

Quality of Advice Review

Strata Community Association Submission 2022

10 June 2022

Introduction

Strata Community Association (SCA) is the peak industry body for Body Corporate and Community Title Management (also referred to as Strata Management, Strata Title, or Owners Corporations Management) in Australia and New Zealand.

Our 5,000 individual and corporate members include strata/body corporate managers, support staff, owners' representatives and suppliers of products and services to the industry. SCA proudly fulfils the dual roles of a professional institute and consumer advocate.

Direct employment in specialist strata management companies is approaching 10,000 people. More significantly, they are pivotal in an estimated \$6.7 billion in annual economic activity.

Based on the 2020 Australasian Strata Insights Report, more than 2.2 million people live in flats and apartments, the vast majority being strata titled.¹ This figure does not include other forms of strata title such as townhouses and community titled developments. Nor does it include businesses operating in strata titled commercial buildings. The estimated value of property under strata title in 2020 exceeds \$1.3 trillion.²

As the growth of apartment and strata living has intensified over the last decade, the strata management strata services industry has grown in lockstep to serve it. Strata managers navigate through a maze of Commonwealth, State and Territory legislation and regulation ranging from actual strata specific legislation, regulation, workplace, health, and safety issues and building codes as well as measures applicable to the management of body corporate funds.

A strata manager is expected to be knowledgeable on a range of issues relating to the management of a strata scheme.

For further information about this consultation, please contact Shaun Brockman, National Policy and Advocacy Manager, SCA. Shaun.brockman@strata.community.

¹ Hazel Easthope, Sian Thompson and Alistair Sisson, *Australasian Strata Insights 2020*, City Futures Research Centre, UNSW, Accessed at <https://cityfutures.be.unsw.edu.au/research/projects/2020-australasian-strata-insights/>

² Ibid, p6

Strata Community Association's Response to the Treasury Quality of Advice Review

Strata Community Association (SCA) welcomes the opportunity to provide feedback to the Treasury's Quality of Advice Review.

SCA is supportive of the intention of this review to investigate the issues with the current regulatory framework for financial advice and recognises the importance of better enabling the provision of high quality, accessible and affordable financial advice to consumers.

What is Strata?

A strata title allows individual ownership of part of a property (called a lot and can include land, a townhouse, villa, duplex, or an apartment), combined with shared ownership in the remainder of the property (usually called 'common property' and includes areas such as foyers, driveways, gardens) through a legal strata structure, called owners corporations, bodies corporate, strata companies or strata corporation (use of term/s are typically based on the jurisdiction where this applies).

Role of Strata Managers

Strata managers are professionals who are responsible for the administrative duties of owners corporations. Put simply, the role of a strata manager is to coordinate the affairs of lot owners in strata communities, including (but not limited to):

- Conducting meetings;
- Collecting and banking levies;
- Arranging property maintenance;
- Advising on asset management;
- Placing insurance, and
- Keeping financial accounts.

Importantly, strata managers are considered the agents of owners corporations, and are both legally and ethically required to act in the best interests of their clients in the provision of their services.

Strata managers are not required to, and rarely hold their own Australian Financial Services Licence (AFSL). However, a strata manager may act as an *authorised representative* of a holder of an AFSL (like an insurance broker, insurance underwriter or general insurers). Being an authorised representative does not require a strata manager to hold their own AFSL, however managers are providing consumers (in this case strata lot owners) with advice on a financial product (strata insurance), and thus are included in the scope of this review (See [Appendix A](#) for strata insurance chain).³

SCA has invested significant time and resources undertaking activities to improve understanding of strata insurance by the general public, our membership, industry peers and within government.

³ Johnston, N., Lee, A., Mishra, S., Powell, K., BowlerSmith, M and Zutshi, A. (2021) *A data-driven holistic understanding of strata insurance in Australia and New Zealand*. Deakin University. p160.

SCA has held large scale events, received significant exposure through the media especially with regards to advocating for measures to improve affordability and availability and for improved disclosure practices. Additionally, SCA has communicated heavily with members to improve their education levels on strata insurance practices and to improve the way the industry communicates about insurance through contracts, agreements, and discussions.

SCA is therefore supportive of the review in its capacity to highlight methods to improve practices and increase the quality of financial advice.

