

## Episode 298

# Do I need self build insurance? – with Andrew Reardon

The show notes: [www.houseplanninghelp.com/298](http://www.houseplanninghelp.com/298)

Andrew: Funnily enough, yes. I wouldn't have said that prior to joining ProActive, but yeah. I've always watched Restoration Man, I've always watched Grand Designs, I've always had an interest in it without actually realizing I had the interest in it, if that makes sense. So it's kind of a nice fit really to join a team when I did. I thought actually I could really get into this, and my interest has grown since then.

So I've gone to shows, and everything I can do that's involved in self-build, I'll do it on a personal level as well. And just to give me a bit more of a steer in terms of what's going on in the self-build world, really. So I do find a real interest in it. Certainly, yeah.

Ben: I think over time you learn about the process, don't you, and think, well I'd quite like to do this too!

Andrew: Yeah, absolutely. Well, saying that, I'm not sure I'd like to do it because I have seen a lot of issues that do crop up along the way. But at the same time, I would love to be able to do it as well, being able to build my own property and just fill it with everything I want it to be that's not the new build that I live in, would be amazing to be quite frank, and I'd love to be able to do something like that.

Personally, I wouldn't build it: my DIY is just horrendous. I mean, painting is even a step too far to be perfectly honest. But it is something I would love to do. Certainly, yeah.

Ben: We sound like kindred spirits there. Yeah. I remember when I had some terrible DIY accidents where you know, doing the simplest job. I just thought no, that's not it. No, I'll get someone to help me.

Andrew: Absolutely, yeah. I mean, the bruises that I've got just from the weekend, I've just funnily enough painted this weekend actually, and done a bit of garden work. The bruises and aches I've got from

this tells me that I'm not cut out for manual work to be perfectly honest.

Ben: Yeah, fair enough. You got to know yourself.

So talking about site insurance today. And people have a sense of what insurance is because we have it with the existing houses that we own. So what is the difference between self build insurance and that traditional insurance?

Andrew: Well, it's kind of the same really. It covers the same perils, it covers theft, it covers fire, it covers accidental damage, the kind of things you might come across on a day to day basis, when you do own a home that you're currently living in. But it's designed to cover you through the construction phase, and that's the big difference. So the difference being there is that you've got wider issues, particularly where theft is concerned.

So theft is a massive issue on self build sites, purely because they don't have the same level of security that a larger developer would have, so they tend to be targeted somewhat. And also where liability's concerned as well.

So with both public and employer's liability claims, we come across those on a fairly regular basis. For injuries that occurred on site, either members of public either have wandered onto it and either they're trespassing for that matter, or contractors working on site as well and accidents that occur there.

So that's the big difference between the two is the types of claims, I guess, that you come across. But primarily, it covers similar perils, certainly.

Ben: Let's break those down then because you mentioned a few of them there. So, public liability first of all. Would we ever have public liability just in our garden, because when you've got your plot, you can have it can't you?

Andrew: You can, and it is included as part of your normal household insurance. So if, for example, a postman comes onto your site and trips over a loose paving stone, that's the kind of thing they can claim for.

Subsequently, if you get people around to your house, if they're doing sort of measuring up before any work starts on site, if you're

doing a renovation, for example, again you've got cover for those kinds of instances as well.

But the public liability within a self build policy, yes it's the same, but it's more likely to happen because you've got a building site. And so trips and falls, particularly from high when you're doing roof work and scaffolding is up and the like, then that's when you would see more claims of that instance come in. But again, primarily it's the same sort of cover you do actually get with your household insurance.

Ben: And then we move on to employer's liability. Now this is because some of the build routes would involve you being the employer having subcontractors on site. So, tell us about that one.

Andrew: Yeah, so employer's liability is if you're directly employing somebody to work on site. So if you're project managing, for example, and you're bringing in individual trades, you're bringing in your carpenters, your electricians, your plumbers, then the employer's liability cover is there to cover those guys as and when they're working on site.

