
Architects Registration Board

Architects PI Insurance Study
May 2020



Architects Registration Board

Background and objectives



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This research was conducted on behalf of the Architects Registration Board (ARB) in order to:

- Understand the experiences of those purchasing and renewing PI Insurance over the past 12 months;
- Examine the impact that changes in the insurance market are having on practices and their ability to operate;
- In particular explore the impact of any new exclusions, limitations and restrictions to PI Insurance buyers' policies.



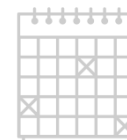
Sample

- Savanta ComRes surveyed 1,761 ARB members who are at least partly responsible for purchasing PI Insurance for themselves/their company.



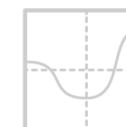
Method

- The survey was conducted online.



Fieldwork dates

- 20th April - 1st May 2020



Interpretation

- Data have been weighted by country to be representative of PI Insurance buyers.
- Findings marked with an asterisk (*) indicate low base size. These results should be taken as indicative rather than conclusive.

Demographic Profile of those responsible for purchasing PI Insurance

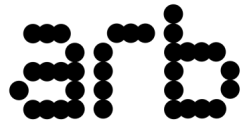
Number of employees within organisation

Base= All respondents n=1761	
1	50%
2-5	27%
6-20	14%
20-100	7%
More than 100	2%

Country



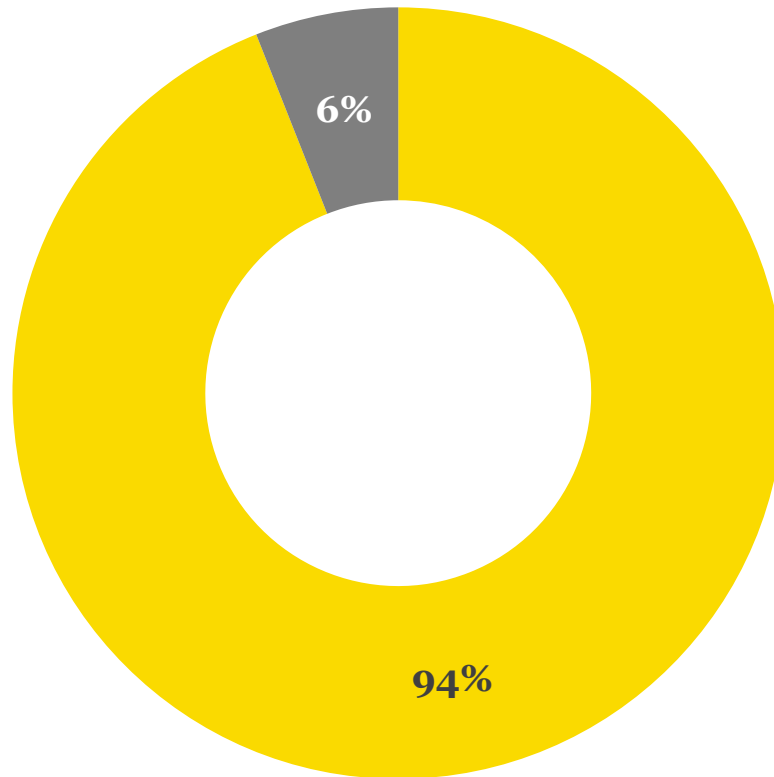
The insurance market



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The vast majority of respondents were not purchasing their PI Insurance for the first time

99 PI Insurance buyers were purchasing their PI Insurance for the **first time**



■ Not the first time purchasing PI Insurance (Renewal)

■ The first time purchasing PI Insurance

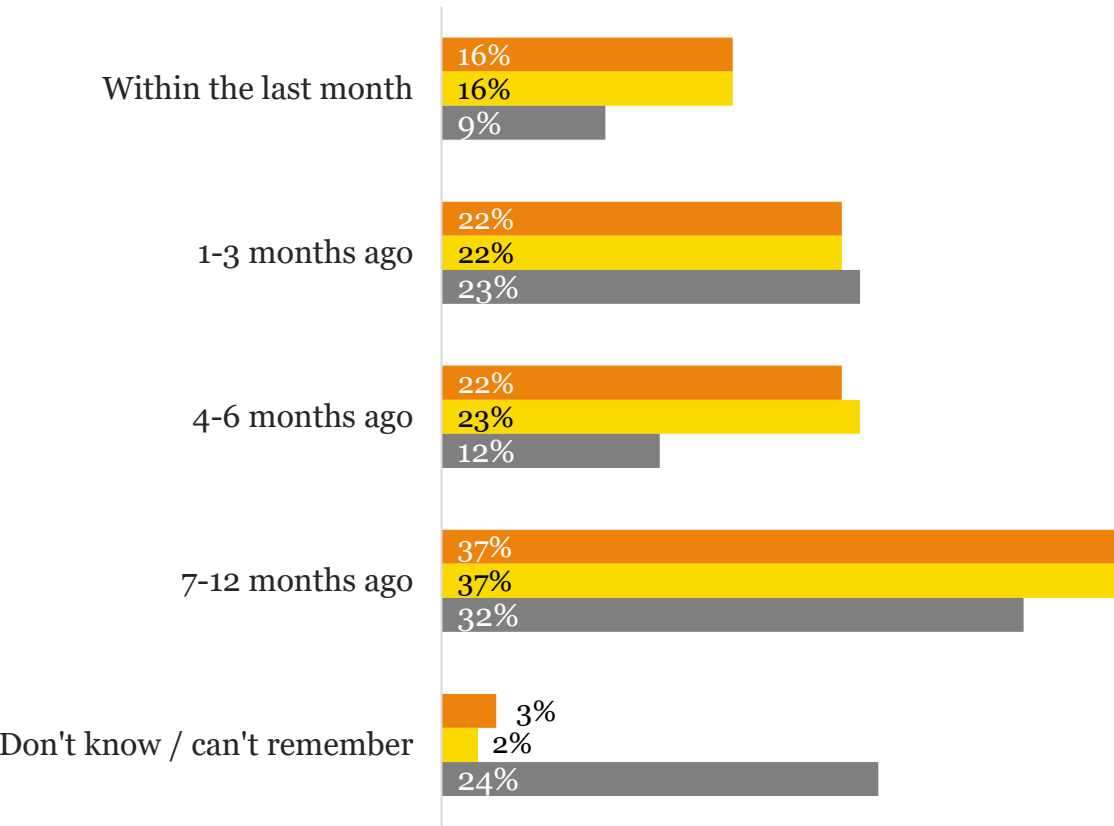
1662 PI Insurance buyers were **not purchasing** their PI Insurance **for the first time**



