

INSURING YOUR HERITAGE PROPERTY

As the custodian of a heritage place you are among those contributing to the care and maintenance of more than 100,000 heritage-listed properties in Western Australia.

An essential component of caring for a place is making plans for restoration and repair if the property is damaged. This document outlines what you need to know as the owner of a heritage place to ensure it is adequately insured.

THE HERITAGE PERSPECTIVE: BASIC PRINCIPLES

HERITAGE LISTING STATUS

Not all heritage listings are the same – a heritage property may be included in the local government's Local Heritage Survey, the local Heritage List and/or in the State Register of Heritage Places. In each case, the property has been defined as a place that holds cultural heritage significance. The type of heritage listing may result in different expectations and requirements for repair of the place in the event of damage.

HERITAGE VALUES

The choices made on repair and restoration will be informed by the heritage values associated with the place and its identified cultural heritage significance. The heritage assessment of the place will detail what values – aesthetic, historic, social, scientific, or spiritual – the place demonstrates and why it is significant. The statement of significance, included in the assessment or place record form, is a summary of these cultural heritage values.

It is advisable for property owners to know the type of heritage listing and the key values relevant to the property when dealing with an insurer. The type of listing indicates the approvals and advice that may be needed for repairs, while the values will indicate which parts of the building or property contribute to heritage significance.

Information on the heritage listing for your property and its associated assessment documentation is available from the inHerit online database. If you need further advice on the heritage listing of your property, contact the Department of Planning, Lands and Heritage.



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
- has an identified and established use
- has a fire alarm and/or an intruder alarm system, and if it is monitored
- needs to be repaired by skilled tradespeople
- will require specialist materials in the event of damage, and if so whether these are readily available.

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. This is often one of the main obstacles in obtaining insurance and one of the primary reasons for insurers reducing the value of a payout for a successful claim.

TOTAL LOSS VS PARTIAL LOSS

The point at which a building becomes so damaged it is determined to be a total loss is difficult to quantify and is assessed on a case-by-case basis. As a broad guide, damage or destruction of up to 60 per cent of the building fabric will often be considered as partial loss, but this will depend on which elements are lost and the condition of those that remain.

Total loss is rare, therefore claims against building insurance policies are usually based on partial loss. Your insurer can advise you of any policy it operates on determining full, versus partial loss.

REPAIRS IN A CASE OF PARTIAL LOSS

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

With any claim, the insurer would expect the payout to fund repairs using like-for-like replacement. For example, an insured Federation style house may contain timber windows and door frames, a corrugated iron roof, and internal plaster mouldings. If these are 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 values embodied in the building and the financial value of the property.

If the partial loss includes the garden or landscaping around the heritage building, this should also be replaced like for like. Significant plants that have been identified within the heritage assessment of the place should be replaced with a like species.

CASE STUDY

The fire at the Guildford Hotel in 2008 resulted in significant damage to the building's interiors and the loss of almost all roofing material. This was, however, determined to be only partial loss. The remaining structure was stabilised; some of the physical fabric that was damaged or lost was replaced like for like, or with modern equivalent materials; and some fire-damaged fabric was incorporated into the new design. A relevant consideration was that the structure had been altered from its original design and little of the interior design and layout contributed to the heritage significance of the place.



Images courtesy of Squint Photography

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.

If a State-listed place is so badly damaged that demolition is a possibility, then the owner should seek approval from the relevant local government. The local government will then seek advice from the Heritage Council before approving demolition, and the Council will indicate whether demolition can be supported, and whether any conditions should be attached to any approval.

Interpretation of the heritage place, if totally lost, may be required, or remaining physical elements to be included in the new building. This will be determined on a case-by-case basis. Interpretation can take a number of forms and the owner will be free to propose solutions based on the Council's conditions. Further information and ideas can be found in the Heritage Council publication [Interpretation](#).

HERITAGE AGREEMENT

Some heritage listed properties have a heritage agreement on the property's title, which is a legal agreement between the property owner and local government and/or Heritage Council. As well as outlining specific conservation and maintenance works for the property a heritage agreement will generally require owners to maintain current insurance for the property for its full replacement value.

Where a heritage agreement is in place and requires insurance against total loss, the Heritage Council may apply a higher threshold when determining whether an event of total loss has occurred and the demolition of remaining fabric can be supported. As above, this will be determined on a case-by-case basis.

PROPERTY OWNER PERSPECTIVE

Most heritage listed places 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 variation or complexity can lead to the insurer declining a request for insurance or quoting prohibitive premiums.

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. You may need to persist by explaining your situation further and, if necessary, speak to a more senior staff member. Arranging your insurance through a reputable insurance broker is an alternative to dealing with an individual insurer.

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

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.

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.

- Keep information on the property's heritage listing and any other documentation such as a Heritage Agreement which can be provided to the insurer. This notes the specific conservation and maintenance requirements for the property.
- 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 DECLINED?

If an insurer chooses not to insure a property you can request a written explanation of its reasons for declining insurance. It should be noted that insurers are increasingly refusing to insure properties against certain events where the risk is considered too high. For example, if your property is situated in a floodplain you may not be able to secure insurance against flood damage. This should not, however, prevent insurance against other events.

For any complex case, or if you are simply finding that negotiating insurance call centres is causing difficulties, an insurance broker can help you find an insurer that will meet your needs. The [National Insurance Brokers Association](#) provides information on insurance brokers and lists available brokers.

HERITAGE GRANTS AND INSURANCE

Making a claim on your insurance does not necessarily mean that you cannot seek further assistance from a heritage grants program. If, after applying all of the insurance payout to making the necessary repairs, the property owner incurs out-of-pocket expenses there may be grant programs that can assist. Some exclusions generally apply, such as the excess on the insurance claim, which will rarely be eligible for assistance.

Grants may also be appropriate to support optional or additional work that you undertake, with the agreement of your insurer, at the same time as repairs are being made. This may be to improve stability or resilience of your building, or address existing conservation issues such as the replacement of asbestos, restoring features that were lost before the insured event, or reversing works that are not sympathetic to the place.

Where a potential grant program exists it is important first to secure your property against further loss or damage, and then initiate discussions with your insurer and the grant-giving organisation.

The Heritage Council of Western Australia acknowledges the traditional owners and custodians of land and waterways across Western Australia. The Heritage Council is committed to reconciliation to improve outcomes for Aboriginal and Torres Strait Islander peoples and to work together to provide a culturally-safe and inclusive environment.

Disclaimer

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formats on application to the Department
of Planning, Lands and Heritage
Communications Branch.

FURTHER ASSISTANCE

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