

From: Rayna Robinson
Sent: Tuesday, 19 April 2022 4:19 PM
To: John Trowbridge <john@trowbridge.com.au>
Subject: RE: Steadfast Group commissions independent review of current strata insurance practices

Hi John,
 Having read your discussion paper, I would like to submit the following comments to you. Please note that these are my own personal comments, based on my strata insurance broking experience of the past 10+ years, dealing with both residential and commercial strata policies with premiums mostly below \$10,000, but some as large as \$30,000 to \$40,000. As I suspect that this will be the majority of stratas, and we are often dealing customers who don't understand their responsibilities and obligations, I'm hoping to bring an 'average person on the street' viewpoint to the discussion:

<p>Terminology: Renewal presentations</p>	<p>I would suggest that this term should be included in this list. As a small country broker that has very recently moved from the General Advice model to the Personal advice model, I can say the I would have generally:</p> <ol style="list-style-type: none"> 1. Contact or make every effort to contact the strata manager or nominated contact representing the owners well before renewal to check for any discussion relating to the renewal and policy coverage, any corrections to existing details or revisions of insured values that they may require. I would call this the 'Pre-renewal Initial Contact'. 2. In most cases, this would be followed up with a pre-renewal presentation which would include a summary of the alternate quotes obtained, basic excesses and where necessary, differences in coverage and our recommendations. The broker fees that would be included in our quotes and either declared separately for transparency, or noted in the attached quote presenting the most competitive/best fit terms. This I suppose is your 'renewal presentation'. 3. Following the strata manager's/owners' instructions, the renewal/transfer invoice would be finalized and forwarded. This would also declare our broker fee, and now also our commission. <p>The reason I comment on this is because several times I initially interpreted what you referring as one of the other two. Office practices may have some impact on this interpretation, however I still think it's worth adding.</p>
<p>Page 16 – broker/strata manager entanglement</p>	<p>Professionally, I've never been involved with strata managers (SM) as authorized representatives (AR), however I can see the attraction of doing this, to prevent the SMs going direct to underwriting agencies (UA) (where the UA allows direct contact). However, I see in this a conflict of interest and not in the best interests of the owners, as the SMs will most likely lack the expertise to understand the difference in policy conditions, and will be doing this solely for the purpose of the extra commission/income.</p> <p>About the discounted SM fees vs the share of commissions, I doubt</p>

	<p>that this is something that most owners would be aware of – as a strata unit owner myself, I can say that this has never been disclosure by our SM.</p> <p>Again though, this is not in the owners’ best interests, as it will almost definitely result in higher broker fees that might otherwise be charged – resulting in the owners paying higher premiums.</p>
Page 17 – renewal process, items 1 and 2	<p>Again, this will depend on the brokerage’s practices. While this may be considered ‘best practice’, in my experience over the past 10+ years in dealing with strata managers, owner’s committees and designated individuals, forms never get completed by SMs or owners, and better results are achieved by phoning the SM/Owners or providing a summary of information for them to review. As such, I wonder if it would be worth acknowledging how practices may vary depending of the type/size of brokerage, and their clientele.</p>
Part 4, Q2	<p>Further to a previous point, this concept of supposedly discounting strata management fees in exchange for receiving annual commissions from an insurance policy in which the strata manager has little to no vested interest seems to me to be subjective and impossible to accurately quantify. I feel that this practice does not meet the criteria for full disclosure, nor is it in the best interests of the owners.</p>
Part 4, Q3	<p>I believe that the only way that full disclosure can be ensured is for the strata manager to declare their earnings at the relevant strata’s AGMs at the very least.</p>
Part 5, Q1	<p>Less disclosures may be a better practice for less complicated strata developments – whether or not a strata manager is involved. The availability of other information can be indicated or attached to the communication, but as you say in your paper, some owners want it presented to them as simply as possible. Complicating the process may drive the smaller stratas to alternate cover which is completely unsuitable for their situation.</p> <p>There is also the Community Association products (for developments which, here in WA we sometimes refer to as ‘survey stratas’. With only one real provider of standalone common property cover, is there any point in complicating things further?</p>
Part 6, page 26, Q1	<p>Again, it’s horses for courses.</p> <p>A base premium in anyone’s language is before charges, while the wording ‘premium’ will be commonly used by many parties to refer to total payable to the insurer or broker.</p>
Part 6, page 26, Q2	<p>Broker fees may be just as often often calculated based on the total premium, rather than the base (dependent on office practices).</p> <p>Stamp duty is another government charge</p> <p>Commission rebate suggests that the SM has previously paid the debt from their own coffers, which won’t be the case. Commission share</p>

	would be a truer description
Sample templates – strata manager and broker	<p>ALL INSURANCE COSTS</p> <p>One issue I see with the style of the templates in that the eye is drawn to the figure at Total Insurance Premium, rather than Total Insurance Costs/invoice amount/total payable. I can see that assumptions will be made and incorrect payments will occur. I would recommend no sub-totals in this section, and only the final figure should be boldened. There is no reason it can't be in the same format as the 'direct to OC' versions.</p>

I hope these comments will be of use to you.

Kind Regards

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