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Construction Leadership Council

30.03.2021 **PROFESSIONAL INDEMNITY INSURANCE RESTRICTIONS HARMING INDUSTRY**

Significant cost increases and the introduction of new restrictions on professional indemnity (PI) insurance are preventing companies taking on projects and could delay essential work on building safety. These were the findings of a pan-industry survey of over 1,000 firms carried out by the Construction Leadership Council and published today.

The results pointed to widespread incidence of companies having to change the type of work they do because of restrictions on cover, with a quarter losing jobs because of tough conditions and limitations being placed on them by insurance firms. Even though two thirds of respondents said that less than 5% of what they do is high rise residential, almost one in three were unable to buy the cover they wanted or needed.

The survey was carried out from mid-February to mid-March and received 1,066 responses from a mixture of consultants, contractors and specialists. They also ranged in size with half of the respondents from companies with turnover below £2 million and 10% over £50 million.

The results[1] revealed that:

- Over 60% of total survey respondents have some form of restriction on cover relating to cladding or fire safety
- One in three of total survey respondents have a total exclusion in place for cladding claims
- One in five of respondents have a total exclusion in place for fire claims
- Over a quarter of total survey respondents have lost jobs as a result of inadequate PI insurance
- One in three respondents couldn't do remedial work if they wanted to
- Almost a quarter of total survey respondents have changed the nature of their work due to inadequate PI insurance.
- Majority of respondents buy £10m or less cover with very few buying over £20m
- Almost half of respondents had been declined insurance by three insurers or more
- Two thirds of respondents are carrying a claim excess imposed upon them by their insurers
- Premiums have increased nearly 4-fold at the last renewal, having doubled the year before; the average rate is 4% of turnover but one in five who gave figures are paying more than 5% of their turnover for their PI insurance

[1] For consistency all results are given as percentages of total respondents (1066), but some questions were answered by fewer respondents.

Andy Mitchell CBE, co-chair of the CLC said:

"The survey results confirm that there is a widespread problem for many firms in being unable to obtain essential PI cover, which is having an impact on the ability of the industry to work, and undermining efforts to deliver remedial work to ensure building safety."

Samantha Peat, managing director, Wren Managers and chair of the CLC PI Insurance Group said she was extremely worried by the extent of the PII problems, and would be actively working with the Government and industry to identify solutions.

"The cost increases, exclusions and claim excesses that companies are having to bear – even those that do not even work in high-rise residential - could make it unsustainable for them to stay in business.

"The survey results suggest firms will not be able to afford premiums and claim excesses, and they face the choice of refusing some work, or undertaking projects for clients with inadequate insurance cover," she said.

For more details contact Graham Watts CEO Construction Industry Council and member of the CLC taskforce gwatts@cic.org.uk

Link to the survey results https://www.constructionleadershipcouncil.co.uk/wp-content/uploads/2021/03/PII-Survey-Charts-Compiled-Final.pdf

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