strata community association®

BEST PRACTICE STRATA INSURANCE DISCLOSURE GUIDE

Best Practice Disclosure

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Implementation

For SCA members to adapt to the evolving strata insurance market and respond to government and regulator expectations for consumer protections, trust and confidence, there is a need to improve strata committee understanding of the fees, charges and overall amounts totalled for strata insurance policies.

This has been well established by SCA through extensive research and advocacy activities, and independently, but in parallel, by peak broker body NIBA, who are also implementing their own disclosure requirements for their members.

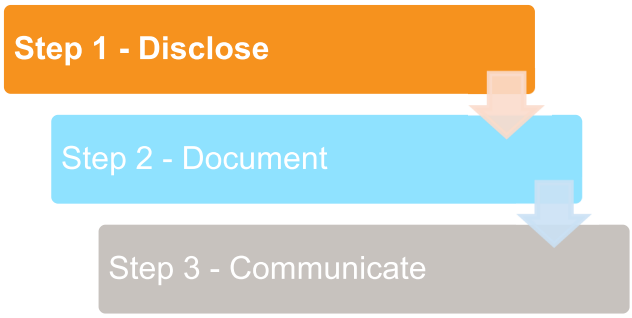
The are several compelling reasons to improve best practice in relation to disclosure of strata insurance, including:

- To elevate SCA members in the eyes of strata committees and consumers
- To eliminate some of the poor insurance practices and bad actors who undermine confidence
- To improve relationships, conversations, understanding and outcomes relating to insurance between strata managers, committees and consumers.

To accomplish this, there are three (3) major areas for strata managers to address as they quote and invoice for insurance to improve understanding and transparency:

1. **Disclose** - the disclosure of the eight (8) financial items of each strata insurance placement.
2. **Document** – what to document and how to document it, including templates.
3. **Communicate** – how and when to communicate with all parties involved.

A 3-Step Guide



Step 1 – Disclose

The eight (8) financial items

SCA recommends that as best practice, the following eight (8) items are disclosed in as simple and transparent fashion as possible, as part of the strata insurance quotation and invoicing processes:[1]

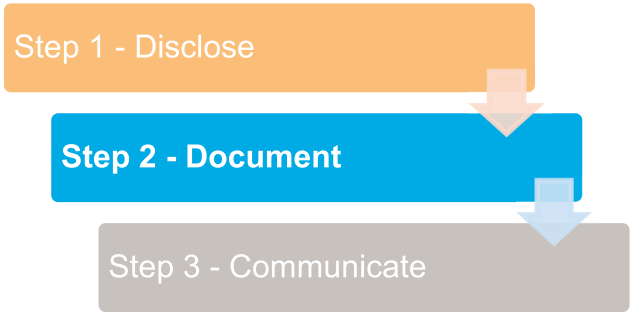
1. **Base premium**
2. **ESL or FSL (Emergency Services Levy, or Fire Services Levy) dependent on jurisdiction**
3. **Stamp duty**
4. **Underwriting agency fee**
5. **Broker fee**
6. **GST**
7. **Commission**
8. **Allocation of strata insurance remuneration.**

The above terminology can be understood by the following table

#	Financial Item	Definition
1.	**Base premium**	The premium quoted by the underwriter to the broker or strata manager (intermediary). The *base premium* may include commission (if applicable). The base premium may be disclosed further and split as a *base premium gross*, which includes commission, or a *base premium net*, which does not include commission (optional).
2.	**ESL or FSL (Emergency Services Levy, or Fire Services Levy, if applicable)**	The amount added to a quotation or bill for strata insurance mandated by the local jurisdiction. If other mandatory government charges or fees are included in the billing jurisdiction, use this line to enter the amount and type of fee.
3.	**Stamp duty**	A duty charged by all jurisdictional (state or territory) governments on all strata insurance policies (except for the Australian Capital Territory [ACT]).
4.	**Underwriting agency fee**	A fee charged by the underwriting agency to carry out work related to the placement of the strata insurance policy.
5.	**Broker fee**	An amount added by the broker to the invoice received from the underwriter. Included in the broker's invoice to the strata committee[2] as a customer.
6.	**GST**	Goods and Services Tax (an Australian/Federal Government tax) is charged on all components of the premium and other insurance charges excluding Stamp Duty.
7.	**Commission**	The amount, if applicable, included within the base premium (in most cases) that is to be paid or credited by the underwriter to the broker or strata manager.
8.	**Allocation of strata insurance remuneration**	Details the sharing arrangement between strata manager and broker of total fees and/or commissions. Details each party's portion, expressed as a percentage and/or a total dollar value figure.

[1] The eight (8) financial items disclosure and this section is largely based on *Independent Review of Strata Insurance Practices, Phase 1 – Disclosure, John Trowbridge, 2022.*

[2] 'Strata committee' is a catch-all term to refer to an Owners Corporation, Body Corporate, Strata Company or Community Corporation, dependent on the reader's jurisdiction. A full glossary of terms can be found at the end of the document.