Strata Community Association Responses to Consultation Questions

Section 3: Framework for Review

Section 3.1 Quality Financial Advice: Questions 1-4

Although strata managers provide a number of services for an owners corporation (OC), the provision of quality *financial* advice by strata managers is largely dominated by their role in the strata insurance supply chain. Although strata is regulated at a state level, strata insurance coverage is *compulsory*, meaning that OC's are forced to comply with strict regulatory requirements.

Strata insurance is a complex framework, and owners corporations rely on the specialised knowledge and quality advice of strata managers to effectively navigate the environment.

According to '*A data-driven holistic understanding of strata insurance in Australia and New Zealand*' by Dr Nicole Johnston (Lead Author) of Deakin University, there are at least 47 strata insurance services that are regularly provided by strata managers to their OC clients.⁴

Notably, strata managers understand, interact with, and add value to the strata insurance supply chain, including working closely with brokers, insurers and underwriters who must hold an Australian Financial Services License (AFSL). Strata managers represent the last 'link' in the strata insurance supply chain and are the direct agents and communicators for OC's in relation to the expansive insurance framework (see [Appendix A](#)).

As strata managers are the agents of OC's, they are legally required to act in the best interests of their clients. Therefore, quality of advice in relation to the facilitation of strata insurance to OC's is predicated on the ability of the strata manager to tailor their advice to their individual clients and direct them towards positive consumer outcomes.

Strata managers must ensure that consumers are fully informed and making decisions based on advice from managers that encompasses the full scope of relevant information, including circumstances that may relate specifically to the strata in question. Strata managers are often best placed to communicate this information effectively, due to their ongoing personal relationship with the committee.

The quality of financial advice provided by strata managers is also directly related to their level of education, knowledge, and expertise. See section 5.3 of this review for a comprehensive summary of the accreditation, learning, CPD and code of conduct requirements of SCA members and the wider industry.

⁴ Johnston, N. et.al (2021) Deakin University. p 3.

Section 3.2 Affordable Financial Advice: Questions 5-12

It is difficult to determine the average cost of providing comprehensive advice on insurance to new clients. Strata managers often operate under an ‘agreed services fee’ model, where a number of services undertaken by the strata manager is bundled and charged as an annual sum on a per lot basis. Over 50% of strata managers surveyed by Deakin University indicated that they charge \$200-\$300 per lot in this instance.⁵

The main cost drivers in the strata management industry when providing advice are:

- Compliance costs (to ensure the manager is complying with the regulatory requirements of their jurisdiction or firm).
- Operational costs (facilities, expenses etc.).
- Staff education and training costs.
- Time spent managing and placing insurance policies, claims etc. for a given scheme.
 - Strata managers engage in a multitude of time-consuming processes in the facilitation of strata insurance. 39 of the aforementioned 47 strata insurance services are undertaken ‘very frequently’ or ‘frequently’ by strata managers for their OC clients. See [Appendix B](#) for the breakdown of these frequently conducted services, and the average time it takes to perform the task.
- IT systems, and effective integration with strata management platforms.

Section 3.3 Accessible Financial Advice: Questions 13-19

Not relevant to strata management industry.

⁵ Ibid. p 175.

Section 4: Regulatory Framework

Section 4.1 Types of Advice: Questions 20-42

Section 4.1.4 Digital Advice: Questions 35-42

SCA agrees that technology in general is an integral part of the solution to making advice more accessible and has realised the utility of technology in improving the efficiency of strata industry operations.

For example, the onset of COVID-19 forced the implementation of emergency measures around the country that shifted strata committee meetings from being undertaken in person to being undertaken digitally, to ensure that safety and social distancing could be adequately maintained.

Whilst originally intended to be a temporary measure, feedback from members suggested overwhelmingly that strata committee meetings *have not* experienced a decline in quality as a result of shifting to a digital meeting model. In fact, committee members have experienced a multitude of beneficial outcomes due to the shift, including:

- Increased attendance at strata committee meetings,
- A reduction in resources required to facilitate meetings, and;
- Increased engagement of committee members with issues within the strata, including increased rates of voting on issues.

The success of this model was so apparent that jurisdictions throughout Australia have made changes to their regulatory frameworks to facilitate this model as the standard moving forward.

NSW Fair Trading, for example, as part of its statutory review of the Strata Schemes Management Act 2015 and Strata Schemes Development Act 2015, recommended that the legislation be amended so that the temporary measures in place, that were due to expire in January 2022, be implemented full time.⁶

Section 4.2 Best Interests and Related Obligations: Questions 43-47

Not relevant to strata management industry.

