

## Everything you need to know about... *Risk & cost reduction strategies during construction*

Many owner builders embark on one of their biggest ever financial commitments, without a detailed knowledge of what to do, or what to expect, and quite often rely almost totally on family members, friends or the tradespeople they engage to educate them “as they go.”

As a consequence, the project nearly always costs more than the owner builder thinks it will, and many owner builders fail to budget for adequate preliminary costs such as Construction and Public Liability insurance, property protection and/or security measures, Workers Compensation cover, or a common sense approach to Occupational Health and Safety.

Protecting your investment is an important consideration. If you are financing the project (even in part) through one of the major financial lending institutions, Construction and Public Liability insurance will be a condition of the finance approval.

Even if you are fully financing the project from your own funds, can you afford to suffer a loss due to theft, malicious damage, storm/water/wind or fire damage? Can you afford to be sued by a member of the public who may wander onto the property, or trips over a timber delivery before you can move it onto the building site, and badly injures themselves? (payouts usually start at 5 or 6 figures!) It's not worth the risk! Adequate insurance cover will normally only cost you between 0.5 - 0.75 % of the construction value in total.

In general, Theft and Malicious Damage claims are the most prevalent on the **Construction** insurance section, and accidental injury claims while more infrequent, are by far the most costly in relation to settlement amounts on the **Liability** section.

There are many common sense things that you can do to minimize your risks during the construction phase. We have provided a non-prioritized checklist for your consideration.

### **BEFORE YOU START**

- If you are engaging a licenced Builder to undertake the whole project, make sure he provides you with a copy of his current Workers Compensation Policy, Contract Works and Public Liability Policy, and a specific Builders Warranty Policy that relates to your project.

- Check that all Contractors, Sub - Contractors or Tradespersons that you contract have their own current Workers Compensation and Public Liability Policies in place, and are licenced practitioners under Home Building Act.

- Ensure that you have obtained a Workers Compensation Policy.

- If you are working on site yourself, either at weekends, during holidays or on long service leave, consider having Personal Accident Cover, because if you are injured during the project, you may not be in a position to return to work for a period of time, which may affect your ability to service your loan or cover your day to day family expenses.

- Safe Work Site - Ensure that all Contractors engaged are aware of their responsibilities in providing for a safe working environment, both for themselves and any of their employees/sub contractors, and in relation to other contractors on site.

An example would be that the bricklayer is required to supply and erect appropriate scaffolding that complies with the current regulations.

- Neighborhood Watch - If you are building in an established area, visit and talk to your new neighbors and enlist their help to watch your property. Offer an incentive or payment (slab of beer, bottle of wine etc) and provide them with an outline of construction schedule as a courtesy. Make sure they have all your contact numbers.

- Consider appointing your carpenter as the site foreman, and reward them for restricting cost overruns and theft of materials etc.

- Consider providing security fencing and/or gates to the street frontage/s with each tradesperson being responsible for lock up if being the last trade on site for the day. This helps to keep the public and children out of the property when no one is in attendance, and reduces the risk of “professional” thieves targeting your site, as there are hundreds that are easier targets because most people don't take any precautions at all.

- Consider providing a secure on site storage facility (i.e. shed or lockable shipping container etc), to keep the more valuable materials (such as timber or windows, doors etc) for short term storage until used. Don't keep anything including high cost plumbing items in storage for long periods. These items are better stored off-site, or delivered ‘as required.’

- Don't leave tools and equipment on site, even though it is much easier to do this, it is also the highest theft risk, particularly between lock-up and fix stage.

- Plan your project from start to finish. Identify the required lead times for material deliveries and tradespeople, and sequence the whole project before you start. Allow for some days in which nothing will happen, and use these as clean up days or quality control/inspection days. Constantly monitor planned days versus actual days achieved, to check if your project is keeping on target.

An Initiative of



**BUILDING  
INDUSTRY  
SOLUTIONS**

P T Y . L T D .

*Specialist  
Insurance Agents*

# CONSUMER ADVICE SHEET

- Don't rush commencement, only to find that you have large gaps in continuity. It's better to delay the start and then run the project without interruption.

