

Debris Removal

The importance of allowing for the cost of Asbestos disposal when calculating your buildings sum insured

Whilst much effort may be made to correctly assess the reinstatement value of a building, there are still some costs which may have a substantial impact on the adequacy of the declared value under an insurance policy which may be overlooked.

In this article I seek to bring to your attention the possibility of asbestos or asbestos containing materials (ACMs) within a building's structure or finishings resulting in unexpectedly high costs of removal following damage by fire, flood or other insured peril.

Unless there is a separate limit for debris removal in the policy schedule, the costs for this will be included within the sum insured for each building insured.

The allowance for debris removal costs, as calculated by a chartered surveyor, will typically represent 5% of the declared value of a building. The existence of asbestos in the structure, wall/ceiling coverings or other components can have a dramatic effect on the actual cost of removal of the debris.

For example, in a recent fire claim, demolition costs were quoted at £145,000, representing about 4% of the declared value, which was not considered unreasonable. Asbestos was discovered in the debris and a further £230,000 was quoted for the removal of the debris, representing £80 per tonne. The final actual cost of removal, including professional fees, was £371,000, or 11% of the declared value.

Loss adjusters have reported a significant increase in the cost of debris removal in the past year. The reasons for the increased costs are:

- ✚ There are few licensed disposal sites, and transportation costs may be high in view of the distances that may be involved and the need to use specialist sealed wagons
- ✚ The current land fill tax is £24 per tonne, which will increase by £8 per tonne in each of the next three years at least in line with the Chancellor's March 2007 Budget (asbestos contaminated debris has to be disposed of in landfill rather than by any other method)
- ✚ Asbestos contractors are able to charge a premium for "emergency" disposal - it is far cheaper to have scheduled disposal

In order to avoid the impact of increased costs for debris removal on sums insured and the possible application of average, the insured should:

- ✚ Maintain an Asbestos Register (as required by the Control of Asbestos at Work Regulations (CAWR) 2002)
- ✚ Have buildings professionally valued for reinstatement purposes, ensuring that the surveyor is provided with a copy of the Asbestos Register and is instructed to identify the debris removal cost within the overall valuation
- ✚ Notify insurers of any building containing asbestos and provide a copy of the valuation
- ✚ Review sums insured annually, taking into account the annual increase in landfill tax as above.

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