

Getting Insurance For Your Heritage Property Insurance Industry Working To Make it Easier

by Jane Voll

If you are the owner of a heritage property, securing coverage for your unique dwelling may no longer be as difficult, or as cost-prohibitive, as you think. The improved outlook is partly thanks to an upturn in the insurance market, but also has a lot to do with the insurance industry's efforts to better communicate with this group of homeowners.

Over the past few years, owners of heritage properties have had their share of trouble securing the home insurance coverage they need. But they are not the only ones. Under pressure from market forces that restricted the available supply of insurance, many insurance companies changed their market practices by sticking to safe, predictable risks and avoiding business with the potential for large surprise losses. For many companies, this meant avoiding anyone with a prior history of claims. For some, it also meant staying away from anything unique, such as heritage homes, because of the uncertain cost to repair and replace these homes. Other groups that faced similar difficulties in securing affordable home, auto or commercial insurance included snowmobilers, emergency services personnel, dog owners, Legions and other non-profit groups.

Recognizing that any solution to the problem requires greater understanding on the part of insurance companies and consumers, the Insurance Bureau of Canada (IBC) established the Availability Steering Committee in February 2003. This Committee consists of insurance company executives, and its mandate is to facilitate a dialogue between the insurance community and groups of consumers (or organizations) that have unique insurance challenges. Members of the Committee have met with representatives of a number of groups over the past several months, and much progress has been made toward finding workable solutions that address the needs of insurers and consumers.

Brigid Murphy of The Dominion of Canada General Insurance Company, a member of the Availability Committee, says consumers should understand that the "availability" problem is not nearly as severe as it was. As industry profitability improves, companies are more willing to take on these kinds of risks. "I know of at least one new product that is being introduced specifically for heritage homes, and I know insurers have become more proactive in developing the understanding and expertise needed to properly assess these risks. On the other side of the equation, owners of an older home need to understand that their home will be costlier to repair, and their premium will reflect this. They can help to keep premiums down by taking steps to reduce their risk and make their home more insurable. I believe there is broad understanding in the industry of the need to make products available for every consumer and, with the goodwill that has already developed on both sides, solutions will be found to provide more choice to owners of heritage homes," she says.

Earlier this year, Committee members met with representatives of the Heritage Canada Foundation in order to gain a better understanding of issues pertaining to owning these treasured structures, and to share insurers' concerns related to insuring them. The insurance industry's main message was that there are things homeowners can do to make insuring their home easier— and more affordable.

One common-sense suggestion was for homeowners to shop around for home insurance just like they would for any item (furniture, jewellery, vacations, etc.) that costs several hundred dollars or more. "Often, when it comes to buying insurance," says Stan Griffin, President and CEO of IBC, "consumers don't take the time to find out what their options are. One broker or agent does not represent all insurance companies, and some companies will not insure heritage homes because they don't have the expertise to properly assess the risks involved. Other companies specialize in just this kind of risk, so it is important to seek out multiple quotes in order to get the best deal for the coverage you need. Consumers who shop around...get the full benefit of the competitive market."

Insurers also shared tips related to reducing risk, and thus reducing the chances of making a claim. The

cost of insurance is directly related to risk, so by taking steps to reduce the risk of suffering a loss, homeowners make it possible for companies to offer them home insurance at a reasonable price. These tips are useful to anyone wanting to pay less for home insurance, but are particularly pertinent to those who, for one reason or another, are having trouble getting affordable coverage. Suggestions included ensuring that fireplaces and any heating appliances do not pose a fire risk; replacing any knob-and-tube wiring; installing centrally monitored smoke detectors and a burglar alarm; and fixing broken steps or porch railings. All of these measures make a home more attractive to insurers and help lower premiums. Another suggestion from insurers, more specific to heritage homes, was for owners to keep accurate records of the homes' features. Because heritage homes often have unique features—such as antique chandeliers and plaster mouldings—that add significant cost in the event of a loss, insurers often shy away due to the uncertain replacement cost. If homeowners keep a record of these details, there is no reason why insurers cannot quote a premium that reflects the risk involved. Other considerations related to hazardous building materials and requirements imposed by the heritage designation were also discussed.

Foundation representatives, for their part, gave insurers some insight into the challenges of owning a heritage home. (A poll of Foundation members—to be conducted late this year, and the results shared with IBC member CEOs—will provide even more insight for insurers into the legitimate concerns of this unique group of policyholders.) They also corrected some of the misconceptions insurers may have regarding heritage homes.

Brian Anthony, Executive Director of the Heritage Canada Foundation, is optimistic about the collaborative relationship developing between the Foundation and the insurers. “There is a great opportunity for us to work together in developing solutions to some of the problems encountered by owners of heritage properties. A major step in that direction will be the development of informational material to assist the insurance industry in better understanding the needs of heritage property owners, on the one hand, and to familiarize owners of such properties with the insurance industry on the other,” he says.

It is hoped that, by educating insurance underwriters about heritage homes and the people who own them, they will be better able to assess the risk associated with these properties, and affordable coverage will become easier to find.

There are many promising signs that the problem is easing, not only for owners of heritage homes, but in all insurance markets. In large part, this can be credited to a return to profitability for the insurance industry in 2003 (a trend that seems to have continued into 2004). When business is healthy, companies look to expand into markets they might have previously avoided, and new companies come into the marketplace with additional product offerings. This is the current environment, and so those having trouble finding insurance can expect things to improve. With the Availability Steering Committee, insurers are laying a foundation of understanding and co-operation that will serve all involved the next time the insurance cycle reduces the supply of affordable insurance, and calls for a creative response.

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EDITOR'S NOTE:

If you are having difficulty either finding insurance for your heritage property or renewing an existing insurance policy, please contact the Heritage Canada Foundation by phone at (613) 237-1066 or by e-mail at heritagecanada@heritagecanada.org. Similarly, feedback on this article is welcome. Please send your comments to the Editor at cquinn@heritagecanada.org