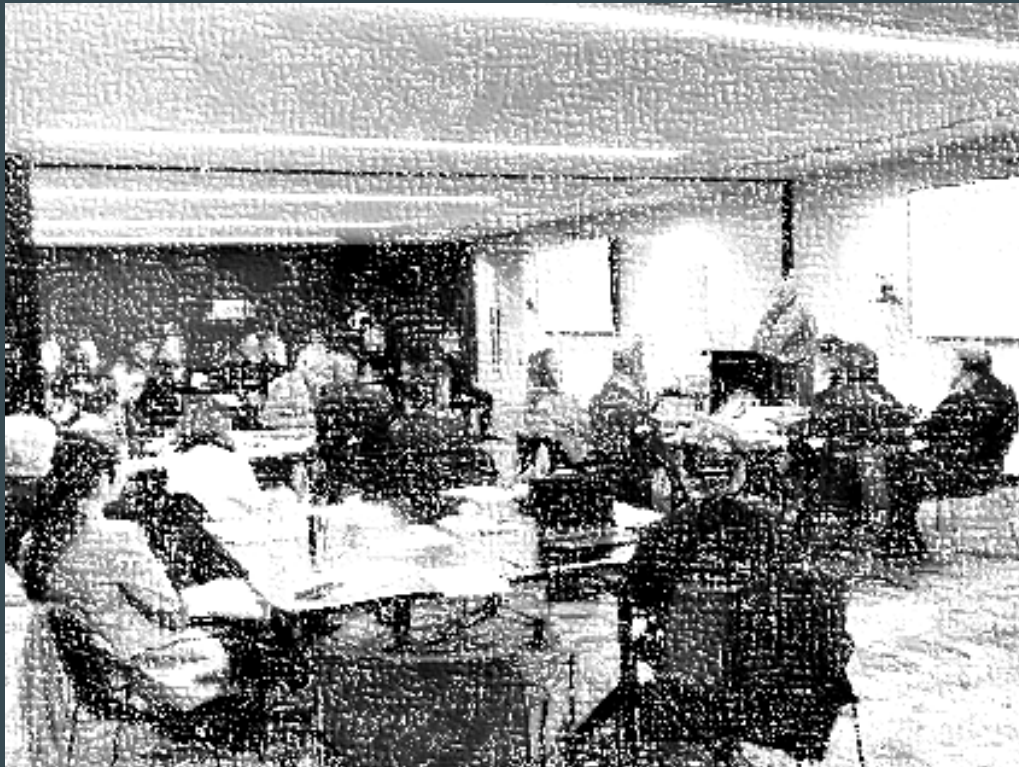


# Professional Indemnity Insurance Roundtable

Report for stakeholders and further actions

September 2022



## Table of contents

Introduction .....	1
1. “Be active in communicating – take the story to the market” .....	2
2. Ideas for action .....	2-3
3. Themes .....	3-4
4. Evidence on the benefits of schemes .....	5
5. Participants .....	5
Conclusion .....	6

## Introduction

The Professional Standards Councils convened a Roundtable on 16 August 2022 to foster closer collaboration between professional associations, the insurance sector and government regulators. The focus was on better utilising the benefits of professional standards schemes to improve the availability and affordability of professional indemnity insurance and consumer protections.

The Roundtable was facilitated by Estelle Pearson, Principal and Managing Director, Finity Consulting. Presentations were delivered by:

- John Vines OAM, Chair of the Professional Standards Councils
- Kevin Gomes, Principal, Taylor Fry
- Dallas Booth, Chair, Insurance Council of Australia’s Business Advisory Council
- Amelia Hodge, CEO, Australian Property Institute



Over 30 representatives explored ways in which to improve the pricing of risk, the availability and affordability of insurance, and risk management strategies.



## 1. “Be active in communicating – take the story to the market”

The Councils welcomed the lively discussion, with diverse experiences and expert opinion freely shared. A key message was that all players should be more active in communicating their efforts, experience and success in managing risk.

Notable points of broad agreement arising from the discussions included:

- + the need for better collaboration between associations and brokers, insurers, and underwriters
- + the importance of data sharing
- + that associations need to be active in risk management and proactive in communicating the benefits of their professional standards schemes

## 2. Ideas for action

A number of constructive actions were identified for associations, insurers and government regulators during discussion.

Associations to:

- Use analysis of complaints and claims from all available sources to identify –
  - > systemic issues, and build risk management activities around these issues
  - > unprofessional practice, and build targeted education to eliminate/reduce these.
- Define and collect baseline data at the commencement of risk management strategies to better measure outcomes to communicate to insurers.
- Develop an engagement strategy with brokers and insurers which –
  - > builds a narrative on risk management, including proactive risk management
  - > focuses on core risks for the sector and regulatory/standards activities mitigating these risks
  - > seeks out and understands insurer perspectives on risk and provides tailored information in response.
- Ensure that members are addressing professional risks and strengthen audit activities.
- Produce education material for members on improving their practice/business through embedding risk management.



#### Insurers to:

- Provide greater transparency on risk assessment.
- Provide guidance to associations on information and analysis that assists insurers in assessing risk.
- Engage with associations on risk management strategies and initiatives.
- Share data with associations to assist risk analysis.

