

STRATA INSURANCE DISCLOSURE HANDBOOK

A reference guide for owners, strata
committees, strata managers
and brokers

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For full details, see the Phase 1, Phase 2 and Phase 3 papers at
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PREFACE

This handbook is designed as a reference guide for owners, strata committees, strata managers and brokers. It has been prepared on completion of an independent review of strata insurance carried out in 2022 and 2023 in three phases –

Phase 1: disclosure practices of intermediaries

Phase 2: the remuneration of intermediaries and possible reforms

Phase 3: competition, affordability and availability of strata insurance

The handbook relates to Phase 1. Its purpose is to present strata property owners and their strata committees with the means to understand and work effectively through the annual insurance renewal process.

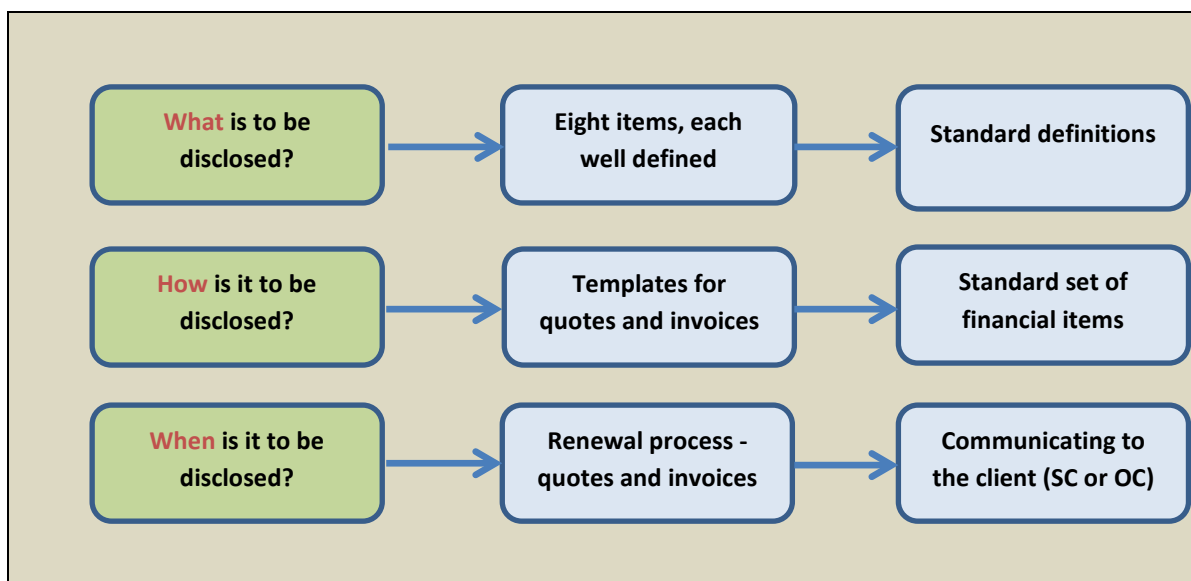
Strata insurance is unusual because in most cases there are two intermediaries, strata manager and broker, and the market is confusing. It is: -

- *convoluted* because in most cases part or all of the broker's commission is paid to the strata manager and a separate broker fee is charged to remunerate the broker
- *complicated* because any portion of the broker's commission not rebated to the strata manager is retained by the broker.

This handbook concentrates on –

- methods for transparent disclosure of insurance premiums, commissions and broker fees, and
- procedures to be applied by strata managers and brokers during the renewal process, from the initial collection of information before renewal through consultations and decision making to, ultimately, payment of the premium.

The primary goal is transparent disclosure of financial items. This can be achieved as shown below:



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PART A: FINANCIAL DISCLOSURES

NB: Definitions and explanation of terms are on page 6.

STANDARD TEMPLATE – QUOTATION VERSION

Quote presentation template - 3 underwriters*

Undewriting agency Insurer	Last year	----- Quotations -----		
	[Name] [Name]	[Name] [Name]	[Name] [Name]	[Name] [Name]
SECTION 1 - ITEMISED INSURANCE COSTS				
<i>Insurance charges</i>				
Base premium gross (includes commission)	9,000	10,000	10,400	10,800
ESL or FSL	1,170	1,300	1,352	1,404
GST	1,017	1,130	1,175	1,220
Stamp duty	1,080	1,200	1,248	1,296
Underwriting agency fee	200	200	100	150
Underwriting agency fee - GST	20	20	10	15
Total insurance premium	12,487	13,850	14,285	14,885
Broker fee	900	1,000	1,040	1,080
Broker fee - GST	90	100	104	108
Total insurance costs including GST	13,477	14,950	15,429	16,073
SECTION 2 - REARRANGEMENT OF SECTION 1:				
ITEMISED INTERMEDIARY REMUNERATION				
<i>Initial remuneration before GST</i>				
Commission - within the base premium	1,800	2,000	2,080	2,160
Broker fee - additional to the premium	900	1,000	1,040	1,080
Total intermediary remuneration	2,700	3,000	3,120	3,240
<i>Allocation of remuneration</i>				
Strata manager: share of remuneration	1,575	1,750	1,820	1,890
Broker: share of remuneration	1,125	1,250	1,300	1,350
Total intermediary remuneration	2,700	3,000	3,120	3,240
Base premium net of commission	7,200	8,000	8,320	8,640
All other charges before GST	2,450	2,700	2,700	2,850
Total insurance costs before GST	12,350	13,700	14,140	14,730
GST	1,127	1,250	1,289	1,343
Total insurance costs including GST	13,477	14,950	15,429	16,073

