



Assessing Sums Insured for Heritage Assets

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John Foord undertake a significant number of heritage asset valuations globally. One of the major challenges with the insurance of heritage buildings, wherever the asset, is the correct approach to assessing the "replacement cost" for insurance purposes.

The International Public Sector Accounting Standards Board (IPSASB) describes heritage items as 'items that are intended to be held indefinitely and preserved for the benefit of present and future generations because of their rarity and/or significance in relation, but not limited, to their archaeological, architectural, agricultural, artistic, cultural, environmental, historical, natural, scientific or technological features'.

Allowances are then made for costs and time relating to approval by the appropriate heritage authority of construction materials and modern or alternative construction methods.

In practice, reinstatement of a heritage asset after a loss is fraught with complications including the requirement to meet modern building codes, the lack of suitable craft skills, compliance with heritage regulatory bodies, public and local government sentiment, as well as the ability to source appropriate (original) materials in a manner that meets the required aesthetic and performance levels.

Where a property consists of a combination of heritage elements or where the heritage designation applies to only part of the property, e.g., the building facade is designated heritage, but the interior space and roof is not, the costs of reconstruction could represent a mix of current reproduction and current replacement costs.

“ Clients require independent valuers they can trust to deliver reliable and accurate figures ”



Where a market in historic properties exists, market value may well exceed an estimate of their reconstruction cost. Alternatively, even if the construction of the building can be duplicated (at considerable cost), the value of the property in the absence of market support may be far less than this reconstruction cost.

One point to note is that in certain circumstances, in a complete loss situation, the local heritage bodies may consider that the unique heritage element is irretrievably lost and may therefore allow the property to be replaced with a modern replacement.

Understanding what can or cannot be done, in the event of a loss, also involves interpreting the attitude of the appropriate heritage bodies. While there is rarely a black and white answer, we typically engage with these bodies during an assessment to get opinions of what might be allowable and what approach may need to be taken to replicate an asset after a loss.

When carrying out assessments, John Foord consider all these issues as well as looking into how properties may practically be replicated, e.g. using replacement modern foundations that have no bearing on the aesthetic look or feel of the final asset yet meet modern building code and simplify construction.

Engaging with local heritage bodies, or considering previous experiences, is also critical in assessing an appropriate rebuild period. Given the nature of heritage assets there are numerous stakeholders who may have a statutory or expected input into discussions on reinstatement. This can delay the start of construction for months or years.

Allowances for demolition and debris removal for heritage properties can present unique challenges. Often heritage properties are in conservation areas where there can be restrictions on access or operations so increasing these costs.

Case Study #1

A major company owning several heritage buildings needed reliable and accurate value at risk figures to insure their assets. There were statutory requirements in place for rebuild process to follow defined conservation management plans and the various building conservation extra costs had to be taken into consideration – such as additional professional fees, increased lead time, conservation approval costs, complexity of rebuild, etc.

John Foord Approach

We worked with the client to understand which areas are of heritage significance and consulted references on restoration processes. Our team also undertook in-depth research to the level of detail of the number of suitable stonemasons available in the country, whether quarries were producing the same stone and whether replacement ceramic tiles could be reproduced using the old techniques. Using this approach, we were able to provide the client with an overview of the components that made up the insurable values as well as constraints that must be taken into consideration.

Case Study #2

A client was in the process of converting a historical building into a hotel, and the building included elements with both heritage significance and non-heritage significance.

John Foord Approach

We carried out a detailed assessment and where applicable, considered the modern construction and/ or restoration technology available, with the end view of putting the architectural and heritage significance of the building into its original glory. Using these techniques, we were able to present accurate and justifiable replacement values that included for both the heritage and non-heritage elements.

About John Foord

Founded in London in 1828, John Foord specialises in the valuation of plant, equipment and property. As an independent advisory firm, we support clients across 45 countries and value assets exceeding \$100 billion US dollars per annum.

- Our services are used by leading insurers, reinsurers, brokers, asset owners and financiers across sectors internationally
- Our team consists of highly qualified industry specialists with valuation, surveying and engineering backgrounds

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