

Self build insurance

Managing risk at each stage of your self build project

This document is designed to provide guidance on the risks you are likely to be exposed to at the various stages of your self build project and possible solutions.

Inception and pre-construction

Phase of project	Risk factors	Solutions	
		Risk management	Risk transfers
<p>Appraisal</p> <p>Financial assessment (bank lending, credit security etc.). Client's needs and objectives are identified.</p> <p>Business case and possible constraints on development are identified.</p> <p>Preparation of feasibility studies and assessment of options to enable the client to decide whether to proceed.</p>	<p>A lack of understanding of the brief – failure to meet the client's expectation.</p> <p>The quality and feasibility of the architectural plans and/or product/component specification.</p> <p>The accuracy of the financial estimates.</p> <p>The general quality of the advisers used (the solicitors, the accountants, financial planners etc.).</p> <p>The clarity of the specification of works and the ability of the various parties to communicate.</p>	<p>Having a good ongoing working relationship with professionals and ensuring local specialists are used when necessary.</p> <p>Employ the use of qualified and specialist professionals for the sector.</p> <p>Employ architects that are members of Royal Institute British Architects (RIBA).</p> <p>Use solicitors which are of Law Society and Excel standard and are a construction specialist practice.</p> <p>Use insurance brokers who are FCA registered, BIBA members and Lloyd's accredited and have an expertise in the sector.</p> <p>Ensure accountants are Institute of Chartered Accountants registered in England and Wales.</p> <p>Make sure a clear project plan is in place and all parties are communicated to in order that everyone understands their roles.</p> <p>Having an insurer backed bond assists the employer as it saves the use of the bank's overdraft facility and assists the cash-flow which is critical in the current economic climate.</p>	<p>Specific Single Performance/Guarantee/Retention Bonds This is a special financial contract from an insurer backed bondsman. It is normal to pay 10% of the contract value if the instructed party does not fulfil his/her contractual requirement.</p> <p>Performance bond facility for subscribing STA members – a bespoke bond facility for multiple members which would include the potential to replace one STA member with another if one should become insolvent. This would ensure the quality of the work remains consistent and would be exclusive to STA members.</p> <p>Credit/Deposit insurance Cover where the developer does not commence the new home due to fraud, insolvency, bankruptcy or liquidation, in which case insurers would refund the policyholder the holding deposit paid (subject to the financial limitations); or where the developer has commenced but fails to complete the construction of the new home due to insolvency, bankruptcy or liquidation, in which case the insurer would either: arrange the completion of the new home by another developer (potentially a STA member); or fund the reasonable cost of completing the new home to the original specification; or refund the policyholder an amount up to the deposit paid (as specified on the insurance certificate).</p> <p>Escrow Placing deposits with a third party to keep safe until work completed. It is usual to use a solicitor – Withy King for England & Wales, or Simpson Marwick for Scottish Law.</p> <p>Latent Defects and Building Warranty insurance This is a cover for the property which commences when you receive planning permission. The insurance policy includes assistance from the insurer's appointed surveyor, who can give advice and review the site ensuring nothing has been overlooked etc.</p> <p>Throughout the build, the insurer (via the surveyor) visits the build to ensure they are happy with the work, continually reviewing quality and so preventing problems at a later time. Assistance is available with contracts and procurement issues and negotiations with the contractor can be carried out on behalf of the employer/owner.</p> <p>To assist with the financial element of the policy the premium is payable in agreed stages to help the cashflow.</p>
<p>Design</p> <p>DESIGN BRIEF</p> <p>Development of initial statement of requirements into the design brief or on behalf of the client, confirming key requirements and constraints.</p> <p>Identification of procurement method, procedures, organisational structure and range of consultants and others to be engaged for the project.</p>	<p>Collateral Warranties.</p> <p>The preparation of the contract documents and the allocation of liabilities.</p> <p>Defective title – rights of way, public footpaths.</p> <p>Planning constraints – custom, chancellery, land covenants, brown field sites, flood plains and green belt areas.</p>	<p>Ensure computer data is always backed up daily so that there are duplicated records easily available in the event of a loss.</p> <p>Contract terms and conditions should be fully considered and checked by own contract experts or referred to solicitors or legal advisers to ensure they are unambiguous.</p>	<p>Professional Indemnity (design & build)</p> <p>To protect negligent acts such as wrongful advice and incorrect design to third parties.</p> <p>The professional advisers must have adequate and suitable Professional Indemnity insurance cover. This should be in place in order for the recovery of your insurer's outlay in the event of a claim caused by an adviser's negligence.</p>