The difference with employer's liability cover, is it covers two sections if you like. So, it covers you if you are held negligent if an accident occurs on site, but also acts as a contingency cover if your contractor's insurance fails. So if you've got a main contractor that's coming in, or you've got individual trades that are coming in, they should all carry their own public liability insurance. So that if they cause an accident that occurs on site, say, for example, a plumber causes a fire that occurs on site, it's important to make sure you've got your own employer's liability cover to make sure that it covers those elements so that if they've caused an accident that occurs on site, your insurance will go to the third party to pick up the costs that have been incurred basically.

So that's kind of the issue with those. It kind of as I say works twofold. It covers you but also covers you as a backup, in case your contractor's insurance fails as well.

Ben: Are we saying then that everyone on site really has their own insurance policy?

Andrew: Most do. Any bonafide contractors working on site, such as a plumber, electricians, etc, they should carry public liability coverage as a minimum. However, you might get instances where friends or relatives come in and you might get casual labourers on site.

Casual labourers as a rule won't carry insurance, because the nature of the work is it might just be coming on site for a day, and then going off somewhere else on to a different site. So that's when your own liability cover comes in to pick up those circumstances,

Ben: Because grey areas really are what we want to avoid.

Andrew: Absolutely.

Ben: So how do we do that?

Andrew: The thing to do is to take out self build insurance is the honest answer to that and that will cover your grey areas. So you don't have to worry about necessarily whether or not your contractors have insurance to bring on site or whether or not they're paying their insurances. You need to ask them as a matter of course, certainly. And it's important to make sure that they do have insurance in place. But if they don't, at least you've got something to fall back on with your own cover as well.

Ben: So what do you do? Do you say, can I look at your documents?

Andrew: Yeah, I would always suggest that yeah, and do that upfront as well. It can be difficult sometimes to get insurance details out of someone when there's already been an incident on site. So ideally, pick up their details first.

Ideally, if you can also see their documentation, that would be great as well. It can be tricky sometimes. It's not that easy to be able to get all the documentation that you would need. Certainly ask the question, make sure they've got their own insurance in place before they come on to site. If they haven't, to be honest, steer clear, because public liability for someone like an electrician or a plumber is relatively inexpensive. There's no reason why they shouldn't have it as part of their general insurance package.

So it's important to make sure they do certainly have that cover in place before they come on the site. I say ideally, getting hold of proof of that beforehand as well.

Ben: I know I've said that everyone on site should have insurance, but what if you're just handing everything over to the contractor? It's their projects, they lock up at night, it's theirs? Presumably we then don't need insurance?

Andrew: Not necessarily. So again, this will depend on the contractors that you're bringing in to work on site. So some contractors will carry contract works cover which in essence is the same as self-build. It does the same sort of job if you like, but some of them won't. It depends on the type of builds they undertake, particularly if you're having like a renovation or an extension, for example, then if they're undertaking smaller projects, rather than the new builds, then there's every chance that they won't actually have contract works cover. They might just have public liability cover. So if they don't, then that's when our insurance comes in.

But at the same time, relying entirely on a contractor's insurance is not the best idea because you're relying on them, firstly, keeping up the payments, making sure they've got their relevant cover in place.

So if, for example, you're building a new build property, which is, say £200,000, for example, you need to make sure that your contractor has the same limit under their contract works policy. So they also need to have £200,000 to make sure you're fully covered for your individual build. If they don't have the correct level, then in essence, their insurance is not going to be sufficient to be able to replace your property, if you have a total loss - a fire, for example.

Ben: Let's talk about a claim then, if we need to go down this route. I'm assuming on the grander scheme, this doesn't happen that often, or does it? What percentage of your clients, for example, have to make a claim?

Andrew: It doesn't, thankfully not. Touch wood, it doesn't happen too often, no. As I mentioned earlier, the main claims are for things like theft. We don't get too many things like accidental damage or malicious damage. You don't tend to get too many of those. Storm damage is probably the next one, and then maybe escape of water as you getting towards the latter stages. Particularly if you've got frozen pipes, if the heating isn't on by that point, and you get issues with those as well. But theft is the biggest issue by a long, long stretch. So there's a lot of things you can do. Certainly some things you can do in order to take away that risk, at least.