* add or subtract columns to cater for more or fewer quotes

Notes for Section 2:

- A. *Allocation of remuneration* between Strata manager and Broker is by agreement between them.
- B. *All other charges before GST* = ESL + Stamp duty + Underwriting agency fee (from Section 1)

An important part of the financial disclosures is for all parties to avoid misuse of terminology by being clear and accurate on what is the “premium”, being the amount presented by the underwriter to the broker (excluding any broker fees), and whether the premium is gross or net of commission.

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STANDARD TEMPLATE – INVOICE VERSION

Invoice version the same as quotation version but showing previous and new premium and charges.

Invoice Template

	Last year	This year
Undewriting agency	[Name]	[Name]
Insurer	[Name]	[Name]
SECTION 1 - ITEMISED INSURANCE COSTS		
<i>Insurance charges</i>		
Base premium gross (includes commission)	9,000	10,000
ESL or FSL	1,170	1,300
GST	1,017	1,130
Stamp duty	1,080	1,200
Underwriting agency fee	200	200
Underwriting agency fee - GST	20	20
Total insurance premium	12,487	13,850
Broker fee	900	1,000
Broker fee - GST	90	100
Total insurance costs including GST	13,477	14,950
SECTION 2 - REARRANGEMENT OF SECTION 1: ITEMISED INTERMEDIARY REMUNERATION		
<i>Initial remuneration before GST</i>		
Commission - within the base premium	1,800	2,000
Broker fee - additional to the premium	900	1,000
Total intermediary remuneration	2,700	3,000
<i>Allocation of remuneration</i>		
Strata manager: share of remuneration	1,575	1,750
Broker: share of remuneration	1,125	1,250
Total intermediary remuneration	2,700	3,000
Base premium net of commission	7,200	8,000
All other charges before GST	2,450	2,700
Total insurance costs before GST	12,350	13,700
GST	1,127	1,250
Total insurance costs including GST	13,477	14,950



Notes for Section 2:

- A. *Allocation of remuneration* between Strata manager and Broker is by agreement between them.
- B. *All other charges before GST* = ESL + Stamp duty + Underwriting agency fee (from Section 1)

An important part of the financial disclosures is for all parties to avoid misuse of terminology by being clear and accurate on what is the “premium”, being the amount presented by the underwriter to the broker (excluding any broker fees), and whether the premium is gross or net of commission.

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SIMPLIFIED TEMPLATE FOR NET PREMIUMS

If there is no commission and the underwriter is offering a net premium, a simplified template can be used.

The standard template is not required because there is no need for separation into Section 1 and Section 2.

Invoice template – net premium version Strata manager fee and broker fee separated from premium

Net premium version - no commission

Invoice Template SM fee and broker fee separated from premium

Underwriting agency Insurer	Last year [Name] [Name]	This year [Name] [Name]
<i>Insurance underwriter charges</i>		
Base premium (nil commission)	7,200	8,000
ESL	936	1,020
GST	814	902
Stamp duty	864	960
Underwriting agency fee	144	160
Underwriting agency fee - GST	14	16
Total insurance premium	9,972	11,058
<i>Intermediary remuneration</i>		
Strata manager fee	1,575	1,750
Broker fee	1,125	1,250
GST on SM fee + broker fee	270	300
Total intermediary remuneration inc GST	2,970	3,300
Total insurance costs inc GST (invoice amount)	12,942	14,358

An important part of the financial disclosures is for all parties to avoid misuse of terminology by being clear and accurate on what is the “premium”, being the amount presented by the underwriter to the broker (excluding any broker fees), and whether the premium is gross or net of commission.

ITEMS TO BE DISCLOSED AND DEFINITIONS

There are 8 items to be disclosed. Each is to be specified as a dollar amount.

