older or "special" materials, or having unique features is only applicable if owner chooses a policy for replacement in kind

Recommendations for owners seeking fair and equitable heritage property insurance

- Each insurer has a different attitude towards heritage buildings so shop around for a broker and/or insurer who understands the specific risks associated with a heritage property. The best providers consider each home on an individual basis and allow customers to personalize coverage.

- Provide comprehensive information on unique characteristics of the property with descriptions and photos of heritage features such as hand-carved elements, antique chandeliers, plaster walls and moldings, as well as photographs of all interiors, exteriors, and outbuildings.

- For properties designated or otherwise subject to heritage protection, educate your broker/insurer as to what heritage features are protected, what is the degree of protection, and what is not protected.

- Understand the difference in coverage and premiums between different types of policies. EG: Named Perils coverage vs. an All-Risks policy; Replacement Cost coverage vs an Actual Cash Value policy; is coverage subject to a depreciation factor?

- Get the right amount and type of coverage – owners may be able to choose a facsimile rather than full replacement in kind and still meet heritage protections.

- Provide an appraisal from an experienced heritage appraiser to assess the true value and potential future replacement/repair costs.

As the cost of insurance is totally related to risk (actual or perceived), many companies will lower premiums if owners provide documentation of risk reduction through installing or upgrading the following:

- Copper wiring from knob-and-tube or aluminum
- 100 amp-service from 60-amp
- Gas or electric furnace from oil or wood
- Copper or plastic piping from galvanized or lead
- Steel or stone roof from asphalt shingle
- Energy-efficient windows
- Sewer lines or septic tank
- Sump pump and/or backflow valve to prevent flooding
- Smoke and CO2 detectors
- Monitored burglar and fire alarms
- Inspections of fireplace, wood-burning stove, foundation
- Adequate fire break if property is semi-detached or

row house

Other Insurance strategies:

- Reduce premiums with increased insurance deductible

- Many insurers offer discounts to non-smokers or owners with good credit rating

- Bundle all your policies under one insurer to qualify for a loyalty discount

- Avoid adding risk like installing a pool or hot tub

- Consider the insurance impact before opening a claim

The Insurance Bureau of Canada (IBC) will assist consumers to find insurance and obtain information:

Consumer Centre 1-844-227-5422

Insuring heritage properties: bit.ly/IBCHelp

Magazine article: bit.ly/HeritagePropertyInsurance

A National Trust webinar in December established that insurance difficulties continue to be experienced by heritage property owners in all provinces. Consensus favored setting up a “task force” wherein heritage advocates, government agencies and insurance companies could educate each other on possible solutions and/or policies to address problems in providing adequate and affordable insurance for heritage buildings.

The authors are in the process of contacting the ministry and some insurers in hopes of providing more information for a future article.

Terry Fegarty and Nancy Matthews are CHO/PCO Board members.



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