

Kim Booth MP

Member for Bass
Tasmanian Greens

Bass Electorate Office
Lvl. 1, Henty House, Civic Sqr.
LAUNCESTON TAS 7250
Ph: (03) 6336 2294
Fax: (03) 6336 2522
E-mail: greensnorth@parliament.tas.gov.au

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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', with a stylized flourish at the end.

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