<i>Item</i>	<i>Determined by</i>	<i>Origin</i>
1. <i>Base premium:</i>	Underwriter	
2. <i>Commission:</i>	Underwriter	
3. <i>ESL or FSL:</i>	Underwriter based on Government* regulation
4. <i>Stamp duty:</i>	Underwriter Government* formula
5. <i>Underwriter fee:</i>	Underwriter a modest administration fee is common
6. <i>Broker fee:</i>	Broker not part of premium
7. <i>GST:</i>	Calculated as 10% of all items except stamp duty.	
8. <i>Allocation of intermediary remuneration#:</i>	Sharing arrangement between strata manager and broker	

* State or Territory government

intermediary remuneration is the total of commission and broker fee

Definitions

Underwriter: The entity accepting the insurance risk on behalf of the insurer
 – It could be the insurer itself or an underwriting agency appointed by the insurer

Underwriting agency: An agency given underwriting, policy writing and claims authority by an insurer.
 – allows the agency to price and issue insurance policies on behalf of the insurer.
 – **an underwriting agency is not an insurer.**

Customer: The Owners Corporation (NSW, Vic, ACT), also known as Body Corporate (Qld, Tas, NT), Strata Company (WA), Community Corporation (SA)

Nomenclature

- **Base premium:** the premium quoted by the underwriter to the broker or, if no broker, to the strata manager.

The base premium includes commission (if any) but does not include stamp duty, any other government charges, GST or any other fees that may ultimately form part of the total amount payable by the OC as customer.

Base premium gross is a base premium that includes commission

Base premium net is a base premium that has no commission

- **Commission:** any and all amounts included within the base premium that are to be paid or credited by the underwriter to the broker or, if no broker, to the strata manager
- **Broker fee:** an amount added by the broker to the invoice received from the underwriter and included in the broker's invoice to the OC as customer
 - sometimes referred to in documentation as a service fee or admin fee

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**NB: Commission is part of total premium and charged by the underwriter to the broker
Broker fee is not part of the premium so shown only on the broker invoice, not on the underwriter invoice.**

- **Premium:** the base premium (including any commission) plus government charges (e.g. ESL and stamp duty). It may include or exclude GST.
 - This definition is standard insurance industry usage. Usually the underwriter makes it clear on any quotes and invoices what is included **but the underwriter will never include a broker fee.**
 - The premium may also be referred to as ‘insurance premium’ or ‘total insurance premium’
 - The premium is shown on the underwriter’s invoice and will nominate which charges are included.
 - This usage of the term premium is also consistent with accounting standards (specifically AASB 1023), stamp duty legislation and industry data collections such as are undertaken by APRA.

An important part of the financial disclosures is for all parties to avoid misuse of terminology by being clear and accurate on what is the “premium”, being the amount presented by the underwriter to the broker (excluding any broker fees), and whether the premium is gross or net of commission.

- **Strata manager’s share of remuneration:** that portion of the total intermediary remuneration that is credited to the strata manager
 - frequently referred to as the ‘commission rebate’ because it can be seen as the portion of the broker’s commission that is paid by the broker to the SM.
- **Broker’s share of remuneration:** that portion of the total intermediary remuneration that is credited to the broker
 - may also be referred to as broker fee plus retained portion of commission
- **ESL or FSL (Emergency Services Levy in NSW, also known as Fire Services Levy):** in NSW, the State Government charges insurers for emergency services and insurers collect contributions from each policyholder to fund these charges.
 - the levy rates differ across insurers and change from time to time whenever the Government reviews the charges
- **Stamp Duty:** charged in all jurisdictions except the ACT
 - The rate and the formula vary from State to State but are close to or in the range 10% to 12% of base premium
- **GST:** charged on all components of premium and other insurance charges but Stamp Duty is exempt

SM's share of remuneration and 'commission rebates':

Strictly speaking, the payment by the broker to the strata manager is a fee determined according to the terms of a separate agreement between the broker and strata manager. In other words, it is an expense of the broker.

The term 'commission rebate' is in common usage because the SM fee is almost always expressed as a percentage of the base premium (e.g 5% or 10% or 15%, sometimes more). It is usually not more than the broker's commission which, in today's strata insurance market, is almost always 20%. It could conceivably be higher and in some instances it is, in which case the broker fee would need to be shared with the SM.

Cases where there is no broker or no strata manager (i.e. a single intermediary)

... strata managers to use the same disclosure techniques as brokers.

From an administrative point of view, there is no difference in principle between a situation where there are two intermediaries (broker and strata manager) and a situation where there is only one. The differences in practice, however, are that –

- where there is a strata manager and no broker, there will be no broker fee and the strata manager will receive the full commission directly from the underwriter
- where there is a broker and no strata manager (including cases where there is a strata manager who is not active in the insurance process and the broker deals directly with the OC); in these cases the broker will retain the full commission or alternatively, and commonly in larger cases, use a net premium and charge an agreed fee in lieu of commission.

The important consideration here is that, where there is no broker, the strata manager will be dealing directly with the underwriter. Accordingly, to maintain consistency with cases where there is a broker and, more significantly, to maintain the same level of disclosure to the OC, it will be necessary for the strata manager to use the same disclosure techniques as brokers.

PART B: DISCLOSURE PROCEDURES

Disclosure Matrix – what, when and how

The Disclosure Matrix draws together all the steps required for strata managers and brokers to deliver a full quotation and invoicing disclosure package to their OC clients.