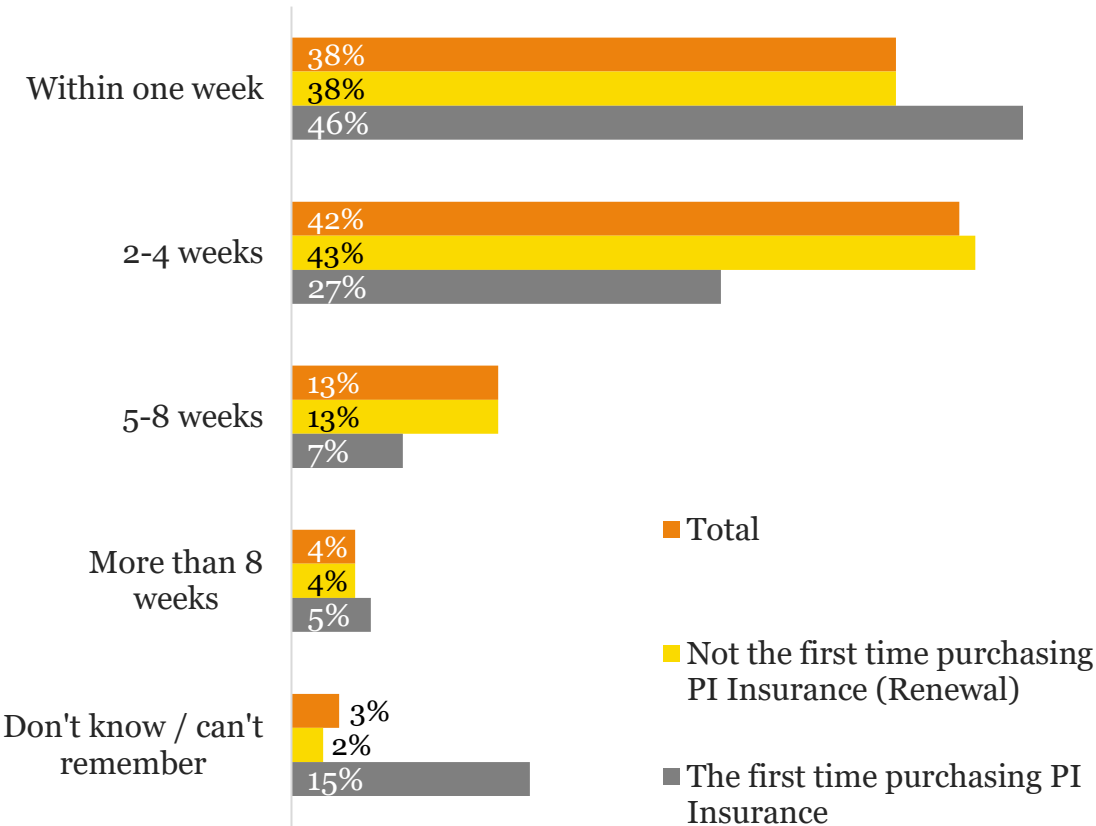
Those responsible for purchasing PI Insurance are most likely to have last purchased 7-12 months ago. Those purchasing for the first time are most likely to have secured terms within one week



How long since last renewed / purchased PI Insurance

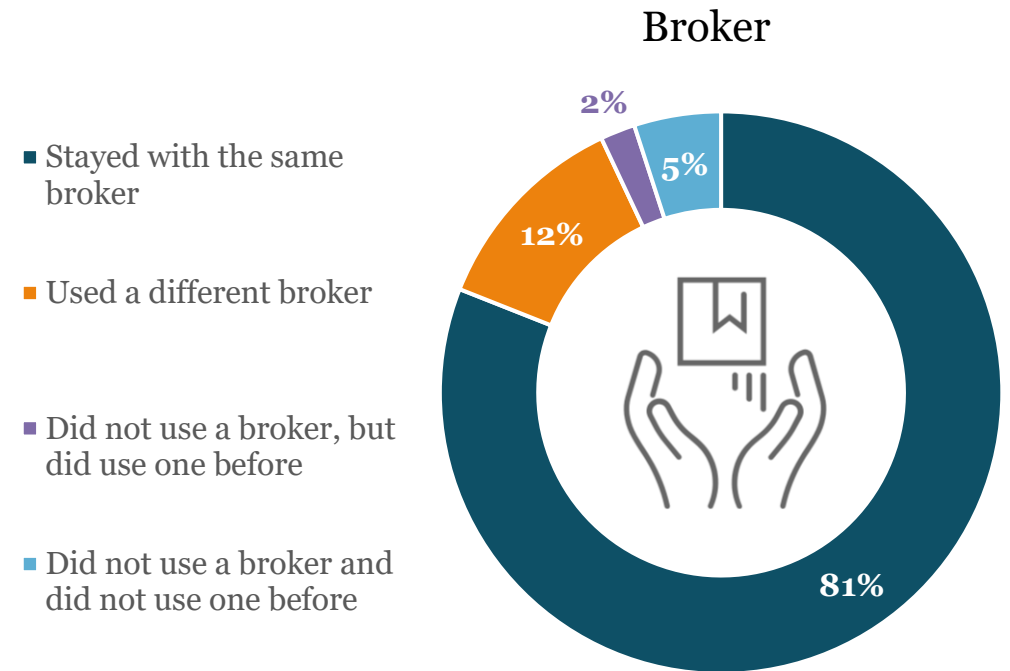
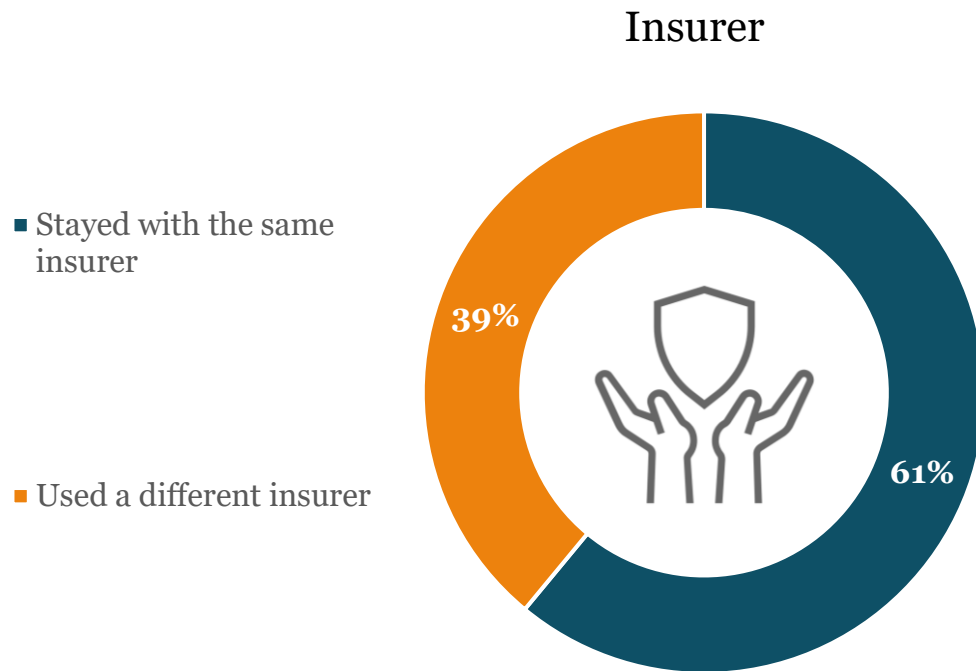


