PII for Chartered Surveyors

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Introduction

• Independent professional body
• Advancing global standards in land, property and construction
• Founded in 1868, granted Royal Charter in 1881 by Queen Victoria

“To maintain and promote the usefulness of the profession for the public advantage”
Introduction

• Around 100,000 qualified members
  – FRICS, MRICS, AssocRICS
• Over 50,000 trainees and students
• 140 Countries
• Set and regulate high standards of competence and integrity
• Authoritative advice on key issues for business, society and governments
Regulation background (PII)

- 10,000 UK Regulated Firms
- Compulsory PII requirement
- Listed Insurer framework
  - Minimum policy wording
  - Participation agreement
  - ARP
Valuers under pressure

• Property market crash 2007
  – Secondary lender claims
  – Confetti letters leading to crippling costs and availability
  – Contract Terms with Lenders
    • Unfair (?), Unreasonable (?), Unsustainable (✓)
Valuers under pressure

• Are they really negligence claims?
• Contributory Negligence
• Assignment of valuations for securitisation/syndication purposes
  – Does the insured realise?
Valuers under pressure

• Is the worst over?
  – Interest rate rise
  – Further repossessions
  – High street lenders ‘gearing up’
  – Nearly out of time for claims

PROBABLY NOT!
Valuers under pressure

• The future
  – Fair and proportionate contract terms
    • Limitation clauses (to single party, % of value/multiple of fee)
    • ADR – fast and ‘cheap’ – keep costs down
    • Reasonable fee for activity
  – Valuation Registration Scheme (VRS)
  – Potential restriction in Minimum Terms
Valuer Registration Scheme

What is VRS?

– A regulatory monitoring scheme for members carrying out valuation to Red Book standards
– 30 April 2011
  • Mandatory for all UK Chartered Surveyors undertaking Red Book Valuations
  • 10,500 individuals
Valuer Registration Scheme

Benefits (1)

– Raise standards and competence amongst members

– Ensure RICS valuers remain global gold standard

– Monitor output – improve quality
Valuer Registration Scheme

Benefits (2)

– Mitigate risks of statutory intervention

– Reduced fraud risk through increased monitoring (more information and more information sharing)

– Enhanced regulation protects and improves perception of valuers
VRS – Risk controls

Information feeds → Monitoring

Management Information from Regulated Firms → Desk top monitoring

Individual information from all registered valuers → Site based Investigations

Interviews

From findings / report issued with recommendations → Info collated

Possible: Disciplinary proceedings
Public registers

Global Member Directory

This is the global directory of all qualified RICS members (including retired and non practicing members) covering all RICS World regions. To find a member please use the search options below. Please note members can opt out of having their details displayed at any time. All search fields are optional.

Member forename

Member surname

Membership number

Specialist qualification

Employer name

Employer address

Town/City

Region (UK only)

Country

FIND A SURVEYOR

Property professionals and employers

Find a surveyor near you

Looking for a chartered surveyor? The Royal Institute of Chartered Surveyors (RICS) maintains a global database of surveying firms. This quick and easy search service will help you find one near you.

Quick search

Enter your search information below, or click 'advanced options' for a detailed search.

Country

United Kingdom

Location

Town, County or Postcode

Firm type

All

Nearest searches

Click here to find firms close to you.

Popular searches

Select the question that best describes your search, and we'll find the relevant surveyors for you.

- Looking for a RICS Registered Valuer
- Buying or selling property at auction
- Re-assessing your business rates
- Thinking of extending your home?
- Need a surveyor who can act as an expert witness in court?
- Concerned about subsidence?

Browse by type of surveyor

Search our database by type of surveyor. Click 'view all list' to see all categories.

- Arts & Antiques
- Building
- Building Control
- Commercial Property
- Construction
- Engineering
- Environmental
- Estate Agency
Valuer Registration Scheme

PI coverage

• Minimum terms (effective 01 April 2011)
  • Exclusion 21.5
    – Clarifies the position that if the valuation was undertaken after 30 April 2011 it must be…

“…undertaken or supervised by a RICS Registered Valuer…”
RICS Assigned Risks Pool

• Background
  – Set up in 1996
    • To provide temporary cover
    • To prevent PI market being ‘regulators’
  – Managed by Windsor Partners Ltd
  – Aggregated limit (Maximum £1 million)
  – No run-off, premium must be paid up front, no ‘right’ of entry but via application
  – 36 months maximum
  – We can (and do) say ‘No’
RICS Assigned Risks Pool

• 55 Firms have entered since creation
  – 8 currently in the Pool (at the time of preparing these slides)!

• Firms no longer in the Pool
  – 30% subject to investigation/disciplinary
  – 15% in for the maximum period then forced to resign/retire
  – 55% ‘rehabilitated’ and got cover outside of ARP
RICS Assigned Risks Pool

• NOT designed to:
  – ‘incubate’ toxic or incompetent Firms
    • After initial 12 months coverage, subsequent periods at discretion of ARP Panel
  – be an easy option or competitor
    • Premium rates are penal, rigorous entry criteria
  – be dumping ground for claims
RICS Assigned Risks Pool

• Claims (1999 – 2008)
  – Historically very low
  – 10 years since creation claims payment only £72,428

HOWEVER……
RICS Assigned Risks Pool

• Claims (2008 – 1st July 2011)
  – Total claims incurred is £3.3 million
  – Approx premium income for the same period £690,000

• Reason/analysis
  – Mainly residential valuation claims
  – Mainly regional firms
  – “Traditional” small surveying firms involved in the property boom of mid 2000’s via panel arrangement
RICS Assigned Risks Pool

• Future improvements
  – RICS to continue ‘healthy’ open dialogue directly with insurance market

• Potentially
  – More stringent entry criteria
    • If they can’t be rehabilitated then they are closed down after 1st 12 months
    • Robust risk assessment at point of entry
    • Lowering the limit of cover (or perhaps limiting the scope of cover in someway)
Global Regulation

• ‘Voluntary’ Regulation in Europe and Asia
  – Available since November 2010
• Publicly advertise Firms commitment to strict code of conduct
• Use of logo and strap-line
  – Regulated by RICS
Global Regulation

• Compulsory PII?
• Requirement:
  “…covered by adequate and appropriate PII…”
• But having particular regard to:
  “…the terms upon which insurance or other indemnity is available locally…”
• Minimal buying appetite from local practitioners
Summary

- ‘tail’ is still biting  
  - Potentially not out of the woods just yet
- Contract terms review  
  - Stronger stance with lenders
- Valuer Registration Scheme  
  - Increasing competence and monitoring
- ARP  
  - Review
THANK YOU

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