Professional Engineers Australia

Finding it hard to get Professional Indemnity Insurance?

Here's why & what you can do about it.

Understanding the professional indemnity insurance market

The insurance market is cyclical and over the past 12 to 24 months, the cycle has hardened, particularly for Professional Indemnity (PI) insurance for all engineering disciplines.

A soft market is characterised by plenty of insurer competition, low premiums and excess levels, broad policy coverage and access to higher limits of indemnity. The rates charged by insurers during the soft market ultimately proved unsustainable and insurers began to experience underwriting losses. In 2018, Lloyd's identified international PI insurance as the second least profitable line. Engineering risks were a significant contributor to these losses.

In 2019 several of Lloyd's syndicates withdrew from the Australian PI insurance market resulting in reduced capacity, particularly for building and construction risks. The remaining insurers raised premiums and excesses, restricted coverage, imposed new exclusions and reduced the limits of indemnity provided.

In the current market, annual PI premiums for engineers have increased by at least 20 to 30 percent and by as much as 100 percent or more for those engineers deemed higher risk by insurers. Coverage has decreased by way of new exclusions such as cladding or façade exclusions and following diminished insurer capacity, higher limits of indemnity are often no longer available.

Navigating the PI insurance market for professional engineers

APEA's insurance brokers have received many calls for assistance from engineers across all disciplines, including Structural, Geotech, Marine, Environmental and Scada. In some cases, premiums had doubled or tripled and become prohibitively expensive. Others were unable to obtain the required cover or limit of indemnity, and some were unable to obtain terms at all.

Our insurance brokers were successful in assisting most of these engineers, even distressed risks with poor claims experiences that were not able to secure cover elsewhere. This was achieved using their extensive expertise in the engineering space (where they have over 1,000 engineering clients) as well as their relationship with underwriters in more than 20 PI markets both locally and directly with Lloyd's in London.

Action engineers can take to get the best PI insurance deal

The hard PI insurance market appears set to continue for at least another 12 to 18 months so during these difficult times, it is important for engineers to cast their practices in the best possible light.

This means you need to:

- Give the renewal process the attention it deserves
- Engage a broker with expertise and resources in your field to provide you with the best advice
- Complete the proposal form early and diligently. If the questions do not adequately portray your business

activities, provide an explanatory addendum. A sub-standard submission may prejudice your practice resulting in premium loadings, restrictive terms or even a declinature

- Pay particular attention to the risk management questions. If you can differentiate your practice from your peers and provide comfort to underwriters regarding your processes and procedures, you are more likely to achieve a favorable result. Include accreditations, CVs and procedure manuals if appropriate
- If any PI claims have been made against your practice, provide details regarding the steps taken to ensure there will not be a repetition of the circumstances which led to the claims
- In the hard market, underwriters are more particular about the risks they are prepared to write, and negotiations are often lengthy and time consuming. Ensure you provide your broker with renewal documents well before your renewal date as he or she may need to approach several insurers to achieve the required coverage and premium

Contact APEA's Insurance Brokers

The Association of Professionals Engineers Australia has the longest running PI Insurance scheme in Australia and has covered our members for over 30 years.

If you would like to discuss APEA's PI insurance or get an insurance quotation, please contact our insurance brokers on 1800 800 998.

The information and advice in this article have been provided by our insurance brokers Countrywide Insurance Group Pty Ltd.

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