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Insurance crisis hits construction industry



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FLAMMABLE CLADDING: Fire in Melbourne's Docklands has contributed to ripple effect of rising insurance premiums.

In the wake of building fires involving combustible cladding products, an insurance crisis is facing the construction industry and affecting Tasmanian engineers.

Property Council of Tasmania chief executive Brian Wightman wants the federal and state governments to convene an industry round-table to resolve "the insurance crisis for the building and construction sectors".

General manager of Launceston based engineering firm Rare Innovation Andrew Goelst said the ripple effect from the flammable cladding problem had led to "unsustainable insurance premium increases".

"Legislation requires practicing engineers to have professional indemnity (PI) insurance in place to protect consumers and the construction industry in general," Mr Goelst said.

"The difficulty in obtaining insurance as well as the significant premium increases could cause professionals to have to shut down their businesses, and most dramatically effects small and medium firms.

"The type of premium increases experienced are unprecedented in recent years and could shut down parts of the industry resulting in consumers being unprotected."

Mr Goelst said his company was facing a three fold increase in premiums and professionals would struggle to be insured.

"It could mean that owners of buildings with problems and defects are left totally exposed and without recourse to any insurance in the event of problems to their buildings," he said.



INCREASE: Andrew Goelst says his company faces a three fold increase in premiums.

"This undermines the viability of the state's infrastructure budget and particularly large building projects, but will also impact housing affordability as consultants need to charge higher fees to cover the insurance increases.

"Tasmania with less high rises will not be impacted as much by the flammable cladding concerns, but will be impacted by professionals struggling to be insured.

"Rare Innovation undertake engineering design that enables over \$100 million of construction in Tasmania each year, hence our services are a critical part of Tasmania's economic success."

Building Minister Sarah Courtney said the government was aware of concerns and was trying to "ensure nationally consistent approach in addressing this issue".

Mr Wightman said governments must work out measures to address the "imminent threat of the complete loss of insurance coverage for building certifiers which could significantly disrupt building and construction activity".

"For too long, different levels of government have been passing the buck on putting in place nationally consistent standards for building regulation and compliance," he said.

"The cost of this intergovernmental merry-go-round is now being sheeted home as building certifiers are unable to do their jobs without insurance cover.

"This impending insurance crisis risks bringing the construction sector to a halt if it is not addressed urgently."