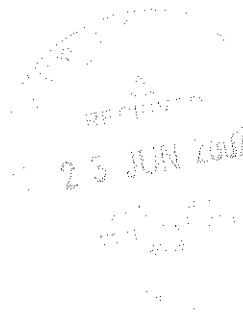


19 June 2008

Committee Secretary  
Senate Economics Committee  
Department of the Senate  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600



Dear Sir/Madam,

**Re: Housing Warranty Insurance**

This letter is to raise with you our concerns over the content of a number of submissions received by your Committee in response to your invitation to make comment on Australia's mandatory Last Resort Home Warranty insurance scheme. We also wish to explain our policy in relation to the situation in Western Australia.

Our attention has been brought to the content of a number of submissions made by individuals (who generally have been denied insurance cover) who have made allegations about the business practices of industry groups like the Master Builders Association. None of these allegations appear to refer to the situation in Western Australia.

Our Council of Management of Master Builders has requested that I write and inform you about the housing indemnity insurance situation in Western Australia which has been a mandatory requirement since 1997.

Our policy is that housing indemnity insurance should be voluntary. Our experience of indemnity insurance has not been a happy one, particularly since 2000 when most insurers exited the market, leaving many builders facing financial hardship in attempting to meet higher requirements of the remaining insurer. Master Builders fought hard to establish alternative insurance arrangements (such as a mutual benefit scheme) for builders who felt that insurers were acting as a defacto registration body.

Following the collapse of HIH our Association also lobbied the then Minister for Consumer Protection seeking either a completely voluntary housing warranty scheme or one limited to the scope of the Home Building Contracts Act (then housing contracts up to \$200,000 but now extended to \$500,000). All our efforts proved to be of no avail. This prompted us to review our position and establish

an insurance broking business to assist our members and in competition to that provided at the time by the Housing Industry Association. If we didn't do this, it would have made our efforts in retaining and attracting members much more difficult.

More recently while there are now more insurers in the marketplace and Master Builders has established its own insurance brokerage we have been concerned about the \$100k limit on any claim. Given the premium that is typically paid, the value of cover is very low. Given that any payout is only when the builder cannot be found, dies or becomes insolvent, and that the payout may be severely reduced by fees of liquidators or administrators expenses, the consumer may not be receiving value for money with this.

In summary, our involvement in the housing warranty business has been brought about largely by default. It is not a lucrative business for us and we would be more than happy if this form of insurance were to be made voluntary. We reject entirely and wholeheartedly any accusations or assertions from anyone that our organization has acted improperly or done anything inappropriate by being a part of MBA Insurance Services and offering home warranty insurance to our builder members and others. There is absolutely no evidence that would support any conclusion that our role has been anything other than in the best interest of our members.

I trust you will find these comments of assistance to your Inquiry.

Needless to say we would be pleased to provide additional information should you require some.

Yours sincerely,  
MASTER BUILDERS ASSOCIATION OF WA

A handwritten signature in black ink, appearing to read "Michael McLean". The signature is fluid and cursive, with the first name being more prominent.

Michael McLean  
Director