- Speak to the contractors about what they expect, and how they intend to do the job, and how long each stage will take.

## DURING CONSTRUCTION

- Ensure any deliveries include only what you need for the stage of work you're up to. For example generally the timber deliveries are divided into 3 categories - frame, lock-up and fix, and unless it's a small renovation, its important that if you obtained a quote for all your timber from one supplier, that when you confirm the order, that you specifically request separate deliveries for each stage. (the extra delivery costs are well worth the expense), so that no materials are left to deteriorate in the elements or be stolen in the time lag between stages.

- Ensure that you check all deliveries as soon as possible after delivery, to verify if all the items ordered have in fact been delivered. It is common that timber and plumbing deliveries are often 'short sent' due to some items not being available or in stock at the time that the delivery is due.

- Don't organize deliveries too early, and confirm delivery with supplier or manufacturer the day before you requested it.

- Make sure that all deliveries such as timber, windows, plumbing fittings and fixtures and ceramic tiles etc, are moved or placed in a safe and secure location quickly. Don't leave timber or windows on the naturestrip or front of property for periods longer than a day or two.

- Negotiate with the plumber to take delivery of the plumbing fixtures and fittings etc, and therefore be responsible for them, rather than having them sit on site until the plumber is ready.

- Don't deliver and install stove, hotplates and other whitegoods until the last possible moment.

- Visit the site daily if possible, and utilize a diary to note the stage of works and any requirements. Don't always be there at the same time, so that trades and others cannot take advantage of your routine.

- Keep your site clean and tidy. Provide a temporary receptacle (such as star pickets and chicken wire etc) for all waste and offcuts etc, in an easily accessible location, and instruct all trades to clean up after themselves on a daily basis.

- For Extensions and Renovations - ensure that suitable site and building access is maintained for your family, for

tradespeople and for materials storage. If undertaking an upper storey addition, consider using a floor tarp system, rather than conventional tarps, to greatly reduce the risk of water ingress, and save considerable time on the frame stage, particularly over the wetter months of the year.

- Protect your expensive items such as kitchen cabinets, shower bases, baths and vanity units etc during construction (after installation). No one cares about your property as much as you! It's easy for tradespeople to damage your property in the course of their part of the works, but no one will own up to it. It's easy for the plasterers and electricians to stand on your kitchen benchtop when they install cornices or lights respectively. The plasterers and plumbers will probably have to stand on your bath or on your shower base during the wall sheeting process..... its really easy to scratch and chip the surface.

We suggest that you tape a section of carpet underlay over all these types of units after installation, making sure that the surfaces are free of dirt and debris or any other hard objects beforehand, and then place and tape thick cardboard over the top. This provides a harder surface plus some "give" to prevent damage. The \$50.00 or so you spend is well worth the effort and time.

## SUMMARY.

It's important to protect what is probably one of your biggest investments during the course of construction, and to minimize your costs due to unforeseen occurrences or accidental damage.

A Construction (Material Damage) and Public Liability policy are a relatively small price to pay for securing and protecting your total building investment.

By taking suitable precautions prior to commencement and during construction, you can further reduce the likelihood of budget blowouts and delays.

*For more information:*

**Department of Fair Trading: (Sydney) 133 220**

**WorkCover Info Line: 131 050**

### **Other Consumer Advice Sheets in this series**

- Construction & Public Liability Insurance
- Selling a Domestic Owner Built Property

This advice sheet is a guide only, and is not intended to be a substitute for legal or other advice. The information is of a general nature, and may be subject to change. No responsibility is accepted for reliance on the information.

© Copyright 2013 Not to be copied in whole or in part without written permission of Building Industry Solutions P/L (ABN 64 092 774 288)

## For more information or advice....

**RING (03) 8791 7691 FAX (03) 9706 5939**

**SEND P.O. Box 4332 Dandenong Sth 3164 EMAIL [construction@buildinginsurance.com.au](mailto:construction@buildinginsurance.com.au)**

**OR VISIT OUR WEBSITE [www.buildinginsurance.com.au](http://www.buildinginsurance.com.au)**