

Submission  
No 23

## INQUIRY INTO RAIL INFRASTRUCTURE PROJECT COSTING IN NSW

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The Hon Natasha Maclaren-Jones MLC  
Chair  
General Purpose Standing Committee No: 3  
Parliament House  
Macquarie Street  
SYDNEY NSW 2000

### **Parliamentary Inquiry into Rail infrastructure project costing in NSW**

Thank you for the opportunity to provide a submission to this inquiry. It is understandable that, both the Inquiry and the NSW Government wants to ensure value for money on behalf of taxpayers when it comes to major infrastructure expenditure. In order to achieve these outcomes, the government must consider the introduction of new ideas, alternate insurance markets and the inclusion of brokers like Miller and Associates, who are capable of delivering highly effective and innovative insurance solutions.

As a company, Miller and Associates competes against the world's largest broking firms on a daily basis. Millers have had significant successes through open competition, best illustrated by the fact that we've been appointed to place insurance programmes for some of Australia's largest and most complex civil engineering projects.

Most recently, Miller and Associates worked together with Abi Group and venture partner Leightons in the design and construction of the Gateway Bridge Duplication project, worth some \$2.1 billion.

Millers developed a unique Professional Indemnity Policy for this project which encompassed all of the professional consultants and contractors involved in the design and construction. The project took a \$40 million coverage policy for professional indemnity insurance, as part of the larger insurance coverage for the entire project.

The advantages of this unique policy, ensures that all professional indemnity claims are covered under the one policy by the one Insurance company, are threefold:

1. **Reduced costs for the Insurance policy:** the \$40 million professional indemnity policy cost at least \$5 million less than under normal practice where each consultant would be required to take out their own professional indemnity policy and on-charges the cost of this coverage to the design & construct company. In most cases, project builders end up paying for a total professional indemnity coverage sometimes in excess of \$150 million;
2. **Avoiding unnecessary delays:** By having all Professional indemnity covered in one policy, the usual "blame shifting" that can occur when the Insurance company of each consultant attempts to shift the liability for the incident upon which a PI claim is based to other consultants to avoid paying. This also avoids the building project being delayed due to liability disputes being dealt with through legal mechanisms.

3. Professional indemnity insurance policies are "cost Inclusive"; therefore any legal fees are drawn down from the total amount of the policy.

Millers have introduced this unique PI policy to a number of major infrastructure projects in the last few years, since the Gateway project. Major construction companies have recognised the benefits of this policy, which has now also been implemented on other major infrastructure projects, including;

- Westgate Freeway - \$600 million
- Monash Freeway - \$400 million
- Tullamarine Calder Interchange - \$150 million
- Gold Coast Desalination Plant construction - \$1.4 billion
- Adelaide Desalination Plant construction - \$1.2 billion project
- Hinze Dam Upgrade - \$850 million project
- Port Botany Expansion

On the broader issue of providing insurance for major government infrastructure projects, Millers is seeking consideration of separating the insurance component of major infrastructure projects from the tender for the actual design & construction as part of the procurement practice within the NSW Government.

As you would be aware, currently in NSW once the government puts a proposed project to tender, the provision of insurance coverage is the responsibility of the successful tender. This means, whilst the government through this mechanism indirectly pays the associated costs of insuring the project, it does not access the advantages which are available through an open to a competitive tendering process. Therefore, the government is not able to ensure value for money to the taxpayer. Is not getting the best, most competitive price for this aspect, as the construction company uses the insurance company that they have an established relationship with to provide the policy.

In allowing the Insurance coverage to be a separated from the construction tender, managed by the Government, ensures best value for money for the government and taxpayers, and could in fact provide savings over the current model.

Thank you again for allowing Miller and Associates to provide this submission and would welcome the opportunity to present these proposals in further detail, should you require.

Yours sincerely,

**JOHN DICK**  
Account Director