

Property Insurance for Heritage Homes

Heritage properties are important landmarks of local history. They're charming, full of character and sometimes unpredictable. The municipal, provincial or federal government may "designate" heritage properties, which protects them from demolition or alterations.

Concerns over the affordability of heritage property insurance have emerged in the last few years. If you are considering buying a heritage property or already own one, it's important to know how to insure it properly.

What's different about insurance for heritage properties?

Heritage properties are considered a specialty risk and require expertise to underwrite. Insurers must assess the age and condition of a heritage building, as well as its mechanical systems.

In general, heritage properties are more expensive to insure due to the increased cost of repairs and maintenance required. Many heritage properties were not built to meet today's building and safety standards.

What are some of the current issues affecting heritage property insurance?

Depending on where you live, provincial and municipal governments have different rules and

requirements for heritage properties. This creates confusion and uncertainty for insurers when they are trying to structure coverage as there is no consistency and rules can vary. Insurers without expertise will likely decline to insure heritage properties.

Owners of personal homes that have a heritage designation need to ensure the replacement cost values in their insurance policy match the actual cost to rebuild based on the home's designation. Many specific issues and responsibilities related to a designation only arise when people are searching for insurance. Some heritage homeowners believe they can simply transfer the coverage from the previous owner.

Commercial buildings that have a heritage designation have similar issues to residential homes,

but often on a larger scale. For example, heritage properties that have been converted to condos result in one insurance policy affecting a number of unit owners.

Heritage properties that serve as both a residence and a business are always insured as a commercial building and have some of the most challenging insurance issues. It's critical to work with an insurance representative who has experience in this type of property. Some hybrid residential/commercial heritage properties must obtain commercial coverage that covers both the residential and business portions of the property.

What you should understand about insuring a heritage property

On the surface, heritage property insurance typically covers the same things as a standard homeowner's policy.

Ask your insurer if they can provide an appraiser who has experience evaluating heritage properties. The appraiser will be able to give you an accurate assessment of the true rebuilding cost of your home and potential future replacement costs.

All types of property insurance – whether commercial or personal – are currently experiencing pressures related to high inflation, shortages of materials and skilled trades, and an increase in catastrophic weather events. This has increased claims costs across Canada and is putting pressure on insurance premiums.

Factors that can affect the insurance premium of a heritage property

- Residence type, size, construction and location
- Fire protection – distance to fire hydrants, distance to firehall and whether it is full time or volunteer
- Loss experience and history

- Policy and coverage chosen
- Basis of claims settlement: "like, kind and quality"
- Modern building materials and workmanship versus those of the past
- Architectural details and millwork
- Contaminants such as asbestos, lead paint and mould
- Delays due to local bylaws and planning approvals
- Increased claim settlement costs.

Recommendations to help in the insurance process

Insurance Bureau of Canada (IBC) recommends that heritage property owners put together a risk prospectus for their property. The risk prospectus document can be shared easily with insurance brokers or agents. The details provided will help an insurer better assess the risk associated with the property and make an informed decision about the coverage needed.

Some of the information that should be included in the risk prospectus include:

- Photographs of the property
- Dimensions and square footage of property
- Descriptions of unique features
- Custom materials and workmanship
- Maintenance history of the house and details about the construction (roof, windows, doors, foundations)
- Details and documentation with dates of any updates to:
 - Electrical
 - Plumbing
 - Mechanical systems (e.g., HVAC)
- Historic designation assigned to the property
- The municipality's planning requirements for heritage properties in the event of a partial or total loss

- Copies of the municipality's heritage bylaws
- Independent replacement cost appraisal of the property.

IBC has a risk prospectus template that can be downloaded [here](#).



Insurance tips for heritage property owners

- **Shop around:** Find an insurance representative who understands the specific risks associated with heritage properties.

- **Reduce the risk:** Protect the property through risk mitigation measures to reduce the chances of making a claim.

- **Maintain detailed and accurate records** about the property, including its unique characteristics: This will help the insurer to accurately assess the risks to the property.

- **Purchase adequate insurance coverage:** Guaranteed replacement cost coverage – the full cost to replace the heritage property – may not be available, even as a policy add-on. For this reason, it is important to purchase sufficient insurance coverage to meet any heritage regulation requirements.

For more information, contact Business Insurance Helpline
1-844-2ask-IBC, or visit www.businessinsurancehelp.ca.