

Professional Indemnity Market Update

Australia - September 2020



Premium rates



+50% to +100%

- As reported in our previous Market Updates, due to continued losses, the Professional Indemnity (PI) market has experienced hardening since 2017. There has been no let-up to this in the first half of 2020 and if anything it has accelerated with premiums continuing to increase and insurers reducing their appetite and capacity for PI risks.
- A key issue has been a widespread reduction in insurers' capacity; reductions from \$20 million to \$10 million or even as little as \$5 million in some cases are common. New insurers needed to be found to add capacity, so that larger limit programs could maintain overall limits. This has come at a time where insurers' appetites are at their lowest in several years.
- The other major factor in the market is premium increases. Rises of 50% to 100% are common and we have even seen increases as much as 2000% in some extreme cases. According to APRA statistics the average premium per risk for Q1 2020 increased by 85% when compared to Q1 2019. Insureds involved in the building and design sectors have been the most severely hit, but all PI buyers have seen (or should brace themselves for) higher PI pricing again at their 2020 renewal.
- The third key factor is insurers are continuing to pare back coverage previously provided. Again, the construction industry has borne the brunt of this tightening as insurers seek to limit cover for contractual liabilities that extend risk beyond the usual standard of care that is expected of professionals in the sector.
- All of these factors have led to a current marketplace where premiums have continued going up (even where insureds' revenues are down due to COVID-19), with policy limits, deductibles and breadth of coverage coming under sustained pressure.

- The London and Lloyd's market continues to offer little by way of relief as the market there battles the same headwinds being faced by Australian insurers. In Australia, many Lloyd's-backed agencies have advised of non-renewal of certain policies or a reduction in their capacity (policy limit) for certain risks.
- In the midst of all of this bad news, there was a glimmer of hope when, on 3 June, the NSW government passed significant changes to the legislation governing the liability of building practitioners. The Design and Building Practitioners Bill 2020, is intended to extend the scope of accountability to all parties involved in the building supply chain, and will, for the first time, create an explicit duty of care by all building practitioners to the eventual owners and occupiers of the buildings they deliver.
- The changes should have the effect of spreading the liability more evenly, and arguably fairly, to the participants in a project rather than place the majority of liability with a small number of practitioners such as the certifiers and surveyors that sign-off each stage of a building's progress. While it is too early to tell whether the increased accountability will translate into increased quality – and a subsequent easing of the claims burden borne by insurers – any move to improve a tarnished industry must be welcome.



All of these factors have led to a current marketplace where premiums have continued going up (even where insureds' revenues are down due to COVID-19), with policy limits, deductibles and breadth of coverage coming under sustained pressure.



Contact Us



For more information please speak with your Willis Towers Watson broker, or contact:

Chris Moore
National PI Manager
FINEX Australia
chris.moore@willistowerswatson.com.au
M +61 416 022 446

Willis Australia Limited | ABN 90 000 321 237 | AFSL No. 240600
CKA Risk Solutions Pty Ltd | ABN 33 109 033 123 | AFSL No. 276915

Disclaimer: While all reasonable skill and care has been taken in preparation of this document it should not be construed or relied upon as a substitute for specific advice on your insurance needs. No warranty or liability is accepted by Willis Australia Limited and/or CKA Risk Solutions Pty Ltd, their shareholders, directors, employees, other affiliated companies for any statement, error or omission.

WTW651AU

willistowerswatson.com.au

Willis Towers Watson