

Insuring your heritage home

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So you need to insure your heritage home.

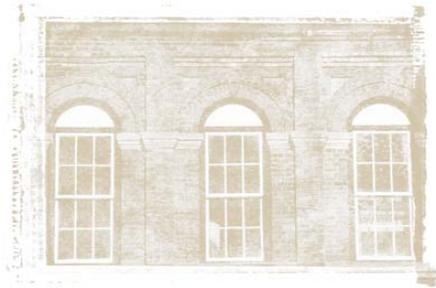
First off, congratulations. It is a unique opportunity - and challenge - to own and preserve a piece of Canadian history.

And the truth is...

Insuring your heritage home is not as hard as you think

Though it may be risky for some, there are a number of insurers out there who would be happy to insure your heritage home. And there are several ways to make it easier for them to do so:

- 1. Shop around.** It is an insurance broker's responsibility to find the best possible policy for you at the best price. But a broker works with a limited number of insurance companies (and an insurance agent represents only one company), and there may be other insurance companies ready and willing to insure your home. It may mean a few more phone calls, but it can pay to compare.
- 2. Remember, it's not just about price.** When shopping around, you may want to consider the claims settlement process and the amount of the deductible. Perhaps you want the assurance of 24-hour claims service or face-to-face contact with an insurance representative, just to name a few service options.
- 3. Reduce your risk.** Take the steps necessary to protect your home and reduce the chances of making a claim (e.g., install smoke detectors and centrally monitored burglar and fire alarms). The cost of insurance is directly related to risk. By helping to reduce the risk of suffering a loss, you make it possible for your insurer to offer you a lower price. Choosing higher deductibles will also reduce your premium, because by doing so you share more of the risk.
- 4. Keep accurate records.** Heritage homes often have unique features - such as antique chandeliers and plaster mouldings - that add significant cost in the event of a loss. If you keep a record of these details, insurers can more accurately assess the cost of replacement, and are more likely to offer you affordable coverage.
- 5. Buy enough insurance.** Unlike car insurance policies, home insurance policies are very individual and can be tailored to meet your needs. It may be tempting to save a few dollars and reduce the coverage on your home, but if you need to make a claim, this minor savings could mean that there isn't enough insurance to replace your precious possessions.



Insuring your home is a challenge for insurance companies, too.

You're probably not aware of the challenges faced by insurance companies when insuring an historic home. According to the insurance contract, insurance companies must replace your home with "like kind and quality" - insurance-speak for putting your house back, as closely as possible, to the way it was before the loss. And your home, because of its cherished features, is expensive to replace with "like kind and quality."

Here are just a few examples of how your home may be more expensive to replace than a "regular" house:

- **Plaster mouldings, specially milled baseboards:**

The contractor cannot simply go to the local building centre and pick up the required materials. Often, special craftspersons must be brought into the rebuilding project. Depending on where you live, the right people may be more difficult to find. The cost to rebuild your home may also change over time as some of the unique features become more difficult to replace due to changes in the availability of the required materials and specialty contractors.
- **Planning approvals:** There are often more layers of bureaucracy involved in repairing or rebuilding a heritage home. In addition to the costs incurred in seeking these approvals, insurers must also pay for your temporary living arrangements for a longer period of time than would be the case with a "regular" house.
- **Claims settlement costs:** The extra time required for approvals and repairs also means that a heritage home claim can be open on an insurance company's books for a longer period of time. When insuring a heritage home, an insurance company must be willing to take on the added costs of managing a lengthy claim.
- **Insurer expertise:** In order to adequately assess your home, insurers must have appraisals done by qualified professionals with expertise in evaluating heritage homes.
- **By-laws:** In some jurisdictions there are special by-laws that affect how your home is rebuilt. It is generally a requirement that all heritage homes be rebuilt on the original site, to the original occupancy, using materials similar to the like and kind that existed at the time it was built. These requirements must be factored into the insurance company's estimate of the cost to rebuild your home. By-laws also change over time and may affect the replacement cost of your home. This unknown needs to be factored into the pricing structure so your insurer collects enough in premiums from all of the risks it insures to pay for the cost of rebuilding your home.

Also, if your home is made with what are now known to be contaminants (such as asbestos), special disposal must be arranged, and this also adds to the cost of a claim.

It's all about risk.

But in other ways your home *is* just like a "regular," older home. It's inherently risky for an insurance company to insure an older home, because there are so many unknowns. That's why insurance companies may ask for proof of updates. For example, some insurance companies want some kind of guarantee that any home, whether heritage or not, and designated or not, does not have knob-and-tube wiring (which can increase the chance of a fire if the wiring has deteriorated or has been damaged during renovations). Also, the roof must have been updated, normally within the previous twenty years. The plumbing may have to be upgraded to copper or plastic and the heating system may have to be upgraded to an acceptable heat source (e.g., a forced air gas furnace or electric heat) or be inspected by a qualified heating specialist. For a row house or a semi-detached home of any age or designation, your insurance company may also be interested in proof of an adequate fire-break between the homes.

The age of any home creates a higher number of maintenance issues due to wear and tear over the years. Insurers are looking for well-maintained, quality homes with good claims records.

If you have any specific questions about insurance for your heritage home, do not hesitate to contact one of Insurance Bureau of Canada's regional consumer centres.

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