Time taken to secure terms



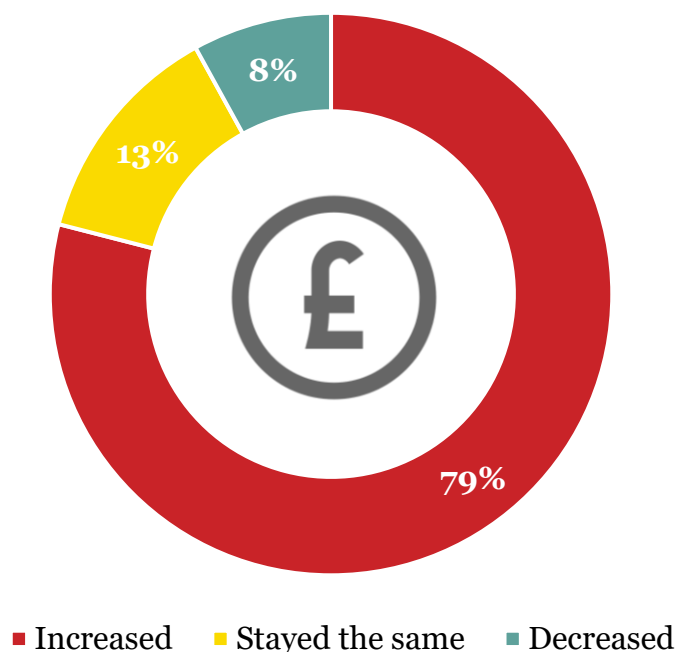
The majority of those responsible for renewing PI Insurance say they stayed with the same insurer when they last purchased. Similarly the vast majority stayed with the same broker

Change in PI Insurance broker / insurer



Four in five of those responsible for purchasing PI Insurance say that when they last purchased, their premium increased

Change in premium



20-100 employees **99%**

Wales **92%**

Changed insurer **85%**

England **81%**

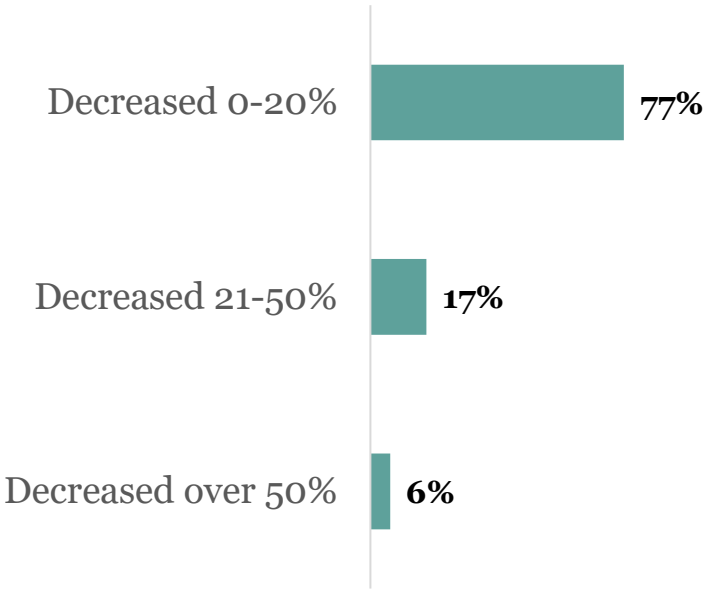
- Four in five ARB of those not purchasing PI Insurance for the first time (79%) say that when they last purchased, their premium increased.
- One in eight say that their premium stayed the same (13%), while just one in ten say that it decreased (8%).
- Nearly all in a firm with 20-99 employees (99%) say that their premium increased, significantly more than any other size company. Similarly 85% of those who changed insurer say that their premium increased, significantly more than among those who stayed with the same insurer (76%).

One in five of those whose premium increased say that it did so by over 50%

Percentage change in premium

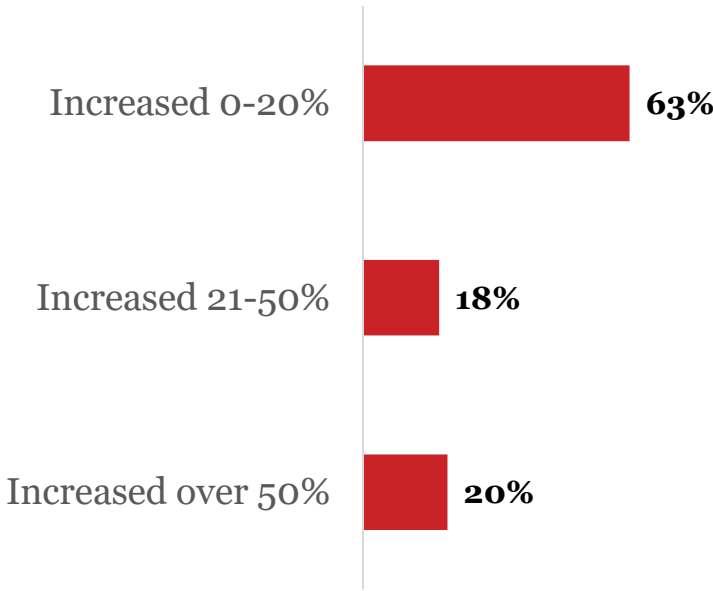
Those whose premium decreased

- Those whose premium decreased are most likely to say that it decreased by 0-20% (77%).
- Just under one in five (17%) say that their premium decreased by 21-50%, while only 6% say that it decreased by more than 50%.



Those whose premium increased

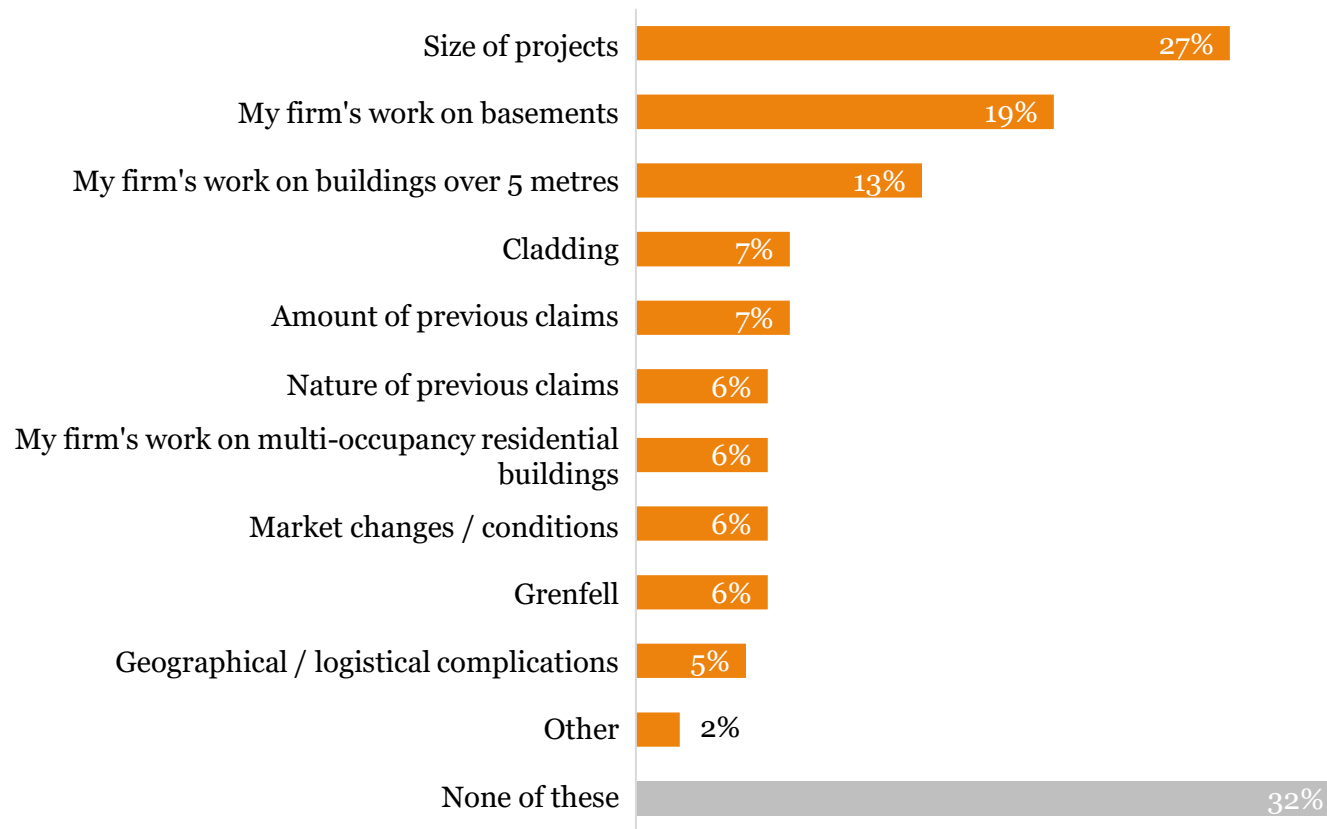
- The majority of those whose premium increased (63%) say that it increased by 0-20%.
- Around one in five (18%) say that it increased by 21-50%, while a similar proportion (20%) say that it increased by more than 50%.



