

RICS Client Practice Note

Although you are a specialist rural practice and despite your Professional Indemnity Insurance (PII) cover being arranged on a specialist facility for CAAV members, recent developments with the RICS and Approved Insurers (see below for detailed explanation) mean a 'fire combustibility' questionnaire will have to be completed when your policy next falls due for renewal. For the majority of CAAV members practices, we appreciate most of the questions will not be relevant and hence a quick and easy form to complete but Insurers are now having to obtain these forms in part due to these issues below and as part of their own corporate governance procedures even where they acknowledge there is unlikely to be any exposure to them.

The idea in highlighting this now is simply to give you as much time as possible to consider the types of questions likely to be asked going forward. There is no need to complete the form now, we shall forward the required version with your usual CAAV members' renewal form.

To give you a little further background. Our recent bulletins have mentioned over recent months a change of position by the RICS as far as their PII minimum terms of cover are concerned.

In summer 2019 and following very shortly after imposing their new 'run-off' rules aimed at protecting consumers, further changes were made in terms of allowing Insurers to impose cover restrictions where the following roles were undertaken; Approved Inspectors, Architecture, CDM Planning Co-ordination, Clerk of Works and Employers' Agent.

These restrictions effectively enabled Insurers to apply an 'aggregate/defence costs inclusive' Limit of Indemnity (with the policy excess also to be applied to defence costs), subject to:

- Firms with fees under £1,000,000 – a minimum Limit £2m aggregate
- Firms with fees £1,000,001 plus – a minimum Limit £5m aggregate,

With otherwise the minimum current Limit of Indemnity of £1,000,000 any one claim still to apply with defence costs in addition and the policy excess not to apply to defence costs.

Not all Insurers since then have imposed these restrictions but the wider Surveyors' market outside of the CAAV Members' facility does appear to be hardening and it is likely many of those non CAAV practices will see a change in stance through 2020, already we are seeing many previously active Insurers reining in somewhat in terms of what they will quote, how competitive they may be etc. Despite this, these changes do not appear to have had the desired effect for either RICS or Insurers themselves and we understand further discussions between them are ongoing, the more recent student accommodation fire in Bolton adding to the difficulties post Grenfell with a feeling that definitions of inadequate fire resistant materials may be expanded, high pressure laminates (HPL) as an example.

In highlighting this issue we only wish to make sure our clients are aware of developments within the PII market, to reiterate the CAAV Members' facility and certainly for those practices with little to no exposure in the areas concerned is unlikely to see Insurers imposing the sort of cover restrictions the RICS are now permitting.

Please do not hesitate to email or telephone your usual contact at MFL should you wish to discuss further.

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