

The Definition of Buildings and the use of Technology in these Covid Times

by **Mervyn Owens**

Our collective experience suggests that policyholders are often not aware of important elements of their policy or the characteristics of their properties. As policyholder advocates, the client relies upon our and their Broker's expertise in this area and, when either a survey is undertaken or an insured loss arises, we apply our knowledge to achieve the best outcome for the Insured.

Nevertheless, various factors can have an adverse effect on the resulting claim, and in extreme cases this can (and has) even lead to the cancellation of the policy. Although we cannot expect all policyholders to have an in-depth knowledge of their policy or property, Household and Commercial policyholders should be encouraged to have a better understanding of the **policy definition of buildings** alongside an understanding of the nature of the materials and finishes that make up their property.

Of course, either before, during or after the arrival of COVID19 to these shores, it is not always possible to carry out site surveys for every insured property. However, there are some useful tools that can help when analysing a potential risk remotely, such as:

Google Earth – Google Earth is a computer program that renders a 3D representation of Earth based primarily on satellite imagery.

www.buildingsofireland.ie - The National Inventory of Architectural Heritage is a state initiative under the administration of the Department of Culture, Heritage and the Gaeltacht.

Google Street View - Google Street View is a technology featured in Google Maps and Google Earth that provides interactive panoramas from positions along many streets in the world.

Local Authority Web Resources – Applications

such as that provided by, for example, Cork County Council can provide a wealth of information for users.

www.scsi.ie – Society of Chartered Surveyors; regularly publish up to date home rebuilding costs.

As always, the best advice is to refer to the policy wording – this is where the extent of cover starts and ends. A standard buildings definition on a household policy would include for “the home being built of brick, stone or concrete and roofed with slates, tiles, fiberglass, asphalt or metal, including landlord’s fixtures and fittings, its garages and domestic outbuildings, stairlifts, permanent swimming pools, fixed hot tubs, fixed Jacuzzis, domestic fixed fuel tanks and cesspits, hardcourts, paved terraces, patios, drives, paths, walls, gates and fences, all contained within the boundaries of the land of the home.”

Take a closer look: the definition sets out the extent of what constitutes ‘buildings’ and suggests materials in which these structures need to be built, e.g., brick, stone, concrete, asphalt, slates, tiles. It provides where these must be located, e.g., inside the boundaries of the land of the home. From time to time, assessors and adjusters alike may ponder whether the policy wording extends to provide cover, and this is always the starting point. Likewise, this (buildings) definition can also be the trigger for investigations into disclosure or, more importantly, non-disclosure.

Our internal analysis suggests that policyholders are potentially unaware of all the elements considered in the buildings definition and when setting their buildings sums insured there is little or no consideration for gates, outbuildings, and terraces etc. Too often this will lead to an inadequate buildings’ sums insured with all the negative consequence that this implies.

Again, there are ready-made tools available to Brokers and commercial and domestic policyholders that really can make a difference when they are reviewing their policies and setting the Value at Risk for their properties. We are all so accustomed to relying upon services provided by Google in our everyday lives and Google Earth (or their Pro version) can accurately measure the perimeter and footprint of a property via the tools section of the

application. Of course, there is a health warning: looking downward, Google Earth can't determine the number of stories that have been built and any policyholder must take this into account when multiplying-up any of the given data sets. Once these measurements are to hand the rebuild cost calculator provided by the Society of Chartered Surveyors will prove invaluable.

Construction Materials and Design

Over the years methods of construction have change and evolved, some materials are no longer in use and others are now considered hazardous. Either way, it is important for policyholders to consider the makeup of their properties because it can have a significant effect on the outcome of a claim, the reinstatement process, and indeed the buildings sums insured.

