

Wednesday June 26, 2019

Governments must act now on building industry crisis

The insurance industry today said state and territory governments must take a nationally consistent and collaborative approach to resolving the building and construction sector crisis.

The Insurance Council of Australia (ICA) said all states and territories must accept and urgently implement all 24 recommendations in the Shergold-Weir Building Confidence report, which revealed significant systemic deficiencies within the building industry and with compliance and regulation.

ICA General Manager Risk and Disaster Planning Karl Sullivan said the state-by-state approach to solving building industry issues was too disjointed and inefficient.

“The building certification regime in many jurisdictions is flawed,” he said. “This is a national issue and requires national consistency, which is the public position the Insurance Council took when cladding issues arose following the Grenfell Tower tragedy.

“Recent events show the construction industry’s problems go far deeper than the use of flammable cladding and other non-compliant materials.

“Current risk-management regimes in construction are clearly failing to prevent avoidable and significant losses. Partial and piecemeal fixes by governments are not going to restore public and insurer confidence in the construction sector.”

Mr Sullivan said failure to adopt a consistent approach to detecting and rectifying flammable cladding was causing insurers to reassess the pricing and availability of professional indemnity (PI) insurance for building certifiers and other building professionals. He said a recent PwC report showed the professional indemnity insurance market for building surveyors and certifiers had been losing money all this decade, with more than \$3.40 paid in claims for every dollar collected in premiums.

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Insurance Council action list:

- State and territory governments accept and prioritise implementation of all Shergold-Weir recommendations
- Commitment from the building and construction sector to take responsibility for poorly constructed buildings, and develop an industry-funded program to fund rectification works and compensate property owners where the limitations of defects liability regimes have left building owners stranded
- State/territory governments complete a nationally consistent audit of all modern high-rise structures by the end of 2019 to check for non-compliant building materials and flammable cladding

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“Insurers play a crucial role in the building industry but they are at the end of the risk management chain. The situation is unsustainable,” he said.

“Many insurers are reluctant to continue to provide unrestricted PI products to these professionals unless the key issues – flammable cladding and significant defects in building, including the compliance regime failures that have contributed – are addressed by governments and the building and construction sector.”

Mr Sullivan said the ICA and its members had been consulting state governments on cladding and other building industry issues for more than two years.

As part of this process the ICA has developed a Residual Hazard Identification Protocol to help building owners and experts evaluate the risks posed by the use of flammable cladding and other non-conforming building products.

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