The Disclosure Matrix is simply a reference table to assist strata managers, brokers and lot owners to know what disclosure steps are to be undertaken during the course of the annual renewal process and also at the time of any changes in the arrangements with SM or broker.

Matrix of disclosure responsibilities*	1. Financial items	2. Business arrangements	3. Scope of services
What to document	Eight items #	Explain arrangements between SMs, brokers, underwriters	Allocation of SM and broker services
How to document	Template or full one page equivalent #	Complete questionnaire, and schedule	Complete check list, add notes if needed
When to document	1. At time of quoting 2. At time of invoice	On appointment then annually on any changes	On appointment then annually with quotes
When to communicate	1. When quotes ready 2. When invoice ready	On appointment then annually on any changes	On appointment then annually with quotes
How to communicate	Ensure timely and concurrent communication from broker to SM and OC	As for financial items	As for financial items

* Responsibility for Business arrangements lies with the SM. Many of the other responsibilities lie with the broker but some lie with the SM and others need to be arranged jointly between broker and SM.

See details in Part A: Financial disclosures

Strata insurance business arrangements

Record of strata insurance arrangements (to be prepared by Strata manager)

[Purpose: to offer transparent disclosure to enable interested OCs or lot owners to understand potential synergies in the business models and operations of their intermediaries and also potential conflicts of interest]

1. Reference details

Body corporate identifier:

Address of strata property:

.....

Name of strata manager – individual:

– firm:

Name of broker – individual:

– firm:

2. Business model characteristics – see schedule next page

Features of the arrangements not evident from the items in the schedule:

.....

.....

3. Why this business model?

.....

.....

4. What are the benefits of this model to the owners' corporation?

.....

.....

.....

.....

Prepared by:

Date:

Strata Manager

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Schedule of business model characteristics: strata manager to tick one box in each segment

... some segments have some overlap with others

A. Type of business model <ul style="list-style-type: none"> • SM has appointed preferred broker but no tied or financial connection to broker • SM operates with preferred broker(s), SM and broker have a direct shared interest in the combined commission and fee revenue • SM has its own licensed broking firm • SM is owned by the broking firm it appoints • SM and broker have cross ownership • SM and broker have a JV using a CAR and share the CAR's income • SM receives full commission (no broker) • Broker receives and retains full commission (no SM) 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
B. Third party entity between broker and strata manager <ul style="list-style-type: none"> • None • Corporate Authorised Representative (CAR)* or other third party entity 	<input type="checkbox"/> <input type="checkbox"/>
C. Remuneration structure <ul style="list-style-type: none"> • SM and broker share commission and fees between them • SM and broker share fees between them, no commission • SM and broker share commission between them, no fees 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
D. Premium: gross or net? <ul style="list-style-type: none"> • Gross: Commission in premium • Net: Premium contains no commission 	<input type="checkbox"/> <input type="checkbox"/>
E. Remuneration approach <ul style="list-style-type: none"> • Fees only, net premium • Commission rebate and broker fee, gross premium • Composite commission & broker fee, gross premium • Commission only, some rebated to SM (no broker fee) 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
F. Broker category <ul style="list-style-type: none"> • Specialist strata insurance broking firm, other business ancillary only • Specialist strata insurance division within a wider insurance portfolio • General broker with strata insurance as incidental part of a wider portfolio • No broker appointed 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
G. Strata manager category <ul style="list-style-type: none"> • Authorised Representative (AR)# as an agent of the broker (can arrange insurance) • Distributor# as an agent of the broker or the CAR (limited insurance role) • Referrer for the broker or CAR • No strata manager appointed 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

* If a CAR or other third party entity exists - <ul style="list-style-type: none"> • SM ownership 100% • Broker ownership 100% • Shared ownership SM and broker 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	Income payable to SM and broker – <ul style="list-style-type: none"> • Policy by policy • Periodic profit share, dividends or similar 	<input type="checkbox"/> <input type="checkbox"/>
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AR and Distributor are both individuals authorised by the broker and subject to the broker's AFS licence. An AR can arrange insurances, a Distributor is limited largely to collecting premiums and notifying claims.
Distributor

Strata insurance renewals: standard practice

.... including communicating across the renewal cycle

The process describes the steps that brokers and strata managers take during the renewal process, from commencement, typically 8 weeks before renewal, through to completion when the insurance policy is renewed and the premium paid.

The starting point

The renewal process for strata insurance usually commences eight or more weeks before renewal date. It may be earlier if, for example, there are underwriting questions likely to affect the price or placement, or if a change of broker is under consideration.

There are five cases to consider –

Case 1: SM and broker already appointed

Case 2: SM already appointed and no broker to be appointed

Case 3: SM already appointed, change of broker under consideration

Case 4: SM already appointed and broker being appointed for the first time

- could be for an existing or new strata property

Case 5: OC engages directly with broker (because either no SM appointed or the SM is not involved in the insurance process).