Step 2 – Document

The overarching goals for *Step 2 – Document* are:

- The strata committee (consumer) can easily compare last year's quotations or invoice to this year's quotations and invoice.
- Each of the eight (8) financial items are clearly broken out separately and described in a sequential and easy to follow manner in the quotation or invoice.
- To provide templates that can be followed exactly by strata managers, or can be used as a resource to include the eight (8) financial items within existing quotation and invoicing systems.
- The option to include additional information such as the building sum insured value, if it makes sense to do so at this time (optional).

The Quotation and Invoice Template

Invoice Template[3] **Financial Items 1 - 6**	Last year[4] Name	This year Name
Building Sum Insured	$$$	$$$
Itemised Insurance Costs (as per 8 items numbering above)		
1. Base premium gross (includes commission if applicable)	$	$
2. ESL or FSL	$	$
3. Stamp Duty	$	$
4. Underwriting Agency Fee	$	$
5. Broker Fee	$	$
6. GST – all items	$	$
Total insurance costs including GST	**$$$**	**$$$**

Invoice Template[5] **Financial Items 7-8**	Last year Name	This year Name
Itemised Insurance Costs (as per 8 Financial Items detailed above) ***Strata Insurance Remuneration*** **What is strata insurance remuneration?** Strata insurance remuneration is the total value of the remuneration paid to the parties involved in the process of insuring a strata building. **Who is paid strata insurance remuneration?** The two most common parties who receive remuneration will be the strata manager and the insurance broker, however who receives remuneration is based on the arrangement the strata committee chooses. Some strata communities choose to take out insurance directly with insurers, some contact an independent broker to aid their insurance choice, and many use a strata manager who works closely with one or more insurance brokers.		

[3] Based on the Templates for Financial Disclosures, P29, Trowbridge, John. (2022) *Independent Review of Strata Insurance Practices – Phase 1.* Accessed at https://johntrowbridge.com.au/strata-insurance/phase-1/

[4] In some cases, financial information for last year will not have been obtained, either due to making a quote for the first time, or information unavailable. Last year should be endeavoured to be achieved on quotations and invoices, however in these circumstances cannot be included.

[5] Based on the Templates for Financial Disclosures, P29, Trowbridge, John. (2022) *Independent Review of Strata Insurance Practices – Phase 1.* Accessed at https://johntrowbridge.com.au/strata-insurance/phase-1/

Do strata communities have choice about remuneration models? Yes. Strata communities have the choice of several remuneration models, and it is advisable if they wish to alter their current remuneration model to discuss it with their strata manager to fully understand their personal circumstances. **Are all parties who are remunerated as part of the insurance process listed in this section?** Yes. No matter which remuneration model is chosen, all parties who are involved in the insurance process and will usually receive remuneration are listed below, along with the sum total dollar value they received over the stated period. If they have any conflicts of interest they must include them below too. **What does the remuneration listed below pay for?** *Strata managers* undertake 47 unique services in relation to strata insurance to their clients, including, but not limited to: • Quotation • Procurement • Placement and renewal • Claims management • Insurance record keeping • Correspondence • Negotiation and liaison • General advice based on insurance knowledge The knowledge and experience the *strata manager* holds of the insurance landscape as well as the building is an asset to the strata committee and the policy outcome and administration. Increased legislative and regulatory requirements, along with buildings which are often more complex mean expertise is incredibly valuable in the strata insurance space relative to positive outcomes. *Insurance brokers* engaged in strata insurance provide specialist financial advice during each phase of the insurance process, working closely with the strata manager when there is a strata manager/broker arrangement in place. Brokers can also provide general and personal advice. *Brokers* work to understand the unique aspects of the building being insured and provide a tailored quote based on the building's particular set of circumstances.		
7. Commission (included within the base premium) excluding GST	$	$
8. Allocation of remuneration excluding GST		
• Strata manager: share of remuneration.	$	$
• Broker: share of remuneration (Item 5 [broker fee] above + any additional remuneration).	$	$
• Please list in detail here any other forms of remuneration related to this transaction.*		
• Please detail here any conflicts of interest that exist in the placement of this insurance and how they are managed.**		
• I/We (include name of strata and broker businesses here) are acting in the best interests of the client in the preparation of this quotation/invoice (sign here).		
Total strata insurance remuneration excluding GST	**$$$**	**$$$**