⁶ NSW Government. (2021). *Report on the statutory review of the Strata Schemes Development Act 2015 and Strata Schemes Management Act 2015*.

Section 4.3 Conflicted Remuneration: Questions 48-55

SCA is aware of some commercial arrangements that are structured to avoid disclosure and may be considered contrary to the best interests of consumers. These practices typically involve up-front consideration to the strata manager or an ongoing profit share without disclosure. These practices are further compounded if the strata manager alleges no receipt of an insurance commission, which SCA believes may be designed to mis-represent the receipt of income for the purposes of seeking appointment by the client.

SCA has rigorous standards in place to combat the issue of conflicted remuneration. Under the SCA Code of Conduct, which establishes the principles that govern the conduct of SCA Members in the context of the strata environment, it states that all strata managers who recommend a strata services provider to a client must:

- a. *disclose in writing to the Client any rebate, discount, or commission as required; and*
- b. *disclose in writing to the Client any potential Conflict of Interest required to be disclosed; and*
- c. *must not accept, directly or indirectly, any undisclosed commission from any person for the recommendation.*

Similarly, in Strata Community Associations' Strata Management Practice Standard (SMPS), a certification which is offered to SCA members nationwide as an opportunity to further their professional standing in the strata management industry, conflict guidelines are set out. It states:

2.6. Conflict of Interest

The Business must have a procedure for identifying, declaring, and managing a perceived, potential, or actual conflict of interest with their client(s). The procedure must address the following situations so that the Business will not:

- a. *allow a position to be reached where the Business' duty to a client and the Business' own interest conflicts with that of their client.*
- b. *give advice to a person when they know that the interests of that person are in conflict or likely to conflict with the interests of their client other than the advice to secure the services of another adviser.*
- c. *demand, accept or retain any form of consideration for a particular service from more than one client without disclosing the circumstances and receiving prior approval from all of the parties concerned.*
- d. *without the prior written consent of their client be directly or indirectly concerned or interested in another business or transaction in which the Business, including its employees, and/or related entities stands to gain as a result of their relationship with their client.*⁷

Strata Management Fee Structure

As mentioned, there are at least 47 strata insurance services that are regularly provided by strata managers to their OC clients.⁸ In almost every jurisdiction throughout Australia, methods of compensation for these services are disclosed, in order to make lot owners (the end consumers)

⁷ *Strata Management Practice Standard (SMPS) Implementation Guide*. Strata Community Association. p 4. https://www.strata.community/files/ugd/8c5516_b2b9864d96194c53b3cd929dbf7955d4.pdf

⁸ Johnston, N. et.al (2021) Deakin University. p 3.

aware of the bundle of services that a strata manager is providing for them and the associated costs. Across the strata management industry, firms may offer differing methods of compensation for their services, which allows for competition between service offerings and contributes to the overall health of the industry.

The strata management industry is comprised of a fee structure that utilises mixed fee arrangements. Generally, strata management companies refer to three types of service fees:

- Agreed services fees
- Disbursement fees
- Additional services fees

Agreed services fees and disbursement fees are generally bundled together and charged per annum to each lot in the strata complex. For most companies, the bundling of these services is contingent on the company's receipt of rebates, discounts and commissions from insurers or brokers.⁹ Additional services are generally outlined in the initial agreement and are in place for circumstances where additional resources may be required. The qualification of additional services is dependent on the individual firm and their fee structure, however, additional services fee may be implemented in the case of a non-routine or complex/ major claim, where the time and resources required to process the claim are outside the norm. Most strata insurance services undertaken by strata managers are bundled into the per annum payment.

Irrespective of the fee structure, the value of the strata manager in the facilitation of strata insurance is not well understood. Deakin University found that (39.5%) of owners called for strata management commissions on insurance to be abolished, with qualitative data suggesting that some owners believe under this model strata managers are engaging in conflicted remuneration.

However, many respondents pointed to other remedies or agreed that this type of fee arrangement worked. Respondents also called for better regulation (30%), acknowledged that commissions pay for advice, guidance, and claims processing (10%), said they were needed to offset the management fee (8.5%) or were non-committal to whether the fees should apply or not (12%).¹⁰

A likely industry response in the case of the reduction or removal of strata insurance commissions would simply be an increase of the agreed service fee. Of the aforementioned (39.5%) of respondents who said commissions should be abolished, the majority (60%) changed their position when confronted with the scenario where the agreed services fee increased by 25% or more.