- In Case 1, which is the most common, the annual renewal process normally begins with the broker sending a Pre-Renewal Declaration (PRD) request to the SM.
- In Cases 2 and 5, the process begins the same way but with different parties (in Case2, PRD from underwriter; in Case 5, PRD directly from broker to the OC)
- Cases 3 and 4 involve additional steps to deal with the appointments that need to be made before the renewal process can commence.

The execution steps

For the templates as recommended in Part A to deliver transparent disclosure will require three important execution steps to follow, which are:

- (1) the standard templates with definitions or their single page equivalents to be adopted by the broker when preparing a broker presentation and, subsequently, a broker invoice
- (2) the broker presentation and invoice to find their way in a timely manner from the broker to the SM and also to the SC or the OC (note that, in cases where transmission does occur at present, it is often not timely, i.e. It is conveyed after decisions have been taken).
- (3) the circle to be closed through an assured process for the broker to become aware that the SC has received the broker's documents.

The paragraphs below are aimed at giving effect to these requirements.

Case 1: SM and broker already appointed

Many of the 14 steps below describe current practice but **the words in bold are extensions to current practice**. Requirements (2) and (3) are designed to ensure that the broker is aware of the existence and timing of transmission of broker information to the SC office bearer(s) and of the period of time between the SM receiving the information and the SC receiving it. The broker information comprises firstly the presentation of quotations and recommendation and, at a later time, the invoice following placement of the insurance.

The value of this arrangement is twofold –

- that the broker fulfils and has confirmation from the AR or the SC of fulfilment of the broker's obligation to know that the client (the OC) has received the information
- that there is a known delay, if any, between the SC office bearer(s) receiving the information from the broker or the SM and the broker being aware of the transmission.

The goal can be achieved in more than one way. Three suggested methods are -

Method 1

The broker sends firstly the presentation and, at a later stage, the invoice to the SM who forwards it by email or other electronic means to the relevant SC office bearers and includes the broker as a recipient of the email.

Method 2

The SM arranges with the SC for the AGM and insurance renewal dates to be coordinated, with the renewal due 2 to 4 weeks after the AGM. Either the renewal date or the AGM can be adjusted to achieve coordination. The SM includes the broker presentation in the agenda papers and copies the agenda paper to the broker when distributing it to the OC members.

Method 3

The broker sends firstly the presentation and, at a later stage, the invoice simultaneously by email or other electronic means to both the SM and one or more SC office bearers –

- to enable the broker to do this, the SM will need to have notified the broker beforehand of contact details for the relevant SC office bearers.

In cases where there is both a SM and broker already appointed by the OC, recommended future practice is -

1. The SM, when preparing agenda and minutes for the client OC's AGM, is to include the broker invoice document prepared at Step 10. At least 8 weeks before renewal date, the broker and the SM begin collaboration for the renewal, including if requested by the broker a Pre-Renewal Declaration (PRD) from the SM.
 - Such declarations are aimed at ensuring that the broker has information for renewal purposes that is updated from the previous year, such as risk management steps taken, maintenance works, new or repaired defects, any claims that occurred.

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2. The SM collects relevant information on behalf of the OC and supplies a completed PRD or equivalent disclosure statement and sends it to the broker -

The SM may also send up to date contact details for SC office bearer(s) for the information of the broker.

3. The broker prepares a quotation slip, taking account of any relevant new information, for presentation to several underwriters, usually including the holding underwriter.
4. Each underwriter either prepares a proposal with quotation or declines to do so, with reasons, and conveys its position to the broker.
5. The broker assembles the proposals, prepares a draft or final renewal presentation with quotations and recommendations for consideration by the SM and the OC or SC. If draft, the SM refers any queries or adjustments to the broker.
6. When finalised, the broker initiates transmission of the presentation with quotations and recommendations to the SM and the SC -

The method of transmission used, whether Method 1 or 2 or 3 described above or some other method, needs to assure timely and preferably concurrent confirmation for the broker of receipt of the presentation by SC office bearer(s) -

The format and content of the renewal presentation are to conform with the recommended template (or its full equivalent on one page), disclosing the remuneration details for each quote.

7. The SM engages in dialogue with the SC, perhaps with the broker participating, in order to assist the SC to make an insurance decision on which quotation to accept.
8. The SM conveys the SC's decision to the broker and the broker conveys the decision to the selected underwriter –

If the SC's decision is late, the SM may be able to use delegated authority to give instructions to the broker (noting that the broker cannot take a late decision without authority from the SM).

9. The underwriter issues its policy and invoice to the broker.
10. The broker prepares its own invoice document for the SM and the SC –

The broker's invoice will differ from the underwriter's invoice if there is a broker fee to be added. The underwriter's invoice will not usually be seen by the SM or the SC.

The format and content of the invoice are to conform with the recommended template (or its full equivalent on one page), disclosing the remuneration details corresponding to the invoice.

