

Insurance for Heritage Properties: Misconceptions, Reality, Action Needed

*INTERIM REPORTING ON A WORK IN PROGRESS AND WITH FOCUS ON
SMALL & MEDIUM-SCALE RESIDENTIAL AND COMMERCIAL PROPERTIES*



Source: Ottawa Sun (www.ottawasun.ca)

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- Introduction and Project Status
 - Insurance: Why It Matters to Heritage Protection and Heritage Property Owners.
 - A Heritage Property Owner's Obligations to Repair and Replace: Myth and Reality.
 - Distinguishing Between "Required" and "Desired" Insurance Coverage.

- Getting the Right Insurance Coverage
- Understand Property Insurance Options
- Know Your Perils and Risks
- Know What You Want Your Insurance Coverage to Do
- Document Features of Your Property
- Find the Right Coverage (for you) at the Most Competitive Price



Source: <http://www.casc.on.ca/>

Extrapolating “The Ecclesiastical Model” for Property Evaluation Down the Food Chain.



Source: K Arkay


Are Heritage Designated (or Not Designated) Properties More Expensive To Repair or Replace? Do They Generate Higher Claims?



Source: K Arkay

- Are Heritage Designated and Other Older Properties at Greater Risk for Damage?
- Are Current Insurance Policies (Instruments) Adequate to Cover Appropriate Valuation of Most Heritage Properties?
- Is “Like Kind” Insurance Good Enough?
- Is There Ready Access to Insurance for Heritage Designated Properties and Other Older Properties?
- The Critical Importance of Managing Risk:
- To Lower Your Insurance Premiums; and
- To Protect Your Property from Harm.



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- Working Through the Claims Process
 - Be Prepared. Do Your Homework.
 - Hope for an Enlightened Adjustor
 - Put the Insurance Ombudsman on Speed Dial.

Canadian Studies 5402 Course Project:

Perceptions and Policies: Misconceptions Related to the Provision of Homeowners Insurance for Heritage Properties in Ontario



- The intent of the project was to better understand of the different perceptions and interpretations held by homeowners and insurance brokers
- The main research question sought to identify and analyze the challenges experienced in the provision of insurance for heritage designated properties.
- No previous primary research had been collected or conducted in regards to insurance and heritage.
- A quantitative approach was selected in order to gather primary research on the topic.




Source: <http://www.heritage.nf.ca>

- There is no stipulation for insurance providers who are insuring heritage homes designated under either Part IV or V to provide the reconstruction of heritage attributes in the event of damage.
- There are two challenges often faced by insurance providers: risk, and the question of replacement in 'like kind and quality.'
- Anecdotally, it was found that in the event of damage, it is believed by insurance professionals that a designated heritage home will need to be replaced in its entirety.



Source: Susan Zettell
(<http://susanzettell.blogspot.ca/2011/08/goderich-tornado-aftermath-personal.html>)



The relationship between heritage designation and insurance premiums has been discussed in multiple publications:

- Issues of the Heritage Canada Foundation magazine;
- Publications created by the Insurance Bureau of Canada;
- Legal Cases;
- Newspaper articles; and
- Bylaws affecting heritage properties

Various sources suggest that heritage homeowners may be experiencing difficulty in obtaining property insurance:

- In 2003, Heritage Canada reported that a heritage property owner in Wentworth, NS, requested to have the designation removed.
- In 2004 in Welland, Ontario, property owners were subject to a dramatic increase upon the designation of their home.
- In 2011, Ontario saw the challenge of municipal bylaws

- The study employed anonymous surveys
- 51 responses were received from Ontario and BC
- Not statistically significant, but indicative of an issue
 - 88% of respondents currently own a heritage home or property.
 - When asked if their heritage property is found within a heritage district, 24% of respondents answered yes, 59% answered no, **and the remaining 18% did not know.**
 - Approximately 94% of respondents stated that they do hold homeowners insurance
 - **49% stated they experienced trouble finding an insurer;** that most providers were too expensive, or they were told that their property was too old to insure.
 - **59% of respondents felt that insurance for properties with a heritage designation is more expensive** than it would be for non-designated properties.
 - Respondents felt insurance was more expensive for heritage designation than for non-designated properties,
 - 69% stated that they believed that the replacement cost of a heritage property would be higher, and 44% of respondents stated that they found this to be true in their own experience.

When asked how to best reduce the cost of the insurance premiums:

- 64% cite upgrades to the home;
- 54% cite seeking insurance from a specialized provider; and
- 41% cite de-designation as an option.



Future Research Recommendations

- A control group should be considered
- Obtaining broader answers from different geographic areas in Ontario
- Extend the survey availability beyond the internet
- A further literature review including legal documents as well as consumer research on insurance organizations
- Conduct a comparison of homes of the same age and in the same geographic area with and without designation.
- A review of legal cases



Other Key Project Action Needed:

- Information for Heritage Home Owners, and Vehicles to Get Information Out
- Information for Insurance and Mortgage Brokers, and Vehicles to Get Information Out
- Improved Access to Expertise for Valuation of Properties
- Improved Databases Regarding Risks and Repair Costs
- Assessing Whether Current Insurance Instruments Provide Adequate Protection.
- Information to Assist Properties Owners in Reducing Risk
- Information to Assist Owners of Heritage Properties in Working Through The Claims Process
- Advocacy to Encourage Development of More Insurance Instruments to Address Heritage Properties



The Project: Next Steps

- More survey distribution.
- Compile available information (including province-specific heritage requirements that impact on insurance).
- Tweak Carleton survey form and send out for more response.
- Establish a project steering committee.
- Involve insurance industry reps (try to get concrete information on relative insurance costs, risks, payouts for older properties).
- Get information on heritage insurance issues and practices in some other countries (US, Great Britain, Australia).
- Develop information packages for home owners and for the insurance industry (articles for magazines, pamphlets for Heritage Associations etc).



Request for Information/Opinions on Insurance for Heritage Properties

If you have information or views you wish to share please contact us.

If you wish to join the project team please contact us.

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Source: M Létourneau