

Local Government Insurance Trust

RISK MANAGEMENT BULLETIN

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Historical Buildings

Introduction

Historical buildings maintain the historical significance of our towns and communities. Therefore, preserving them is of value and concern. For our purposes, Historical Property means a district, site, building, structure, monument or object included on the National Register of Historic Places or otherwise designated by resolution of the Named Insured to be historic property, including artifacts, records and remains related to such district, site, building, structure, monument or object.

Risk Management

The significant difference between a regular building and a historic building is the valuation. Once a historical building is damaged, the repairs may need to meet the requirements dictated by the historical register, if any. In other words, it may require repairs using the same materials and methods originally built. Because this may be a unique material or specialized workmanship, the increased cost could be 500% more. Therefore, if you based your policy limit on regular building cost, you would have inadequate insurance.

The LGIT Property Scope offers our members the freedom to choose between two methods to insure historical properties: Replacement Cost (RCV) and Historical (Reproduction) Cost.

1) Replacement Cost applies to a regular or historical building under the Blanket Buildings and Contents Limit. The building would have Replacement Cost (RCV is repair at today cost new) up to the blanket limit. RCV excludes Reproduction Costs or Historical Costs. These are additional costs that RCV excludes due to specialization of material and labor beyond today's ordinary materials and labor.

2) Historical (Reproduction) Cost is the alternative coverage. The scheduled historical building would be covered to its Reproduction (Historical) cost up to the "stated value" provided in the event of a total loss. The additional costs for the specialized materials and workmanship, if any, would be included.

Sponsoring Organizations



Financial Risk Management determines the Historical value by use of a qualified appraiser. An appraisal can provide RCV and Historical Costs. Provide both values to LGIT to determine the insurance cost to make the best decision to insure at RCV or Historical cost. As of this writing, LGIT is now performing an Added-Value Service, Historical Appraisals for all of our members who have the Historical Option at no cost to our membership.

Please refer to the Building Inspections Section for the Loss Control side of Risk Management.