#### Government regulators:

- Professional Standards Councils to:
  - > provide guidance to associations on 'best practice' data sources and analysis
  - > continue to commission analysis on scheme benefits
  - > assist associations to better brief insurers on the benefits of professional standards schemes.
- Australian Prudential Regulation Authority to:
  - > develop and communicate a more streamlined process for access to the National Claims and Policy Database by associations and the Councils.



### 3. Themes

Themes arising from the Roundtable discussions included:

#### **Risk management is central to maintaining affordable and adequate insurance protection for professionals.** However, there are several complicating issues –

- Professional indemnity insurance is a long-tail class of insurance business, meaning there is a lag of several years before the impact of improvement in risk management is evident in reduced insurance claims.
- Professional standards schemes are unique to Australia, and there is an incomplete understanding of the requirements of the schemes around risk management.
- There is a lack of visibility of risk management work by associations and how well it is embedded by professional firms.
- There is a need to better demonstrate the link between risk management activities and improved outcomes in terms of consumer protection.

#### **Engagement between insureds and insurers is key.** In particular –

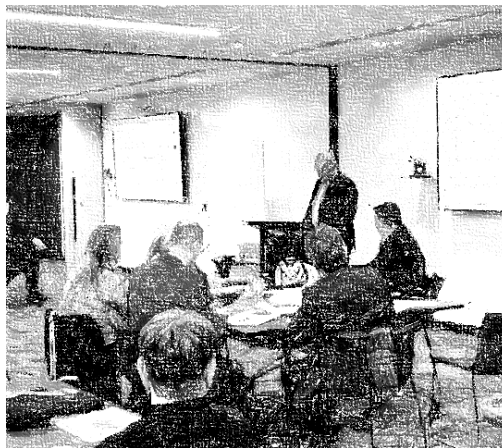
- Proactive communication by associations directly with insurers assists in building confidence.
- Brokers have an important role in communication between associations and insurers.



- The ICA Business Advisory Council provides an additional avenue for engagement between associations and the insurance market.

**A sound evidence-base of data is needed to understand how improvements in professional standards are reducing risk and insurance claims.**

- The Taylor Fry report on the benefits of schemes (commissioned by the Councils) is a good first step, but better data is needed to establish the causal link between initiatives taken and outcomes achieved by associations.
- There are good examples of measuring the impact of risk management activities by the captive legal insurers, given their deeper understanding of their associations' business but noting the uniqueness of these arrangements.
- There are barriers to accessing insurance claims data for associations from insurers or through APRA's National Claims and Policy Database.



**Demonstrating strong regulation of professional standards by associations helps build confidence in the effectiveness of schemes.**

- A proactive approach to encouraging and managing complaints is important.
- Associations need different types of capability to regulate effectively, such as risk management skills.
- Analysis of complaints and claims to identify the 'root cause' of issues is vital in directing resources and activities to the most important areas of risk.
- Dealing with disciplinary matters effectively builds confidence and reduces risk; a small number of higher risk professionals may impact the risk assessment of the whole pool.



#### 4. Evidence on the benefits of schemes

The Councils have continued to respond to association and stakeholder feedback on the need to evidence the benefits of professional standards schemes. In March 2022, the Councils released the independent report "[The benefits of professional standards schemes – limitation of liability and consumer protection measures](#)" by Taylor Fry consulting actuaries.

The Taylor Fry report noted:

- + Favourable and encouraging trends on claim frequency, complaint volumes, downward pressure on insurance premiums and improved availability of professional indemnity insurance.
- + The value of the independent oversight provided by the Councils – including in reviewing and promoting the risk management strategies and regulatory capacity of associations.
- + The importance of an active relationship between insurer and insured.

#### 5. Participants

The following organisations were represented at the Roundtable:

- AB Phillips
- ACS
- Austbrokers Countrywide
- Australian Institute of Building Surveyors
- Australian Property Institute Valuers
- Australian Prudential Regulation Authority (APRA)
- Australian Securities and Investment Commission (ASIC)
- Chartered Accountants Australia and New Zealand
- CPA Australia
- Dallas Booth Consulting
- Institute of Public Accountants
- Insurance Council of Australia
- Law Institute of Victoria
- Legal Practitioners Liability Committee
- National Insurance Brokers Association
- QBE Insurance
- Queensland Law Society
- Suncorp Group
- Swiss Re Corporate Solutions
- Taylor Fry Consulting Actuaries
- The Victorian Bar Inc.



## Conclusion

The Roundtable provided an opportunity for face-to-face engagement between the various groups represented. There was general agreement on current challenges and a genuine desire for ongoing engagement on professional indemnity insurance.

The Councils acknowledge and thank Ms Pearson for her engaging facilitation on the day and her report on the Roundtable, which has provided the basis for this summary, together with the results of a survey completed by participants.

The Councils are considering follow-up actions and additional strategies. Associations and insurers are encouraged to consider how they can advance the actions suggested by the Roundtable. Additional suggestions will also be welcomed by the Councils.

In the meantime, the Professional Standards Authority is available for ongoing engagement on professional indemnity insurance and risk management in the context of professional standards regulation. If we can assist you with any of the material in this report, the provision of guidance or advice out of the Roundtable, or further information about the work of the Councils, please [contact us](#).

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