

## Insuring heritage buildings

The right insurance – for the right amount – is vital to protect the buildings that are often the largest single asset of a business, charity or individual.



*The Grade B listed Larbert House in Stirlingshire, which had been derelict for several years, was badly damaged by a fire in 2006. Designed by David Hamilton, the house was built for Sir Gilbert Stirling in 1822. (Photo: Central Scotland Fire and Rescue Service)*

Insuring a heritage building is essentially no different from insuring a modern one. The difficulties usually arise from deciding for how much to insure. The following relates to buildings which are in a generally good state of repair and are occupied. Limitations to the cover available will apply to unoccupied buildings or those in a poor state of repair.

While legislation does impose various duties and limitations on the owner of a listed building, it does not impose a duty to insure. Prudent owners regard adequate insurance as essential not only to protect the property but also to enable them to meet their statutory obligations. But an owner can be required to insure under the terms of a mortgage, lease or repair grant.

It is important to understand exactly what risks you are insuring against. In broad terms there are two types of cover, generally referred to as 'comprehensive' and 'all risks'. Comprehensive insurance cover provides protection against major risks, which typically include fire, lightning, explosion, aircraft, storm and tempest, flood, burst pipes, malicious damage, theft, subsidence, landslip and impact by road vehicles. Other risks are also included but vary from insurer to insurer. All risks insurance provides cover against any kind of loss or damage unless it is specifically excluded. Policies

vary but typically exclude rust, dust, fungus, insects, vermin or any gradual cause.

The object of an insurance policy is to place the insured in the same financial situation after the loss as they were in immediately prior to the loss. The sum insured under the policy, which should be based on the rebuilding cost of the property, represents the limit of the insurance company's liability in the event of a loss. Three types of cover are available for buildings:

- *Reinstatement cover* provides for the rebuilding of the property to the same design and to the same quality as the original, and in accordance with current building regulations. Partial losses would be dealt with by covering repair or rebuilding of the property. This is the usual form of cover for heritage buildings.
- *Indemnity cover* provides for rebuilding as above but a deduction is made in respect of any existing wear and tear. This form of insurance is not recommended for buildings as it can result in the owner having to finance a significant part of the cost of repair themselves.
- Under *first-loss cover* or *agreed value* the sum insured is based on an estimation of the cost of the largest single loss resulting from a single event, usually fire. The policy cover is limited to the amount selected. In the event of the damage exceeding this amount, the excess cost will fall on the owner.

