

# Insurance for Historic or Listed Buildings

by D. Wohltan  
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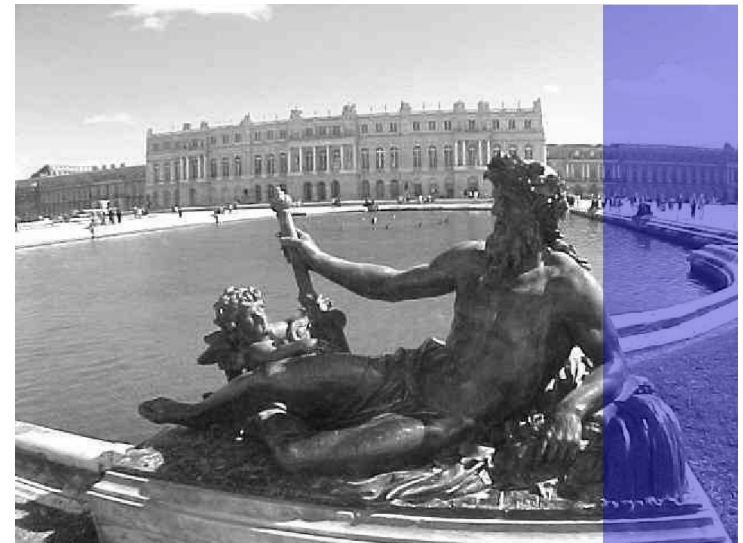
# is there something special ?

- ⇒ unawareness of the complexities involved in insuring listed buildings
- ⇒ great responsibility to preserve and protect buildings for future generations
- ⇒ consequences of under-insuring a listed building
- ⇒ proper valuation and protection



# Dealing with ?

- ⇒ insurance basics related to ...
- ⇒ special insurance issues on historical buildings
- ⇒ future concepts
- ⇒ european outlook



## ⇒ **PROPERTY INSURANCE**

- physical damage upon structure, fabric and external features of a building or structure
- contents insurance or stocks insurance items not permanently fixed to the building including furnishings, and personal possessions
- fine arts (works of art, collections etc.) – see also homepage <http://www.icom.org/trafic.illicite.html>
- belongings to guests or visitors



## ⇒ PROPERTY INSURANCE

- gardens and ornaments insurance to cover statuary or soft landscape
- cash (regular and in transit)
- software & data
- non licenced-vehicles or machines
- chain-recovery-costs



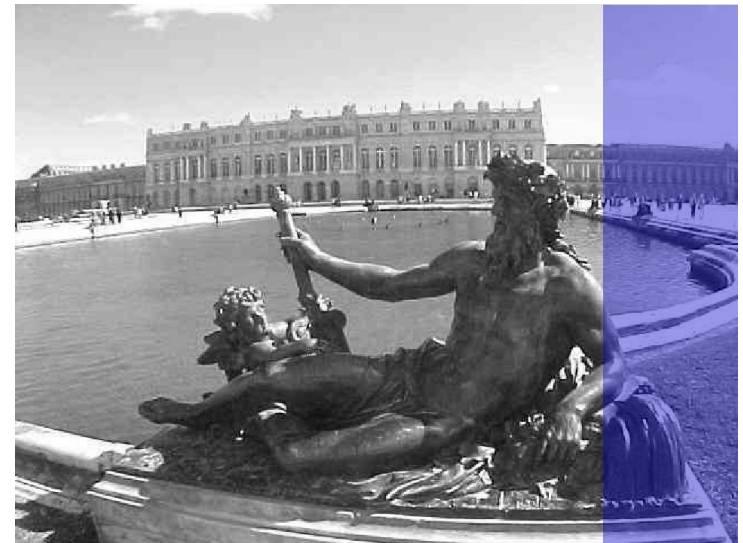
## ⇒ PROPERTY INSURANCE

- temporary cover for historic building works and conversions - insurance clauses included in any building contract need to be closely studied
- engineering insurance cover for damage or loss of mechanical systems such as lifts, boilers, ventilation systems and lifting equipment (also under earth like sprinkler systems, heating, air-conditioning etc.)