Size of project is the most common factor affecting the premium of those responsible for purchasing PI Insurance

Factors affecting premium

Showing top 10 factors – all other factors scored below 5%

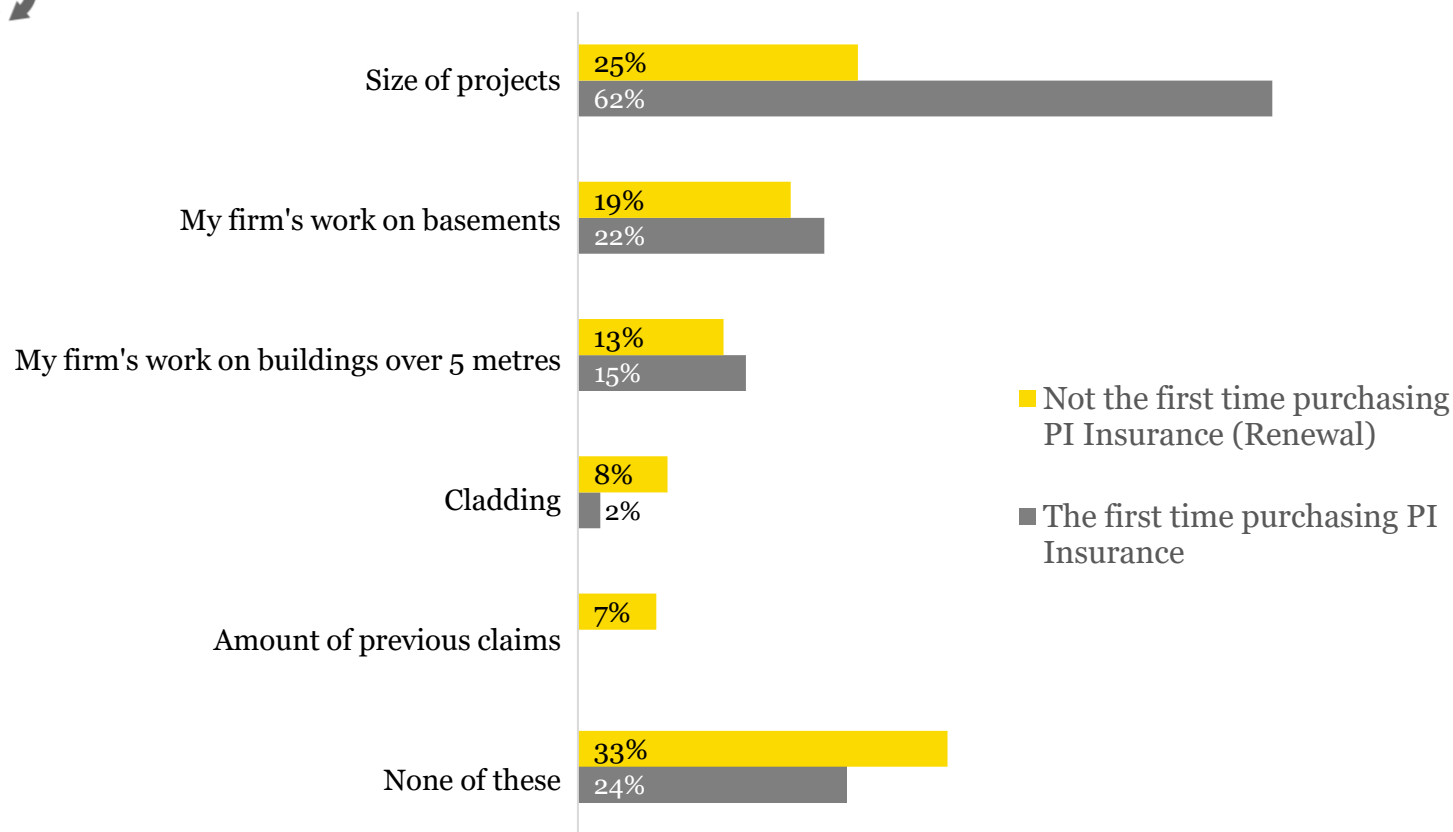


- A quarter (27%) of those responsible for purchasing PI Insurance say that they were told the size of projects that they work on will affect their premium.
- The second most common factor is PI Insurance buyers' work on basements, one in five (19%) were told that this would effect their premium.
- However, one third of those responsible for purchasing PI Insurance (32%) say that they were not told that any factors would affect their premium.

The majority of those purchasing PI Insurance for the first time were told that the size of projects would affect their premium

Factors affecting premium

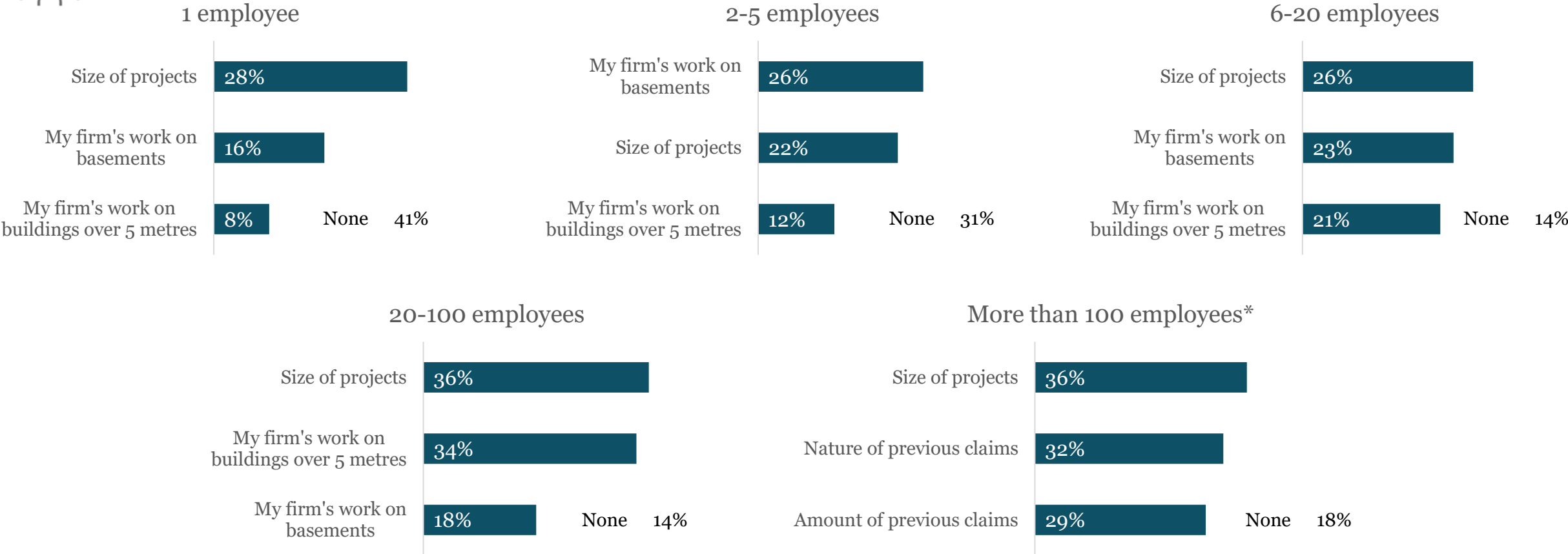
Showing top 5 factors – by first or not first time purchasing PI Insurance



