

Royal Institute of British Architects

Architects Registration Board: Consultation on draft guidance for Professional Indemnity Insurance July 2022

The Royal Institute of British Architects is a global professional membership body driving excellence in architecture. We serve our members and society in order to deliver better buildings and places, stronger communities and a sustainable environment. Being inclusive, ethical, environmentally aware and collaborative underpins all that we do.

We have changed the guidance to allow cover in respect of fire-safety and cladding claims to be held on an aggregate basis, and limited to direct loss.

- **Will this improve architects' access to professional indemnity insurance?**

Renewing professional indemnity insurance (PII) cover has become increasingly challenging for architects over the past few years. Many have experienced the cost of premiums rising significantly, while exclusions may have affected the nature of the work practices are insured to carry out. The RIBA therefore welcomes the Architects Registration Board's (ARB) move to revise PII guidance.

The changes proposed are sensible and proportionate – and are likely to reflect what is available to architects in the medium term. However, this new guidance is unlikely to improve architects' access to PII as it is the insurance market that is in control of what cover is available. The RIBA is concerned that proposals to hold coverage for certain claims on an aggregate basis and only cover direct losses assumes that all practices can secure limited fire safety cover at present, which is not necessarily the case. We are concerned that should smaller practices be unable to secure insurance on an aggregate basis they will be forced into closure or will move into the unregulated sector.

The architecture sector is one comprised almost entirely of small and medium sized businesses. The impact on securing insurance on an aggregate basis should not be underestimated.

There are also concerns about the advice that brokers are providing on the availability of such cover. Insurers and underwriters may be offering these services but are not always setting them out to customers.

We must also acknowledge that for those who can secure aggregate cover this is a temporary measure which does not address the wider issue – the rising cost and declining scope of insurance coverage is a serious concern and threatens the long-term future of the profession if urgent action is not taken.



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The tragic fire at Grenfell tower, an increasing number of claims, together with a significant contraction in available capacity and increasing uncertainty in the insurance industry about how to price risk, has left the wider construction sector struggling for PII cover. However, the issue is not limited to the construction sector, across the economy it is becoming clear that the current PII model is no longer fit for purpose. Other professions are facing similar challenges with steeply rising premiums and a growing set of exclusions. The RIBA will continue to work with the ARB, the Government, and other professions to ensure fundamental reforms and provide a sustainable and longer-term solution to the PII crisis.

- **Will this reduction in cover still offer adequate protection to clients or consumers wishing to make a claim?**

The RIBA agrees that an aggregate limit on fire safety cover will provide adequate protection to clients if it is available, though it may be necessary to recommend net-contribution clauses are applied on architects' professional services contracts to help manage this risk.

The minimum level of cover below which no architect should accept remains at £250,000 for each and every claim. Is that level of cover still appropriate to cover the lowest risk architectural practices?

The RIBA agrees that the minimum level of cover below which no architect should accept remains at £250,000 for each and every claim.

The Building Safety Act extends the period of liability for some claims to 30 years. We believe that requiring architects to maintain run-off cover for a period longer than six years would be disproportionate to the risks involved. Do you agree that the minimum amount of run-off cover should remain at six years? If not, what should the minimum amount of run-off period be?

The RIBA agrees that the minimum run-off cover should remain at six years. This will be appropriate to cover the for the vast majority of possible claims and contractual obligations.

ARB's guidance states that it is unacceptable for architects to carry out any work for which they are uninsured. Given the changes to the availability of insurance, what impact does ARB's requirement have on your practice? If there are exclusions on your policy, please outline whether you are able to continue to practice and the nature and/or extent of the modifications you have made to your practice in order to be compliant with your insurance.

The RIBA agrees that it is unacceptable for architects to carry out any work for which they are uninsured. The RIBA will continue to work with ARB, the Government, and other professions to ensure fundamental reforms and provide a sustainable and longer-term solution to the PII crisis.

Do you have any other suggestions as to how the draft guidance could be improved? Where possible, please refer to the paragraph number of the text in the draft guidance.

The RIBA recommends that the ARB supports the development of risk management guidance for architects to better equip architects with the skills to manage liability in contracts and during projects.