Similarly, the cost of the insurance premium would not be reduced if the role of the strata manager was removed from this model. The amount of work undertaken by the strata manager would be shifted to the insurance underwriter, who would then have to manage claims, find quotes, undergo valuation, assessment, liaising etc. Regardless of the approach, the services that strata managers provide must ultimately be paid for.

A standardised disclosure framework clearly outlining all aspects to be disclosed by the Broker and Strata Managing Agency may address this issue in a better capacity (see section 4.5). An approach to this effect on a national scale would remove variation, which impacts standardisation and

⁹ Ibid. p 4.

¹⁰ Ibid. p 201.

consistency of remuneration and disclosure. Similarly, it may serve to curb anti-competitive practices by bad faith players and increase consumer protectionism.

Section 4.4 Charging Arrangements: Questions 56-62

Not relevant to strata management industry.

Section 4.5 Disclosure Documents: Questions 63-70

SCA remains committed to improving the overall disclosure, transparency and understanding of the extensive work that strata managers undertake to facilitate positive consumer outcomes, particularly in relation to the provision of strata insurance.

Strata insurance is complex, and SCA recognises that there is a lack of understanding within the general public, government and within some parts of the industry about roles, responsibilities and processes involved in the facilitation of strata insurance to lot owners by strata managers.

Although dependent on jurisdiction, strata managers are generally required by legislation to provide some form of disclosure on the commissions they receive for facilitating strata insurance for owners corporations in Australia, with notable exceptions including in Queensland (BUGTA) and Tasmania.¹¹ However, these disclosure requirements are not standardised across the country, and some jurisdictions maintain more rigorous standards for advice disclosure obligations than others (see [Appendix C](#)).

To combat this lack of consistency, in many cases best practice strata management firms will set a high bar for themselves internally in regard to disclosure, in addition to regulation imposed in each respective jurisdiction, however practices of firms differ widely across the industry. SCA as the peak industry body for Body Corporate and Community Title Management in Australia has championed disclosure and transparency in the insurance space for many years.

Under the SCA Code of Conduct, it states that all strata managers who recommend a strata services provider to a client must:

- a. *disclose in writing to the Client any rebate, discount, or commission as required;*

Similarly, under Strata Community Associations' aforementioned Strata Management Practice Standard (SMPS), it states:

3.2.3. Disclosures: *The Strata Management Agreement must clearly set out all commissions or remuneration payable for insurance policies or other contract services, and any other conflicts of interest.*¹²

John Trowbridge, in his *Independent Review of Strata Insurance Practices: Phase 1* report, found that this lack of regulatory consistency allows "some strata managers and some brokers to not disclose clearly and transparently to ECs and OCs the components of the insurance costs and associated

¹¹ Johnston, N. et.al (2021). Deakin University. p194.

¹² *Strata Management Practice Standard (SMPS) Implementation Guide*. Strata Community Association. p 5. https://www.strata.community/files/ugd/8c5516_b2b9864d96194c53b3cd929dbf7955d4.pdf

financial arrangements, including the allocation of intermediary remuneration between SM and broker.”¹³

In order to address the issue of inconsistent transparency and disclosure within the industry, and to ‘facilitate the delivery of disclosure documents that are more engaging for consumers,’ John Trowbridge has proposed (among other notable changes) the implementation of a ‘standard format template’. This template would simply and clearly disclose all essential items required to meet adequate disclosure, and in a format that is digestible for the end consumer (see [Appendix D](#)).

SCA has expressed its support for the adoption of the standard invoice template nationwide, as an effective measure to ensure that all aspects of the invoice and associated costs are disclosed. This level of disclosure detail should be matched as part of the quoting process in renewing policies. The format, with the inclusion of standardised terminology and definitions should allow for a stronger practice of disclosure within the industry, improving clarity, consistency, and transparency.

Section 4.6 Accountants Providing Financial Advice: Questions 71-75

Not relevant to strata management industry.

Section 4.7 Consent Arrangements for Wholesale Client and Sophisticated Investor Classification: Questions 76-78

Not relevant to strata management industry.

¹³ Trowbridge, J. (2022). *Independent Review of Strata Insurance Practices - Consultation and discussion paper for Phase 1: disclosure*. p 13. <https://www.niba.com.au/wp-content/uploads/2022/03/consultation-paper-2.pdf>

Section 5: Other measures to improve the quality, affordability, and accessibility of advice: Questions 79-83

Section 5.1 ASIC

Not relevant to strata management industry.