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<p>DESIGN CONCEPT</p> <p>Implementation of design brief and preparation of additional data.</p> <p>Preparation of concept design including outlined proposals for structural and building service systems, outline specifications and preliminary cost plan.</p> <p>Review of procurement process.</p> <p>DESIGN DEVELOPMENT</p> <p>Development of concept design, including structural and building service systems, updated outlined specifications and cost plan.</p> <p>Completion of project brief.</p> <p>TECHNICAL DESIGN</p> <p>Preparation of technical design(s) and specifications, sufficient to co-ordinate components and elements of the project.</p>	<p>Building regulations and other statutory controls – need to ensure compliance with all regulations including Part L for conservation of fuel and power and Part P for electrical safety.</p> <p>Party wall matters – ensuring access to premises, copies of drawings and site plans are available, surveyors fees, correct insurance is in force which covers all parties.</p> <p>Environmental issues such as pollution, remediation, environmental agency compliance and local authority regulations.</p> <p>Insecure finances of all parties involved in the construction and contract.</p>	<p>Ensure an audit trail in place for checking other parties in contract have Professional Indemnity insurance in place in order for subrogation rights.</p> <p>Due diligence of the pre-construction process.</p> <p>Carry out a pre-site survey to assess the requirements.</p> <p>Carry out geological testing for ground suitability.</p>	
<p>Production information and tender</p> <p>Preparation of detailed information for construction.</p> <p>Preparation of tender documentation.</p> <p>Identification and evaluation of potential contractors and specialists.</p> <p>Obtaining and appraising tenders.</p>	<p>Failure to incept appropriate insurance policies. Own insurances need to be adequate to ensure correct inner limits and warranties, height and depth limits and ensure any high risk locations such as airside, hazardous sites, dockside etc., are covered as appropriate.</p> <p>All contractors' and sub contractors' policies also need to be checked for correct cover and to ensure the limit of liability is adequate to satisfy own insurers.</p> <p>Loss of interest on borrowed capital with monies outlaid on materials not used and which cannot then be reused on another contract immediately or at all.</p> <p>Insolvency or liquidation of contractor or sub contractors.</p>	<p>Prepare risk assessments and method statements.</p> <p>Ensure credit checks are carried out on contractors/sub contractors.</p> <p>Ensure references are checked for all contractors used. If bona fide sub contractors are used they should have their own insurance cover in place.</p> <p>These policies should be vetted properly as we have seen many claims repudiated due to business activities not being disclosed, or certain restrictions such as limited height and depth work.</p>	<p>Business Interruption covers Loss of advanced profits, financial loss and gross profit and revenue protections.</p> <p>Directors' and Officers' Liability To provide cover to protect the individual and the entity, in particular persons with managerial and supervisor positions providing legal expenses to defend a case brought against such persons.</p> <p>Legal Expenses Insurance covers available are: Contract Disputes, Employment Issues, Tax Investigation, After the Event insurance.</p> <p>Environmental Liability This is a very specific cover and can be expensive. Usual covers are: Environment Damage, Remediation Costs, Working with Authorities, Regulatory Debts.</p> <p>Defective Title insurance A defective title means that there are problems with the title deeds relating to a property – they may be lost, missing, stolen or inadequate. If a third party attempts to enforce any interest adverse to the title deeds and the title is defective, this could cause any number of disputes.</p> <p>Chancel insurance Chancel insurance is a liability some property owners in England and Wales have to fund repairs to the chancel of their local church. This responsibility of owners of once rectorial land exists forever.</p>