Ben: And what might those be?

Andrew: Well, in that respect, if for example you're doing a new build. Ideally, if you're building an outbuilding, so if you've got a garage, for example, then it's quite often you see people build that first and then use that as the security on site. So then using it to house materials and tools in particular. The tools and machinery being the

bigger issue rather than materials themselves. And then subsequently, as you get through the build, if you can put in fencing on site, for example, to keep people off site as much as you possibly can, which also helps in terms of public liability as well.

If you want to go to a next level, so CCTV, and that's been quite helpful in terms of keeping people off site, certainly. And then as you get to sort of latter stages when you get in your kitchen equipment, your sanitaryware etc, when that arrives on site, get it in the property as quick as you possibly can. Those particular items and boilers as well, we also see going on a fairly regular basis and being stolen. So if you can hide them away from site or get them in the property.

Or for that matter if you're able to get a sealed container on site always helps in terms of security, so the more you can do the better. We don't have any specific requirement within our policy saying you must have a certain level of security, but the more you can do the better. Because at the end of the day you don't want to be buying your tiles or whatever that might be coming in from Italy, delayed by Brexit, it's taking ages and ages to get here. They eventually get here and then they get stolen straightaway. And that does occur, we certainly do see it happen. And so it's important to make sure you've got everything in place to take that risk away.

Ben: And when it comes to a claim, what are we getting back? You know, how is it all costed up? Is it they've taken those tiles? We'll get the money back to replace those?

Andrew: Yeah, exactly that. So when it comes to a claim, what you need to make sure, there is a couple of things really to make sure you've got evidence of the purchase. So invoices, keep them all in one place if you possibly can so you've got easy access to them to be able to provide to an insurer pretty quickly. Quicker you can do that the quicker that your claim will be paid out.

And then if you haven't got anything like that, invoices or if you've bought something second-hand, maybe off eBay, then again, keep evidence of that. And again, if you've not got anything that's paper related, if you haven't got actual invoices, take pictures of them. And again, keep hold of those as well. Anything you can do to evidence the fact you've got these items that arrived on site, they belong to you. That will always quicken up your claim. The quicker you can get that back to the insurer, the quicker you'll get paid out on your claim as well.

Ben: Have you got any examples of claims? You know, a few things that we can just think ah, so that happened? I'll try and protect against that or, you know, just a couple of ideas?

Andrew: Yeah, I think one in particular that stands out was there was a full roof delivered to a property in London. I think it was about £20,000 I think it was, give or take something in that region. That arrived on site, following day it was stolen. Now, the circumstances behind that were that somebody delivering the roof had made somebody else aware that it was arriving on site. And therefore, it was easy to come in and steal those items, because they knew they were going to be there, they knew they weren't going to be fitted to the property, and that in all likelihood, there wasn't going to be any security. Or at least the delivery driver knew that as well.

So, in those kind of circumstances it's important to make a note if you can, to people that are coming on site. So if you are project managing, then make sure that you're fully aware of everyone who's on site. If they've got IDs, then great and make a note of those as well. And that should then hopefully, take away that element of risk.

But again, it's equally important that when those items do arrive, if you can, to store them away as well, because while they're out in the open, then it will lead inevitably to thefts as well.

Ben: Now, the cases that I think I have seen in my time, this is going back a few years, the copper was stripped out of a renovation project of a friend's. That's one that I've witnessed, and a couple of times I've seen this where a chippies van, for example, has been broken into a load of tools taken. So those are other things that I've seen first-hand. So what would happen in those situations?

Andrew: So with the copper that you mentioned, yes, that is something we've seen before. Not so much now because it's more difficult to sell it on. But we do certainly see things like lead on older properties. Zinc is a more up to date version of that, I guess that we would see as well.

