



## **NER Professional Indemnity (PI) Insurance Information Sheet**

### **Purpose of requirement for PI Insurance on the NER**

Professionalism and consumer protection are the basis for registration on the NER.

Professionals are considered 'experts' who present themselves as having special skills or expertise on which members of the community can rely. This reliance attracts a duty of care. If a professional breaches this duty then those persons affected are entitled to claim damages against the professional. Professional indemnity insurance serves as a compensatory mechanism for losses suffered as a result of a breach of a professional's professional duty.

The requirement for registrants to have the benefit of PI Insurance is three fold – to satisfy government regulations, to satisfy contractual obligations and as a risk mitigation measure for professionals to protect their business and personal assets.

### **The PI Insurance requirement for the NER**

When applying for registration on the NER, registrants need to satisfy the requirement that they have the benefit of PI Insurance and that they can maintain PI Insurance for the duration of their registration which covers them for the period(s) in which they are providing engineering and/or engineering related services.

At the time of annual membership renewal, registrants will be required to confirm that they have maintained PI Insurance that meets the NER requirements. Registrants may be required to provide Engineers Australia with a Certificate of Currency (or if unavailable a Policy Schedule) in relation to their PI Insurance at renewal or when requested.

Having the benefit of PI Insurance cover means that:

- If you are a sole practitioner you have a current PI Insurance policy in your own name; or
- If you are employed by a corporation or partnership (including sole practitioners whose business is incorporated) you are covered by the corporation's or partnership's current PI Insurance policy; or
- If you are employed by a Commonwealth / State / Local Government or tertiary institution you are covered under the indemnity arrangements that these entities have in place to cover their employees for the work they do in their normal occupation as a government/tertiary institution employee.

## **PI Insurance requirement for registrants**

In order to be eligible for registration and renewal of registration on the NER, applicants will need to satisfy Engineers Australia that they can maintain PI insurance in the provision of engineering and/or engineering related services.

Check with your employer what PI insurance arrangements are in place.

## **PI Insurance requirement for engineers who do contract work or who are between jobs**

Registrants who, in all other respects meet the requirements for registration on the NER, but who are contractors and who from time to time may be unemployed will continue to satisfy the PI Insurance requirements for registration provided that they have the benefit of PI Insurance at the time they provide engineering and /or engineering related services.

A registrant's registration may be cancelled if they fail to satisfy this requirement.

## **The specified limits for PI Insurance for registration on the NER**

Specified limits for PI Insurance have not been set for the NER as determining appropriate limits is based on a number of factors. What is relevant is that registrants have PI Insurance that is 'adequate', having regard to the nature of the business, including, but not limited to:

- the volume of business in terms of turnover
- the number and kind of clients
- the kind or types of services provided
- the number of employees
- the degree of risk of the engineering and engineering related activities undertaken
- previous PI Insurance claims history.

This is not an exhaustive list of factors that need to be taken into account in assessing what PI Insurance cover is adequate. It is the responsibility of each registrant or their employer to determine what constitutes adequate cover for them and to obtain the required cover from a suitably qualified insurance broker.

## **Responsibility to assess adequacy of PI Insurance policy**

Compliance with the PI Insurance requirements for registration on the NER is a form of risk mitigation and should form part of a registrant's or registrant's employer's overall risk management strategy.



Registrants and/or their employer should undertake their own analysis of what is an adequate level of PI Insurance. Engineering is not homogenous and different areas of practice have very different risks which will impact what insurance arrangements are adequate for the particular business or area of practice.

It is not Engineers Australia's responsibility to determine what is adequate cover.

### **Availability of PI Insurance**

Engineers Australia is aware that the nature and extent of coverage of PI Insurance may be limited from time to time and that the market is subject to fluctuations.

Current indications suggest that the insurance market for PI Insurance for engineers remains 'soft' and that premium levels are not having an adverse impact upon the viability of businesses.

Engineers Australia will continue to monitor the availability of PI Insurance and consider what is practically available.

### **Where to get PI Insurance**

Professional indemnity insurance needs to be arranged through an insurance broker. There are a number of specialist engineering insurance brokers in Australia who can provide advice on PI Insurance.

### **Authorised Insurers**

The PI Insurance should be issued by an insurer regulated by the Australian Prudential Regulations (APRA) or an insurer operating under an exemption within the *Insurance Act 1973* or the *Insurance Regulations 2002 (Cth)*.

### **Assessing adequacy of PI Insurance**

Engineers Australia's experience shows that members often don't have adequate PI Insurance.

Adequate cover depends on a number of complex factors, including the area or discipline of engineering practice, the nature, scale, complexity and risk profile of the business, as well as other factors.