Section 5.2 Advice Licensees

Not relevant to strata management industry.

Section 5.3 Professional Industry Associations

As mentioned previously, Strata Community Association (SCA) is the peak industry body for Body Corporate and Community Title Management (also referred to as Strata Management, Strata Title, or Owners Corporations Management) in Australia and New Zealand.

Due to strata being regulated at a state level, licensing, legislative, regulatory or certification requirements apply to strata community management in most states and territories, however the regulatory approach is not necessarily consistent state to state (see [Appendix E](#)).

SCA therefore fulfils the role of a professional institute. Currently operating under a 'self-regulation' model, SCA maintains specific rules and guidelines to regulate the operation of individual members, without the involvement of the government.

SCA fulfils this duty to members through several self-regulatory avenues, including:

- **SCA's National Code of Conduct:** The code that establishes the principles that govern the conduct of SCA Members in the context of the strata environment. All SCA members must follow the clear requirements set out in the code, both in letter and spirit (found [here](#)).
- **SCA's Educational Programs**
 - **Continuing Professional Development (CPD):** Where SCA supports strata community managers and strata suppliers to develop and expand their professional competence to meet industry standard obligations, thereby maintaining and improving an effective and competent service to their clients. Educational activities you attend provide you CPD Points relevant to time, and members must meet a minimum number of points per annum.
 - **SCA A100:** A comprehensive strata community management course provided by SCA, and offers a practical overview for new managers, an essential review tool for veteran managers and an advanced course for committee members.
 - **Certificate IV Strata Community Management CPP40516:** The Certificate IV Strata Community Management is an industry accredited program for professionals working in strata management. This course is designed for those who may want to further their career in strata management as a licensed strata manager. Delivered in conjunction with: [Australian College of Professionals \(ACOP\) \(RTO ID 91513\)](#)
 - **Strata Committee Training:** SCA Committee Training focuses on good governance and how it helps strata committees achieve compliance with the strata legislation and meet expectations of the stakeholders.

- **SCA's Strata Management Practice Standard (SMPS):** The SMPS is a voluntary practice standard for strata community management businesses, in relation to their own internal procedures as well as contractual relationships with strata communities. The SMPS was developed to serve as an opportunity for SCA members to improve their professionalism within the industry by following standardised guidelines (found [here](#)).

In order to improve the quality, accessibility, or affordability of financial advice in the strata management industry in the future, SCA supports a push towards the national implementation of a co-regulation model. Co-regulation can be considered the incorporation of a (well established) professional association into the regulatory framework, to assist with standards and enforcement.

SCA envisions a model where state and territory governments would mandate that strata managers be registered, maintain a minimum level of insurance, meet education qualifications, and maintain annual professional development requirements, facilitated, and supported by SCA.

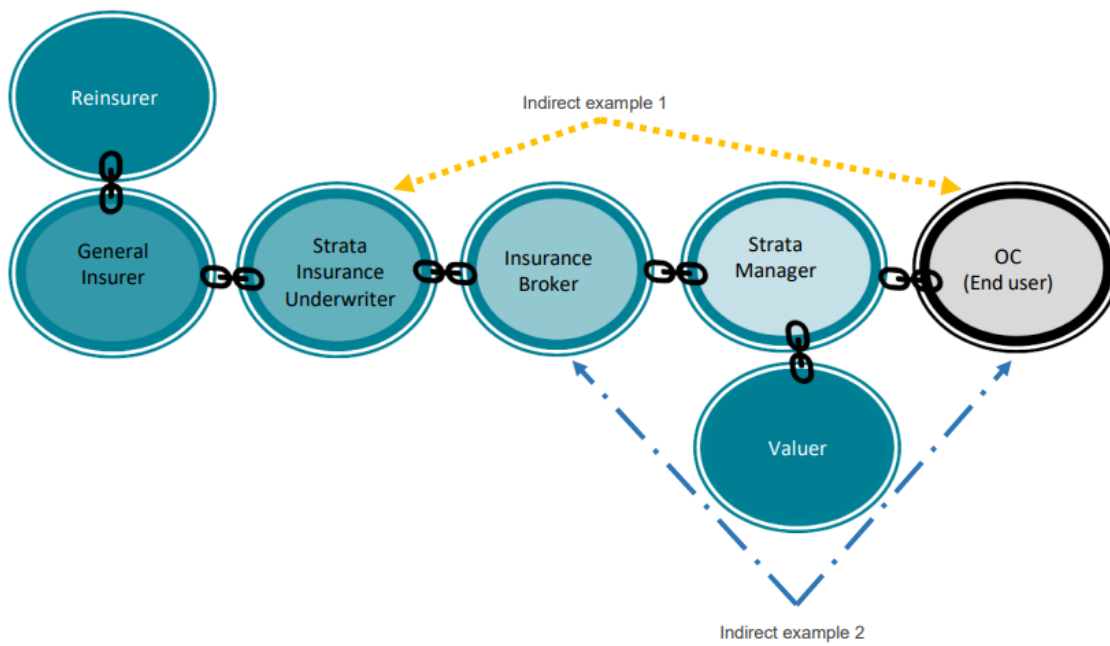
Currently, the New South Wales strata sector is leading the way for the strata industry, with the highest form of consumer protection regulation approved by the Government. Over the past years, Strata Community Association (NSW) and the NSW Government have been working in partnership to strengthen consumer protection and restore consumer confidence.