So with any non ferrous metals of that sort, again, it's important to make sure you can house it away in the property, or at least get it fitted as it arrives on site as well, as that takes away the ease of being able to steal it. But as I say it's not something that we see too often these days, because it's a lot more difficult to sell on that it has been in the past at least.

The other circumstance you mentioned in terms of tools. Now, with any items of hand tools or larger items and machinery, you can only insure something that either belongs to you, or that you're hiring in, in your own name. If those are owned by an individual trader, whoever it might be, then they are responsible for their own tools on site. So ideally, ask them if they've got insurance to make sure they are going to be fully covered, because at the end of the day it is going to delay your build. But there's very little you can do about that because it's not something that you can physically insure yourself and get paid out on just as quickly as you would do for any other type of claim within your insurance.

Ben: And one of those situations, the guy wasn't insured. About 30 grands worth of tools gone. It wasn't on site to be fair, it was at his home, but just extraordinary. I couldn't believe that, how you wouldn't insure your own tools?

Andrew: Yeah, we certainly do see that. It's not hugely expensive, but it is a type of claim that we see regularly. And, it's always a question of, of doing what you should do really, and what it says on the sticker on the back of the van. And that's remove all your items from the van overnight because inevitably, people will still try and get into the vans, they'll still try and steal those tools. There's two people that suffer obviously: the trader that's had the items stolen, and therefore replacing them if they've not got any insurance in place, but also for our client as well who is going to be stuck for a period of time and not able to do any work to the property as well.

Ben: Yeah, and it also puts the builder in a bad mood for some weeks! I shouldn't laugh. Okay, just thinking about renovation projects, then largely we've been talking about new build. Are there any nuances there?

Andrew: Yeah, so with renovation projects, it's often thought that your normal household insurance will cover you throughout the build process. Often that's not the case. That will depend on the level of work that you're undertaking to the property and particularly if that work involved is structural as well.

So the important thing to do with your normal household insurance is that if you're currently living in a property at least, would be to contact them firstly, let them know what you're doing. Make sure they're fully aware of everything that's involved in the build process and make sure they're happy to continue cover for you. And if they are great, no problems at all, that's absolutely fine.

What they won't do though is they won't cover the new element of the works, they won't cover the fixtures, fittings, materials once they arrive on site. So in those circumstances, you would need self build insurance to cover if you would like just the new elements and new materials and fixtures and fittings.

That can extend to also include cover for the existing structure as well, if that's what's required, and your current insurer won't provide cover for you. That's the norm, as I say, you tend to find that most insurers, your standard insurers at least, don't like anything that's out of the norm. So they won't tend to offer any sort of cover at all.

The ones that we've come across most often is thinking that it'd be okay, you're just doing a bit of DIY, just changing a few bits and pieces in the property. But insurers need to be aware because they will, unfortunately turn away your claim if there is a fire, for example, that's caused by a contractor that's doing some work on the property. So it's important to let them know first up.

Ben: Let's talk a little bit about policies then. So what do we need to bear in mind when we're looking through policies?

Andrew: The main elements really is what is this for, to make sure you've got cover for. So make sure if you're doing a renovation that you've got cover for the existing structure, and that's as wide ranging cover as you can possibly get. Because it's inevitably when you've got a property that's undergoing construction work to it, it will often be unoccupied, understandably, so that creates other issues. And you've also got work ongoing to the property as well. So it's important to make sure you've got cover in place while that's ongoing. Cover for the new works such as fixtures, fittings and materials once they arrive on site. And then the public and employer's liability cover as well.

The other things to bear in mind as well is when you're doing this type of work is the actual work that you're doing. So if it's structural, or if you're doing any external work, such as underpinning or piling, deep excavation work, then your insurers need to be aware of that. Both self-build insurance and your normal household insurance as well, because the intrusive nature of that type of work and the potential of damage caused to neighbouring structures. So that's something to bear in mind.

