

Building certifier warns of cost hike after insurance quadruples

A Townsville building certifier says his professional indemnity insurance has increased by 430 per cent and the amount of cover halved to \$5 million.

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A TOWNSVILLE building certifier says the industry might have to create a mutual fund to provide its own professional indemnity insurance after his annual premiums increased by 430 per cent and the amount of cover available halved to \$5 million.

Michael Collard, owner of Incert Innovative Certifiers, was commenting after his firm scrambled to renew its annual professional indemnity insurance which expired last month.

The firm managed to obtain insurance after a period of almost two weeks when it had no cover, putting at risk its ability to continue operating.

Incert is one of what is believed to be many firms around the State caught in an ongoing insurance crisis stemming from claims related to the use of combustible cladding.

“My amount of cover effectively has halved and the cost of the policy has increased by about 430 per cent,” Mr Collard said.

“It means I need to pass those costs on through fees in the next 12 months.”

Mr Collard estimated it could mean a 40 to 50 per cent increase in certification fees although he said the rise would vary depending on the project.

He said the limit on the value of work would cause difficulties for the industry.

Defence projects typically required professional indemnity insurance with a value of up to \$20 million.

“I’d be surprised if you can find a building certifier who has \$20 million cover. I don’t think that cover exists,” Mr Collard said.

Mr Collard said his business had never had a claim lodged against it since he began operating in 2005.

“I can foresee a lot of building certifiers exiting the profession because of the trauma associated with trying to get insurance renewed at the end of the year,” Mr Collard said.

He said the industry may need to introduce a levy on commercial building projects to create a mutual fund in much the same way a warranty scheme operated for home builders in Queensland.

“I think that’s the potential answer. We just need the politicians to have an appetite to do it,” Mr Collard said.

But the State Government and the Insurance Council of Australia both say cover is available although with exclusions related to cladding, panels or non-conforming building products.

Insurance council spokesman Campbell Fuller said insurers had been losing money on professional indemnity insurance products since 2011 because of the volume of claims related to cladding and other non-performing building products.

“This is a building and construction industry crisis. Insurance is at the end of the risk management chain, and the current situation reflects the fact professional indemnity insurance has been unsustainable since 2011,” Mr Fuller said.

“The ICA and its members urge all state and territory governments to urgently prioritise enacting the recommendations of the Shergold-Weir report, as they promised in July, to restore confidence in the building sector.”