11. The broker initiates transmission of the invoice to the SM and the SC –

The method of transmission used, whether Method 1 or Method 3 described above or some other method, needs to assure timely and preferably concurrent confirmation for the broker of receipt of the invoice by SC office bearer(s).

12. The SM arranges payment of the ‘total payable’ to the broker, normally comprising the premium payable plus any broker fee.
13. On receipt of the premium and broker fee, the broker remits to the SM any commission rebate agreed in advance with the SM and remits to the underwriter the amount shown on the underwriter’s invoice less any commission due to the broker. The broker therefore retains the broker fee and any share of commission not rebated to the SM.
14. The SM, when preparing agenda and minutes for the client OC’s AGM, is to include the broker invoice document prepared at Step 10.

Within this sequence of events, there are two situations where information is conveyed from the broker to the SM, as has always happened in the past but now modified. They are steps 6 and 11 which, in short, are -

Step 6: broker presentation of underwriter quotations and recommendations sent simultaneously to the SM and the SC office bearer(s)

Step 11: invoice from broker (including any broker fee) sent simultaneously to the SM and the SC office bearer(s).

There are two important changes here from current practice because it requires that -

- the SC office bearer(s) receive the broker presentation with quotations and recommendation at the same time as the SM receives it.
- both the SC office bearer(s) receive the broker’s invoice at the same time that the SM receives it.

There is no discretion for the SM on timing of transmission to the SC or OC of either the broker presentation or the broker invoice.

The additional communication discipline in Steps 2, 6 and 11 represents a substantial practical and cultural change from existing practices. It is designed to create transparency for the SC and OC and clear accountability for the SM and broker whereby, as stated at the beginning of this Part, through timely receipt by the SC of broker presentations and invoices along with knowledge by the broker that this receipt has occurred.

Case 2: SM appointed, no broker appointment to be made

If the SM is operating without a broker, all of the above 14 steps will be needed with the broker’s place being taken by the SM. Some of the steps place additional demands on the SM and others simplify the process -

- additional demands arise at steps 2, 3, 5 and 8
- some simplification occurs at Steps 8, 9, 10 and 13.

Omitting the broker from the process creates some simplification (one intermediary instead of two) but the workload imposed on and the expertise required of the SM when there is no broker is generally more demanding.

Case 3: SM already appointed, change of broker under consideration

In cases where there is a holding broker but the SC or the SM is contemplating a change of broker, there will be three additional tasks at the outset, i.e. more than 8 weeks before renewal date –

- the first is for the OC to give instructions to the SM to pursue a new broker appointment or for the SM, under delegated authority, to exercise discretion over the new broker appointment,
- the second is for the OC to sign a formal Letter of Appointment for the new broker and give instructions to the broker
- the third is for the SM to inform the holding broker of the change and to confirm through conveying a copy of the Letter of Appointment to the holding broker.

Thereafter the same steps follow as for Case 1.

Case 4: SM appointed but broker appointment being made for the first time

In cases where there is no holding broker or where the SC has decided that a broker appointment is to be made for the first time, there will be two additional tasks at the outset, i.e. more than 8 weeks before renewal date –

- the first is for the SM to assist the SC to identify broker options so that the SC and/or the SM can make decisions on which broking firm to appoint and how the appointment will be made
- the second is for the SM or the SC to arrange the broker appointment through a formal Letter of Appointment, in the manner agreed in the previous step.

Thereafter the same steps follow as for Case 1.

Case 5: OC engages directly with the broker (no SM involved)

If the OC is working directly with a broker, one or more of the office bearers of the OC will undertake the role of SM.

Scope of services: strata managers and brokers

The aggregate scope of services associated with insurance when the SM and broker are both appointed is similar across the spectrum of strata properties but –

- The properties themselves vary greatly as to age, size, complexity, past history of insurance claims and other factors
- The division of functions, workload and responsibilities between SM and broker can vary greatly. In some cases the SM takes substantial responsibilities and in other cases the broker does so. A simple example is claims where in some cases the SM takes on a major role whereas in other cases the broker does so.
- It is incumbent on the SM to be able to make the distinction between insurance services undertaken for the broker and other insurance services undertaken for the OC.

The main purpose of this type of disclosure is to enable SCs and lot owners to understand the respective roles and responsibilities of SM and broker.

Three tables

The three tables that follow describe the more common allocation of roles, responsibilities and activities between strata managers and brokers. The strata manager allocation is classified in two parts, one part being for matters where the SM is acting as agent for the OC and the second part where the SM is acting as agent for the broker.

The three tables are -

Table 1: SCOPE OF INSURANCE SERVICES - POLICY RELATED

Table 2: SCOPE OF INSURANCE SERVICES - ADMINISTRATION AND RISK MANAGEMENT

Table 3: SCOPE OF INSURANCE SERVICES - CLAIMS RELATED

Qualification

The tables are not intended as a comprehensive or tightly worded description of the roles but rather as a check list and general indication of the roles. It is deliberately brief so as to enable interested parties to gain a general understanding of the roles and to enable those interested, particularly lot owners and their SCs, to pursue questions that they see as relevant to their own circumstances.

