

23 April 2019

The Hon Mick de Brenni MP  
Minister for Housing and Public Works  
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Dear Minister

I am writing on behalf of Master Builders' membership in relation to the growing insurance crisis in our industry. In particular, the difficulty that many certifiers and fire engineers are having securing professional indemnity insurance without exclusions or a prohibitive price.

Global insurers are equating risk and therefore premiums with the worst cases of rectification, that is the full costs of a Grenfell-like disaster. They are not calculating the true costs of rectification in the Queensland market. As a result, premiums are too high and involve very onerous exclusions. For building certifiers who cannot have exclusions under their QBCC licence, this is untenable. Some recent examples of premium increases for building certifiers that have come to our attention include:

- in Toowoomba an increase from \$15,000 to \$87,000;
- in south east Queensland an increase from \$80,000 to \$200,000; and
- nationally an increase from \$167,000 to \$800,000.

Up to 30% of Queensland's building certifiers are due to have their insurance renewed in June, escalating the problem to a critical level. We believe that the State Government needs to take action or the industry will grind to a halt in a matter of months. Buildings that can't be certified, can't be built.

In mid-2018 the industry faced a similar crisis and at the time additional insurers were approached and agreed to enter the market. The same cannot be expected again, threatening the future of private certification.

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Our national colleagues have raised the issue with the federal minister, the Honourable Karen Andrews, but this is a problem that reaches across jurisdictions and there are steps that can be taken here in Queensland to avert the crisis.

### **1. Quantify the scale of the existing problem.**

In order to help ensure that the risk is being accurately assessed by insurers, the Government should expedite the release of the summary results of Stage 1 of the Queensland combustible cladding audit which is now complete. This information should include both the total number of buildings proceeding to Stage 2, and a summary of the occurrence of possible combustible cladding.

It would also be helpful to urge the other States and territories, who have conducted similar audits, to make their information available.

### **2. Allow those certifiers who do not work on buildings with a fire safety component to have an exclusion on their PI insurance.**


In Queensland, certifiers are required under their QBCC licence to have PI insurance without exclusions covering any aspect of their certification work. In order to ensure that the majority of certifiers, who do not have an exposure to flammable cladding risk, can continue to work, the State Government should permit exclusions for certifiers who do not work on buildings with a fire safety component. This will allow the majority of building work to proceed unaffected and will be particularly important for the housing sector where there is limited exposure to flammable cladding risk but will be first to be affected by the lack of certifiers.

This could be achieved quickly and prior to the June round of insurance renewals.

### **3. Provide clarity on how rectification is to be achieved.**

The risk from flammable cladding has been many years in the making and is the result of failures across all sectors: both government and industry. Rectification is no simple matter. Questions also remain as to how best to undertake the rectification work. A stakeholder forum, hosted by the State Government, would go a way toward building a shared understanding of best practice and foster collaboration. Lessons could be learnt from the forum held by the Victorian Building Authority at the beginning of the year.

Sharing of product testing information could also facilitate the process. We understand that this was to be done by way of the Queensland Cladding Taskforce product library. This would be of great value to the rectification process; however, it isn't clear whether that initiative is proceeding.




Going forward it will be just as important to not repeat the mistakes of the past. Ensuring a system of better product certification and product information can help achieve this. In Queensland, while we have the Non-Conforming Products legislation which requires product information to be passed along the chain of responsibility, we still do not have good information being provided consistently. An updated version of the State Government's Code of Practice referencing the ABCB's Evidence of Suitability Handbook, and in particular Product Technical Statements, would be a good starting point.

The State Government should also ensure that the ABCB puts in place better processes to identify emerging problems in how the NCC is being applied and to more quickly address any misunderstandings in its use. A national system similar to Queensland Building Codes "Newsflash" would be a welcome step forward.

Together, these steps can help ensure that we avoid the impending crisis in building certification and with it Queensland construction and also help prevent returning to a similar crisis again in the future.

If you or your office require any further information, please contact Paul Bidwell on 3225 6420.

We look forward to your response.



Paul Bidwell  
**Deputy CEO**