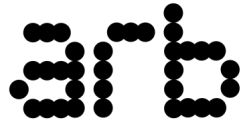
- The majority of those purchasing PI Insurance for the first time (62%) were told that the size of projects would affect their premium, significantly more than those not purchasing PI Insurance for the first time (25%).
- Those not purchasing PI Insurance for the first time are slightly more likely to have not been told that any factor would affect their premium (33% vs. 24%).
- Similarly, those working for a company with just 1 employee are significantly more likely than those from larger companies to say this (41% vs. 31% overall).

Larger companies with over 20 employees are significantly more likely to have been told that the nature and amount of previous claims will affect their premium

Factors affecting premium *Showing top 3 factors – by number of employees*



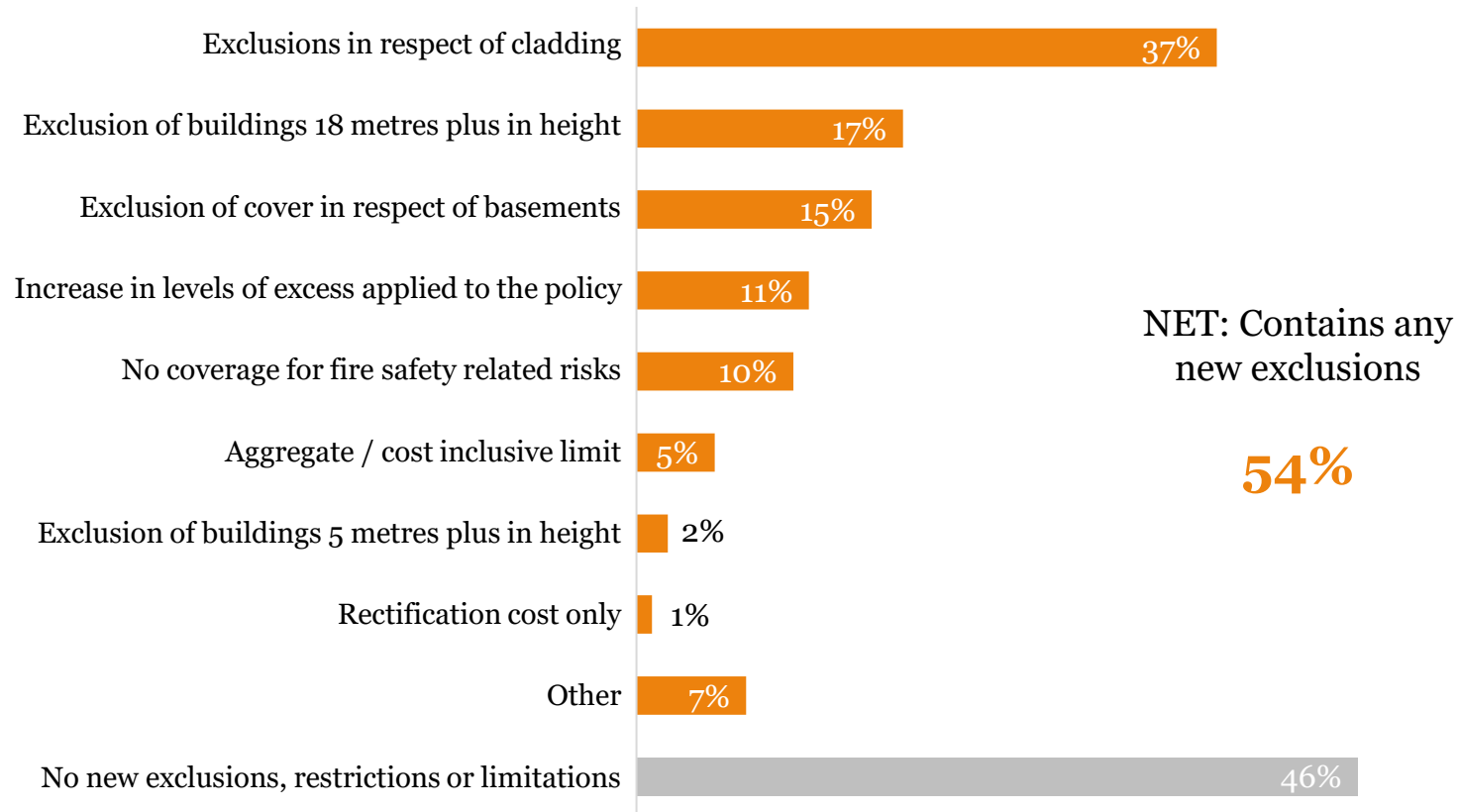
Exclusions, limitations and restrictions



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Just over half of those not purchasing PI Insurance for the first time say that their policy contains any new exclusions. The most common exclusion relates to projects involving cladding

