

April 14 2008

SENATE INQUIRY.

I would like to Express my utter disgust in the State Gov., our so called industries Representatives (MBA & HIA) & Insurance providers in their handling of the Home owner scheme.

Since the insurance became a last resort insurance the State gov. of NSW, MBA & HIA Have been bombarded with letters, submissions & demonstrations from builders & home owners alike telling them that the scheme wasn't working & that the insurance companies where preventing builders from earning an income.

Member for Bass, Kim Booth MP submission Dated March 19 2008 to Productivity Commission (Copy attached) proves why the MBA & HIA where backing the scheme to the detriment of its members, why the State Gov chose to do nothing about this Injustice has yet to be discovered.

I have been in the building industry for 34 years, I want to inform this inquiry in the strongest words possible that the HIA & MBA do not represent me nor the majority of builders in this industry.

In my opinion the MBA & HIA should have all Gov. assistance revoked & forced back to the grass roots to realizes why they were formed in the first place. Better still have them disbanded & direct all Gov. assistance to an organization that has builders & consumers writes equally in its sites, such as the Builders Collective.

If the insurance companies dropped the commissions to third parties & had their power's to demand builders to assign their assets & /or provide bank guarantees & generally dictate how they can run their business removed this insurance would become workable.

Regards

Ian Piddington

Manager Craftsman Homes Dubbo

Kim Booth MP

Member for Bass
Tasmanian Greens

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March 19 2008

Review of Australia's Consumer Policy Framework
Productivity Commission
GPO Box 1428
CANBERRA CITY ACT 2601

Dear Productivity Commission (the Commission)

Please accept this letter and the attached documents as a brief supplementary submission to the Review of Australia's Consumer Policy Framework (the Review).

I have already made a submission to the Review however I am very grateful to the Commission for allowing me this second opportunity to respond with fresh information and evidence on the excessive profits being made by the MBA and HIA in relation to compulsory Home Owners Warranty (HOW) Insurance.

Please also note that I would be more than happy to appear before the Commission to give evidence and make an oral submission should the Commission feel that would be useful.

Please accept the following as additional evidence to my earlier submission and in direct response to evidence given to your committee under oath by representatives of trade organisations HIA and MBA.

Central to my additional comments is the attached **Policy Schedule / Certificate of Insurance for CS & MA Wallace 7/12/2006 for Owner Builder Indemnity Insurance** provided through **Master Builders Northern Tasmania Inc.**

I feel it is imperative that the comments of Mr. Chamberlain and Mr. Gibson of the HIA, in particular be put into perspective by the hard evidence attached (1) of the

excessive premiums charged for HOW, by an insurance industry whose ties to the MBA and HIA are so obviously intertwined.

(Excerpt below taken from transcript 21/2/08 Consumer 945 S. CHAMBERLAIN and G. SIMPSON)

MR WEICKHARDT

“There were various assertions that agents, HIA among them, rake out huge commissions out of this and that's the reason it's expensive. Can you comment on any or all of that, please?”...

With regard to the above and the response from the HIA, please find the accompanying fax that is a copy of an insurance policy taken out by a consumer some years after the completion of an extension on his house. He was required by law to take out this policy when he sold his house, even though his extension had been fully inspected and passed some years before by the regulatory authorities.

You will see that for a net premium of \$1518.80 the commission to the MBA NT was \$918.80! A staggering 60% straight to the trade association who have lobbied in the past for these insurances and who claim that they are not any form of financial windfall to themselves.

It also raises the very serious matter of what the true risk to the insurer is. They obviously consider the risk so low that they take less from the contract than the seller of the product.

The same transcript goes on to say,

MR SIMPSON (HIA): It ought to be observed that HIA is neither an insurer nor a broker. HIA has in the past entered into commercial relationships with particular

insurers and particular brokers but we're not in any sense associated with a monopoly

supplier. MR WEICKHARDT: You say you're neither an insurer nor a broker, but do you

receive any form of commissions - - -

MR SIMPSON (HIA): We receive licence fees for the use of our name. That's what we receive.

MR WEICKHARDT: So that's the only benefit you gain from - - -

MR CHAMBERLAIN (HIA): *There's a joint venture entity called HIA Insurance Services that offers a whole range of insurance relating to the housing industry,*

including a trade contractor's package et cetera, tailored products.

