



## Strata Managers and Insurance

### The Strata Manager as an Authorised Representative

As part of an enhanced service offering to their customers, strata managers may become an Authorised Representative (AR) of an insurer, underwriting agency or an insurance broker. As an AR, strata managers are able to assist in arranging of insurances and provide general advice in relation to specific insurance products, as authorised by the licensee, which is an important benefit to their customers. It is a requirement that ARs receive specialist training addressing the provision of general advice, the obligations of the General Insurance Code of Practice and about a range of insurance products that can best suit their customers.

### The role of an Authorised Representative in arranging insurance

As an AR arranging insurance, strata managers may receive a commission for the many activities they carry out while arranging insurance and providing the required information on behalf of the strata owners. This includes a great deal of administrative time providing information about the property to obtain quotes, transacting and servicing an insurance contract for a strata property and ongoing learning to remain updated with all process and regulatory requirements. Additionally, for many strata properties, the insurance-related activities may go beyond the scope of simply arranging insurance, and also involve time spent on assisting with simple to complex claims on behalf of the strata owners.

### Why do Authorised Representatives receive commission?

Insurance commissions may be paid to ARs to cover the activities listed below. If they do not receive a commission as an AR, a strata manager may charge for these activities either as part of their strata management fee or as a fee for service as shown in their strata management agreement with the strata owners. The activities may include any one or more of the following:

- **Arranging insurance – Quotes, Renewals and Valuations:**
  - Obtaining or arranging multiple insurance quotes<sup>†</sup>
  - Arranging or renewing insurance
  - Ensuring that insurance is current
  - Seeking instructions for the placement and/or renewal of insurance from the strata owners or committee
  - Arranging payment of insurance premiums on behalf of the strata owners
  - Arranging and obtaining an insurance valuation to calculate the building reinstatement cost and to determine the building sum insured
  - Distributing a copy of the valuation to strata owners.

<sup>†</sup> More than one insurance quote may be required either under the relevant strata legislation or at the strata owners' request.

- **Training and compliance:** To provide general financial services i.e. providing general advice and arranging or otherwise dealing in insurance, strata managers need to be trained and appointed either as an AR or distributor by an entity holding an Australian Financial Services License (AFSL). An AFSL holder may be an insurer, underwriting agency or an insurance broker. An AR is only authorised to provide general advice and not personal advice like a broker.

If appointed as an AR, strata managers are then subject to ongoing training, monitoring and supervision, including audits. The strata owners are the beneficiary of the knowledge gained through this process.

## Other insurance services provided by strata managers

There are numerous other insurance services carried out by a strata manager that are generally not limited to their role as an AR. Strata managers assist in a vast array of other insurance-related activities including:

- **Claims Lodgement:**
  - Lodging claims, ranging from simple to complex – such as damage to the building or common property, personal injury or property damage.
  - Assisting the strata owners in the insurance claim management process e.g. arranging access to the property for insurance claims
  - Undertaking general activities involved with minimisation of loss or damage to the property and safety
  - Liaising with insurers, loss adjustors, assessors, repairers and restorers on behalf of the strata owners
  - Obtaining quotes for the strata owners and forwarding contractor quotations to the insurer, underwriting agency or insurance broker
  - Receiving and processing the insurer's acceptance or declinature of the claim and seeking approval/notifying the strata owners
  - Paying the insurance excess on behalf of the strata owners.

### **Advice:**

Strata managers have a fiduciary responsibility to strata owners. As an AR, they are trained and properly appointed in accordance with legal requirements so they can give general advice to strata owners. They cannot give any personal advice.

- **Data & transactions:**

Strata managers often collect, hold and present the data of a building to insurance markets, whether via a broker, direct to insurers or to specialist underwriting agencies.

These activities include:

- Maintaining risk data and claims histories to negotiate best options
  - Maintaining a schedule of business activities for commercial premises
  - Organising/updating insurance valuations
  - Maintaining a register of reports to ensure compliance with for safety requirements such as fire safety, asbestos, window locks and cladding or defect reports
  - Completion and lodgement of documentation
  - Collection and payment of premiums
  - Receipt of insurance documents
  - Assistance with obtaining certificates of currency
  - Coordination of repairs and administrative activities in the event of a claim.
- **Repairs**

Strata managers will manage the repair and restoration works when damage to the building or common property needs to be done. The strata manager is in the best position to quickly act on such matters, which is efficient and cost effective for strata owners. The cause may be due to accidental damage, which may be covered by insurance, or maintenance-related damage, which is at the cost of the strata owners.