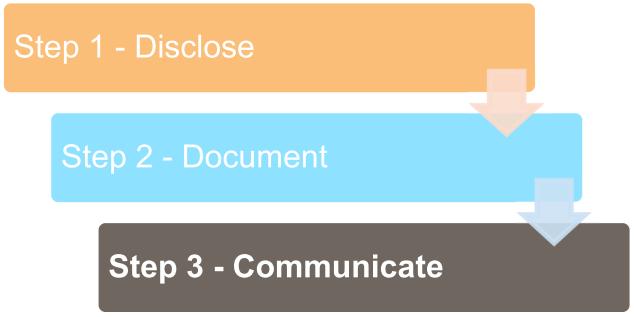
**Examples of other forms of remuneration include Joint Venture arrangements or aligned business payments through rebate, dividends and/or portfolio-based profit-share payments from third-parties, service fees, overrides, premium funding agreements or any other means of remuneration.* ***Conflicts of interest may occur when the personal interests of parties involved in undertaking the transaction do not align with those who are in receipt of the transaction. They can include (but are not limited to) personal and family relationships between parties in the transaction, ownership in more than one entity that is party to the transaction and additional transaction benefits such as bonuses.*		

Different models of strata insurance placement may require altering the above invoice template, such as:

1. Altering for net premiums
2. Quotations
3. Direct placement of insurance
4. Fee-for-service models

The table below gives guidance for how to still achieve best practice disclosure in these scenarios, by altering the template.

#	Altered Template Usage	Procedure to follow
1.	**Altering for net premiums**	When altering this template for net premiums, a '$0 commission' should be noted in Item 1 and in the description of Item 1, and then noted within Items 7 and 8 with a detailed break out of all fees relating to the transaction for both the broker and the strata manager. Any impacts made on GST, Stamp Duty or other items due to the premium altering should be calculated and included.
2.	**Quotations**	This template can be used for quotations, by simply adding columns to the right of the template to capture additional quotations for an easy comparison of multiple quotes, including last year and then each quote from this year.
3.	**Direct placement of insurance**	When insurance is being placed directly to the underwriter without the use of a broker, please follow the steps for Altered Use 1. This can also be achieved by removing any broker related items in the invoice. If this is the case, it will be up to the underwriter or the strata manager to complete this step. If the underwriter's documents sufficiently disclose the recommendations in this guide, it may be used for disclosure if all parties agree.
4.	**Fee-for-service models**	Fee-for-service models should include references to fees that have been charged, or will be charged, within Item 8, and where appropriate, follow the above altered usages if items are removed. Where appropriate, a schedule of fees should be provided for upcoming fees. Alterations should be made if the premium structure is altered as a result of being a fee-for-service transaction.



Step 3 – Communicate

Step 3 – Communicate is based around the following actions:

- Communicate to strata committee **at time of quotation**
- Communicate to strata committee **once the policy has been renewed.**
- Disclose at the **Annual General Meeting (AGM).**

Key considerations during *Step 3 – Communicate*

#	Communication	Action
1.	**Collaboration**	Brokers, strata managers and underwriters (dependent on insurance services model used) should work together at each point of contact and ensure communication with the strata committee has occurred.
2.	**Broker and strata manager relationship**	If the strata manager works with, or is aligned with the broker, the broker and strata manager need to work together to ensure that the minimum best practice disclosures are met in the broker's paperwork.
3.	**Direct placement of insurance**	If the strata manager acts as a representative of the insurer without a broker, no matter what service model, the strata manager needs to take on disclosure responsibility. Strata managers should work closely with underwriters to obtain the relevant information. SCA will support members to achieve this through education and additional templates if required.
4.	**Best Practice Disclosure Template vs Broker or Underwriter Paperwork**	Ideally the disclosure requirements and information are met in a way that is simple and easy to follow, similarly to the provided template and information in this best practice disclosure guide, however this does not have to be exactly the same, as long as the requirements are met.
5.	**Timelines**	All efforts should be made to allow strata committees 30 days to act following a quotation. All information that is required to be disclosed should be provided on appointment, and then at least once annually, which should be triggered by quotation and invoicing procedures.
6.	**Disclosure responsibility**	The burden of responsibility is shared between all parties to the placement of insurance, however the strata manager holds ultimate responsibility under this best practice to disclose the above information. If all aspects of disclosure are not present, the strata manager should strive to prepare paperwork that achieves this goal. This should be undertaken with the broker or underwriter as closely as possible to ensure accuracy and information consistency.
7.	**Broker and strata manager relationship (if applicable) – key takeaways**	It is critical for disclosure that strata managers align with a broker who is willing to: • Disclose each of the eight (8) financial items • Work to make their paperwork and quotations easy to understand and meeting the disclosure guidelines. • Work to timelines suitable to disclosure at quotation and at time of invoicing.

Appendix A
Disclosure Requirements and Strata Insurance

Disclosure requirements – current by jurisdiction (irrespective of SCA membership)

This documentation and level of disclosure will mean you are operating in line with SCA best practice in relation to insurance disclosures, but what are your current arrangements in the jurisdiction you practice within?