## ⇒ PROPERTY INSURANCE

- contractors AR-insurance
- debris removal coverage
- insurance against terrorism



## ⇒ BUSINESS INTERRUPTION INSURANCE

- consequential loss insurance or loss of profit insurance provides cover for loss of revenue from visitors or rent and other consequential financial loss such as temporary relocation, removal and storage costs
- according to the property insurance all locations should be included



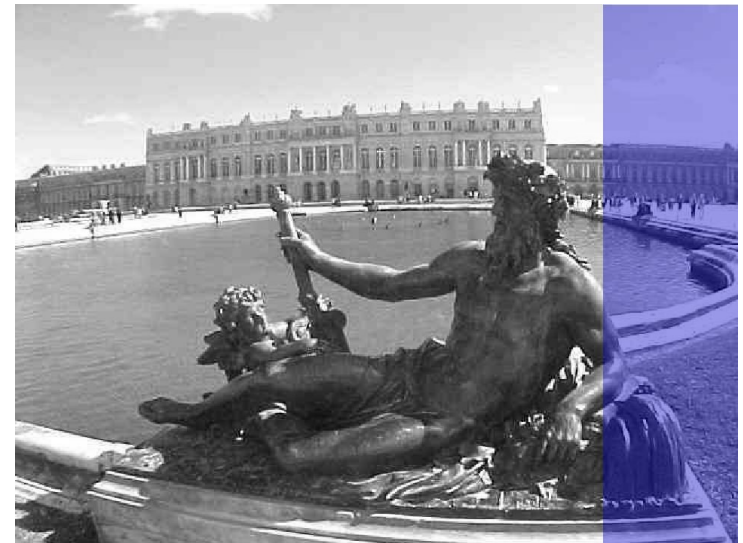
## ⇒ PUBLIC/THIRD PARTY INSURANCE (TPI)

- proper description of the business is crucial (events, exhibitions, office, etc.)
- TPI provides cover for claims for damage to persons or property, made by employees, visitors and neighbours
- contractor or subcontractor risks; tenant-risks
- vehicles on site; custody (items worked on etc.)
- environmental risks



## ⇒ PUBLIC/THIRD PARTY INSURANCE (TPI)

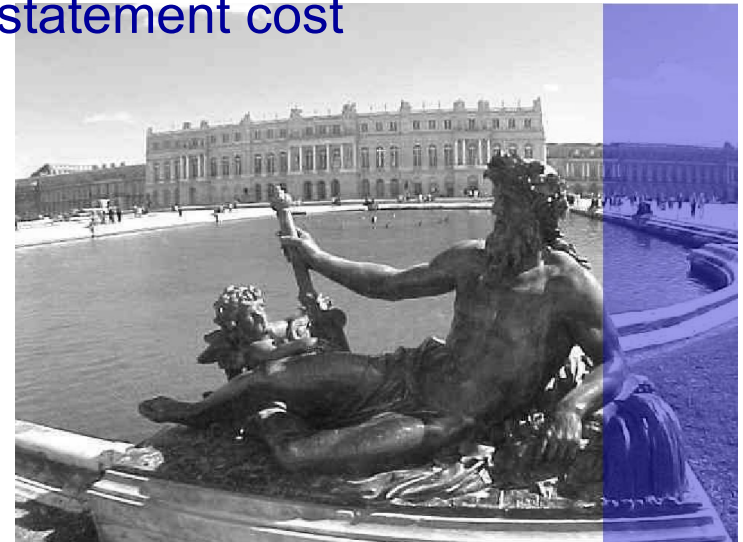
- pure financial loss risks
- risks arising from rental aspects
- radioactive clauses



# special insurance issues on historical buildings

## ⇒ Total reinstatement

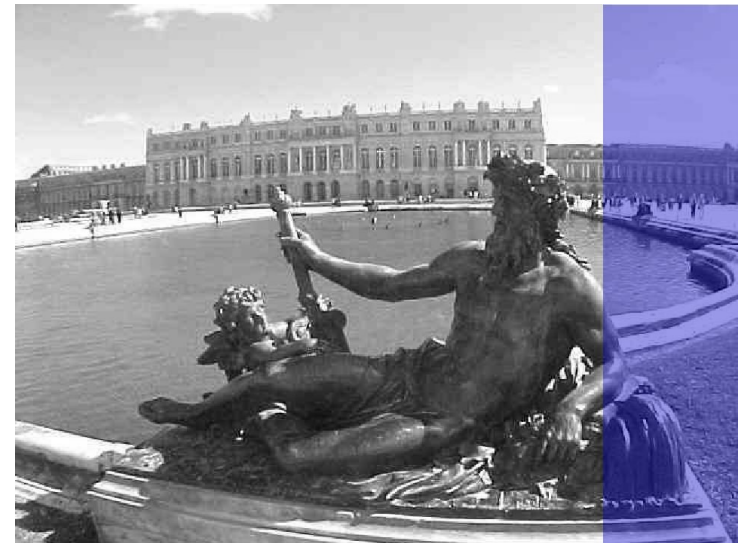
- provides a level of cover which in the case of total destruction should enable the owner to completely rebuild to the same design quality and style but in accordance with current legislation. Similarly, in the case of partial loss, it enables the repair and rebuilding of the damaged and destroyed parts.
- often we discover that many larger properties are insured for their market value and not the reinstatement cost



