



Clarification of insurance commission

Under financial services law for a strata manager to receive a commission they must either be an an Authorised Representative(AR) or Distributor of an Authorised Financial Services Licence (AFSL) holder, usually a broker or specialist underwriting agency acting as agent for an underwriting company. AFSL holders provide strata managers with appropriate training in market operations, types of financial advice appropriate when acting as either an AR or Distributor when they are arranging or otherwise dealing with the insurance.

The Strata Company is the beneficiary of the knowledge gained through this process. The training is ongoing with annual audits undertaken. Strata Managers when acting as AR's are provided additional Professional Indemnity protection by the AFSL holder for the protection of Strata Companies. Chambers Franklyn also takes out Professional Indemnity protection in its own right for acting as either an AR or Distributor.

Most strata insurance underwriting agencies and some brokers pay strata managers commission when placing or renewing strata company insurance policies. The industry standard is generally 20% of the base premiums (this excludes government charges such as stamp duty & GST).

The same insurance underwriters also pay brokers a commission generally equal to 20%. However brokers (unlike strata managers) also have the ability to, and do, charge brokerage fees for arranging insurances which is entirely separate from and usually in addition to any commission they receive from insurers.

This commission does not alter the premium (in other words if no commission was paid then the premium would still be the same). The payment of these commissions saves the Strata Company (and owners) additional fees which would normally be charged.

What services are included for the commission received?

All advocacy and administration time in quoting and servicing an insurance contract including:

- Sourcing relevant data and disclosure information (e.g. specific details on building construction/machinery/tenancy etc., defects, repairs, past claims or incidents reported)
- Providing general advice
- Completion and lodgement of all documentation
- Sourcing of quotes
- Collection and payment of premiums
- Obtaining certificate of currencies
- Co-ordination of repairs
- Processing of claims and historical record keeping
- Arranging/ updating insurance valuations

In most cases the strata manager is authorised to proceed with repairs without reference to the insurer, this enables a quick and cost effective service for owners with repairs being able to be made without unnecessary delays.

Commission Disclosure

Chambers Franklyn have always been fully transparent in disclosing the receipt of commissions and receive commission from;

CHU Underwriting Agencies (as Agent for QBE Insurance) - AR

Body Corporate Brokers (specialist strata insurance broker) - AR

Strata Community Insurance (as Agent for Allianz Australia) – Distributor

We do this by the following methods

1. Annual General Meeting – disclosing under the agenda item Insurance.
2. Management agreement – having a separate clause disclosing any commissions received.