

Webinar

OCN Victoria

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DIAGRAM 1: THE COMMISSION REBATE/BROKER FEE SYSTEM

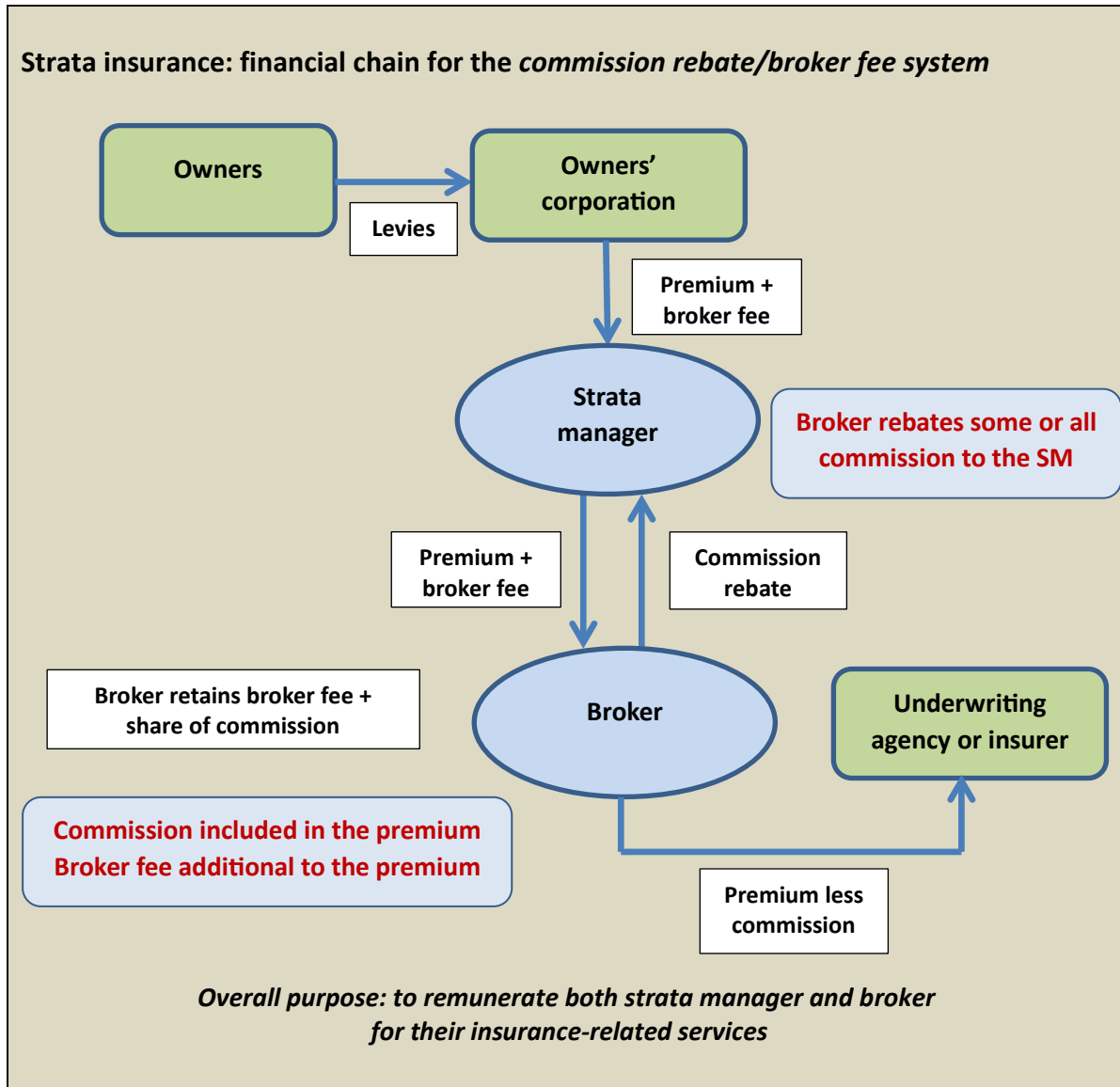
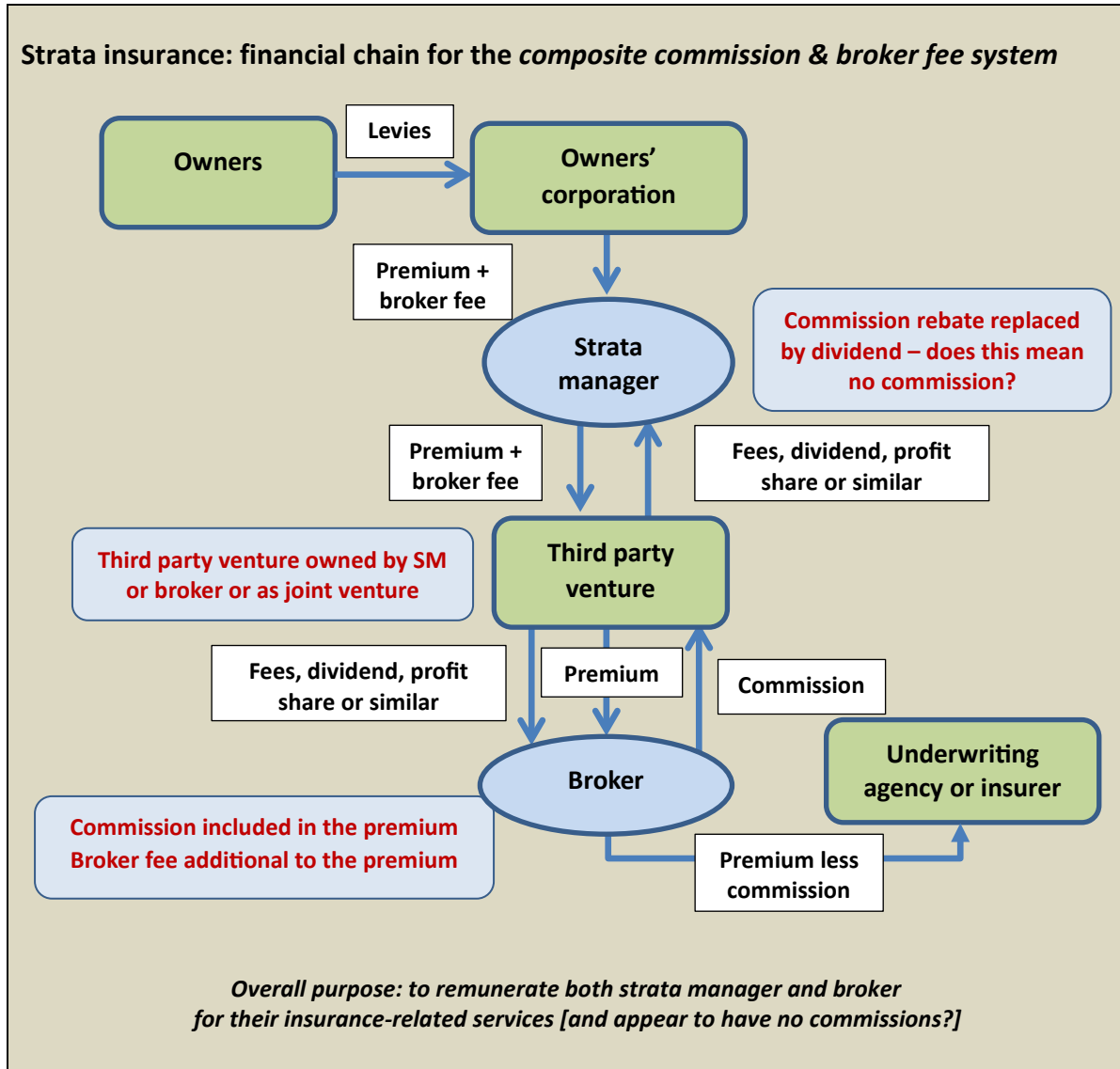


DIAGRAM 2: THE COMPOSITE COMMISSION & BROKER FEE SYSTEM



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.

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

	Last year	This year
	[Name]	[Name]
Underwriting agency	[Name]	[Name]
Insurer	[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.

SECTION 2: 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:

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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:

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3. Why this business model?

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

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Prepared by:

Strata Manager

Date:

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

... some segments have some overlap with others

<p>A. Type of business model</p> <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"/>
<p>B. Third party entity between broker and strata manager</p> <ul style="list-style-type: none"> • None • Corporate Authorised Representative (CAR)* or other third party entity 	<input type="checkbox"/> <input type="checkbox"/>
<p>C. Remuneration structure</p> <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"/>
<p>D. Premium: gross or net?</p> <ul style="list-style-type: none"> • Gross: Commission in premium • Net: Premium contains no commission 	<input type="checkbox"/> <input type="checkbox"/>
<p>E. Remuneration approach</p> <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"/>
<p>F. Broker category</p> <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"/>
<p>G. Strata manager category</p> <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"/>

<p>* If a CAR or other third party entity exists</p> <p>-</p> <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"/>	<p>Income payable to SM and broker –</p> <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.