

Standing Committee on Legal Affairs
ACT Legislative Assembly
196 London Circuit
Canberra ACT 2601

Via email: LACommitteeLegal@parliament.act.gov.au

Inquiry into the management of strata properties

The National Insurance Brokers Association (NIBA) welcomes the opportunity to provide feedback to the Australian Capital Territory's Inquiry into the management of strata properties. In recent years, the demand for strata living in the Australian Capital Territory (ACT) has grown significantly, driven by increasing urban density, changing housing preferences, and affordability considerations. This shift has placed greater importance on effective strata management, including the need for appropriate risk management and insurance arrangements to protect residents and property owners

NIBA's submission will focus on the relationships between strata managers and insurance brokers and the benefits these relationships provide to owners' corporations. By working with brokers, strata managers can help ensure that strata communities receive expert guidance on risk management and insurance coverage, enhancing the resilience of strata communities. NIBA looks forward to engaging constructively with the inquiry to ensure that any proposed reforms support these relationships and contribute to the effective management of strata properties in the ACT.

About NIBA

NIBA is the peak representative body for the general intermediated insurance industry. NIBA serves as the collective voice of approximately 450 member firms and 15,000 individual brokers. Our membership encompasses a diverse range of entities, including large multinational insurance brokers, Australian broker networks, as well as small and medium-sized businesses located in cities and regional areas around Australia. NIBA advocates for the interests of general insurance brokers and their clients, ensuring that the general industry operates with integrity and professionalism. NIBA's work is guided by our core pillars: community, representation, and professionalism. NIBA's mission is to enhance the professional standing of insurance brokers through robust advocacy, education, and ethical standards. By fostering a collaborative and innovative environment, NIBA aims to elevate the quality of service provided to consumers, strengthening trust and confidence in the insurance broking profession.

T: +61 2 9964 9400
E: info@niba.com.au

Suite 4.01B, Level 4,
31 Market Street, Sydney
NSW 2000

Relationship between strata managers and insurance brokers

Insurance brokers and strata managers work closely to ensure that strata communities have appropriate insurance coverage in place. While each performs distinct roles, their collaboration is essential in managing risk. Strata managers are responsible for the administrative and financial management of strata schemes. A key component of this role is arranging and maintaining compulsory strata insurance, which covers common property, liability risks, and other exposures.

However, strata insurance is a specialised and often complex product, requiring expertise beyond the scope of general property management. Insurance brokers provide this expertise, advising strata managers and owners' corporations on risk assessment, policy selection, and claims handling. They play a crucial role in:

Providing Specialist Advice: Brokers assess the unique risks faced by each strata scheme, ensuring that policies cover necessary exposures, including building defects, natural disasters, and liability risks.

Navigating the Insurance Market: Brokers access a broad range of insurers and products, securing competitive coverage that aligns with the needs of strata communities.

Claims Advocacy and Support: In the event of a claim, brokers assist owners' corporations by managing the process, negotiating with insurers, and ensuring timely and fair outcomes.

The relationship between strata managers and insurance brokers generally falls under one of two models: the authorised representative/distributor model or the referral model. Each structure has different implications for the role strata managers play in insurance-related services and the level of direct involvement they have in the insurance process.

Authorised Representative/Distributor Model

In carrying out their responsibilities, Strata Managers often perform many services related to insurance, such as issuing invoices, collecting premiums and distributing Product Disclosure Statement (PDS). Under the *Financial Services Reform Act 2001*, the provision of these services is considered a 'Financial Service', and any organisation providing a Financial Service is required to hold an Australian Financial Services Licence (AFSL) or operate as an authorised representative of another AFSL holder (such as a licensed insurance broker).

Within this model, the role of the Strata Manager in the provision of insurance services varies, with some providing ancillary services as described above as well as assistance in the claims management process, including lodging and maintaining claims, collecting policy excesses, arranging repairers and liaising with assessors. While others arrange insurance on behalf of the Owners Corporation with the assistance and support of a licensed broker.

When acting under an Authorised Representative model, Strata Managers are held to the same standards as an insurance broker and are required to meet minimum competency standards set by the Australian Securities and Investments Commission (ASIC) and comply with all relevant legislation. Additionally, Owners Corporations are entitled to receive the same protections, including access to internal and external dispute resolution processes.

Where the AFSL holder is a subscriber to the 2022 Insurance Brokers Code of Practice (the Code), strata managers operating as their Authorised Representatives are also expected to adhere to the Code's principles. This includes commitments to professionalism, transparency, and ethical behaviour. Under the Code, brokers and their Authorised Representatives are required to disclose commissions and fees to all Retail Clients, this includes commissions and fees relating to the facilitation of residential strata insurance.

Referral Model

Under the referral model, the strata manager does not provide any direct insurance-related services but instead refers owners' corporations to an insurance broker, who manages the client's insurance needs without the assistance of the Strata Manager. In this arrangement, the broker handles all aspects of the insurance process, including risk assessment, policy placement, premium collection, and claims management. Unlike the authorised representative model, strata managers operating under a referral arrangement cannot perform any insurance-related services such as issuing invoices, collecting premiums, distributing PDSs, or assisting with claims. Referral arrangements are less common in the industry, as they limit the strata manager's involvement in the insurance process.

Strata insurance is a critical component of effective strata management, ensuring that owners' corporations and residents are adequately protected against financial and liability risks. The relationship between insurance brokers and strata managers plays a key role in facilitating access to appropriate insurance solutions, with different models of engagement offering varying levels of involvement in the insurance process.

T: +61 2 9964 9400
E: info@niba.com.au

Suite 4.01B, Level 4,
31 Market Street, Sydney
NSW 2000

NIBA welcomes the opportunity to contribute to this inquiry and supports reforms that enhance the efficiency, transparency, and resilience of strata communities. It is essential that any regulatory changes recognise the distinct but complementary roles of brokers and strata managers and uphold the protections afforded to owners' corporations.

Should you have any queries in relation to our submission or wish to discuss any of the matters raised, please do not hesitate to contact Allyssa Hextell, Head of Policy and Advocacy, at ahextell@niba.com.au.

Yours sincerely,



Richard Klipin
Chief Executive Officer
National Insurance Brokers Association

T: +61 2 9964 9400
E: info@niba.com.au

Suite 4.01B, Level 4,
31 Market Street, Sydney
NSW 2000