Using the tables

These tables are presented as a companion to the Financial Disclosure templates in Part A. They are intended, however, as *guidance only* for strata committees, lot owners and other interested parties to become familiar with the roles and responsibilities of strata managers and brokers.

The tables are guidance only because there are many variations as to how individual SMs and brokers operate. The details in each case are ultimately a matter of agreement across SM, broker and SC. As guidance, there is no barrier to individual SMs and brokers modifying the tables for their own purposes but it is highly desirable that SM and broker work together to offer OCs a mutually agreed description of the services.

Fees, commissions and charges

Generally speaking, brokers will receive commissions and/or fees when they issue a policy but will not charge fees when managing claims. Extra charges could apply if there are disputes to be pursued externally.

Some strata managers also charge no fees on claims or on certain kinds of claims but some charge fees associated with some claims or some aspects of claims, often on an hourly rate basis, as they do with some of their non-insurance services. The details would generally be specified in the management agreement between strata manager and owners' corporation.

STRATA INSURANCE DISCLOSURE HANDBOOK

**Table 1: SCOPE OF INSURANCE SERVICES - POLICY RELATED
(ANNUAL, SEQUENTIAL)**

Strata Manager acting as agent for the OC	Strata Manager acting as agent for the broker*	Broker
1.	1.	1. Prepare pre renewal documentation request for SM (if required)
2. Prepare pre-renewal declaration for broker if required, including any additional disclosure information such as revised valuation, defects, cladding matters	2.	2. Review pre renewal declaration and any additional disclosure information from SM such as revised valuation, defects, cladding matters.
3.	3.	3. Prepare quotation slip or risk profile for presentation to underwriters
4. Respond to any broker queries	4.	4. Arrange quotations including negotiating coverage, premiums and excesses, with underwriters, follow up as required, review outcomes and form a recommendation
5. Receive presentation from broker	5. Ensure concurrent receipt of the presentation by the SM, receipt by the SC or OC and confirmation of receipt for the broker	5. Prepare presentation for SM and OC with coverage details, market information, quotations and recommendation, advice on insurance program
6. Arrange OC instructions and communicate to broker	6. Arrange and attend insurance meeting with SC or OC, include broker if required	6. Attend and explain renewal presentation at a meeting of SC or OC (if required) and answer any queries
7. Convey insurance decisions to broker	7.	7. Receive and assess insurance instructions from SM
8. Receive invoice and pay premium to broker on behalf of client	8. Ensure concurrent receipt of the invoice by the SM, receipt by the SC or OC and confirmation of receipt for the broker	8. Procure insurance cover and present invoice to SM and SC
9. Include renewal information in AGM agenda and minutes	9.	9. Receive payment and issue certificate of currency

*** SM might be an Authorised Representative (AR) or a Distributor for the broker. Services will not be identical in each case - see also table and footnote on p4.**

STRATA INSURANCE DISCLOSURE HANDBOOK

**Table 2: SCOPE OF INSURANCE SERVICES - ADMINISTRATION AND RISK MANAGEMENT
(AS REQUIRED – NOT SEQUENTIAL)**

Strata Manager acting as agent for the OC	Strata Manager acting as agent for the broker*	Broker
<ul style="list-style-type: none"> Keep records of renewal correspondence, annual PRDs, building information, etc. 	<ul style="list-style-type: none"> 	<ul style="list-style-type: none"> Offer risk management advice and insurance market advice
<ul style="list-style-type: none"> Monitor continuity of cover and renewal timetable 		<ul style="list-style-type: none"> Process any endorsements that arise
<ul style="list-style-type: none"> Arrange and obtain insurance valuation (at intervals of 2 to 5 years) 		<ul style="list-style-type: none"> Provide market and coverage commentary
	<ul style="list-style-type: none"> Undertake training as AR or Distributor for the broker and undergo periodic broker audits 	<ul style="list-style-type: none"> Arrange SM training and periodic audits to support the SM as AR or Distributor
<ul style="list-style-type: none"> Respond to ‘make safe’ emergency incidents (burst pipes etc) to minimise losses pending exploring maintenance vs insurance issues 		

**Table 3: SCOPE OF INSURANCE SERVICES - CLAIMS RELATED
(LARGELY SEQUENTIAL)**

Strata Manager acting as agent for the OC	Strata Manager acting as agent for the broker*	Broker
1. Investigate incidents and potential claims, maintain associated records	1.	1. Advise SM on potential coverage matters relating to incidents and potential claims
2. Prepare claims information and lodge claim with the broker	2.	2. Lodge claim with underwriter
3. Represent OC throughout claims process. Communicate directly with SC where required.	3. Manage claim interaction with SC or lot owner(s) and with broker	3. Manage claim interaction with underwriter
4.	4.	4. Provide claims management advice to SM, including what to do and when
5. Facilitate assessor access and follow up progress	5.	5. Appoint or manage assessor involvement
6. Engage and instruct contractors for claims remediation	6.	6. Oversee claims remediation progress in consultation with SM
7. Facilitate stakeholder communication with SC, lot owner(s), broker, assessors, builders, contractors	7.	7. Advise and communicate as required to support the SM in interactions with SC, lot owner(s), assessors, builders, contractors
8. Review quality of claim settlement, owner satisfaction and potential for complaints and disputes	8.	8. Facilitate settlement negotiations including client (OC) advocacy when denials or disputes arise
9. Maintain records and log of claim activities for each claim	9.	9. Advocate for the client (the OC) with complaints and disputes with underwriter, internally in the first instance (IDR) and externally (AFCA) if appropriate

