

Ask the

INSPECTOR...

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I'm thinking of buying an older house. Are there any potential upgrade requirements that insurance companies may have that I should be aware of in order to obtain house insurance for an older home?

To answer this question, we should first clarify the purpose/intent of house insurance.

House insurance is intended to protect homeowners against most unforeseeable circumstances or accidents, but not predictable or inevitable events. Given that insurance companies continually compile and review the causes for insurance claims, they are capable of more accurately evaluating their risk associated with certain building components that have a high claim frequency. To minimize their risk, insurance companies are requiring certain inspections or upgrades to high risk building components be completed to provide home insurance on certain (often new) insurance policies. Their policy modifications are not necessarily related to building code changes and requirements, or technological advancements, but rather are developed to reduce the risk of insurance companies from having to pay out on homeowner claims. The specific inspections or upgrades to high risk building components vary from company to company and from region to region in Canada. Given the wide range of inspection/upgrade requirements that insurance companies may have, it is important for prospective homebuyers to clarify the requirements of insurance companies in your area.

In spite of the wide range of specific inspections and upgrade requirements, there are several common areas associated with homeowner's insurance that insurance companies are concerned. Several of these areas are summarized as follows:

Aluminum Electrical Distribution Wiring

Single strand aluminum distribution wiring was installed in many homes between approximately 1968 and 1978. Due to its tendency to oxidize and its incompatibility with certain fittings designed for use with copper wiring, aluminum wiring has been determined to overheat in certain situations. As long as proper connections are used, and the connections are made without damaging the wire, aluminum wiring is considered safe.

For years, the presence of aluminum wiring in a home has been an item that, if installed and managed properly, has not been a safety concern. However, more recently, several insurance companies have been requiring (for new insurance policies) that the aluminum wiring be inspected by designated electrical inspection/safety authorities, and if necessary, requiring certain upgrades or repairs to fixtures in the home or in some cases, requiring replacement of the aluminum wiring with copper wiring.

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Insurance issues cont...

60-amp Electrical Services were commonly installed in homes prior to 1950. The term "60 amps" represents the maximum amount of current that a home may use from the local utility at one time. It is currently common to install a 100 amp electrical service (as a minimum) in new house construction. Whereas a 60 amp main electrical service is considered small by today's standards, it is not inherently considered an unsafe system. However, there are two common safety issues often associated with older, 60 amp electrical services. These include increased risk of amateurish/unsafe historic electrical repairs and improper fuse size installations associated with the 60 amp system; both of these items can cause overheating of distribution wiring in the home, potentially causing an electrical fire.

Knob and tube wiring is characterized by separately run hot and neutral wires, paper insulated wires, ceramic insulators and the absence of junction boxes at wire splices. If this type of wiring has been professionally maintained since its original installation, is often still a very safe system. However, ungrounded conditions, improper modifications and amateurish home owner repairs of this type of wiring can lead to certain safety/fire issues; this is the main reason why knob and tube wiring is considered a higher risk than contemporary wiring installations.

Regardless of the actual rationale for the insurance companies concerns with 60 amp services and knob and tube wiring, their mere presence in a home is currently a common trigger for further review/upgrades to an older electrical system. Upgrading these components often reduces the insurance companies risk of an electrical fire and subsequent claim.

Galvanized Plumbing. Galvanized supply and distribution piping was historically installed in homes prior to 1950. These pipes commonly rust or corrode from the inside out, often reducing the pressure or restricting the flow of water or worse yet, leaking and creating flood damage to a home. Life expectancies for galvanized plumbing are generally on the order of 40-50 years. Given that many galvanized pipe installations have recently reached their estimated life expectancies, the risk of a pipe leak occurring and the potential for flood damage is high. Some insurance companies are now refusing to provide homeowner's insurance on houses with this type of plumbing.

Fuel Oil Tanks: Fuel oil tanks have been installed across Canada for decades, although they are more common in eastern Canada. In many cases the fuel oil tanks are original or greater than 20 years old. As fuel oil tank/distribution system installations age, the probability for leakage from rust, corrosion, damage, etc. also increases. If a fuel oil leak occurs and goes undetected, the environmental cleanup for such a situation can be immense. More recently, certain insurance policies have limited or not provided coverage for homeowners with fuel oil storage tanks. For further information regarding fuel oil tanks, refer to the Ask The Inspector on our website at www.amerispec.ca for a full article designated to this topic.

Other insurance company concerns can range from fireplaces/wood stoves to roof conditions to asbestos. For further information regarding fireplaces/wood stoves, refer to the Ask The Inspector on our website at www.amerispec.ca. Given the wide range of potential concerns, it is important for homebuyers to verify specific requirements of the insurance company they intend to use.

For further information please contact:

