

# *Clasiqué*

## *designer homes*

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### **Inquiry into Western Australia's Home Indemnity Insurance Arrangements Economic Regulation Authority**

PO Box 8469  
Perth Business Centre  
Perth WA 6849

#### **Submission**

I am in full agreement that the indemnity insurance cover be broken up into its two constituents and the building industry become a provider of the warranty risk insurance for the six year warranty period on each job.

I also agree that the private sector is best placed to provide insurance to cover the construction period risks. The current system, however, has a number of serious problems and weaknesses.

1. I have been a registered builder for over thirty five years and have always taken out HII (Home Indemnity Insurance) long before it became mandatory by law. As is normal and understandable the insurance companies strive to minimise their risk when insuring. Before HII became mandatory by law I never had any problems taking out insurance against any of my jobs but since the law came into effect in 2002 I have had enormous difficulty. The insurance companies demand incredible amounts of financial details which they claim the right to use in any way they see fit (much of which impacts on my privacy as an Australian Citizen) and actively place an artificial limit to how much work I can take on any one year so that they don't just minimise their risk but eliminate it. This makes it very difficult for me to recover from a bad year or an unscrupulous client who decides not to pay his final claim forcing me to take long and expensive legal action. Also it's no longer a premium I am paying to the insurance company (and hence my client the consumer is paying because I have to pass this cost on) but a donation and the need to supply all this information on every job (I must apply each time for insurance and am subjected each time to the same process) adds a substantial overhead to the cost of

building which again ultimately must be paid by the end consumer. In this way, through this law the insurance companies have been able to eliminate their risk and have taken total control of WA's building industry. It is the Building Commission's function to impartially assess my ability and suitability as a builder not the function of the insurance companies who's only interest is maximising their profits regardless of the expense this places on me or the building industry or the public of WA. This problem is felt particularly by small to medium size builders like myself as we are not large enough or strong enough to stop (or even influence) the insurance companies from dictating unreasonable terms.

2. Currently there are only two insurance companies who do HII and consequently there is little competition as it is almost a monopoly. Should one of these companies decide against continuing with HII it will become a total monopoly which would be disastrous for WA's building industry.

I submit that the people of Western Australia would be better served if the Government took back total control of the Building Industry removing any control that insurance companies may currently hold. To achieve this the WA Government could periodically and systematically put state-wide HII out to tender for the best bid thus ensuring the best deal and no monopoly. Builders would then automatically pay the necessary HII premium when taking out a building license (not too far different from third party insurance for driving licenses). This would ensure a fair and equitable deal for all builders, remove any control the insurance companies may currently have over the building industry and minimise insurance cost overheads for the end consumer, the public of WA, while ensuring HII cover with no monopoly thus increasing public confidence in the building industry.

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