Take a look below to see what the regulatory requirements are in your jurisdiction.

In most cases, disclosure is already required, and the best practice laid out in this document either makes that disclosure more easily accessible, or adds additional information, or both.

The Deakin University report[6] outlined each jurisdiction's requirements and the applicable legislation in the matrix supplied below.

Table 94: Strata management commissions – disclosure requirements and duties

	ACT	NSW	NT	Qld (BCCM)	SA	Vic	WA	NZ / Qld (BUGTA) / Tas
Duty to disclose insurance commission?	Yes	Yes	Yes	Yes	Yes	Yes (from 1 December 2021)	Yes	No
Legal reference(s)	*Agents Act 2003* sch 3, cl 3.9 & sch 8, pt 8.2, cl. 8.13. *Unit Titles Management Act 2011*, cl. 2.3, schedule 2	*Property and Stock Agents Act 2002*, s. 57(1). *Strata Schemes Management Act 2015*, s. 60.	*Agents Licensing Regulations 1979*, sch 4, cl. 13.	*Body Corporate and Community Management (Standard Module) Regulation 2020* r 156.	*Strata Titles Act 1988*, s.27D(1) & *Community Titles Act 1996*, s. 78D(1).	*Owners Corporations and Other Acts Amendment Act 2021*, s. 54.	*Strata Titles Act 1985*, s.147 & *Strata Titles (General) Regulations 2019*, r. 100.	
What must the manager disclose?	The nature of any relationship the manager has with the insurer or broker and the nature and value of any commission or benefit the manager may receive or expects to receive, by referring the OC to the insurer or broker. The Committee must give the OC at its AGM details about any financial or other benefit, commission or discount given by the insurer to any person in relation to the OC's insurance policies.	All commissions, including the source and estimated amount of those commissions to the extent the amount can reasonably be estimated, that the manager will or may receive from an insurer or broker in connection with the services that the manager provides to the OC. The manager must report at the AGM whether any commissions or training services have been provided to or paid for the manager in connection with the exercise of the manager's functions for the OC during the preceding 12 months and the particulars and estimated amount or value and explain any variation.	If the manager is likely to obtain an interest in a transaction entered into on behalf of an OC, the manager must disclose the exact nature of the interest to the client.	The manager must disclose any commission that the manager is entitled to receive in association with the body corporate considering entering into a contract of insurance.	If the manager is the delegate of an OC who receives a commission for placing insurance on behalf of the OC, then the manager must disclose the nature of the commission to the OC in writing before placing the insurance.	The manager must disclose the commission (in the manner of a percentage of the premium rather than the actual amount of the commission) received by the manager for any insurance contract placed on behalf of the OC.	The manager must disclose the amount or value of any remuneration or other benefit in excess of $100 that the strata manager receives, or has a reasonable expectation of receiving in connection with the performance of the strata manager's functions.	
Disclosure to:	OC	OC (and variations to OC committee)	OC	OC	OC	Chairperson of the OC	OC	
What method is required for the manager to make disclosure?	In the strata manager's written agreement with the OC. Committee must disclose to the OC at its AGM.	In the strata manager's written agreement with the OC and at the Annual General Meeting of the OC. Manager must report to the OC at the AGM.	Not specified.	In writing before the body corporate makes its decision to enter into the insurance contract	In writing before the manager places the insurance on behalf of the OC and in the written contract if it forms part of the manager's remuneration.	In writing for any insurance contract placed on behalf of the OC.	In writing to the OC as soon as is practicable after the manager becomes aware of the fact that it reasonably expects to receive or does receive a commission.	

[6] Johnston, N., Lee, A., Mishra, S., Powell, K., Bowler- Smith, M and Zutshi, A. (2021) *A data-driven holistic understanding of strata insurance in Australia and New Zealand*. Deakin University. Accessed at https://www.strata.community/strata-insurance-report

Disclosure requirements and the SCA Code of Conduct

- Under the SCA Code of Conduct, which establishes the principles that govern the conduct of SCA Members in the context of the strata environment, it states that all strata managers who recommend a strata services provider to a client must:
  - *disclose in writing to the Client any rebate, discount, or commission as required; and*
  - *disclose in writing to the Client any potential Conflict of Interest required to be disclosed; and*
  - *must not accept, directly or indirectly, any undisclosed commission from any person for the recommendation.*

Disclosure requirements and SCA's Strata Management Practice Standard (SMPS)

In some jurisdictions, some strata management firms are signing up to, and completing SCA's Strata Management Practice Standard (SMPS).

The below section is a relevant requirement of the SMPS in relation to disclosure.

Following the best practice information and templates above will ensure strata managers who have signed up to and completed the SMPS are acting within their requirements.

Excerpt from the SMPS below.

"3. Strata Community Management

3.1. Strata Management Agreement

The Business must complete in writing a Strata Management Agreement when a strata community wishes to engage a strata management business.

