

Bottom Line: Building Codes Can Be Costly

When rebuilding or renovating an old or historic building, changes to building codes can have a big effect on the bottom line. That is because your new building or addition has to meet current federal, state, and/or local building codes even if your old building did not.

Building codes specify the minimum acceptable level of safety for buildings and limit the construction materials and methods that can be used. They also affect plans developed for electrical systems, roofing, sprinkler systems, and even parking spaces.

Picture this scenario: A candle on the altar is not completely snuffed after services. A fire starts that spreads to the chancel and sacristy before being extinguished by firefighters. The historic building was erected in 1905.

When it comes time to rebuild, church leaders discover that they need to install a fire sprinkler system to comply with current building codes. On top of that, the Americans with Disabilities Act calls for exterior changes, including wheelchair ramps. Thanks to new regulations, what started out as a \$500,000 claim is now a \$750,000 claim.

What can you do? Be prepared.

As Raymond LaBarca, Vice President, Underwriting, for The Church Insurance Company of Vermont (CICVT), says, “Check your policy to make sure you have Law and Ordinance coverage with a reasonable limit.” He says \$500,000 is a sensible limit for larger churches, and \$250,000 would likely cover a smaller church.

You may also have an extension on your coverage called Contingent Liability and Increased Cost of Construction, which sometimes handles the cost associated with changes to building codes and ordinances.

How does this affect me?

In many locations, a loss causing damage to 50% or more of the building means you must demolish it, says Satish Jain, Property Underwriting Manager for CICVT. That will cause the price tag to rise significantly because you must meet current building codes when you rebuild.

There is no loophole: “Inspectors will not give you an occupancy certificate until you pass,” he says – and they will be checking to make sure you have adhered to current codes.

“Every state, every county, every city has their own particular ordinances,” Ray says. A good contractor will help you identify what needs to be done to make sure your building is in good standing.