



Australian Government
The Treasury

TSY/AU

Quality of Advice Review – Conflicted Remuneration Consultation Paper

Strata Community Association

14 November 2022

Consultation process

Request for feedback and comments

Interested parties are invited to provide feedback on the proposals for reform listed in the Quality of Advice Review Conflicted Remuneration Consultation Paper using the template in [Appendix 1](#). Consultation will close at 11:59pm on Monday 14 November 2022.

While submissions may be lodged electronically or by post, electronic lodgement is preferred. For accessibility reasons, please submit responses in a Word or RTF format via email. An additional PDF version may also be submitted.

Closing date for submissions: 14 November 2022

Email	AdviceReview@TREASURY.GOV.AU
Mail	Secretariat, Quality of Advice Review Financial System Division The Treasury Langton Crescent PARKES ACT 2600
Enquiries	Enquiries can be initially directed to AdviceReview@TREASURY.GOV.AU

Appendix 1: Consultation template

Name/Organisation:

General Insurance and consumer credit insurance (Proposal 1)

1. Do you support Proposal 1, which requires financial advisers or insurance brokers to obtain informed consent from their clients in order to be able to receive a commission from a product issuer for the sale of a general insurance product or consumer credit insurance?
 - a) If you do not support this proposal, please state your reasons

Yes, Strata Community Association supports Proposal 1 and is confident in its implementation for strata insurance products.

Strata Community Association would like to make some additional points that are related to strata insurance specifically:

- a) 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
- b) Strata insurance is a compulsory product, unlike some general insurance products.
- c) 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.
- d) Strata corporations (known as owners corporations or bodies corporate depending on jurisdiction) represented by strata committees are ‘the client’ when related to Proposal 1 and the wording above.
- e) Strata corporations have the choice to place insurance themselves (direct), or through strata managers (as a delegated authority)
- f) Strata managers are duty bound to represent and act in their clients best interests under a range of licensing, regulatory and code of conduct provisions, depending on the manager’s state or territory already in place.

- g) Strata corporations have the choice of various remuneration models, whether they choose to place insurance direct or through the strata manager. This choice is considered upon renewal of the agency agreement which is negotiated by the strata manager and strata corporation periodically, setting out the delegations for appointment, including the delegation for the placement of insurances and the method for receipt of income.
- h) 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).
- i) SCA, like NIBA, has committed to further improving transparency and disclosure practices in line with best practices in NSW legislative and regulatory regimes, and in consideration of the timing and processes to gain informed consent and ensure transparency and disclosure in line with research into the sector.
- j) SCA's National Code of Conduct, education programs including CPD, A100, Certificate IV and others as well as the Strata Management Practice Standard (SMPS) are targeted at improving overall strata management conduct, and also contains information and provisions to avoid conflicts of interest and undertake effective disclosure practices (see Section 5.3 of *Quality of Advice Review: Strata Community Association Submission 10 June 2022* attached to the submission of this document).
- k) 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:
- *disclose in writing to the Client any rebate, discount, or commission as required; and*
 - *disclose in writing to the Client any potential Conflict of Interest required to be disclosed; and*
 - *must not accept, directly or indirectly, any undisclosed commission from any person for the recommendation.*

Please refer to SCA's detailed submission in June 2022 to the Quality of Advice Review for elaboration on any of these points, which is attached to the email for this submission.

Quality of Advice Review: Strata Community Association Submission 10 June 2022

2. Do you support Proposal 2, which requires financial advisers to obtain informed consent from their clients in order to be able to receive a commission from a product issuer for the sale of a life risk insurance product?

a) If you do not support this proposal, please state your reasons

Time-sharing schemes (Proposal 3)

3. Do you support Proposal 3, which recommends that the Government conduct a separate holistic review of time-sharing schemes and the way they are promoted?

a) If you do not support this proposal, please state your reasons

Other Conflicted Remuneration exemptions (Proposals 4-7)

4. Do you support Proposals 4 -7, which remove or modify the existing exemptions to the ban on conflicted remuneration?

a) If you do not support any of these proposals, please state your reasons

b) Do you consider there to be any unintended consequences related to the implementation of Proposals 4 -7?

General

5. Do you have any other comments or feedback on the Quality of Advice Review Conflicted Remuneration Consultation Paper?

6. Do you have any other comments on the regulation of conflicted remuneration under Chapter 7 of the Corporations Act?

