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**Sent:** Thursday, 21 April 2022 8:12 PM  
**To:** John Trowbridge  
**Cc:** Denton Bocking  
**Subject:** Fw: Independent Review of Strata Insurance Practices - Consultation on Phase 1: disclosure

Hi John

Thank you for the extension of time to provide comments on your very detailed, independent review of strata insurance.

The paper was circulated for comment by Denton Bocking to committee members of the OCN (ACT).

I commend you and Steadfast for being community minded in driving this initiative which is in the

My comments below are based on my own experience with residential and commercial strata complexes in the ACT of over two decades. They do not represent the view of the OCN (ACT).

I will copy this email to the committee members for information and discussion within the committee.

Objective of the paper:

The papers 'goal' is centered on structural issues found in the strata insurance sector.

I endorse your view that there is a need for greater accountability and transparency along the entire length of the strata insurance cost chain, particularly for the clients at the end of the chain who pay the insurance premium.

My experience is that strata managers - sometimes from quite large firms - simply send a no-frills email with the barest essential information to the executive committee which is only sufficient for them to include in a set of meeting papers to owners to approve. That said, I have also seen detailed submissions prepared by the broker that mention the items covered in your templates.

Therefore, standardisation of information to the 'end client' in terms of disclosure and remuneration practices would go a long way to achieving the accountability and transparency you identify as a structural issue.

SCA Code:

The SCA code is mentioned a few times in the paper. Without taking anything away from the mission and role of the SCA, in reality it is a professional organisation that asks it's members to abide by a voluntary code of practice. Whereas, legislation is able to set an obligatory professional benchmark.

I am unaware of any strata manager who has been prevented from operating as a result of a breach of the SCA code, whereas non-compliance with relevant legislation (eg Agents Act 2003) could result in a strata manager ceasing operations (or at least restructuring). This has happened

in the ACT.

See extract from Unit Titles (Management) Act 2011 [UTMA] following.

See: *UTMA s50 Manager—contract*

*(1) An owners corporation for a units plan may, by ordinary resolution, enter into a management contract with any of the following:*

*(a) a person holding a licence as a real estate agent under the **Agents Act 2003**;*

*Note The commissioner for fair trading may issue a conditional real estate licence to a person who acts, or intends to act, only as the manager of an owners corporation (see Agents Act 2003, s 34).*

By contrast to the SCA, and in addition to the Agents Act, the *Manager's Code of Conduct* under the UTMA [Schedule 1, Part 1.2 - copy attached] carries legal obligations for the strata manager. Their performance and compliance against this legislated code of conduct is able to be challenged through the legal system, such as ACAT (where most unit titles issues end up).

This brings me to the prime takeaway for me from your paper that, for the strata insurance financial chain to be truly transparent and accountable, it may well need the ACT Gov't legislators to consider a new provision in the UTMA (or other appropriate legislation / regulations) for strata managers to fully disclose all fees and costs in the same manner that ASIC requires from some financial businesses (see example:

<https://download.asic.gov.au/media/5700977/rg97-published-24-july-2020.pdf>) This step would certainly add value and is probably the last piece of the jigsaw puzzle that is needed for the strata insurance sector to be fully transparent and accountable to owners corporations.

This might be a useful recommendation of your final paper after further discussion with the OCN.

Apart from where the strata insurance chain is linear, there are instances where strata managers also have financial interests in insurance brokers, making the chain very complex. In my experience where this has happened, the total cost to owners is never fully revealed and is totally opaque. This leaves OC's with little information to use in negotiation of management fees, especially when commissions can add a considerable amount to the total OC strata management cost.

#### Cost templates:

I think a menu of inclusions would be sufficient for the industry to endorse, with the templates in your paper provided as examples. This would provide the software creators, who have their own proprietary formats to follow, some design leniency.

#### Industry Disruptor Opportunity:

This is an off-the-wall comment but the paper also highlighted to me (as an investor) that there is likely a place in the current strata insurance industry insurance for a disruptor to emerge. I'll leave that to the entrepreneurs well versed in the business to repeat a 'Aussie Home Loans' for the strata insurance sector.

Trust the above helps. Come back to me if anything needs clarity or elaboration.

I look forward to seeing the next two phases of your work.

Marshall