The NSW Government under the Minister for Better Regulation and Innovation, Kevin Anderson, approved a *Professional Standards Scheme (PSS)*. This formal recognition by the NSW Government is first of its kind for the property services sector, and at the forefront of this scheme is a further commitment to consumers to ensure high professional standards across the strata industry in NSW.

The scheme has been approved for an initial period of 5 years commencing from 1st July 2021. This approval means Strata Manager members of SCA (NSW) must adhere to a Code of Ethics including professional standards and is monitored by Professional Standards Australia. For more information on the PSS, please click [here](#).

As SCA continues to push for further implementation of co-regulatory model by state and territory governments, it will continue to strengthen its education courses, accreditation programs and ethical standards, to ensure a nationally consistent approach that maximises both the professionalism of the industry and consumer protection across Australia.

Appendix A:



Source: Johnston, N. et.al (2021). Deakin University. p.158

https://www.strata.community/files/ugd/de87c4_9714a2c320804ecbb270af78ee492826.pdf

Appendix B: 'Very frequently' or 'frequently' undertaken strata insurance services and average time taken to perform tasks

Ranking order	Category	Sub-category service	Average time taken to perform task
1	1	Finalising insurance payments	< 30 mins
2	1	Making sure that the insurance is current	< 15 mins
3	1	Arranging or renewing insurances	< 60 mins
4	3	Discussing insurance matters at general and committee meetings	< 30 mins
5	1	Ensuring that the insurance policy covers all common property facilities and assets	< 30 mins
6	4	Seeking instructions to obtain a valuation	< 30 mins
7	7	Maintaining insurance documents of the client's records	< 15 mins
8	1	Obtaining quotations for insurance placement	< 60 mins
9	4	Providing a copy of the valuation to the client	< 15 mins
10	1	Seeking instructions to obtain insurance quotations	< 30 mins
11	7	Providing certificates of currency for insurance when request	< 30 mins
12	4	Providing a copy of the valuation to the broker or insurer	< 15 mins
13	5	Lodging routine claims relating to common property	< 30 mins
14	4	Reviewing insurance valuation	< 30 mins
15	7	Maintaining a register of insurance claims	< 30 mins
16	3	Advising clients on their legal duties and obligations relating to strata insurance	< 30 mins
17	4	Preparing a motion regarding engagement of a valuer	< 15 mins
18	5	Receiving and processing the insurer's acceptance or rejection of insurance claims	< 30 mins
19	5	Receiving and forwarding contractor invoices for approved insurance work to broker or insurer	< 30 mins
20	5	Advising or guiding clients regarding whether or not to make a claim	< 30 mins
21	4	Seeking instructions to disclose valuation to broker or insurer	< 15 mins
22	3	Disclosing to insurer any material information impacting policies	< 30 mins
23	4	Liaising with valuer regarding valuation requirements	< 30 mins
24	5	Receiving and receipting payments from insurer and paying contractors	< 30 mins
25	5	Forwarding contractor quotations and queries to brokers or insurers	< 30 mins
26	5	Liaising with contractors to obtain quotations for proposed insurance repair work	< 60 mins
27	5	Engaging in ongoing claim management	< 60 mins
28	5	Assessing lot owner enquiries about policy coverage for loss or damage	< 30 mins
29	7	Making insurance documents available for interested parties to inspect	< 30 mins
30	3	Advising clients on their strata insurance requirements	< 30 mins
31	5	Instructing contractors to undertake approved insurance work following acceptance of insurance claim	< 30 mins
32	4	Organising strata scheme access for valuer	< 30 mins
Ranking order	Category	Sub-category service	Average time taken to perform task
33	5	Lodging routine claims relating to private property	< 30 mins
34	3	Referring clients to an advisor for personal advice	< 30 mins
35	3	Advising clients on additional strata insurance policies	< 30 mins
36	5	Liaising with loss adjustors	< 60 mins
37	5	Lodging complex / major claims	<1 day
38	5	Undertaking activities involved in loss mitigation	<60 mins
39	6	Engaging in protracted insurance renewal negotiations with broker or insurer	<30 mins