# special insurance issues on historical buildings

## ⇒ **Modern material clauses**

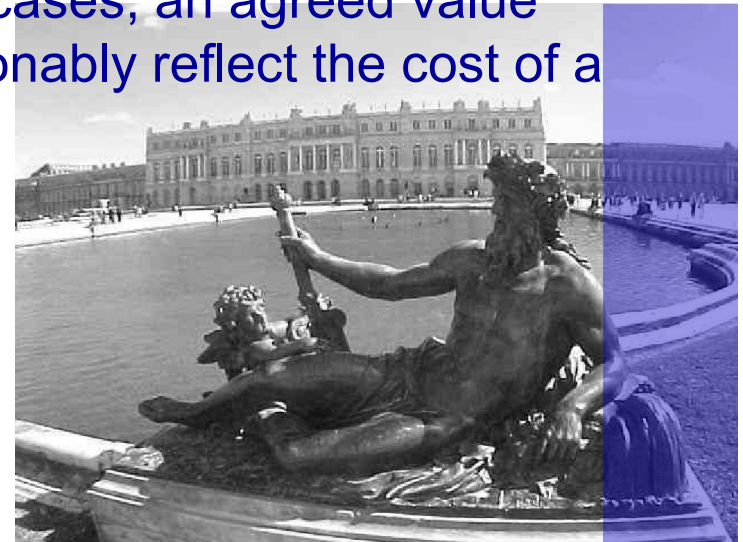
- enable reconstruction to the same design but using modern and more readily available equivalent materials. Therefore cover should compensate for full cost of repairs to scheduled monuments and listed buildings, also for buildings in conservation areas, where all repair and replacement work would usually be required to match the existing in material and detail.



# special insurance issues on historical buildings

## ⇒ **First loss and agreed value insurance**

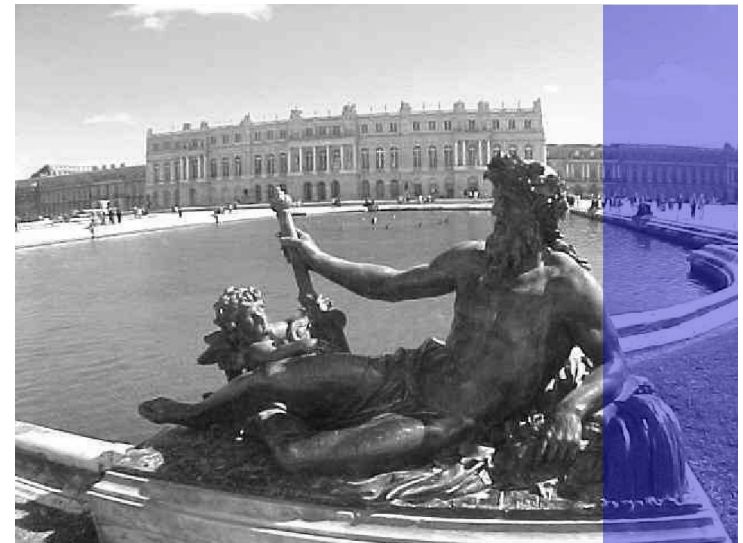
→ provides cover to the largest single risk which may be represented by the largest building within a group or the most vulnerable part of a single building based on a single event. If the value of the reinstatement or rebuilding exceeds the value of cover, recompense may be limited to value of the lesser. A similar principle may be applied to irreplaceable works of craftsmanship or artistry which are deemed to be part of the building fabric. In such cases, an agreed value may be covered which might reasonably reflect the cost of a contemporary replica.