New exclusions, restrictions and limitations in policy

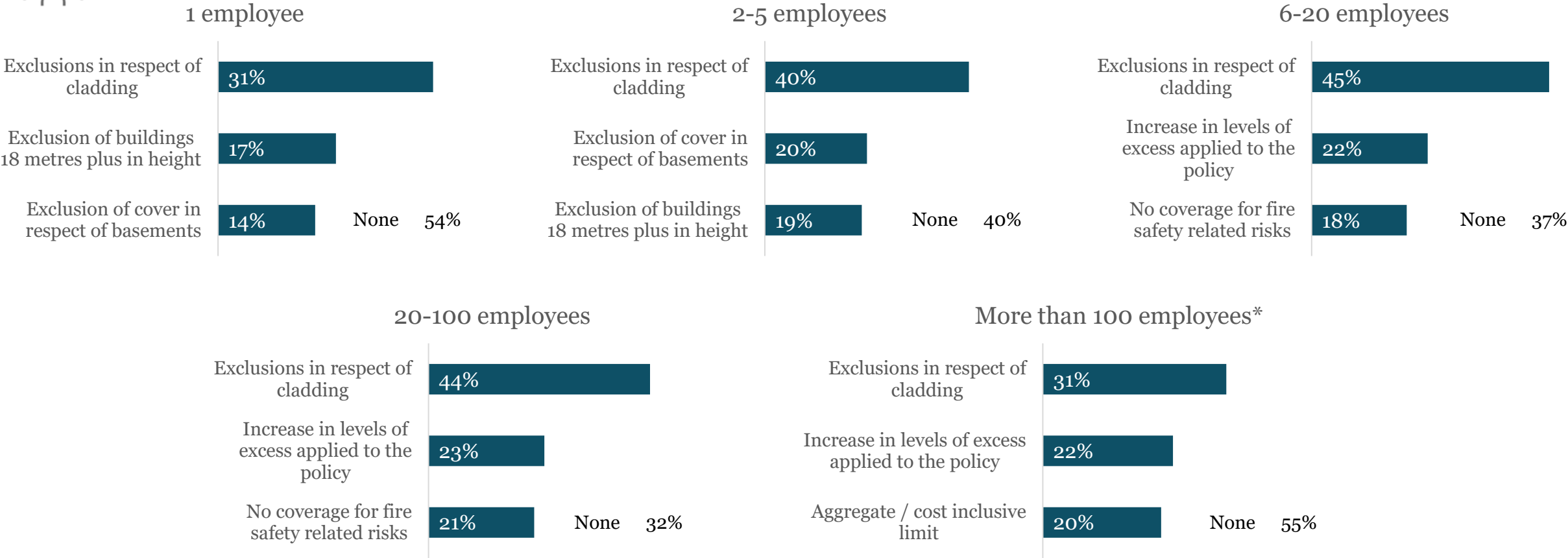


- Just over half of those not purchasing PI Insurance for the first time (54%) say that when they last purchased their insurance, their policy contained any new exclusions, limitations or restrictions. The remaining 46% say that their policy contained no new exclusions.
- The most common exclusion is in relation to projects involving cladding (37%). Approaching one in five (17%) say that their policy contains new exclusions of buildings over 18 metres in height. These new exclusions reflect the impact of the Grenfell tragedy on the industry.
- A similar proportion (15%) say that their new policy contains exclusions of cover in respect of basements.

Exclusions in respect of cladding are the top factor for PI Insurance buyers from companies of all sizes. Those from smaller firms with fewer than six employees are most likely to have factors relating to buildings over 18 metres and basements

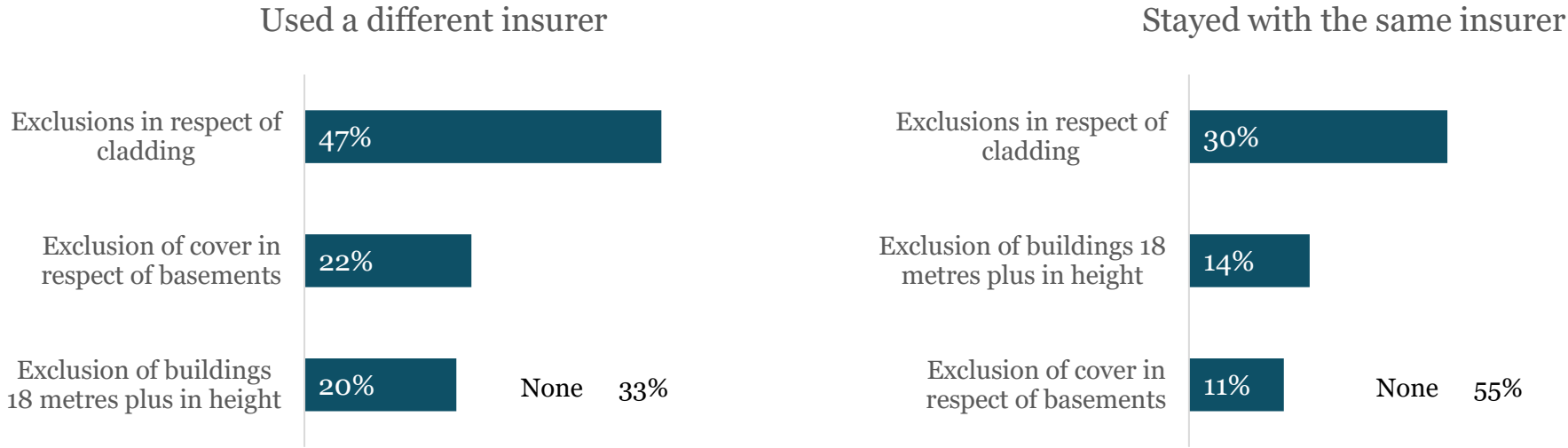


New exclusions, restrictions and limitations in policy
Showing top 3 factors – by number of employees



Those who stayed with the same insurer are significantly more likely than those who switched to say that their new policy did not include any new exclusions

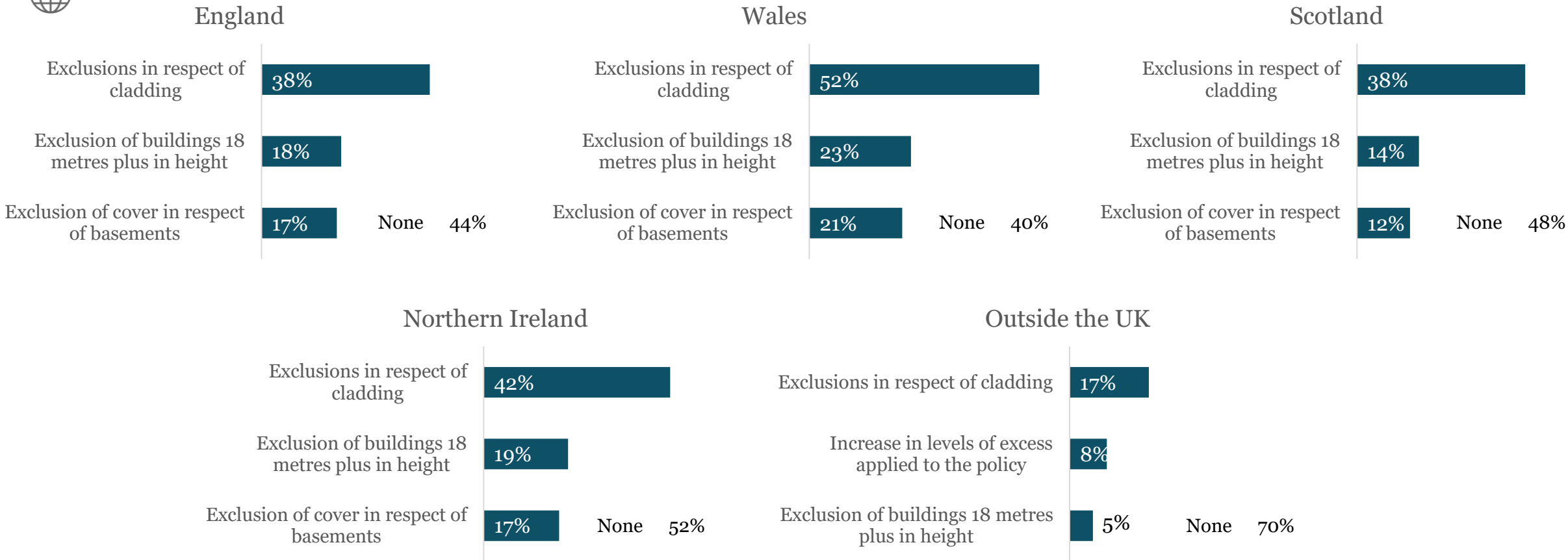
New exclusions, restrictions and limitations in policy
Showing top 3 factors – by change in insurer



The most common exclusions reported by those in all countries are those in relation to cladding. Those inside the UK are most likely to say that their new policy included exclusions relating to cladding and buildings over 18 metres



New exclusions, restrictions and limitations in policy
Showing top 3 factors – by country



The majority of those whose policy includes any new exclusions say that they intend to avoid all of the project work that the exclusions will impact on

Firm's intentions to work on different projects as a result of new exclusions



- The majority of those whose policy includes any new exclusions (62%) say that they intend to avoid all of the project work that the exclusions will impact on. A further quarter (24%) say that they intend to avoid at least some of the project work that will be impacted by the new exclusions.
- Of the 86% who say that they intend to avoid at least some of the work the exclusions will impact on, nearly all of those whose policy contains exclusions in relation to buildings over 18 metres in height (97%) and involving cladding (92%) say that they intend to avoid at least some of the projects involving these elements.
- This demonstrates the impact that the Grenfell tragedy has had on the insurance market, which has in turn impacted the ability for architecture firms to continue operating as they were prior to the event.

