
a presentation by
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RICS working group formed in September 2010

“to look into mounting concerns for RICS members providing valuations for secured lending purposes in the UK, over the rapidly rising cost and shrinking availability of PII ... to look into the causes of this and to make recommendations.”




“Key issues”

- Structural issues around risk and reward in valuation
 - Scale, type and cost of claims
 - Terms & conditions in valuation contracts
 - Quality assurance
 - Mortgage fraud
 - Assessment of negligence
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“Professional Indemnity Insurance and the UK Valuation Market – Recommendations for Action”

“Assuming that paying more premium is not a feasible option for members, then realistically competition levels can only be maintained by reducing risk.”




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Alternatives to claims made policies

“There is uncertainty about the success or need for a new product. Any alternative to ‘claims made’ will still have to be paid for ...”

“The focus should be on resolving underlying issues which lead to claims, rather than trying to alter the insurance product to fit market problems ...”




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Re-negotiate terms & conditions

“RICS should discuss and agree with the CML and others, an agreed form of valuation terms of engagement that satisfies both parties (and Insurers).”

“... and [amend] the minimum policy wording to allow insurers to exclude cover for claims arising out of lender valuations where the agreed terms of engagement are not used.”



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Adjudication up to £100,000

“... there is significant interest in dealing with smaller claims through an ADR process, particularly relatively small residential claims.”


“... there may need to be a different approach between B2B claims and consumer redress.”

“.... it would be appropriate to have a ceiling [previously £100,000]”


“... RICS should enter into industry-level discussion with lenders with a view to establishing a ‘protocol’ [and] incorporate this protocol into valuation contracts.”



Remaining recommendations

- Audit valuations for properties over an agreed threshold
 - Consultation with lenders on “narrowly-prescribed valuation report checklists”
 - Dialogue with lenders regarding assignment and securitisation
 - Continuing to work with the SRA
 - “Future-proofing the provision of services by improving dialogue”
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If nothing is done ...

- the current position is unsustainable
 - the current “dysfunctional relationship” between valuation fees and PI costs will persist
 - valuation for secured lending becomes an uninsurable activity
 - the service would then only be provided to a limited few or be uninsured
 - that in turn would lead to a reduction in public protection and increase in individual risk to professionals
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