Source: Johnston, N. et.al (2021). Deakin University. p.173

https://www.strata.community/files/ugd/de87c4_9714a2c320804ecbb270af78ee492826.pdf

Appendix C:

	ACT	NSW	NT	Qld (BCCM)	SA	Vic	WA	NZ / Qld (BUGTA) / Tas
Duty to disclose insurance commission?	Yes	Yes	Yes	Yes	Yes	Yes (from 1 December 2021)	Yes	No
Legal reference(s)	<i>Agents Act 2003</i> sch 3, cl 3.9 & sch 8, pt 8.2, cl. 8.13. <i>Unit Titles Management Act 2011</i> , cl. 2.3, schedule 2	<i>Property and Stock Agents Act 2002</i> , s. 57(1). <i>Strata Schemes Management Act 2015</i> , s. 60.	<i>Agents Licensing Regulations 1979</i> , sch 4, cl. 13.	<i>Body Corporate and Community Management (Standard Module) Regulation 2020</i> r 156.	<i>Strata Titles Act 1988</i> , s.27D(1) & <i>Community Titles Act 1996</i> , s. 78D(1).	<i>Owners Corporations and Other Acts Amendment Act 2021</i> , s. 54.	<i>Strata Titles Act 1985</i> , s.147 & <i>Strata Titles (General) Regulations 2019</i> , r. 100.	
What must the manager disclose?	The nature of any relationship the manager has with the insurer or broker and the nature and value of any commission or benefit the manager may receive or expects to receive, by referring the OC to the insurer or broker. The Committee must give the OC at its AGM details about any financial or other benefit, commission or discount given by the insurer to any person in relation to the OC's insurance policies.	All commissions, including the source and estimated amount of those commissions to the extent the amount can reasonably be estimated, that the manager will or may receive from an insurer or broker in connection with the services that the manager provides to the OC. The manager must report at the AGM whether any commissions or training services have been provided to or paid for the manager in connection with the exercise of the manager's functions for the OC during the preceding 12 months and the particulars and estimated amount or value and explain any variation.	If the manager is likely to obtain an interest in a transaction entered into on behalf of an OC, the manager must disclose the exact nature of the interest to the client.	The manager must disclose any commission that the manager is entitled to receive in association with the body corporate considering entering into a contract of insurance.	If the manager is the delegate of an OC who receives a commission for placing insurance on behalf of the OC, then the manager must disclose the nature of the commission to the OC in writing before placing the insurance.	The manager must disclose the commission (in the manner of a percentage of the premium rather than the actual amount of the commission) received by the manager for any insurance contract placed on behalf of the OC.	The manager must disclose the amount or value of any remuneration or other benefit in excess of \$100 that the strata manager receives, or has a reasonable expectation of receiving in connection with the performance of the strata manager's functions.	
Disclosure to:	OC	OC (and variations to OC committee)	OC	OC	OC	Chairperson of the OC	OC	
What method is required for the manager to make disclosure?	In the strata manager's written agreement with the OC. Committee must disclose to the OC at its AGM.	In the strata manager's written agreement with the OC and at the Annual General Meeting of the OC. Manager must report to the OC at the AGM.	Not specified.	In writing before the body corporate makes its decision to enter into the insurance contract	In writing before the manager places the insurance on behalf of the OC and in the written contract if it forms part of the manager's remuneration.	In writing for any insurance contract placed on behalf of the OC.	In writing to the OC as soon as is practicable after the manager becomes aware of the fact that it reasonably expects to receive or does receive a commission.	

