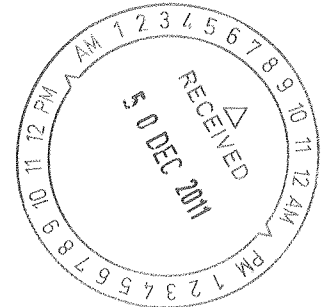


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VICTORIA  
November 30<sup>th</sup> 2011



The Committee Secretary  
House of Representatives  
Standing Committee on Social and Legal Affairs  
PO Box 6021  
Parliament House  
CANBERRA ACT 2600  
AUSTRALIA

**INQUIRY INTO RESIDENTIAL STRATA TITLE INSURANCE**

I note with interest the recent announcement by The Assistant Treasurer and Minister for Financial Services and Superannuation that under new Terms of Reference, the Standing Committee on Social Policy and Legal Affairs are to consider issues around residential strata insurance.

Having been involved for over 38 years in the Banking and Financial Services Sector and a recent entrant into the Insurance Industry, I welcome the widening of the Terms of Reference to address residential strata insurance.

From my observations, the provision of Strata Insurance Policies in Australia is controlled by a very small group of Large Insurers, who derive a large percentage of their business through a system of appointing Strata Managers as their Distributors or Authorised Representatives. Strata Managers traditionally source the Insurance on behalf of Body Corporates and in doing so, will in turn, as a Distributor or Authorised Representative, receive a commission from the Insurer.

Whilst not opposed to the payment of commissions for business provided, the levels of commissions can range from zero to 20% with the latter figure appearing to be the norm. Additionally some Insurance Companies act under "Binders" for other Insurers, which in fact means they are acting for the other Insurance Company and not the Body Corporate seeking Insurance. Commissions in these instances can approach 30%.

At these levels of commission it is extremely difficult for smaller Insurers to compete in providing Strata Insurance as they would in most cases be unable to generate sufficient policies to allow such percentage payments to Distributors.

Accordingly, I recommend that the Inquiry look into the current methods employed in marketing Residential Strata Insurance Policies and whether Residential Strata Insurance can be made more affordable by providing wider access to this market through greater Insurer participation.

Yours faithfully

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David Morgan SF Fin