

Insurers pull pin after flammable cladding fiasco

By [Leith van Onselen](#) in [Australian Property](#) at 1:20 pm on March 10, 2020 | [10 comments](#)

Last year, 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 AFR [reports](#) that UK-based insurer HDI Speciality is quitting Australia’s professional indemnity insurance sector. Consequently, broker Bovill Risk & Insurance Consultants (BRIC) is trying to find an alternative provider for one fifth of its clients who are building surveyors and certifiers. According to PwC research, the construction sector has not been profitable for PI insurers since 2011. And the Insurance Council of Australia is calling for a national solution:

“There’s no certainty in the industry about the longevity of availability of insurance,” [Pat Beaumont, BRIC’s manager of professional risk] told The Australian Financial Review.

“You’re fighting tooth and nail to get renewals done, just for every renewal. And the costs and excesses... are not sustainable for many businesses”...

“Because the current PI insurance model is not sustainable, the latest white knight has galloped away, leaving the current unsatisfactory model yet another step closer to collapse,” Australian Institute of Building Surveyors chief executive Brett Mace said.

“Governments can no longer continue to ignore the warning signs of the last two to three years.”

The Insurance Council of Australia said the dilemma facing building industry consultants was no closer to being resolved than when building ministers met last month...

“The federal government must implement the Shergold-Weir [report’s] recommendations as a matter of urgency.”

I’m not sure what the answer is. But clearly a national solution is required and the federal government must step up the plate.

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