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ACCC Northern Australia Insurance Inquiry
GPO Box 520
Melbourne VIC 3001
Via Email: insurance@acc.gov.au

11th April 2019

Dear **Sir/Madam**

RE: ACCC North Australian Insurance Inquiry's First Interim Report

I am writing to dispel some common misconceptions about the strata industry, specifically the relationship between commissions and the strata manager, that were mentioned in the *ACCC North Australian Insurance Inquiry's First Interim Report*. Owners, managers, brokers, and the extended strata community must be given an opportunity to have any legislative changes carefully considered and this cannot be accomplished without full and complete information.

Recommendation 11 and *Draft Recommendation 9* of the *Interim Report* suggest the elimination of commissions for strata managers. The recommendations as presented do not elaborate on the extensive services a strata manager provides in return for the commission and it does not clarify who would be supporting bodies corporate in fulfilling their legal obligation to insure their strata community. The task of insuring a building is not a one-off transaction but involves significant education, information and communication between various parties.

As an experienced professional with in-depth knowledge of the strata industry, I firmly believe that the *Interim Report's* recommendations are based on misconceptions and would have serious consequences on this emerging and dynamic sector if implemented.

A loss of commissions is unlikely to result in any reduction in costs to consumers, as the party responsible to service the body corporate relating to their insurance would be a different one. Due to mandatory insurance requirements, the need for the service is undeniable and will always include administrative expenses that the consumer must carry one way or another. Strata Managers are better placed to understand strata communities and their unique needs, while also maintaining the relationships that enable communication with each individual owner; something strata insurers do not have the capacity or systems to do.

I am a member of Strata Community Association (SCA), the peak industry body for strata managers and suppliers. Collectively SCA represents more than 5,000 entities and individuals who care for 2.5 million lots in Australia. Our profession prides itself on upholding standards and servicing lot owners for a reasonable fee and excellent service.

Broad brush reform risks unintended and damaging consequences for both consumers and associated businesses. I do believe that there is clear scope to further improve transparency and accountability through the financial services licensing mechanism. Any reform that seeks to remove commissions should only occur in the context of a comprehensive program that provides

transitional support to affected businesses. Regulatory and market mechanisms will only build consumer trust and confidence by raising standards, not lowering them.

As a key stakeholder in the strata sector, I support SCA's submission to the ACCC *North Australian Insurance Inquiry's First Interim Report* and urge you to do likewise.

Kind regards

DIXON KESTLES & CO PTY LTD

A handwritten signature in black ink, appearing to read 'P. Cavanough', with a stylized flourish at the end.

PERNILLE CAVANOUGH

Director