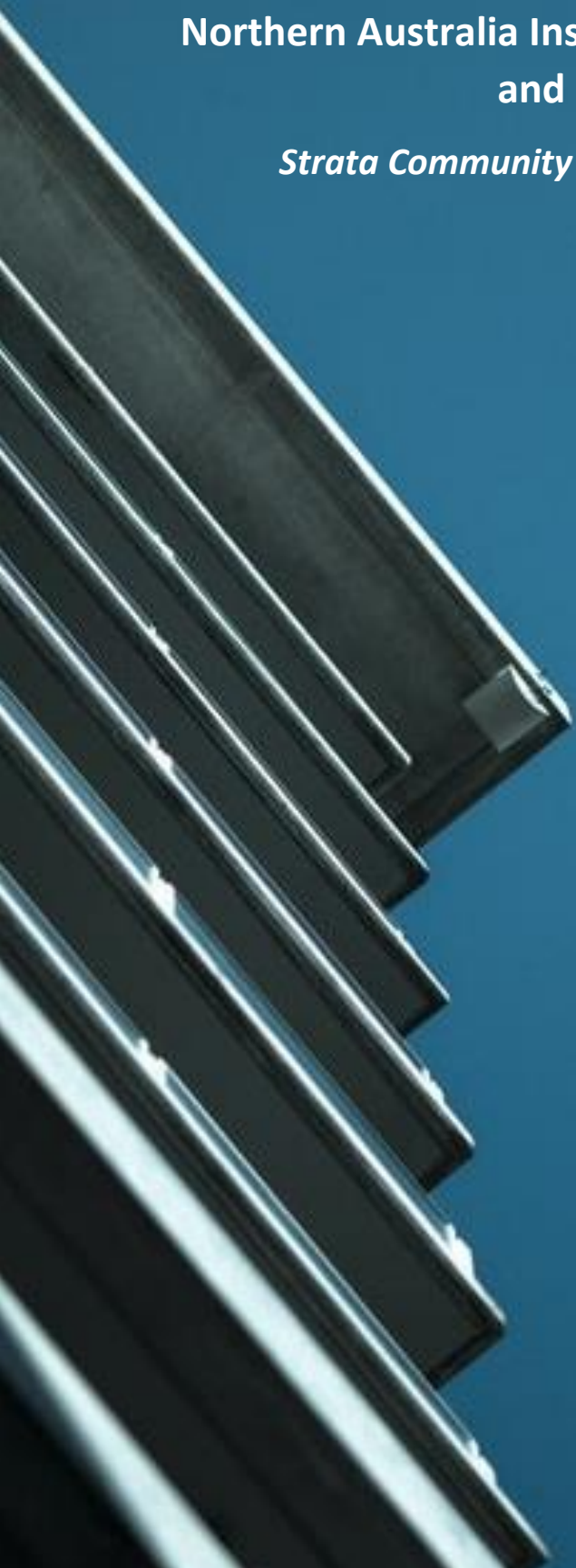




**Northern Australia Insurance Inquiry – Australian Competition
and Consumer Commission**

Strata Community Association Supplementary Submission

16 October 2020



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 current 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 and strata services industry has grown in lock step 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.

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

Supplementary Submission

The value of the strata manager in the insurance process

As the peak body for the strata sector, and the professional body for strata managers, we are in a unique position to understand the critical role that strata managers play for consumers in the insurance industry. Their expertise means consumers receive insurance that is tailored to their specific needs and have a dedicated single point of contact for claims and inquiries.

Strata managers stand at the intersection of brokers, insurers and valuers, passing on significant benefits to consumers as they interpret complex legislation, analyse competing policies and administer claims.

Owners corporations and bodies corporate are often time poor or lack the expertise of a strata manager to understand incredibly complex insurance products. The value of a strata manager cannot be underestimated in influencing better insurance cover in the case of an incident or claim and better consumer outcomes.

Increasing transparency, education and disclosure

The complex nature of strata insurance means that consumers, regulators and all associated stakeholders could benefit most from an environment that encourages education, transparency and full disclosure.

SCA has initiated a national strata insurance taskforce to help achieve these goals. It focuses on raising awareness of all aspects of strata insurance across Australia, including premiums, availability, the supply chain, legislation and regulation, and comparative duties, fees and taxes.

The taskforce has wide buy-in and representation geographically across Australia, from strata managers and services and from the insurance industry.

The taskforce has commissioned an industry-first report, to be delivered by a respected, independent consultant research body to outline these elements and aid consumers, governments and regulators to better understand the key elements of the strata insurance industry.

Increased information, education, transparency and disclosure will allow bodies corporate to make an informed decision based on the quality of the service the strata manager performs.

There are currently many different models for providing strata insurance across the strata management industry which vary between fee for service and commission-based models. Although regulation and legislation varies state to state, consumers have provisions to choose and the right to choose should be the overarching goal for strata insurance.

Previous submissions – key messages

Strata Community Association has been an active participant throughout the duration of the inquiry and has supplied submissions at the Issues Paper Report [here](#), the First Interim Report [here](#) and [here](#) and the Second Interim Report [here](#) and [here](#).

We make this final, supplementary submission to highlight the key points we have outlined throughout the inquiry process.

The key takeaways for the strata industry from our previous submissions to the inquiry should be reinforced, including that:

- Strata insurance is a specialised product that is specifically tailored to the needs of bodies corporate
- The efficiency and effectiveness of strata managers helps strata insurers keep the costs of insurance lower than it would be without their assistance
- The income received by strata managers from insurers is compensation for the work performed, including obtaining quotes, liaising with insurers on behalf of the bodies corporate and assisting Bodies Corporate in the claims process
- If strata managers did not receive this income, then the cost of those services would be borne by the bodies corporate in the form of additional service fees under the strata management agreement
- A regulatory regime founded on a principle of full transparency and disclosure, rather than prohibition, would be a better and fairer approach as it would enable consumers to make an informed decision on the value of the service of the strata manager. Each body corporate could then elect for the strata manager to receive a commission from the insurer or pay higher body corporate management fees.

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