# special insurance issues on historical buildings

## ⇒ Indemnity cover

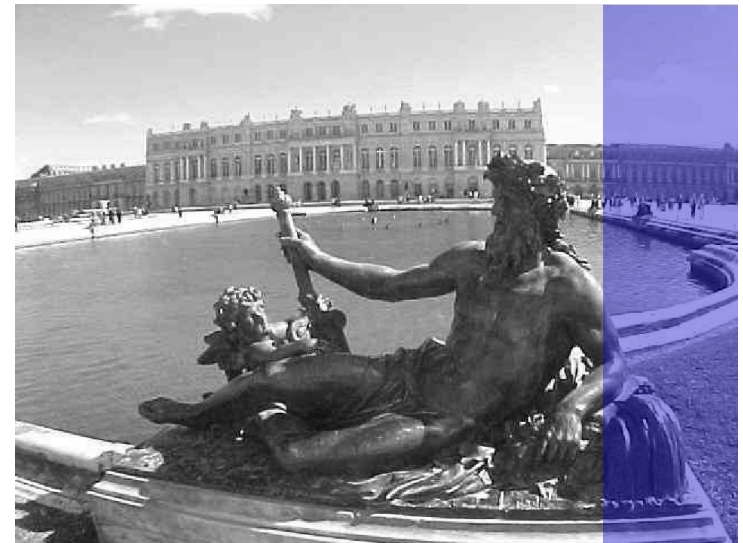
- Provides enough money to build a modern replacement building in the event of total or near total loss. Once again, complications will occur in the case of partial loss whereby statutory requirements may impose the need to reinstate on a „like for like“ basis, in which case the full cost is very unlikely to be covered under such a policy.



# special insurance issues on historical buildings

## ⇒ Average cover

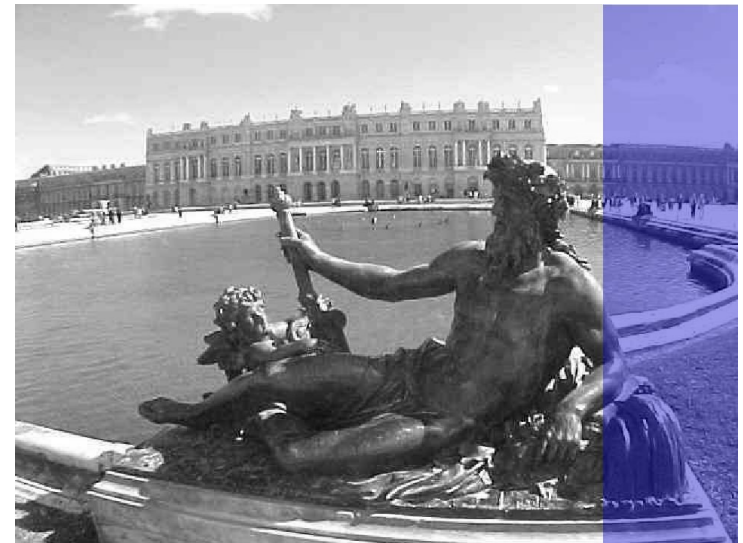
- Limits final payment to an agreed proportion of the actual total value of cover compared to the full reinstatement value. In effect, this would leave the building knowingly under-insured



# special insurance issues on historical buildings

## ⇒ No rebuilding insurance

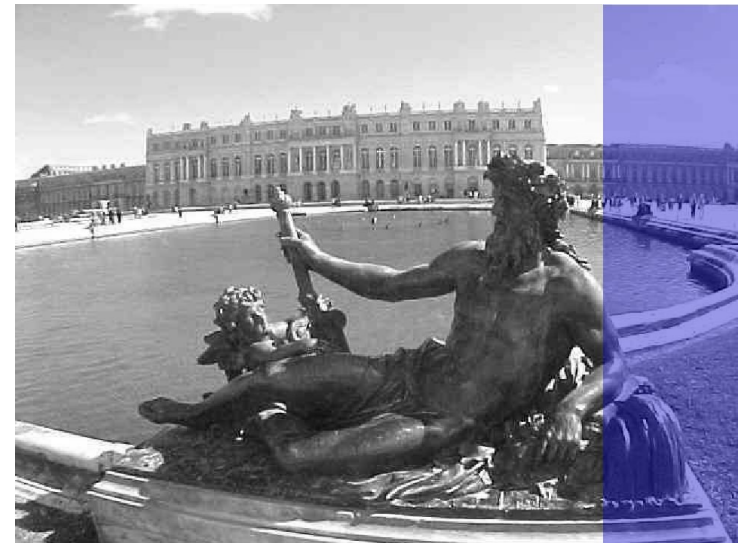
- with certain monuments, reinstatement would detract from the historic value and if commercial value is not significantly affected, there may be little point in reconstruction.