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Construction

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<p>Mobilisation</p> <p>Letting the building contract, appointing the contractor, issuing information to the contractor.</p> <p>Arranging hand-over of site.</p> <p>Construction to practical completion</p> <p>Administration of the building contract to practical completion.</p> <p>Provision to the contractor of further information.</p> <p>Review of information.</p>	<p>Health & safety risks on a construction site are as follows:</p> <p>Trips and slip hazards on the construction site.</p> <p>Working at height and the danger to employees by falling. In addition, items falling and causing injury.</p> <p>Working at depth has potential problems for employees due to suffocation if land fell into trench.</p> <p>For timber frame, fire risk is considered a larger risk than most construction methods.</p> <p>Security of the site is a high risk as so many pieces of small plant tools are left on site overnight and are usually theft attractive.</p> <p>Non-Negligent Liability – If a project is running late for whatever reason, there can be advance loss of profits/rent lost if the premises cannot be rented out or occupied by a business and earning money.</p> <p>If a project runs overdue it can incur loss of interest on borrowed capital, which affects the bottom line for a company.</p> <p>Liquidated and Ascertained Damages due to not complying with the project contract conditions.</p> <p>Excess completion costs are incurred if change of the works have to take place due to badly planned drawings or incorrect advice from badly appointed professionals.</p> <p>Force Majeure.</p>	<p>Ensure there is a clear incident reporting procedure in force for claims and near miss incidents.</p> <p>A fully detailed disaster recovery plan should be in place to ensure that alternative suppliers can easily be sourced.</p> <p>This should be communicated to all key staff so that they are aware of their responsibilities/roles in the event of loss or damage.</p> <p>A fully detailed health and safety procedure should be in place with risk assessments, method statements, recording of PPE equipment, COSHH assessments, audit trails, tool box talks and site safety awareness etc.</p> <p>Refer to '16 Steps on Fire Safety on a Timber Frame Construction Site'.</p> <p>If the timber panels have windows and doors factory installed off site, this would assist in the prevention of the structure being exposed to the risk of fire from arson, which the insurance market would look favourably upon and assist with the premiums being discounted.</p> <p>Windows and doors installed off site would also increase security of the structure, meaning reduced risk of theft including tools, equipment, machinery, stored goods and valuable metals, e.g. copper piping and wiring.</p> <p>Site Safety Risk Management Scheme.</p> <p>Health & Safety At Work Act.</p> <p>Compliance with LOLER and PUWER.</p> <p>Check driving licences for details of employees' driving convictions etc.</p> <p>Plant third party road risks.</p>	<p>Contractors all risks insurance</p> <p>Covering various elements:</p> <p>Employers' Liability This is a compulsory legal insurance requirement for any company or person who employs someone. It protects the employer from being held responsible for a negligent act resulting in an accident to an employee carrying out duties or activities during his employment.</p> <p>Public Liability This insurance covers injury or damage to a third party as a result of a negligent act from the activities on the build. Although not compulsory it is an important cover. If bona fide sub contractors are used they should have their own insurance cover in place.</p> <p>Contract Works This section covers the materials being used for the build whilst on site including transit to and from site and can be extended to include:</p> <p>Owned Plant It is vital to ensure you have a suitable sum insured for the plant the business owns otherwise insurers apply 'average' on a claim made where underinsurance is apparent.</p> <p>Hired in Plant On occasions when a piece of equipment is required to be hired by a company i.e. Tower Crane, it is vital to have the correct sums insureds on the insurance policy.</p> <p>Employees' Tools Some companies supply the tools for their staff but some do not. If employees use their own tools for the business with the value of tools such as snap-on etc., this could be costly.</p> <p>Insurance for JCT 6.5.1 (formerly known as 21.2.1) This is a Non-Negligent insurance that is usually in the name of the employer and the contractor for an agreed indemnity amount caused by collapse, subsidence, heave, vibration, weakening or removal of support or lowering of ground water arising out of or in the course of or by reason of the carrying out of the works.</p> <p>Engineering Inspection To ensure that you comply with statutory inspection of plant under the Health and Safety at Work Act, it is imperative that an inspection policy is issued for your lifting and pressure system equipment.</p> <p>Motor Fleet To ensure that you comply with the road traffic act cover, a Motor Fleet policy needs to be issued and with the most recent legislation it is important the unlicensed plant is also insured for third party risks.</p>

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Post-construction usage

Phase of project	Risk factors	Solutions	
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<p>Post-practical completion</p> <p>Administration of the building contract and making final inspections.</p> <p>Assisting building user during initial occupation period, review of project performance in use.</p> <p>Extensions, alterations.</p>	<p>Fire risks.</p> <p>Aircraft risk.</p> <p>Flood risk.</p> <p>Subject to occupation.</p> <p>Snagging.</p> <p>Failure to reach public authority approval.</p> <p>Energy efficient.</p> <p>Defective Premises Act 1972.</p>	<p>Take reasonable steps to protect the premises, i.e. security and fire protection.</p> <p>Employ competent contractors who are of a high standard such as CHAS, ISO 9001 accreditation.</p> <p>Project plan.</p> <p>Architect's specifics.</p>	<p>Property Owners' insurance to protect the premises i.e. the building.</p> <p>Household insurance if owned by an individual; Property Owner's insurance if premises rented out.</p> <p>Blight insurance to protect against loss of value due to unforeseen changes near the property such as widening of motorway nearby or planning of wind farm etc.</p> <p>Latent Defects insurance in place, or Zurich NHBC insurance policy or Building Warranty.</p>



Do you need more information or guidance?

For further information on how we can help, please do not hesitate to contact:

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We are able to provide household insurance once your build is complete, and a range of financial services.