

There are more than 100,000 heritage-listed properties in Australia, and most are routinely insured in the same way as any other property.

Some property owners have, however, encountered difficulties obtaining insurance when going through a call centre. This is because call centres are set up to deal primarily with new buildings or 'standard' policies.

Any problems can normally be overcome by finding the right person within your preferred insurer and providing them with the information they need to cover your property. Arranging your insurance through a reputable insurance broker is an alternative to dealing with an individual insurer.

The insurer's perspective: the basic principles of insurance

It is useful to understand the insurer's point of view and information that helps them make decisions when insuring a property.

Risk assessment

Insurance is mainly concerned with underwriting risk, which requires an insurer to estimate:

- the potential for loss
- the likely frequency and severity of that loss
- a premium commensurate with that risk.

In determining the extent of risk, insurers will need certain information, regardless of whether a property is heritage listed or not. For example, the insurer will want to know if your building:

- is well maintained
- has any special or unusual features
- is plumbed and electrically wired to meet modern standards
- is continuously occupied, and the intended use of the building
- has a fire alarm and/or an intruder alarm system, and if it is monitored
- needs to be repaired by skilled tradespeople and whether suitable material is readily available, in the event of damage.

Insurance against loss: not maintenance cover

Insurance policies are not maintenance contracts and are not intended to help an owner with wear and tear. Insurers will generally not offer standard insurance cover for a poorly-maintained or neglected property.

Total loss vs partial loss

Total loss is rare therefore claims against building insurance policies are usually based on partial loss.

The point at which a building becomes so damaged it cannot be repaired and represents a total loss, is difficult to quantify. However, damage or destruction of up to 60% of the building fabric will often be considered as partial loss. Damage in excess of this may be assessed as full loss, but this will depend on which elements of the building or site remain. Your insurer can advise you of its policy on determining full, versus partial, loss.

The heritage perspective: basic principles Repairs in a case of partial loss

If a heritage building is partially damaged, then the threshold at which repair will be expected may be higher for a place that is included in the State Register.

With any claim, the insurer would expect the payout to fund repairs using like-for-like replacement.

For example, an insured Federation house may contain timber windows and door frames, a corrugated iron roof, and internal plaster mouldings. If these were damaged or lost, reinstatement of timber windows (not aluminium), a metal roof (not clay tiles), and similar plaster mouldings would be expected.

For any claim where the original building materials are no longer available, a modern equivalent may be substituted. The insurer should therefore allow for the premium to cover the cost of repairing a building using available materials and specialist trade skills appropriate to the task.

This approach would protect both the cultural-heritage and the financial value of the property.

If a place is so badly damaged that demolition is a possibility, then the relevant local government will seek advice from the Heritage Council before approving demolition.

Total loss

If any heritage building is substantially destroyed to the extent that none, or very little, of the original building remains, much of the heritage value of that place would be lost. Reconstruction would not necessarily restore those values, and as such, would neither be required, nor necessarily favoured.

The insurer does not, therefore, need to make special allowance to fund the replacement of a 'replica' heritage building in the event of total loss.

Determining the sum insured

Working out the replacement value of your property is perhaps the most important part of insuring your property. Setting your value low may save a few dollars in the premium, but this may be very costly in the event of a claim where you are deemed to be under-insured.

If you want cover for the complete replication of original fabric elements, this would be treated as a special case and the insured value would need to reflect this. Most insurers provide online calculators to help you decide how much cover you need, although some companies may require a registered valuer undertake a valuation of your property to be certain of its replacement value.

As noted above, reconstructing an original building after total loss is not generally an outcome that would be considered appropriate on heritage grounds. More commonly, a replacement value is agreed that provides enough funds to build a modern replacement building of similar scale.

The cost to repair a heritage building after partial loss may sometimes be greater than the cost of providing a replacement building, and could well exceed the value of the property. It is this scenario that provides the greatest difficulty for insurers. However, it is one that can be reasonably calculated in the same manner as other risks and costs.

Heritage listing status

Not all heritage listings are the same – properties can be included in local government Local Heritage Surveys, Heritage Lists or in the State Register of Heritage Places. The type of heritage listing may result in different requirements to repair the place in the event of damage. It is advisable for you to know the type of heritage listing that is relevant to your property when dealing with an insurer.

When discussing your property with an insurer

Make sure your property is in good repair and all services comply with current standards.

Keep current photographs of your property that can be easily supplied to the insurer. Also, keep records of any improvements you have made including the expenditure involved, and be willing to supply them. Provide the insurer with good reason to accept the risk. Know your own claims history, and accurately describe your property in terms of scale and finishes.

Don't think that under-insuring will save you money – it could cause you to be refused cover, or create problems with a future claim.

If you are dealing with someone in a call centre, you may need to persist by explaining your situation further and, if necessary, speak to a more senior staff member.

Check what kind of 'heritage listing' applies to your property – different listings mean different things. Contact the Department of Planning, Lands and Heritage if you are in doubt.

What if insurance is refused?

If insurance is declined, upon request, section 75 of the Insurance Contracts Act 1984 requires insurers to provide in writing its reasons for declining insurance.

Alternatively, other insurers can be approached, or an insurance broker can help you find an insurer that will meet your needs.

Further assistance

If you are having difficulty in obtaining insurance, contact the Department of Planning, Lands and Heritage for advice. Telephone (08) 6551 8002, freecall 1800 524 000 or email info@dplh.wa.gov.au.

If you have serious concerns, you can discuss the matter with the Insurance Ombudsman Service on 1300 780 808.