

INSURANCE COVERAGE ISSUES AFFECTING OLDER HOMES

Did you know that...

If your home is over 30 years old, your insurance company may require you to upgrade the plumbing, electrical and/or heating systems in your home prior to providing you with or renewing your homeowners insurance policy.

Buying an older home

If you are looking to purchase an older home that has galvanized steel plumbing, 60-amp electrical service, knob and tube electrical wiring, a wood-burning stove or a fuel oil tank, make sure to factor the cost of necessary upgrades into your offering price! Your insurance representative will be able to advise you on what upgrades may need to be completed prior to obtaining homeowners insurance coverage.

Your insurance company's concerns with galvanized steel plumbing

Galvanized steel pipes, commonly installed in homes prior to 1950, have an average life expectancy of 40–50 years.

Over time, the galvanized steel pipes begin to rust or corrode from the inside out, resulting in reduced water pressure and restricted water flow. This presents an increased risk of leaks or ruptures occurring in the pipes and the potential for flood damage.

Your insurance company may require you to replace galvanized steel piping with copper and plastic piping before providing you with insurance coverage.

The dangers associated with 60-amp electrical service

Insurance companies are concerned that the 60-amp electrical service, common in homes built prior to 1950, poses the threat of overuse and overheating, potentially increasing the risk of an electrical fire and a subsequent claim.

Before providing you with insurance coverage, your insurance company may require you to upgrade your 60-amp electrical service to 100 amps (the standard for new home construction) or install a switching device that allows for the operation of only one major appliance at a time.

The problem with knob and tube wiring

Knob and tube wiring, also commonly found in homes over 50 years of age, consists of parallel hot (black) and neutral (white) wires, separated by knobs (or insulators) and ceramic tubes.

Knob and tube wiring is considered a higher risk than contemporary wiring installations mainly because

- There is no ground wire (in contrast to contemporary wiring).
- Given their age, the wires are highly susceptible to wearing and exposure, presenting a serious safety hazard.
- The unintentional contact of the hot and neutral wires may potentially cause an electrical fire.

As a result, you may be required to replace all exposed knob and tube wiring with approved permanent wiring material before an insurance company will provide you with homeowners insurance coverage.

Note: Some insurers may consider covering homes with wiring issues if they are inspected by the Electrical Safety Authority in Ontario and deemed safe. It's best to speak to your insurance representative about your specific situation.

Wood-burning stoves can be a hazard

If they are not installed and used properly, wood-burning stoves can pose a serious fire hazard.

To reduce potential risk, your insurance company may require that your wood-burning stove be inspected by a certified Wood Energy Technical Training (WETT) technician and certified by the Underwriters' Laboratories of Canada (ULC), Canadian Standard Association (CSA) or Warnock Hersey before agreeing to provide you with homeowners insurance coverage.

Similarly, your insurance company may request that you have your wood-burning stove thoroughly cleaned and inspected by a professional sweep or technician at least once each year, prior to renewing your policy.

Why your insurance company is asking you to replace your fuel oil tank

Tanks 25 years or older are highly susceptible to rusting, deterioration and leakage and are considered environmental hazards. If a fuel oil leak occurs and goes undetected, the environmental cleanup for such a situation can be immense. A pinhole leak can spill 750 litres of oil in eight hours and have cleanup costs ranging from \$5,000 to \$15,000.

Most insurance companies will only insure a fuel oil tank provided it is less than 20–25 years old and has been inspected and certified by a Technical Standards and Safety Authority (TSSA) inspector.

If your oil tank is 25 years or older, your insurance company may require that you remove and replace it with a gas or electrical furnace, prior to providing you with homeowners insurance coverage.

Given the wide range of inspection/upgrade requirements that insurance companies may have, it's always best to speak to your insurance representative about your specific situation.

For more information on insurance, visit www.fSCO.gov.on.ca.

Financial Services Commission of Ontario
5160 Yonge Street
Toronto, Ontario
M2N 6L9

Telephone: (416) 250-7250
Toll-free: 1-800-668-0128
TTY: (416) 590-7108, 1-800-387-0584

FSCO website: www.fSCO.gov.on.ca