

16th January 2012

House of Representative Standing Inquiry on Social Policy and Legal Affairs
Inquiry into Residential Strata Title Insurance
PO Box 6021
Parliament House
CANBERRA ACT 2600

Dear Sir/Madam,

Insurance of any kind should always be about protecting a community!

For this reason, certainly in UK, although I am not certain about Australia, insurance companies are required by law to provide motor vehicle insurance, even though this product is fully recognised as frequently operating at 'break even' or even a loss. However, these losses are more than compensated for by the gains acquired in other areas and the operation of the motor insurance service is a prerequisite for companies wishing to make those considerable gains on other forms of insurance.

The concept of protecting communities by 'spreading the loss' is a well established one and a concept worthy of maintaining, protecting and promoting. Where a circumstance arises that allows the insurance industry to increase its premiums so greatly that the 'service' (for this is what it should be!) cannot be accessed by those members of the community most likely to require it, the industry has entered into the realms of failing to meet what should be its most fundamental objective.

No thinking person will advocate that insurance companies should operate their businesses 'out of love' and without any eye to some sort of profit at the end of the year. However, to allow an industry to pursue an unregulated grasp for ever increasing profits with no thought for the plight of the greater community which is its customer is both unconscionable and lacking in commercial foresight. The most basic principle of business is to ensure that you do not price yourself out of the market. Whilst this might seem a little far-fetched at the moment as it relates to insurance generally, there are a great many people who have already failed to re-insure their properties for this year and, should the trend continue for companies to increase their premiums disproportionately each time we suffer a disaster, it will not be long before residential insurance is yet another luxury only available to the rich.

If governments do not step in to ensure these fundamental protections to their communities through regulatory means relating to business, the government itself will be 'picking up the tab' through increased community housing requirements, health care provision and social welfare costs – to mention just a few.

Yours faithfully,

Kate McKenzie