Properties built or refurbished before 1990 can often contain hazardous materials such as asbestos fibers. Asbestos is a Category 1 carcinogen, and all six types can cause cancer. Typically, the presence of asbestos within a building is not necessarily dangerous of itself, but the danger arises in the context of damaged building materials in the atmosphere, their reinstatement and disposal. There are many areas of a premises that, depending on its age, may have incorporated asbestos as a building material, e.g., roof and exterior walls, boiler and pipework, ceilings, interior walls and panelling, flooring materials. We have experience of a claim where a property built in the late 80's suffered significant damage through fire. Inspection and technical analysis confirmed that the roof the slates contained asbestos. During the fire, the slates degraded and collected within the into the cavity walls. The environmental advice regarding the means of remediation caused significant cost implications for the overall claim, bringing the sum insured into sharper focus.

It is not uncommon for older properties to be of architectural significance, which is another way of saying that things get expensive when they need to be rebuilt or remediated! Through a review of the Buildings of Ireland website (www.buildingsofireland.ie) one can readily access information on a case-by-case basis providing a depth of knowledge and understanding which is critical when deciding upon a rebuilding rate. As an example, older properties built pre1920 will often

have "ornate corncicing" and "lath and plaster" ceilings. Lath and plaster ceilings are made up of narrow wooden laths nailed into the ceiling joists and coated in plaster, the modern method would be the use of plasterboard which is far tidier and is more cost and labor efficient. If the homeowner has a period property that has "lath and plaster" finished ceilings it is recommended to allow a provision in the calculation of the buildings sums insured as the reinstatement of such ceilings is only carried out by a minority of contractors and there is a significantly higher cost of reinstatement, over and above modern methods of construction.

Non-Standard Construction

As building processes and design change in the context of climate crisis and the need to conserve energy, what is non-standard now may yet be standard within the next few years. As an industry insurance can sometimes lag behind the times and it is critical for the Insured and their Broker to understand not only the construction of the premises at risk but also the different Underwriters' approach to the building materials and design being used.

Many homeowners and commercial property owners will have flat roof extensions and areas of their roofs that may be considered flat e.g. Mansard Roofs. For the most part insurers apply specific underwriting criteria for premises with flat roof areas. Different insurers have different approaches and at policy inception they may ask for the area of "nonstandard construction" to be no greater than a certain percentage of the overall roof area or determine that felt roofs are "non-standard" whereas they will consider "asphalt" as standard construction.

Retrospectively (on foot of a claim) these items are given careful – sometimes forensic - attention by the relevant claim professionals. The failure to declare the correct information to an insurer can be detrimental to the level of payment of the claim itself but can also lead to the declinature of the claim or the cancellation of the policy ab initio. In the absence of a site survey/inspection both Google Earth and Street View can provide useful additional information for an Insured and their advisors.

Proper consideration needs to be given to any potential hazardous materials on site that will in turn

increase the reinstatement costs or indeed the time needed to vacate the property after a loss event. As a rule of thumb, properties built between the 1950's and 1980's should attract a higher reinstatement rate, increasing their buildings sums insured to allow for the further costs that relate to removing asbestos materials from their property.

policy wordings, particularly commercial policies, are subject to review and change by Underwriters. For this reason, we reiterate the importance of regular reviews of your property/risk as in the context of a specific policy wording. We had cause recently to take note of a policy exclusion regarding: 'any loss, damage or liability where the property is in breach of legal regulations and/or by laws. This includes, but is not limited to, compliance with planning permission and building regulations. It is not uncommon, in this country at least, to find properties that are not 100% compliant with planning requirements. Policyholders and their advisors always have recourse to local authority resources to review planning application documents. It almost goes without saying that is crucial for policyholders to give careful consideration to the age, area, type and location of their property when calculating the value at risk. Naturally, a survey by a suitably qualified professional - to give advice on what an adequate sum insured should be - will always be the preferred option. However, Brokers and policyholders should not overlook the various tools that are available to them through the internet, that, with a careful use, can help them to arrive at an appropriate rebuilding cost.

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Bio:

Mervyn Owens is manager of Owens McCarthy's North Cork office. He holds degrees in quantity surveying and construction science from Limerick IT and Southeastern Louisiana University respectively. Mervyn holds the Certified Diploma in Loss Adjusting from the Insurance Institute of Ireland and he is a specialist in Value at Risk surveys.