* See footnote on previous page

PART C: STRATA INSURANCE FINANCIAL CHAIN

DIAGRAM 1: THE COMMISSION REBATE/BROKER FEE SYSTEM

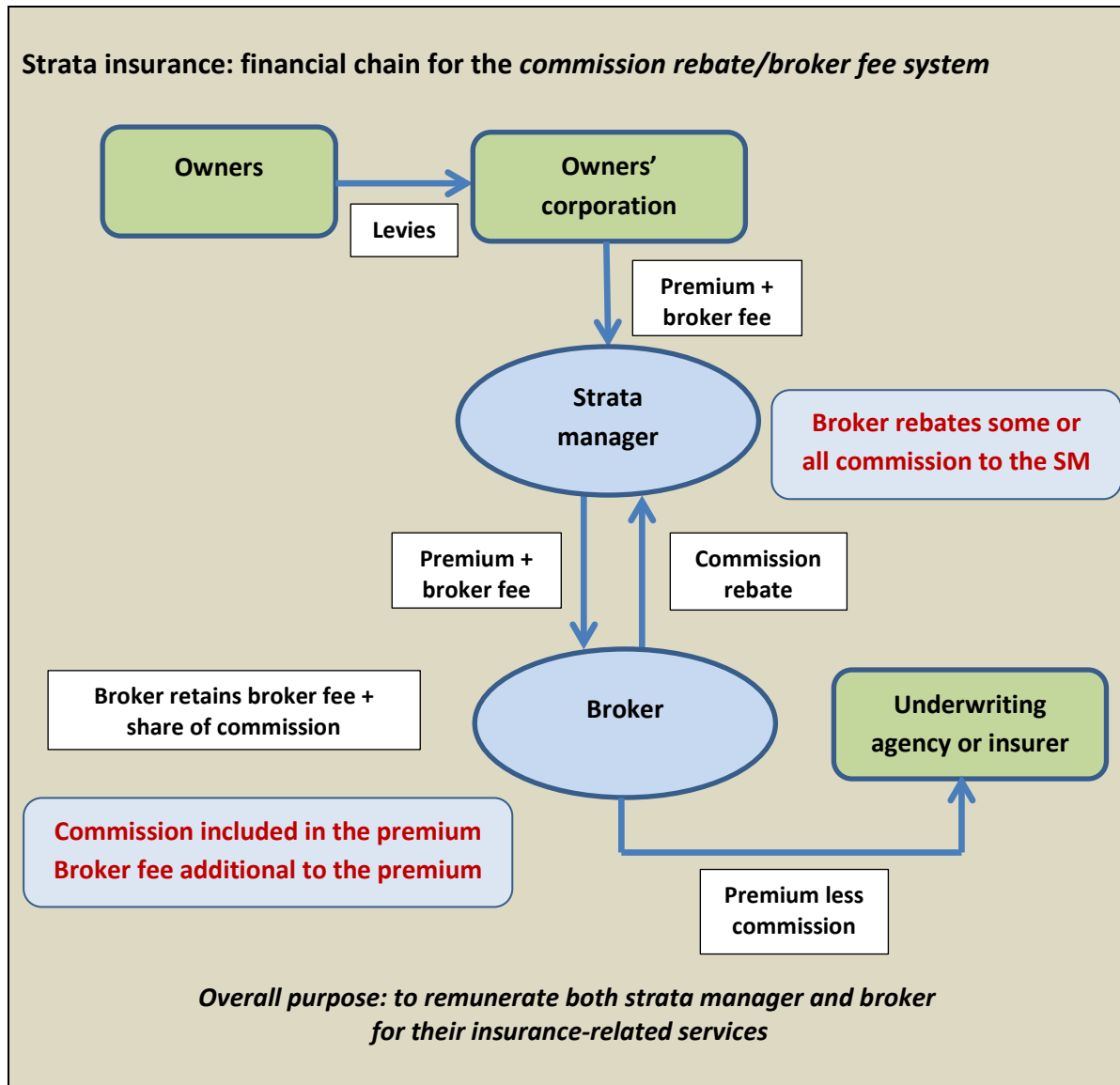


DIAGRAM 2: THE COMPOSITE COMMISSION & BROKER FEE SYSTEM