3.2. Agreement Terms

The Strata Management Agreement must clearly set out all of the contract terms.

3.2.3. Disclosures

The Strata Management Agreement must clearly set out all commissions or remuneration payable for insurance policies or other contract services, and any other conflicts of interest."

Appendix B
Glossary of Terms and Acronyms

Glossary of Terms

Broker	A strata insurance intermediary and professional adviser with expertise in insurance, risk management and claims who facilitates market matching of insurance products between OCs and Insurers. Brokers act as advocates for the insured throughout the policy lifecycle.
Base premium	A premium figure that includes commissions.
Intermediary	A broker or strata manager connecting and servicing the underwriter and the strata committee.
Insurer	Insurance companies providing strata insurance products either directly or via an intermediary specialist underwriting agency.
Net premium	A premium figure that does not include commissions.
Owners Corporation / Body Corporate / Strata Company / Strata Committee / Strata community	Private governing entity created upon the registration of the strata's plan of subdivision. The term strata committee is used in this report to denote body corporate, strata company, community association.
Premium	Is the gross written premium being the price of insurance cover for specified risks for a specified period and includes reinsurance costs, and commissions.
Reinsurer	An insurer taking on all or part of the risk covered under a policy issued by another insurer.
Strata (title/titling)	A parcel of land subdivided into lots and common property with allocated entitlements.
Strata Manager	The company or person engaged under a strata management agreement to undertake various services on behalf of the strata committee client.
Underwriting Agency	A specialist strata insurance intermediary that has been granted underwriting and claims authority by an insurer and acts as an agent on behalf of the insurer.
Valuer	A professional who assesses the strata scheme's assets and determines the replacement or reinstatement value of the property to ensure adequate insurance coverage.

Acronyms

AFSL	Australian Financial Services Licence
AGM	Annual General Meeting
AR	Authorised Representative of an AFSL holder
NIBA	National Insurance Brokers Association
SCA	Strata Community Association

Appendix C
Strata Insurance and Its Unique Characteristics

Background & Introduction

The strata insurance market has been undergoing significant changes in recent years. Two key areas impacting SCA members and employees the most have been the developing 'Availability & Affordability Crisis" and changes in the "Strata Insurance Supply Chain" reflecting the shift of most member practices now partnering with specialist strata insurance brokers to deliver policies and claim services to their customers.

SCANSIT ("SCA National Strata Insurance Taskforce") was established in 2020 to respond to the issues being raised to government bodies by consumer groups and other interested parties around the causes and potential solutions to the emerging affordability and availability impacts on strata insurance.

The goal of this best practice guide is to improve disclosure and transparency around every aspect of strata insurance and to support a consistent message around the role of a strata manager in relation to strata insurance services.

The critical role and value of strata managers

An aspect of strata insurance that has sometimes received less attention is properly describing the critical work that strata managers undertake through the supply chain and the insurance lifecycle.

The work undertaken and the value provided establishes a baseline and the requirement that strata managers be remunerated as an integral part of the strata insurance supply and services processes.

Two industry commissioned reports have delved into strata insurance in great detail:

- *A data-driven, holistic understanding of strata insurance in Australia and New Zealand*, by Nicole Johnston at Deakin University (commissioned by SCA, referred to as 'The Deakin Report').
- *Independent Review of Strata Insurance Practices – Phase 1*, by John Trowbridge (commissioned by Steadfast, referred to as 'The Trowbridge Report – Phase 1').

There are several shared themes that necessitated the reports being commissioned and carried out by well-respected, independent authors, namely:

- Increasing strata insurance premiums in a 'hardening' market.
- Strata insurance affordability and availability issues (severe in some markets such as Northern Australia).
- A lack of information and general understanding of the strata insurance supply chain, including practices, operation and roles.
- A need for data and evidence to properly inform government and industry stakeholders and inquiries, as well as regulators, in relation to key strata insurance issues.

Each of these two reports makes recommendations specifically related to disclosure and transparency.

SCA has taken these recommendations very seriously, and they form the basis of our recommendations for strata insurance disclosure practices in this guide.

Evolving strata insurance service models

Although there are industry norms that have developed around what type of arrangements are determined between brokers and strata managers and whether models include commissions or operate solely on a fee-for-service basis, SCA is not prescriptive in recommending one approach over another.

SCA, through this guide, is pursuing a scenario where no matter what service model an SCA member chooses to engage in with their strata committee, they are able to transparently and easily describe its features and costs in a manner that is consistent across the whole strata industry.

By implementing templates and prescribed disclosure requirements of the eight (8) financial items, our industry will establish a standard for client communication, as well as disclosure of practices and scopes of service, ensuring that consumers will have the tools at their disposal to make an informed decision.

