



ENGINEERS
AUSTRALIA

Professional Indemnity Insurance

The Big Picture

The global insurance market is experiencing a 'hardened' market cycle. Australia has been hit particularly hard due to limited competition among insurers, a history of under-priced insurance products, and high-profile project failures in certain industries.

The global economy has also seen monetary policy at an all-time low, further contributing to global insurers and local underwriting companies experiencing a reduction in their investment returns.

All these factors are leading to issues with the affordability and availability of professional indemnity insurance (PII). An improvement is unlikely in the short-term and, for most sectors, Government intervention to support the industry also appears unlikely.

Members' concerns

Engineers Australia has been discussing this issue with members for some time. Engineers working as sole practitioners and/or for small-medium enterprises in the building and construction industry (in particular, civil, structural, geotechnical, façade, and fire safety) and the amusement park industry appear to be the most severely affected. Even where PII is available, unreasonable exclusions or limitations are being imposed and the premiums are much higher (some members who have no PII claims history have experienced a 600% annual premium increase in the last

2-3 years). The situation has seen work not able to be completed or the viability of some businesses affected to such an extent that they cease to operate.

What Engineers Australia is doing

As the peak body and trusted voice of the profession, Engineers Australia recognises that the current insurance situation is not sustainable. Engineers Australia is working proactively to address the problems faced by the profession and to develop and facilitate possible solutions. The efforts to date include:

- *collaborating with other industry and professional associations*
- *collaborating with the Insurance Council of Australia (ICA) and other insurance industry participants*
- *working with government, e.g. by advocating for better regulation to support a thriving profession including registration of engineers in all sectors throughout Australia and reforms to industry sectors including the building and construction sector.*

This work has highlighted that the risk profile of the engineering profession needs to be improved.

Current indications are that, due to the complexity and the multi-dimensional nature of the problem, the situation may not improve in the short-term and sustainable solutions will take several years to mature.

Engineers Australia's action plan

Engineers Australia has developed a three-staged action plan to guide the activities needed to support its members and improve the risk profile of the profession. The plan includes short, medium and long term actions:

Stage 1: Short term

- Forge partnerships with key stakeholders to facilitate solutions.
- Organise webinars, roundtables and other forums with the insurance industry to focus on the most affected engineering sectors.
- Help members gain a better understanding of the insurance market to assist them in acquiring adequate insurance.

Stage 2: Medium term

- Work with insurers to identify key risk areas in the profession and develop risk management protocols and practice guides for practitioners.
- Encourage insurers to determine fair risk allocation and link to Engineers Australia's credentialled membership grades.

Stage 3: Long term

- Promote a culture shift regarding risk allocation and accountability in targeted engineering industries.

What you can do

Engineering practitioners have a role to play. A few important things you should look out for:

1. Do not accept your PII Policy at face value. You should know whether the insurance policy you are buying is the right policy for your business and whether it adequately covers you and your business for the work you are actually doing and not necessarily for the work you are capable of doing. The wrong PII policy could be as bad for your business as having no cover at all. It is better to do the due diligence up front than to find out when a claim arises that your PII policy won't respond.
2. Make sure that your insurance broker/insurer understands the engineering profession and the nature of your engineering business.
3. Provide the details of the risk management and risk mitigation strategies in your business to your insurance broker/insurer, noting that these factors are a key focus of any insurer at annual premium renewal time.

We would like to hear from you about your experience with PII.
To provide your feedback or become involved, please email policy@engineersaustralia.org.au.