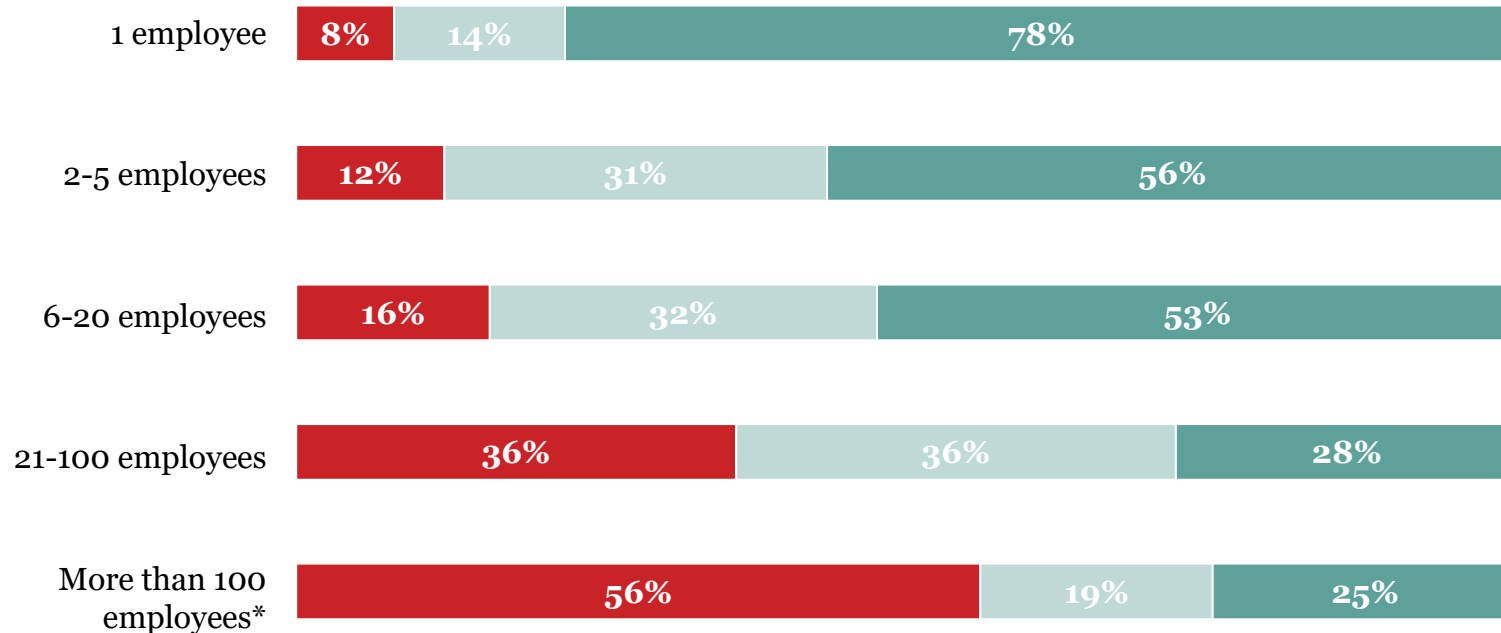
Smaller firms are the most likely to say that they will avoid all of the project work that new exclusions relate to

Firms' intentions to work on different projects as a result of new exclusions

By number of employees



■ None of the project work ■ Some of the project work ■ All of the project work



- Smaller firms are the most likely to say that they will avoid all of the project work that new exclusions relate to. Four in five sole traders (78%) say that they intend to avoid all of this work.
- Similarly a majority of those from companies with 2-5 employees (56%) and 6-20 employees (53%) intend to avoid all of the work new exclusions relate to.
- Conversely two thirds of those from companies with 21-100 employees say that they do not intend to avoid any of this work.
- This suggests that the new exclusions, limitations and restrictions have a disproportionate impact on smaller firms, in particular sole traders.

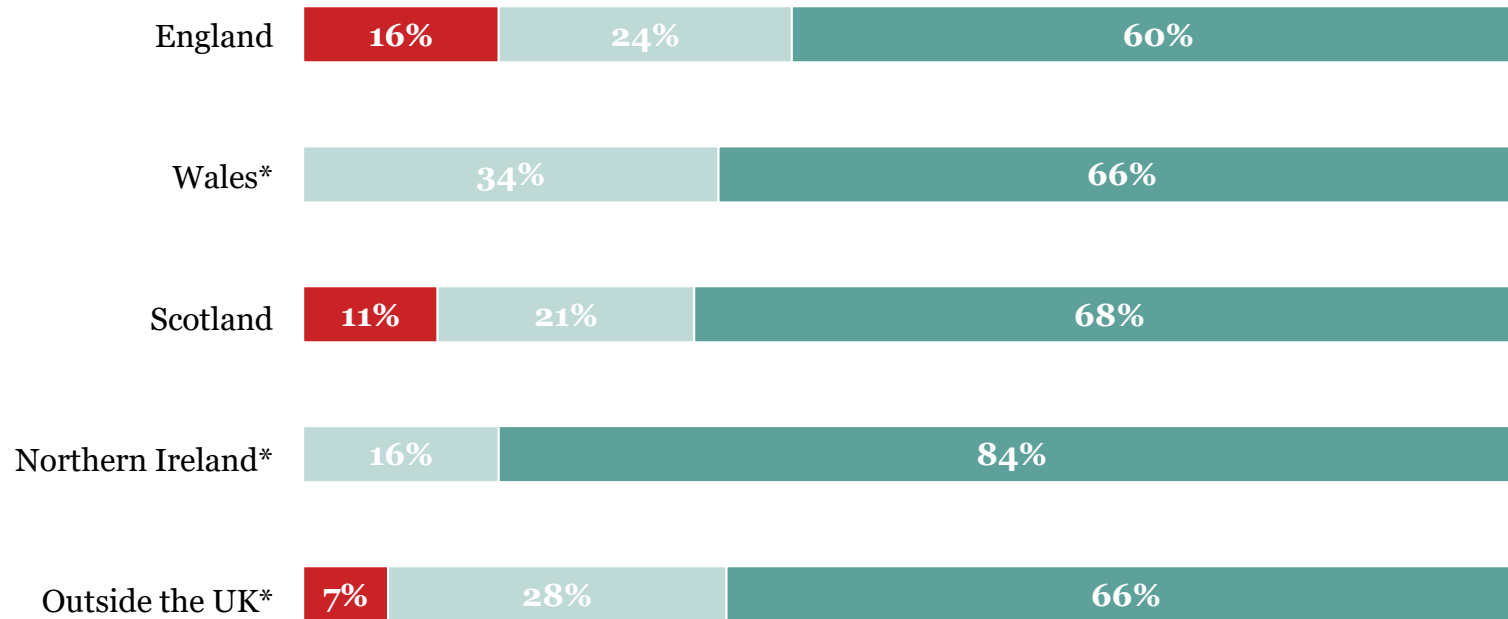
Geographical location does not seem to have a significant effect on the likelihood of firms avoiding project work that new exclusions relate to

Firms' intentions to work on different projects as a result of new exclusions

By country



■ None of the project work ■ Some of the project work ■ All of the project work



- The majority of those who operate within all countries say that they intend to avoid all of the project work that new exclusions relate to.

