

Media release

Fire engineer calls for national insurance scheme

Respected fire engineer Stephen Burton has called for a national professional indemnity scheme for certifiers and other building industry professionals.

Mr Burton, CEO of Brisbane-based Ferm Engineering Pty Ltd and deputy chair of Engineers Australia's Society of Fire Safety, said unless a national scheme was implemented, certifiers, fire engineers and the like could not afford to renew their professional indemnity (PI) insurance when policies fell due.

Certifiers sign off on critical items like aluminium composite panel (ACP) cladding replacements, non-conforming building product (NCBP) reviews, and building audits.

Mr Burton said the resolution was a national PI insurance scheme, funded by a levy to pay PI costs above a reasonable cap and finance building rectifications.

"If nothing happens, the building industry will crash because no one will be able to certify that buildings meet the National Construction Code."

Mr Burton said PI insurers were leaving the market or refusing coverage for certifying NCBPs, including potentially flammable ACP cladding risk assessments, that were now mandatory in many states and territories.

Where insurers still offered cover, annual premiums were hiking up to \$70,000 to \$100,000, with large excesses. "Those rates aren't feasible," Mr Burton said.

He said many certifiers could not certify buildings with cladding; fire engineers could not conduct audits or design assessments; and older engineers were retiring rather than paying exorbitant insurance premiums.

"The building industry needs a national PI scheme, otherwise there will be no certifiers available because they can't take the risk of certifying without PI insurance. That leaves the community at risk," Mr Burton said.

"It's not just cladding, that's the tip of the iceberg. We need an insurance scheme that covers all product and structural defects."

Mr Burton said the problem was "in the too-hard basket" for many stakeholders, although some individual states and territories were developing innovative solutions.

Victoria, for example, had a task force that peer reviewed proposed cladding or building defect rectifications and a permanent levy for body corporates and strata schemes that was used as a central fund to lend rectification funds. That spread the burden of replacement costs across multiple owners over buildings' life spans, not just current unit owners.

The Queensland Ministerial Construction Council, an advisory body for the state's Housing and Public Works Minister Mick de Brenni, met last week and agreed national PI consistency was beneficial and reform was needed. But Mr Burton said there was no affirmative action.

The Australian Institute of Building Surveyors supported a national approach and a government-backed remediation fund. Master Builders Australia had also called for a national approach after a meeting in Canberra this week.

The Insurance Council of Australia wanted a nationally consistent, collaborative approach to the construction industry crisis. Mr Burton agreed, saying a harmonised approach was the answer.

Mr Burton, a nationally certified engineer, has been a qualified fire engineer for more than 25 years and is highly respected in the field. He is travelling to London in July to attend the Grenfell Tower fire inquest.

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