# special insurance issues on historical buildings

## ⇒ Valuations

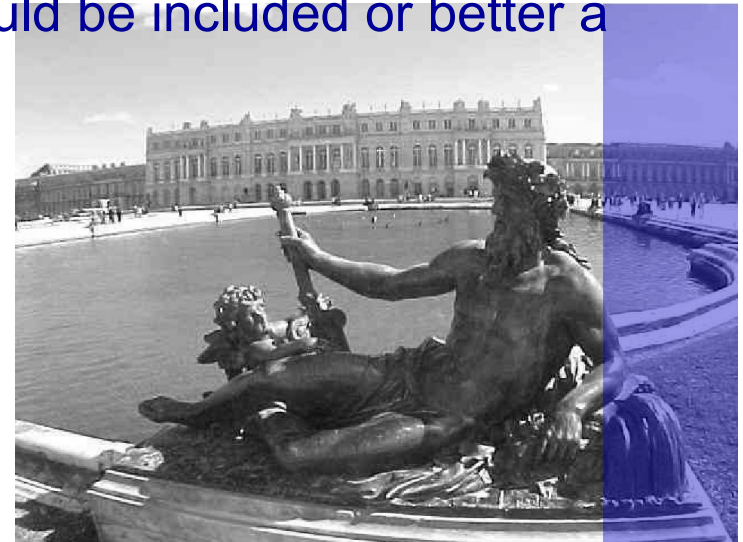
- value needs to include not only the cost of reconstruction but also allowances to build to current legislation, inclusion for demolition, temporary site works and clearance, professional fees, VAT, plus any other directly related expense. The value must be calculated to cover a loss on the last day of the insurance cover, plus any inflation which may occur in the time taken to establish and complete a contract for reinstatement.



# special insurance issues on historical buildings

## ⇒ Valuations

- Reasonably accurate figures may be produced by calculations based on costs per metre cube and cost modelling with professionals and valuations should be updated annually or, if an inflation provision is in-built, every five years.
- permanent records of the building to aid reinstatement like photographs, cross-referenced to scaled plans, ideally drawn cross-sections and elevations should be included or better a photogrammetric survey.



# special insurance issues on historical buildings

## ⇒ Valuations of antiques and works of art

- the cover provided is for an „agreed value“, and „depreciation following insured damage“ is also included. For example: a painting is valued at \$50.000,-. On being damaged, it is restored but the re-valuation is at only \$25.000,-. The financial loss of \$25.000,- would be paid by insurers.



# special insurance issues on historical buildings

## ⇒ Perils

→ Allrisk

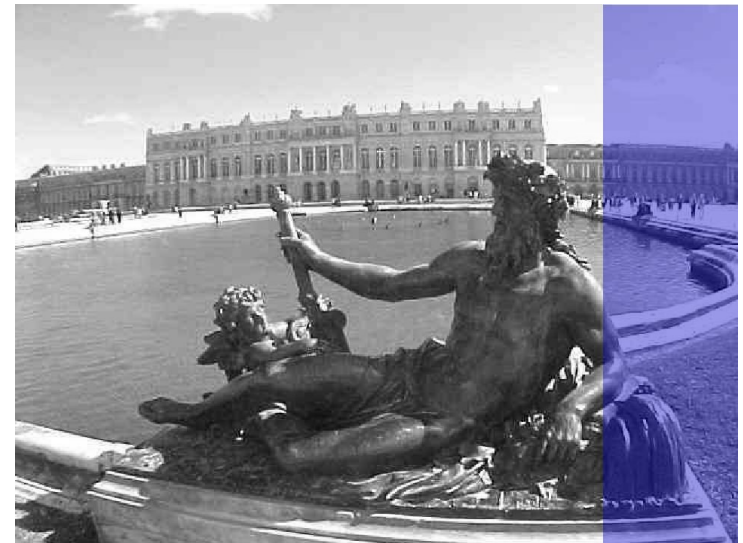
→ or nearly equivalent



- ⇒ **Funk provides the adequate insurance cover for historic buildings** to preserve and conserve the historic, architectural and archaeological interest of the building.
- ⇒ At first we want **to try some pooling of heritage-insurance premiums nationwide** as premiums tend to decrease according to a larger number of risks (risk-sharing)



- ⇒ large estate owners and public entities which do not insure the properties as a consequence of very high premiums can then **afford the money to preserve listed buildings**



- ⇒ Funk as special broker of the european insurance industry is in the position to head a **european-wide pooling of heritage-insurance premiums**
- ⇒ The **european heritage-network should profit** from that action if they want to insure their properties adequate.



# Thank you for your attention!

Mag. Dietmar Wohltan

Funk International Austria GmbH  
A-1010-Vienna · Lugeck 1

fon: 0043-1-58910-301

fax: 0043-1-58910-222

mobil: 0043-664-461 90 83

mail: [d.wohltan@funk-austria.com](mailto:d.wohltan@funk-austria.com)

