

Australian Securities and Investments Commission

Answers to Questions On Notice

Public hearing: Parliamentary Joint Committee on Corporations and Financial Services

19 March 2021

Division/Agency: Australian Securities and Investment Commission

Question No: 010

Committee Member: Mr Andrew Wallace MP

Question:

CHAIR: In relation to professional indemnity insurance, which Mr van Manen spoke to you about earlier, it seems to me that the professional indemnity insurance is in the bailiwick of ASIC. It's much broader than just professional indemnity insurers for financial advisers, right? We have building certifiers, who can't get professional indemnity insurance or, if they can, it's with outrageous premiums and ridiculous excesses. I know from my past life that that's the case and they struggle to get professional indemnity insurance. I know that valuers are seeing increasing of professional indemnity insurance for a one-person band where they're paying premiums of up around \$100,000. Looking particularly at property valuers, where this has a specific and particular risk to the property sector and the banking sector—we all know that banks rely heavily upon property valuers for some degree of comfort and protection—where is all this headed, from a professional indemnity insurance view? What happens when professional indemnity insurance just becomes so ridiculously expensive that people just say: 'I can't do this anymore. I'm going to close up shop,' en masse. What does that do to competition, if we're only left with two or three national or international firms that provide those property valuation services to banks?

Ms Chester: I think the issue you raise is an important one, but it's not within our regulatory remit. The issue I think you're raising is potentially a policy issue for Treasury. Remember, our role is with respect to misconduct with respect to the provision of insurance. We cover all insurance, apart from health—that's in APRA's bailiwick. We do it through the perspective of consumer protection and small business—that's our remit.

CHAIR: We're seeing, across the board, small businesses simply cannot afford to pay for professional indemnity insurance. It seems to be that more and more businesses and professions are struggling to find quality, affordable, professional indemnity insurance. If the finance sector, which is certainly within what we're talking about here, can't get property valuations done, where do we go from there?

Ms Chester: As I said, it's a very important issue that you raise. That's the sort of issue that we would have discussions with Treasury on, because you're really talking about the competitive dynamic of the insurance sector in Australia with respect to the provision of those services. But you're also talking about whether or not there has been a market failure or whether there are policy impediments that are causing unaffordability of PI cover within that sector. So they are what I'd call capital-P policy issues, which is Treasury. We're lower-case-p policy issues, and we have to be very careful that we as the regulator don't confuse the two. But, by all means, when we see those things, when we see evidence of that through our consultation with business and our own data collection—although we don't have a lot of formal data collection rights in this area—we would share that with Treasury.

CHAIR: And are you sharing that with Treasury?

Ms Chester: We do share that sort of information with Treasury, yes.

CHAIR: Is there a perception that this is a problem? Are people alive to this issue?

Ms Chester: I'm not personally aware the specific one that you've raised, but I'm happy to take that question on notice and see if my insurance team are aware of it and whether they've had discussions with Treasury about it.

Answer:

ASIC is aware of concerns relating to the availability and cost of professional indemnity insurance for various sectors including those that ASIC regulates such as financial advisers. ASIC does not regulate the pricing or availability of insurance in the market. Different market sectors such as property valuers will be affected by economic conditions and market cycles which will affect their risk profile, and the consequent price and availability of insurance. These are policy matters for consideration by Government. We monitor market conditions through regular industry engagement, and we liaise with Treasury and APRA on these matters.