

Clarification of Insurance Commission

Under the Financial Services Reform Act 2004, for a strata manager to receive a commission they must either be an Authorised Representative or Distributor of the insurer, and receive the appropriate training in providing advice and arranging or otherwise dealing with the insurance.

Your Strata Company is the beneficiary of the knowledge gained through this process, as the training is ongoing with annual audits undertaken.

Most strata insurance underwriters pay strata managers commission when placing or renewing strata company insurance policies. The industry standard is generally 20% of the base premiums (excluding 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 paid by your strata company (in other words, if no commission was paid, then the premium would still be the same). The payment of these commissions saves your Strata Company (and owners) additional fees which would normally be charged.

What does the commission cover?

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

- 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
- Arranging / updating insurance valuations

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

Disclosure

Chambers Franklyn Strata Management have always been fully transparent in disclosing the receipt of commissions.

We do this by the following methods:

1. At each Annual General Meeting – disclosing under the agenda item ‘Insurance’.
2. In our Management Agreement – having a separate clause disclosing commissions received.
3. On our website – under the Owners / Reference Material tab.