MR WEICKHARDT: *That's a subsidiary of HIA?*

MR SIMPSON (HIA): *No, it's a separate company.*

MR CHAMBERLAIN (HIA): *No, no, it's separate.*

MR SIMPSON (HIA): *We're a minority interest in that company.*

MR WEICKHARDT: *You have a minority shareholding?*

MR SIMPSON (HIA): *Yes, well, we certainly have a minority directorship. I think it might be a company limited. I don't know. If I might just make a mention as*

someone who has given evidence on this issue before. In a hearing before a senate

committee in Brisbane some years ago I was ambushed by a question about insurance. At the time I knew very little about it and I did say that HIA received licence fees. That wasn't really strictly true - sorry, I think I said we received commissions, and that wasn't true, we received licence fees. But it has been a bit of a

movable feast because we set up a joint venture but that only came into operation -

last year or the year before?"...

With regard to the above assertion from the HIA, please check the Directorship of HIA Insurance services and HIA. The latter masquerades in my view as an association for the benefit of its members when the reality is that it is just another corporation that exists for the benefit of its shareholders and directors. The former has made spectacular profits since compulsory last resort insurance was introduced.

You will see that the Directorships have a large degree of crossover between the two organisations.

I believe the attached document from Mr Wallace, which I have supplied, may go a long way to explaining both the support for HOW by the HIA and MBA and where the profits have come from within HIA insurance services.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Kim Booth', written over a light grey grid background.

Kim Booth MP
Member for Bass
Greens Opposition spokesperson for Building Matters

Attachment:

(1) Policy Schedule / Certificate of Insurance for CS & MA Wallace 7/12/2006



Level 1, 369 High Street, Kew VIC 3101
 Telephone: 1300 300 115 Facsimile: 1300 300 115
 A Division of Australian Underwriting Services Pty Ltd
 ABN: 25 079 021 476 AFSL No: 710325

Policy Schedule / Certificate of Insurance

Underwritten by Australian International Insurance Ltd. (ABN 29 006 544 690) (Insurer)

TAX INVOICE

Residential Building Work - OWNER BUILDER - (TAS)

It is hereby declared that the Owner Builder named below has purchased the Insurance Policy referred to herein. This certificate is to be read in conjunction with the Policy Wording. The Policy is designed to comply with the requirements of the Housing Indemnity Act 1992 (The Act).

POLICY No.: AJIL - 001 **CERTIFICATE No.:** 114217 **POLICY ISSUED:** 07/12/2006

INSURED

The Building Owner (Insured): E Macfie & M Jessup
Postal Address: C/- Po Box 66, Blackmansbay TAS 7052
Interested Parties: None Declared

BUILDING WORK

Building Work Covered by this Policy: Extension to an existing dwelling, consisting of double brick with steel roof - Cover only extends to the works disclosed in the application signed 20/11/2006 and the PBP report dated 21/11/2006
At (Situation): 18 Willowdene Avenue, Sandy Bay TAS 7005
Building Work Start Date: 10/12/2002
Building Work Completion Date: 05/11/2003
Value of Building Work: \$48,000.00

OWNER BUILDER

Carried out by (Owner Builder): CS & MA Wallace
Business Address: 18 Willowdene Avenue Sandy Bay WA 7005
ABN / ACN No.:
Phone No.: 03 62252025

SCOPE OF COVER

Cover is added in the form as set out in the Policy issued by the Insurer, via its underwriting agent Australian Home Warranty. All terms in the Policy have the same meaning and interpretation as those terms are given by the Act.

PERIOD OF INSURANCE

3 years from the date of practical completion of the residential building work.

LIMIT OF INDEMNITY

\$803,000.00 in aggregate or the cost of the Building Work, whichever is the lesser.

CLAIMS EXCESS

The Insured shall bear at his/her/its own risk five hundred dollars (\$500) in respect of each Claim made under this Policy.

PREMIUM

Net Premium	\$1,518.80	(includes agent fees of \$918.80 and GST on fees)
GST:	\$60.00	
SD:	\$52.80	
Total Premium and Charges:	\$1,631.60	

SIGNED BY A PERSON AUTHORISED BY THE INSURER

Australian International Insurance Ltd, Level 1, 369 High Street, Kew VIC 3101 (ABN 29 006 544 690)

Nancy T. Nugent

Neilsen & Co. signatory for Australian Home Warranty, a division of Australian Underwriting Services Pty Ltd

* v. n. : l. h. h. d. h. s. i. n. t. e. r. a. n. e.