In almost all cases where strata insurance policies are taken out, the strata committee[7] (referred to as an Owners Corporation, Body Corporate, Strata Company or Community Corporation dependent on jurisdiction) is the insured party.

Strata insurance policies broadly take into account and provide insurance for two elements:

- Providing insurance to the buildings and common property of the scheme.
- Providing insurance to the governing entity (the strata committee) to protect staff, guests and committee members.

Strata insurance is considered a complex product, due to several factors which distinguish it from insurance for single, or freestanding dwellings, and some other consumer insurance products such as vehicle insurance. Some of these factors that lead to increased complexity are:

- The often large size and resultant replacement costs of the strata building or property being insured.
- The complexity of inclusions in strata buildings or properties including lifts, pools, recreation areas, car parks and other common area structures.
- Increased complexity for valuations for sums insured.
- The critical nature of construction materials e.g. cladding, asbestos and the prevalence of major building defects.
- The democratic voting structures of strata committees and revolving membership of volunteers.
- The co-ownership model of each owning both an individually titled property (their lot) and a share in the common property which creates joint and several liability risks and responsibilities.
- The variation in the insurance knowledge levels of strata committee members.
- A highly regulated, complex legislative and regulatory environment that varies by jurisdiction and contains mandatory insurance requirements.
- The diversity of strata-titled and community-titled schemes from apartments and townhouses, to mixed-used residential and commercial to horizontal land subdivisions and many others.
- The existence of ‘common areas’ that require insurance cover for liability.

[7] ‘Strata committee’ is a catch-all term to refer to an Owners Corporation, Body Corporate, Strata Company or Community Corporation, dependent on the reader’s jurisdiction. A full glossary of terms can be found at the end of the document.

Appendix D
Research Reports That Have Informed This Best Practice Guide

In 2021, SCA commissioned Deakin University to undertake an analysis of several aspects of the strata insurance market, one of which was to analyse the role and functions of strata managers in the 'strata insurance supply chain.'

The report made several findings and conclusions about strata managers and their role in the supply chain, the two most relevant of which were:[8]

The report identified some 47 strata insurance services that are regularly provided by strata managers to their OC (strata committee) clients. These services divide across: Quotation, procurement, placement and renewal; insurance valuation; insurance claims; insurance record keeping; insurance advice; insurance negotiation and liaison; and insurance finance.

Summarising strata manager value, the report identified three major values (or value pillars) that strata managers provide:

1. They are the legislated **agents of the OC (strata committee)** and are bound to act in their best interests
2. They are the **custodians** of records
3. They are a **knowledge bank of the scheme** and related laws.

From the findings and information contained in the report, SCA concluded that:

- Strata managers provide value to the owners corporations and bodies corporate they represent by applying specialist knowledge in a complex legislative and regulatory environment.
- Strata insurance is complex and strata committees need a trusted person to navigate them to their best outcome.
- Strata managers understand, interact with and add value to a complex strata insurance supply chain and work closely with brokers, insurers and underwriters.

It is important to note that strata managers are also often the first responders in the event of a claim and arranging access to the property or lots for assessment or repairs.

The findings underlined the value of the strata manager and the duties they perform that form the basis of their remuneration.

The Deakin Report recommendations:[9]

The report recommended that strata managers need to better explain the breadth and depth of services they provide, as well as improving disclosure and transparency so consumers fully understand the products they are taking out. The three recommendations were:

1. To improve the distinction between what services are undertaken by the manager and what insurance services are, or should be, undertaken by the insurance broker.
2. To improve the description of the insurance-related services provided by managers in their management agreements.
3. To communicate in a much more transparent manner with their clients.

[8] Johnston, N., Lee, A., Mishra, S., Powell, K., Bowler- Smith, M and Zutshi, A. (2021) *A data-driven holistic understanding of strata insurance in Australia and New Zealand*. Deakin University. Accessed at https://www.strata.community/strata-insurance-report
[9] Johnston, N., Lee, A., Mishra, S., Powell, K., Bowler- Smith, M and Zutshi, A. (2021) *A data-driven holistic understanding of strata insurance in Australia and New Zealand*. Deakin University. Accessed at https://www.strata.community/strata-insurance-report

The Trowbridge Phase 1 Report recommendations:[10]

Recommendation 1: Financial disclosures in the form of broker quotations and invoices be prepared by reference to standard templates containing a minimum set of eight items with standard definitions.

Recommendation 2: Brokers and strata managers arrange to ensure timely transmission of quotations and invoices to the strata committee during the annual insurance renewal process.

Recommendation 3: Broker presentations of quotations be accompanied by a statement of scope of services by strata manager and broker and also by a full explanation of commercial relationships between broker and strata manager (noting that some are beneficial to all parties, in the interests of the owners, and others raise questions).

Recommendation 4: SCA and NIBA consider the recommendations in detail and give effect to decisions they take on a self-regulatory basis by establishing guidance notes or practice standards for their respective members.

