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

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Source: Ottawa Sun (www.ottawasun.ca)
• 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.
• 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.

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).
- Tweek 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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