Those whose PI Insurance premium decreased are significantly more likely than those whose premium increased to say that they intend to avoid all of the project work new exclusions relate to

Firms' intentions to work on different projects as a result of new exclusions

By change in premium



■ None of the project work ■ Some of the project work ■ All of the project work

Premium increased



Premium stayed the same



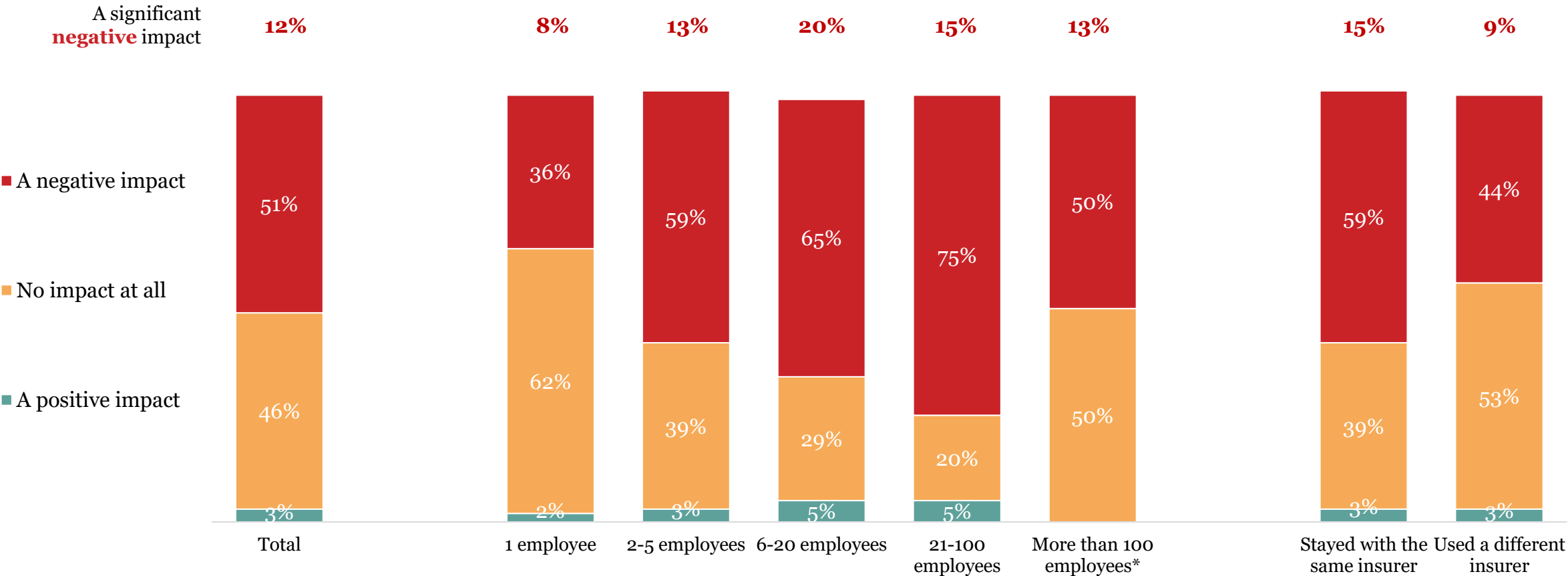
Premium decreased



- Those whose PI Insurance premium increased are slightly more likely than those whose premium decreased to say that they do not intend to avoid any of the project work new exclusions relate to (15% vs. 9%).

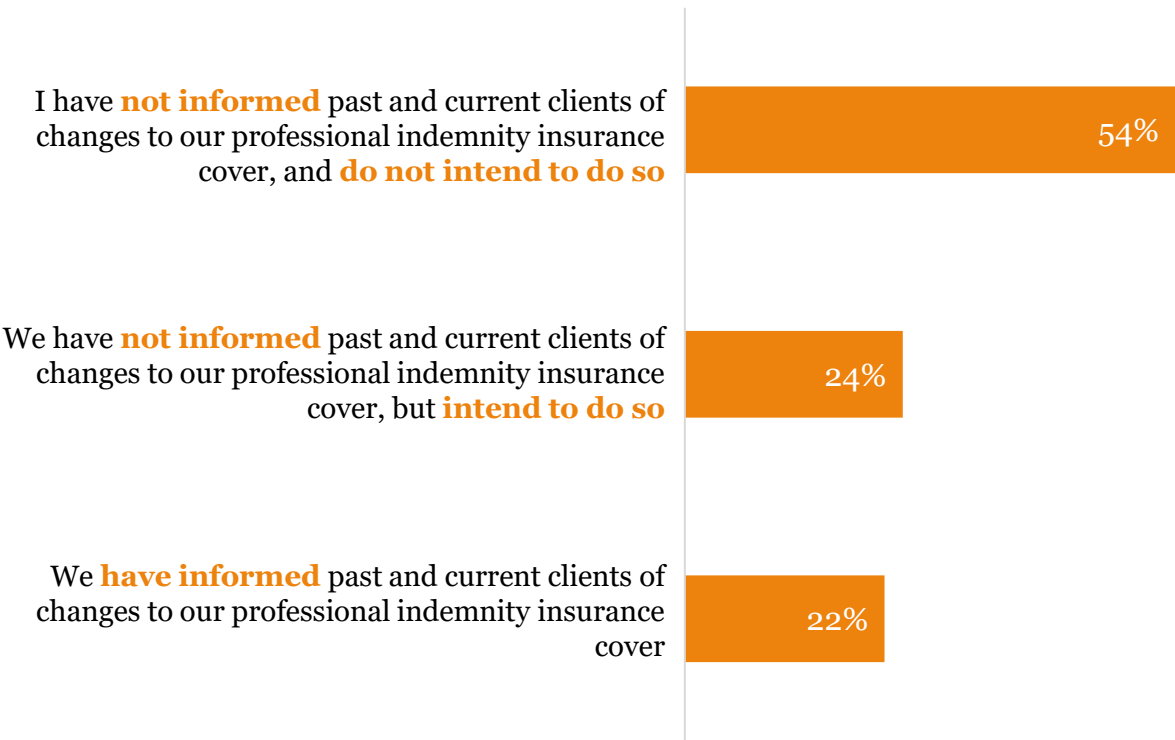
Those whose policies contain any new exclusions tend to say that they expect them to have a negative impact on their organisation. This sentiment is significantly more likely among larger firms with 21-100 employees, and those who stayed with the same insurer

Expected impact of new exclusions on organisation



The majority of those whose policies contain any new exclusions say that they have not informed clients, and that they do not intend to do so

Intention to inform clients of policy changes



Those from smaller firms with 1-5 employees are the more likely than those from larger companies to have not informed their clients of any new exclusions.

81%

1 employee



80%

2-5 employee



84%

Purchased within the last month