But those are the main four elements to look at and particularly where the limits are concerned as well on the liability. So 10 million is standard for employer's liability cover. And ideally, you should

have 5 million for public liability because local councils and utility companies if they're coming onto site, if you've got councils providing building regs, for example, then they will generally insist on 5 million as standard before they will actually even come onto site. So if you've got less than that, it can be a bit pointless, to be honest. So it's important to make sure you've got the correct levels of cover as well.

Ben: And are there any other levels to look at as you as you itemise the other things on there, or does it get so project specific?

Andrew: It is project specific yeah, but there are other issues to bear in mind. So if you're looking at, as I mentioned, things like excavation or piling work, if you're looking to do that within your project, there's also some additional cover which you can look at which we've called non negligence cover. And that's designed to cover you in circumstances whereby if damage is caused to a neighbouring structure, but there's no fault on your part, on the contractors part, even on the architect's part if they've followed all the plans as they should have. But inevitably, because of the nature of the work you're doing, and the proximity of neighbouring properties, then damage is caused to those. And it can be worth looking at. It's not a particularly cheap level of cover, it can be quite expensive, depending on how close you are to other properties and the value of those properties as well, but it is something worth bearing in mind when you're looking at doing quite intrusive work.

Things like piling and deep excavation work in particular, we do see that a lot in London, for example. And particularly when they're adding retrofitted basements and that kind of thing, the chances of collapse for next door neighbours properties are not high, certainly, but there are issues there and we have seen it happen in the past. So it is worth looking at that sort of cover as well.

Ben: And there was that episode of Grand Designs wasn't there when the neighbour's house, they were building on a slight incline, and the neighbour's garden just went off down the slope.

Andrew: Yeah, exactly. That's the kind of thing we're looking at. So deep exploration we see a lot in say Cornwall, for example. A lot, of properties built into the side of hills there. You've got the same sort of issue there where things can collapse when you put retaining walls in and the garden starts to collapse. Obviously there could be a structure behind that as well.

So there's certainly a number of issues there to bear in mind. When you're doing this level of work, getting a professional in is great, but at the same time, you need to make sure you're fully insured in these kind of circumstances as well.

Ben: How is this costed then?

Andrew: Okay, so the site insurance in itself is based on the term that you require your policy for; so 9, 12, 18 months, whatever it might be, or longer if you require it. And the sum insured of your property as well. And that's the major factor within the insurance that we provide.

And then the third, and the slight anomaly is it can be the construction kind of an element to that as well. So depending on the type of construction that you're using, and if it's a standard brick and block you're absolutely fine, no problems at all with that. If you're using something which insurers would deem to be more unusual, a non-standard construction, an ICF or a SIPs, or something of that sort of nature, then that can impact in terms of the premium that you pay for that type of insurance as well.

Ben: So that's an interesting point you bring up and I've certainly come across this before, when they say non-standard construction, you think a lot of people, you know, all of Scotland build with timber frame, why is this non-standard? So are things getting better there?

Andrew: I can't say that they are no, because the issue being is that it's still unusual to them. Because what they don't see is in your larger developments, they don't see that kind of construction, it still tends to be your standard brick and block stone etc. So when it comes to self build, which is still quite niche really, particularly in this country at least, then non-standard construction to them is still non-standard construction.

So you're okay certainly up to it being sort of a certain level in terms of sum insured, but when you start to get into the high hundred thousands, then it starts to have an impact on whether or not you can get any cover at all for that matter, or if you can, what the premium will be for that as well.

Additionally, since Grenfell, insurers are particularly twitchy about non-standard construction when it comes to cladding and the like as well. Because obviously with things like SIPs and ICF, you'll have some form of cladding more than likely on the outside of that, then, again that creates other issues for them as well. So since

Grenfell we've seen insurers pull out of the market, we've seen warranty providers pull out of the market, we've seen some go bust in some cases, because the fines they've received through the upshot of Grenfell and the cladding that's being used. There's certainly an element of doubt about those types of construction still.