Source: Johnston, N. et.al (2021). Deakin University. p.196

https://www.strata.community/files/ugd/de87c4_9714a2c320804ecbb270af78ee492826.pdf

Appendix D:

Structure: Strata Manager and Broker

Gross premium version - premium includes commission,
broker fee additional to premium

Item	Amount
SECTION 1 - ALL INSURANCE COSTS	
<i>Insurance charges</i>	
Base premium (includes commission)	10,000
ESL	1,200
GST	1,120
Stamp duty	1,100
Underwriting agency fee	200
Underwriting agency fee - GST	20
Total insurance premium	13,640
Broker fee	1,000
Broker fee GST	100
Total insurance costs (invoice amount)	14,740
SECTION 2 - INTERMEDIARY REMUNERATION	
<i>Remuneration before GST</i>	
Commission - within the base premium	2,000
Broker fee - additional to the premium	1,000
Total intermediary remuneration	3,000
<i>Allocation of remuneration before GST</i>	
Strata manager: commission rebate	1,750
Broker: fee + retained commission	1,250
Total intermediary remuneration inc GST	3,000
GST	300
Total intermediary remuneration inc GST	3,300

Net premium version - no commission

SM fee and broker fee separated from premium

Item	Amount
<i>Insurance underwriter charges</i>	
Base premium (nil commission)	8,000
ESL	960
GST	896
Stamp duty	880
Underwriting agency fee	160
Underwriting agency fee - GST	16
Total insurance premium	10,912
<i>Intermediary remuneration</i>	
Strata manager share of fees	1,750
Broker share of fees	1,250
Total fees before GST	3,000
GST on SM fee + broker fee	300
Total intermediary remuneration inc GST	3,300
Total insurance costs (invoice amount)	14,212

**Structure: Strata Manager Direct to OC
(no broker)**

Gross premium (premium includes commission)

Item	Amount
SECTION 1 - ALL INSURANCE COSTS	
<i>Insurance charges</i>	
Base premium (includes commission)	10,000
ESL	1,200
GST	1,120
Stamp duty	1,100
Underwriting agency fee	200
Underwriting agency fee - GST	20
Total insurance premium (invoice amount)	13,640
SECTION 2 - INTERMEDIARY REMUNERATION	
Commission - payable to strata manager	2,000
GST on commission	200
Strata manager remuneration inc GST	2,200

**Structure: Broker direct to OC
(no strata manager)**

Gross premium (premium includes commission)

Item	Amount
SECTION 1 - ALL INSURANCE COSTS	
<i>Insurance charges</i>	
Base premium (includes commission)	10,000
ESL	1,200
GST	1,120
Stamp duty	1,100
Underwriting agency fee	200
Underwriting agency fee - GST	20
Total insurance premium (invoice amount)	13,640
SECTION 2 - INTERMEDIARY REMUNERATION	
Commission - payable to broker	2,000
GST on commission	200
Broker remuneration inc GST	2,200

Source: Trowbridge, J. (2022). p 31.

<https://www.niba.com.au/wp-content/uploads/2022/03/consultation-paper-2.pdf>

Appendix E:

	Registration or Licensing Required?	Nature of any mandatory registration or licensing requirement	Reference	Registration/ Licensing Body
ACT	Yes	Real estate agents must be licensed. A person carries on business as a real estate agent if the person provides, or offers to provide, a real estate agent service (which includes acting as a manager of an OC for a units plan) for a principal for reward.	<i>Agents Act 2003</i> (ACT), s.18 and s. 8	Commissioner for Fair Trading ⁶⁵
NSW	Yes	Strata managing agents must be licensed to carry on the business of a strata managing agent.	<i>Property and Stock Agents Act 2002</i> (NSW), s. 8.	Commissioner for Fair Trading, Department of Finance, Services and Innovation ⁶⁶
NT	Yes	Real estate agents include corporation managers under the <i>Unit Titles Act 1975</i> (NT) and body corporate managers under the <i>Unit Titles Schemes Act 2009</i> (NT) and must not carry on business unless licensed.	<i>Agents Licensing Act 1979</i> (NT), s. 5 and s. 17.	Agents Licensing Board of the Northern Territory ⁶⁷
Qld	No	N/A		
SA	No	N/A		
Tas	No	N/A		
Vic	Yes	It is an offence to act as a manager of an OC for a fee or reward without being registered.	S.12, <i>Owners Corporations Act 2006</i> (Vic)	Business Licensing Authority ⁶⁸
WA	No	N/A		
New Zealand	No ⁶⁹	N/A		

Source: Johnston, N. et.al (2021). Deakin University. p.160

https://www.strata.community/files/ugd/de87c4_9714a2c320804ecbb270af78ee492826.pdf