[10] Trowbridge, John. (2022) *Independent Review of Strata Insurance Practices – Phase 1.* Accessed at https://johntrowbridge.com.au/strata-insurance/phase-1/

Appendix E
NIBA's Code of Practice – Disclosure Requirements For Brokers

The National Insurance Brokers Association (NIBA) has developed a new Code of Practice for member brokers.[11] The Code took effect from November 2022, and the new disclosure requirements (Section 6.1 of the Code) take effect from November 2023. To see the precise requirements for NIBA members, please see the full Code of Practice here.

[11] *Insurance Brokers Code of Practice, NIBA 2022, Accessed at* https://www.niba.com.au/wp-content/uploads/2022/10/Code_of_Practice_241022_Final.pdf

Appendix F
Invoice and Quotation Template Examples (with $ figures)

Invoice Template Example 1

Invoice Template[12] **Financial Items 1 - 6**	Last year[13] Name	This year Name
Building Sum Insured	$$$	$$$
Itemised Insurance Costs (as per 8 items numbering above)		
1. Base premium gross (includes commission if applicable)	18,000	20,000
2. ESL or FSL	2,340	2,600
3. Stamp Duty	2,160	2,400
4. Underwriting Agency Fee	400	400
5. Broker Fee	1,800	2,000
6. GST – all items	2,254	2,500
Total insurance costs including GST	**26,954**	**29,900**

Invoice Template[14] **Financial Items 7-8**	Last year Name	This year Name
Itemised Insurance Costs (as per 8 Financial Items detailed above) ***Strata Insurance Remuneration*** **What is strata insurance remuneration?** Strata insurance remuneration is the total value of the remuneration paid to the parties involved in the process of insuring a strata building. **Who is paid strata insurance remuneration?** The two most common parties who receive remuneration will be the strata manager and the insurance broker, however who receives remuneration is based on the arrangement the strata committee chooses. Some strata communities choose to take out insurance directly with insurers, some contact an independent broker to aid their insurance choice, and many use a strata manager who works closely with one or more insurance brokers. **Do strata communities have choice about remuneration models?** Yes. Strata communities have the choice of several remuneration models, and it is advisable if they wish to alter their current remuneration model to discuss it with their strata manager to fully understand their personal circumstances. **Are all parties who are remunerated as part of the insurance process listed in this section?** Yes. No matter which remuneration model is chosen, all parties who are involved in the insurance process and will usually receive remuneration are listed below, along with the sum total dollar value they received over the stated period. If they have any conflicts of interest they must include them below too. **What does the remuneration listed below pay for?** *Strata managers* undertake 47 unique services in relation to strata insurance to their clients, including, but not limited to: • Quotation • Procurement • Placement and renewal • Claims management		

[12] Based on the Templates for Financial Disclosures, P29, Trowbridge, John. (2022) *Independent Review of Strata Insurance Practices – Phase 1.* Accessed at https://johntrowbridge.com.au/strata-insurance/phase-1/
[13] In some cases, financial information for last year will not have been obtained, either due to making a quote for the first time, or information unavailable. Last year should be endeavoured to be achieved on quotations and invoices, however in these circumstances cannot be included.
[14] Based on the Templates for Financial Disclosures, P29, Trowbridge, John. (2022) *Independent Review of Strata Insurance Practices – Phase 1.* Accessed at https://johntrowbridge.com.au/strata-insurance/phase-1/

• Insurance record keeping • Correspondence • Negotiation and liaison • Advice based on insurance knowledge The knowledge and experience the *strata manager* holds of the insurance landscape as well as the building is an asset to the strata committee and the policy outcome and administration. Increased legislative and regulatory requirements, along with buildings which are often more complex mean expertise is incredibly valuable in the strata insurance space relative to positive outcomes. *Insurance brokers* engaged in strata insurance provide specialist financial advice during each phase of the insurance process, working closely with the strata manager when a strata manager/broker arrangement. Brokers can also provide general and personal advice. *Brokers* work to understand the unique aspects of the building being insured and provide a tailored quote based on the building's particular set of circumstances.		
7 Commission (included within the base premium) excluding GST	2,700	3,000
8 Allocation of remuneration excluding GST		
• Strata manager: share of remuneration.	2,700	3,000
• Broker: share of remuneration (Item 5 [broker fee] above + any additional remuneration).	1,800	2,000
• Please list in detail here any other forms of remuneration related to this transaction.*		
• Please detail here any conflicts of interest that exist in the placement of this insurance and how they are managed.**		
• I/We (include name of strata and broker businesses here) are acting in the best interests of the client in the preparation of this quotation/invoice (sign here).		
Total strata insurance remuneration	**4,500**	**5,000**
**Examples of other forms of remuneration include Joint Venture arrangements or aligned business payments through rebate, dividends and/or portfolio-based profit-share payments from third-parties, service fees, overrides, premium funding agreements or any other means of remuneration.* ***Conflicts of interest may occur when the personal interests of parties involved in undertaking the transaction do not align with those who are in receipt of the transaction. They can include (but are not limited to) personal and family relationships between parties in the transaction, ownership in more than one entity that is party to the transaction and additional transaction benefits such as bonuses.*		