As time goes on, I'm sure it will get better and better, but at the moment, because it's still fairly niche to this country, and even more so when using what they would deem to be non-standard construction, for them, it's still not the norm. They're still a bit twitchy about providing insurance for it.

Ben: So you mentioned on some projects, it's possible that you can't even find insurance, what do you do in those scenarios?

Andrew: Well certainly in a couple of cases I can think back to, they've actually changed the construction they've gone for, which is obviously not an ideal. We don't want people to be doing that, unless they really have to.

But if you're using what insurers would deem to be a combustible building, so if you're using an ICF, or a SIPs where you've got in effect polystyrene, you might have some wooden cladding on the outside of that and you've got a lot of combustible elements to it. Although they are treated, obviously, they're not fire retardant, so it does create issues for insurers in that respect.

So in some cases, we have a couple of cases I can remember we have seen people change their mind actually, because they can't get insurance, and either going to have to knock it on the head and not do the project at all, or actually go with a more standard construction type if you like.

Ben: Right, let's talk generally once again, so getting site insurance. Is this a legal requirement? You know, do we have to be covered?

Andrew: No, it's not a legal requirement. Maybe it should be but it's not no. It's often the case that people would deem at the outset there's not really much of a risk around. And to a point, you're quite right, because there's not much in the way of materials, there aren't really many trades on site working. But there is still a risk there in terms of liability cover, and subsequently, any materials that are arriving on site as well.

So in those kind of circumstances, it's important to bear in mind that you need to get cover in place sooner rather than later. Ideally,

before the work starts so you've got the full cover throughout that build process.

But it isn't a legal requirement, you don't have to do it. But when you put in an awful lot of money into the property, two or three hundred thousand pounds, whatever it might be into it, and you're getting towards the latter stages, and you can't get insurance because it's too late because you've gone through the build process pretty much all the way through, then you start to worry because you've got a structure which is almost complete and you can't get any cover elsewhere until you're actually physically signed off by building regs, and you can move it then across to a normal household policy. But until you're at that point, a household insurer just won't consider it at all, unfortunately.

Ben: Are there any other aspects that we should be mentioning that perhaps I haven't asked you a question about?

Andrew: I think the other thing perhaps to mention in terms of the non-negligence cover that I mentioned a little earlier. It's quite an expensive level of cover to take out and a lot of people choose not to, understandably, because of the expense involved in it.

But it's worthwhile undertaking, what's referred to as a Schedule of Dilapidation. And in those circumstances would be to do a bit of a reccy basically, of neighbouring properties around you. Check if there's any pre-existing damage. If there is then noting that in some way, so take photographs of it. So what you don't get is frivolous claims coming in later down the line where your next door neighbour's saying, well actually, you've just caused the damage to this structure, and I want you to fix it. At least you can then prove at that point, that's not the case, you didn't cause the damage and then you shouldn't have any problems.

So that's something to bear in mind if you're undertaking work, which doesn't necessarily have to be intrusive, it doesn't have to be piling or excavation, but if you're working close by to other structures, particularly if you're doing structural work, an extension, for example, then that's something to bear in mind and look to do before the work starts ideally.

Ben: Is documenting the project in terms of photos and video, is that useful or really doesn't matter when it comes to site insurance?

Andrew: It doesn't matter necessarily, but it can be useful on occasion, certainly. It might seem a bit anal when you're going through that

process, because you really want to make notes of everything that you're doing to, you know, just can look back at it at a later stage.

But actually, it can sometimes be useful when it comes to a claim, a fire claim for example. If you've got pictures of your property that's showing it actually the day before your fire occurred, then that's not going to do any harm at all in terms of pushing your claim forward. Inevitably, a loss adjuster will come out onto site anyway regardless, but the more you can evidence, what you've already done, and the work you've put into it and what it looked like beforehand, then that certainly won't do any harm at all. Absolutely not.

Ben: Well, Andrew, thank you so much for coming on today. I appreciate all the information that you've given us. And good luck with that self build one day down the road.

Andrew: Thanks Ben. Cheers.