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PI 02 PROFESSIONAL INDEMNITY INSURANCE – INDUSTRY UPDATE

The current Covid-19 pandemic has highlighted that in addition to the ongoing PI insurance difficulties, the industry is also experiencing problems with credit insurance, which is a worrying new development. It is understood that the Ministry of Housing, Communities and Local Government (MHCLG) has increasingly recognised the importance of the insurance situation and it has thrown new light on the issues being experienced between the construction industry and insurance companies and their brokers surrounding PI. Government is now looking at a possible solution similar to that of the flood relief insurance scheme.

It has been recognised that the independent building inspector network could be close to collapse due to the difficulties with PI and the fire advisory sector is also facing difficulties. There is a feeling that the new approach from MHCLG will create positive steps forward and will involve high level input from the construction industry.

The overall narrative of the industry regarding building regulations and whether or not they are clear has helped insurers justify their withdrawal from the market. There is work being done to ask insurers to quantify which parts of the regulations are causing the issues, but a lack of understanding on this topic requires work.

MHCLG has identified Approved Inspectors as the sector that was most in danger, and has worked to loosen those concerns. Some of it has included updating insurers on what their remit of responsibilities are. There are now agreed procedures that have been ratified by the Secretary of State and they believe this area of the market is greatly improving.

Fire engineers are also experiencing issues with PI and it has been suggested that there are added procedures that can be put in place to raise trust for example, the fire brigade being part of sign off etc.

MHCLG is also working with the British Insurers Brokers Association (BIBA) to survey members to gain a deeper understanding of the issues involved. Work is currently being done so insurers understand where they do/do not have to pay out on a claim, and to have more confidence in taking a case to court to ensure that the market is more stable and that undue claims are not tipping the balance.

It has been highlighted that collaboration between the construction sector and the insurance industry could help to reduce risk, increase certainty and drive culture change.

Going forward, there is a need to raise the following points with the insurance industry:

- Competence of insurers and what kind of landscape they have for educating brokers
- Competence of the industry including the potential of hinging warranties on whether competence had been demonstrated
- Digitalisation and quality control techniques

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01633 895633 info@mcrma.co.uk www.mcrma.co.uk