

Summary of PwC's analysis of the PI insurance market for building certifiers in Queensland

Purpose and approach

PricewaterhouseCoopers Consulting (Australia) Pty Limited (PwC) was engaged by the Department of Energy and Public Works (DEPW) to examine the current accessibility, affordability and scope of professional indemnity (PI) insurance cover arrangements for building certifiers in Queensland. This document presents a summary of the information contained in PwC's report. The key sources of information that formed the evidence base for the analysis are:



Desktop review of publicly available information to understand recent legislative reforms in relation to PI insurance nationally and internationally.



Stakeholder consultations with a broad cross-section of organisations across the building and insurance industry.



Online survey of 91* private building certifiers in Queensland, distributed by Australian Institute of Building Surveyors (AIBS) and the Royal Institution of Chartered Surveyors (RICS) to their members.

Key findings

1 Insurers are limiting their risk exposure when writing policies, making it harder and more costly for certifiers to obtain the same level of cover.

2 Premiums and excesses have increased significantly over a four-year period, despite sum insured amounts decreasing over the same period.

3 Building certifiers are responding to the current PI costs by changing their scope of work, and their associated fees.

4 Price and availability are key reasons for certifiers remaining with their current insurer.

5 There is a perceived mismatch between the responsibility and authority of building certifiers, with a higher degree of risk and liability falling onto certifiers.

6 Reforms and legislation changes have not yet changed the risk profile and the perceived risk to insurers, limiting the impact on the PI insurance market. Since the introduction of the temporary legislative reforms there has been a stabilisation in certifier licences.

Conclusions and recommendations



Availability and affordability of exclusion-free PI insurance

The current market continues to see limited availability. Premiums and excesses have risen significantly over the past four years, while at the same time there have been reductions in the sum insured provided by insurers.



Impact of current PI insurance market trends on private building certifiers

There continues to be limited options to obtain insurance and increasing PI insurance costs. This has shifted the nature of work undertaken by certifiers, with a higher proportion of building certifiers working on residential buildings and fewer working on higher class buildings. This has led to some market concentration.



Expected availability and affordability of exclusion-free insurance from 1 July 2023

The current market sentiment is that the hard PI insurance market is unlikely to reverse prior to June 2023. This will continue to put a strain on the capacity in the PI market for building certifiers, impacting the availability of exclusion-free cover. Stakeholders remain of the view that premiums are still at an unsustainable level for insurers and therefore they may continue to increase premiums, excesses and exclusions.

Reflecting on the information available for this review we are of the opinion that exclusion-free policies are unlikely to be attainable and affordable after the PI insurance exclusion allowance expires on 1 July 2023.

*91 survey responses were received in total, consisting of 70 finished, and 21 partially completed responses.