

Flammable cladding crisis halts building projects

By [Leith van Onselen](#) in [Australian Property](#)
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Back in June, the Australian Institute of Building Surveyors (AIBS) released a [member communique](#) warning that “*the situation around Professional Indemnity (PI) Insurance has reached crisis point*” with “*a real possibility that without government intervention... private building surveyors may be forced out of work and the construction industry across Australia will be significantly impacted*”. The situation arose after some surveyors had failed to gain PI because of risks surrounding flammable cladding, which has been widely used across Australia’s high-rise, unless cladding-related claims are excluded.

Today, [The ABC reports](#) that the rise in PI costs, arising from the flammable cladding debacle, has driving some building surveyors out of business, which is beginning to halt construction projects:

Surveyors are having difficulty renewing their professional indemnity insurance because of the building industry’s flammable cladding crisis...

Philip Watt has a building surveying business in Essendon, in Melbourne’s west, and has been in the industry for 40 years.

Earlier this year he had to shut down his work for three weeks because he couldn’t get professional indemnity insurance without any exemptions — something insurers have become reluctant to offer surveyors.

For Mr Watt’s clients, it caused all sorts of delays building their homes.

“They couldn’t go past a mandatory inspection stage, so once they got to the end of the frame they couldn’t go any further,” he said.

In August a ministerial order was issued in Victoria, allowing surveyors to work with insurance even if it contained exclusions for non-compliant materials.

Similar moves were made in other states.

While that allowed surveyors like Mr Watt to return to work, it did not solve all of the profession’s problems.

Mr Watt’s insurance jumped by 800 per cent in a single year when he did find a new policy.

He said it had been usual for surveyors with small businesses to pay about \$10,000 a year for professional indemnity insurance, but many are now paying close to \$100,000.

Mr Watt's new insurance also comes with extra risks. His excess has jumped from \$10,000 to \$100,000.

"I don't think many businesses would sustain one or two claims of that amount — it would certainly knock you around," he said.

The higher excess, and the associated risk, are affecting the kinds of projects his business will take on...

Mr Watt is now receiving calls from clients of a nearby surveyor who has been forced to close.

He said many surveyors were unwilling to take on projects that had already started, because they were worried they could become liable for the previous surveyor's work...

The Australian Institute of Building Surveyors (AIBS) surveyed 400 building surveyors across the country about the effects of changes to professional indemnity insurance on their businesses.

The AIBS said 11 per cent of building surveyors said they were no longer doing surveying work because of insurance issues.
A further 9 per cent of surveyors reported they had reduced the scope of work they would provide.

AIBS national president Troy Olds said the survey results revealed the scale of the industry's problems...

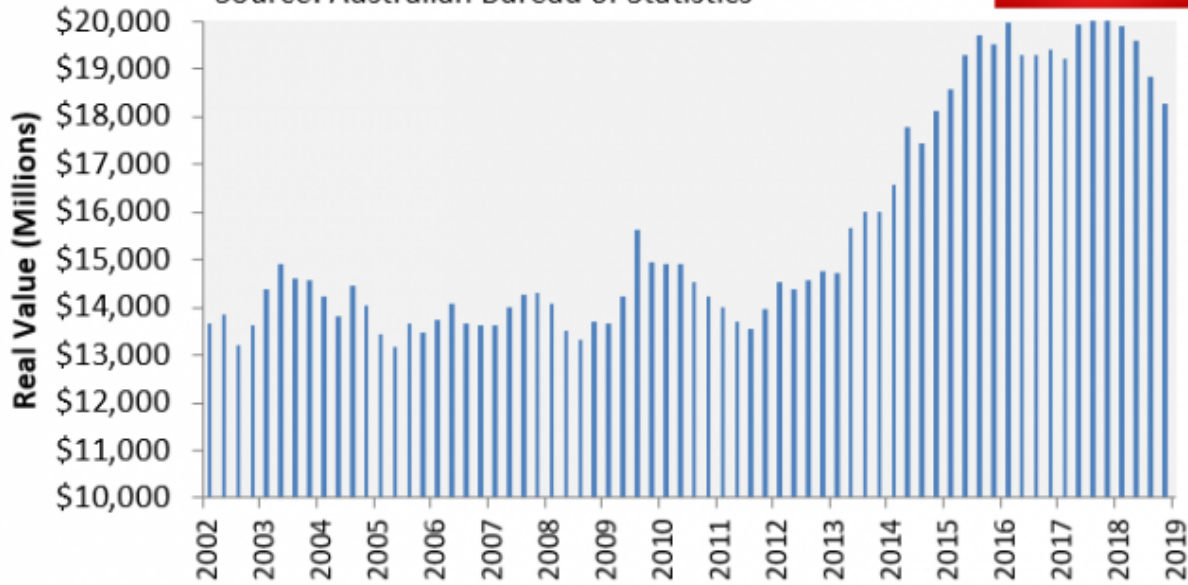
Insurance Council of Australia spokesman Campbell Fuller said there was still a crisis of confidence in the building and construction sector.

The state government and the industry is calling for a national approach to resolving the insurance crisis. Without a solution, the downturn in residential building activity will only deepen:

Quarterly Value of Residential Building

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Source: Australian Bureau of Statistics



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