



enews

INFORMATION SHEET

Ticking Time Bombs – Products Liability Insurance

Each and every home you have built is a ticking insurance time bomb and is likely to keep ticking long after you have forgotten the job. If it explodes, everything you have accumulated over the years could be blown into financial oblivion unless you have the right protection in place.

As the NSW housing market cools, there are an increasing number of builders thinking about taking a break from the industry, whether it be temporary or permanent.

Often builders will tell us they do not need their insurances anymore as they are “winding down” or “getting out” but it couldn’t be further from the truth.

We all have heard about someone who has had tripped on a worksite or accidentally damaged an expensive stone bench top and it is obvious to associate risks **during** construction, but what about the **risks long after the house is handed over?**

The story about the builder that has been tracked down by a 2nd or even 3rd homeowner of a property 5 or even 15 years down the track is not just a story. It does happen and can happen to you. Whatever the issue, whether it is small or large, as the builder, you are likely the first point of call.

Note: a common misconception is that you as a builder are only responsible for the building for 6 years under the HOW (Home Owners Warranty). This “Warranty” bears no relationship to your obligation as a builder and is provided by insurers **to homeowners for their benefit.**

As industry experts, we’ve identified that our members face these risks and automatically include a “products liability” section to our Annual Contract Works policy. This covers you against personal injury and property damage arising from your “product” be it a new home, renovation or pergola you have built for your customer, where you are found to be legally liable.

For those that work on a Single Project Insurance basis (usually those working on projects in excess of \$5,000,000) given the complexities of jobs of this size, cover is not automatic but is available on negotiation.

If you are ever faced with one of these situations, what is important to recognise is that you need to have a **CURRENT** Public/Products liability policy in place **AT THE TIME OF THE INCIDENT** for the policy to respond. As soon as you cancel that policy, you are on your own.

The most common example where you might be held responsible long after you have forgotten the job is a water leak. Incorrectly applied waterproofing, an incorrectly installed shower base, a leaking join or a nail or stake that has penetrated a pipe can all result in substantial damage and may not manifest as a problem until years later.

Whilst the cost to rectify the faulty workmanship can never be covered, that leak might have caused untold damage to joists, beams, carpet, joinery, plaster and the home owners personal contents in adjoining rooms. As the builder, you could be held responsible for this damage which could run into the tens of thousands.

A recent example involved the failure of the waterproofing of 3 shower bases on a home that was handed over 5 years prior. The eventual cost to repair this was in excess of \$240,000 (which was close to the cost of the original build)!

Whilst property damage can be costly, personal injury is disastrous. A collapsed balcony, balustrading that gives way or is incorrectly constructed, even a loose tile can give rise to all manner of liability in the event where someone is injured and is likely to run into the hundreds of thousands and even millions of dollars.

If you are thinking about taking a break, or have left the industry, whether it be permanent or temporary, make sure you have products liability cover in place. Those jobs will still be there long after you have forgotten them and you could receive "that" call anytime.

What's more, the cover is affordable and decreases over time. To discuss this cover or any other insurance queries you may have, call our team on 02 88153500.

Don't forget, as your Specialist Construction Insurance Broker HIAIS can look after all your insurance needs, including:

Contract Works

Public Products Liability

Income Protection

Tools and Equipment

Management Liability

Subbies & Trades Liability

Commercial Motor Vehicle

Professional Indemnity

Statutory liability