Invoice Template Example 2

Invoice Template[15] **Financial Items 1 - 6**	Last year[16] Name	This year Name
Building Sum Insured	$$$	$$$
Itemised Insurance Costs (as per 8 items numbering above)		
1. Base premium gross (includes commission if applicable)	18,000	20,000
2. ESL or FSL	2,340	2,600
3. Stamp Duty	2,160	2,400
4. Underwriting Agency Fee	400	400
5. Broker Fee	900	1,000
6. GST – all items	2,254	2,500
Total insurance costs including GST	**26,054**	**28,900**

Invoice Template[17] **Financial Items 7-8**	Last year Name	This year Name
Itemised Insurance Costs before GST (as per 8 Financial Items detailed above)		
Strata Insurance Remuneration		
What is strata insurance remuneration? Strata insurance remuneration is the total value of the remuneration paid to the parties involved in the process of insuring a strata building.		
Who is paid strata insurance remuneration? The two most common parties who receive remuneration will be the strata manager and the insurance broker, however who receives remuneration is based on the arrangement the strata committee chooses.		
Some strata communities choose to take out insurance directly with insurers, some contact an independent broker to aid their insurance choice, and many use a strata manager who works closely with one or more insurance brokers.		
Do strata communities have choice about remuneration models? Yes. Strata communities have the choice of several remuneration models, and it is advisable if they wish to alter their current remuneration model to discuss it with their strata manager to fully understand their personal circumstances.		
Are all parties who are remunerated as part of the insurance process listed in this section? Yes. No matter which remuneration model is chosen, all parties who are involved in the insurance process and will usually receive remuneration are listed below, along with the sum total dollar value they received over the stated period. If they have any conflicts of interest they must include them below too.		
What does the remuneration listed below pay for? *Strata managers* undertake 47 unique services in relation to strata insurance to their clients, including, but not limited to: • Quotation • Procurement • Placement and renewal • Claims management • Insurance record keeping • Correspondence • Negotiation and liaison • Advice based on insurance knowledge		

[15] Based on the Templates for Financial Disclosures, P29, Trowbridge, John. (2022) *Independent Review of Strata Insurance Practices – Phase 1.* Accessed at https://johntrowbridge.com.au/strata-insurance/phase-1/

[16] In some cases, financial information for last year will not have been obtained, either due to making a quote for the first time, or information unavailable. Last year should be endeavoured to be achieved on quotations and invoices, however in these circumstances cannot be included.

[17] Based on the Templates for Financial Disclosures, P29, Trowbridge, John. (2022) *Independent Review of Strata Insurance Practices – Phase 1.* Accessed at https://johntrowbridge.com.au/strata-insurance/phase-1/

The knowledge and experience the *strata manager* holds of the insurance landscape as well as the building is an asset to the strata committee and the policy outcome and administration. Increased legislative and regulatory requirements, along with buildings which are often more complex mean expertise is incredibly valuable in the strata insurance space relative to positive outcomes. *Insurance brokers* engaged in strata insurance provide specialist financial advice during each phase of the insurance process, working closely with the strata manager when a strata manager/broker arrangement. Brokers can also provide general and personal advice. *Brokers* work to understand the unique aspects of the building being insured and provide a tailored quote based on the building's particular set of circumstances.		
7 Commission (included within the base premium) excluding GST **Broker fee** **Total**	3,600 900 4,500	4,000 1,000 5,000
8 Allocation of remuneration excluding GST		
• Strata manager: share of remuneration.	3,150	3,500
• Broker: share of remuneration (Item 5 [broker fee] above + any additional remuneration).	1,350	1,500
• Please list in detail here any other forms of remuneration related to this transaction.*		
• Please detail here any conflicts of interest that exist in the placement of this insurance and how they are managed.**		
• I/We (include name of strata and broker businesses here) are acting in the best interests of the client in the preparation of this quotation/invoice (sign here)		
Total strata insurance remuneration excluding GST	**4,500**	**5,000**
**Examples of other forms of remuneration include Joint Venture arrangements or aligned business payments through rebate, dividends and/or portfolio-based profit-share payments from third-parties, service fees, overrides, premium funding agreements or any other means of remuneration.* ***Conflicts of interest may occur when the personal interests of parties involved in undertaking the transaction do not align with those who are in receipt of the transaction. They can include (but are not limited to) personal and family relationships between parties in the transaction, ownership in more than one entity that is party to the transaction and additional transaction benefits such as bonuses.*		