

Capital Works Management Framework

Professional indemnity and public liability insurances for building industry consultants

As administrator of the Prequalification (PQC) System for building industry consultants, the Department of Housing and Public Works has developed a tailored approach to determining the level of professional indemnity and public liability insurance required of building industry consultants commissioned for government building projects. This approach is consistent with the *Professional Indemnity Insurance Guidelines in the Building and Construction Industry*, prepared by the Australian Procurement and Construction Council for use by all levels of government.

To limit the risk to Government, building industry consultants registered on the PQC System are required to maintain appropriate levels of professional indemnity and public liability insurance to be eligible for government building project commissions.

The purpose of this policy advice note is to outline the insurance requirements for prequalified building industry consultants, and to advise departments of their obligations with respect to these requirements.



What are the insurance requirements for building industry consultants registered on the Prequalification (PQC) System?

Professional indemnity insurance requirements

The PQC System requires that all prequalified building industry consultants maintain a professional indemnity insurance policy with the following provisions:

- a minimum insured amount of \$1 million per claim
- personal injury coverage
- continuity of coverage for a period appropriate to the commission type
- a maximum excess of \$50,000 (a higher excess may be acceptable if the consultant can demonstrate to the Department of Housing and Public Works that the consultant's trading entity possesses sufficient Net Tangible Assets to justify the higher amount).

The required minimum insured amount will generally vary from \$1 million to \$10 million, depending on the type of commission, the service risk rating of the commission, and the estimated cost of the government building project with which it is associated.

Public liability insurance requirements

The PQC System requires that all prequalified building industry consultants maintain a public liability insurance policy with the following provisions:

- a minimum insured amount of \$5 million per claim
- a maximum excess of \$50,000.

As with the excess provisions for professional indemnity insurance, a higher excess may be acceptable if the consultant can demonstrate to the Department of Housing and Public Works that its trading entity possesses sufficient Net Tangible Assets to justify the higher amount.

What are departments' responsibilities with respect to these requirements?

With respect to each commission, departments must:

- determine the level of professional indemnity insurance appropriate to the service risk rating of the commission
- determine the period over which the professional indemnity insurance policy must be maintained
- ensure that the requirements for professional indemnity insurance and public liability insurance (i.e. the level of insurance and the duration for which cover must be maintained) are included in the commission invitation documents (refer to the *Capital Works Management Framework* guideline, *Consultant PQC: Invitation and Selection Process*, for further information on managing the consultant invitation process).

Departments should use Table 1 as a guide to ascertaining the appropriate level of professional indemnity insurance for each commission. The minimum insured amounts



shown in Table 1 reflect those generally offered by the insurance market (i.e. \$1 million, \$2 million, \$5 million or \$10 million).

As professional indemnity insurance is purchased on an annual basis, renewal of a consultant's cover is not guaranteed. To limit the risk to Government of a consultant's professional indemnity insurance lapsing during, or shortly following completion of, a commission, consultancy contracts may stipulate a period during which the specified level of insurance must be maintained. Generally, this period should not exceed six years following completion of the commission. Should consultants be unable to maintain the required level of professional indemnity insurance for the duration specified in the invitation documents, departments should refer the matter to the Department of Housing and Public Works for assessment.

Table 1: Required levels of professional indemnity insurance relative to project cost and commission service risk rating

Project value	Minimum insured amount relative to service risk rating (SRR)*			
	SRR 1	SRR 2	SRR 3	SRR 4
< \$2 million	\$1 million	\$1 million	\$1 million	\$2 million
\$2 million to < \$5million	\$1 million	\$1 million	\$2 million	\$2 million
\$5million to < \$20 million	\$2 million	\$2 million	\$5 million	\$5 million
\$20 million to < \$50 million	---	\$5 million	\$10 million	\$10 million
\$50 million to < \$100 million	---	---	\$10 million	\$10 million
\$100 million+	---	---	Refer to Building Policy Unit	Refer to Building Policy Unit

*A service risk rating of 4 indicates a very high-risk commission, while a service risk rating of 1 indicates a low-risk commission. Refer to the *Capital Works Management Framework* guideline, *Consultant PQC: Service Risk Assessment*, for further information regarding service risk ratings.

References

Capital Works Management Framework: Policy for Managing Risks in the Planning and Delivery of Queensland Government Building Projects
(Department of Housing and Public Works) www.hpw.qld.gov.au



Consultant PQC: Invitation and Selection Process

(CWMF guideline, Department of Housing and Public Works) www.hpw.qld.gov.au

Consultant PQC: Service Risk Assessment

(CWMF guideline, Department of Housing and Public Works) www.hpw.qld.gov.au

Professional Indemnity Insurance Guidelines in the Building and Construction Industry

(Australian Procurement and Construction Council) www.apcc.gov.au

For further information

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