



*Sitges Holdings Pty Ltd trading as Melbourne Body Corporate Management Essendon ABN 86 144 472 551*

PO Box 503, Essendon VIC 3040 (7/707 Mt Alexander Road, Moonee Ponds VIC 3039)

Phone: 03 9372 7768 Fax: 03 9372 7786 Email: [info@mbcmessendon.com.au](mailto:info@mbcmessendon.com.au) [www.mbcmessendon.com.au](http://www.mbcmessendon.com.au)

12 April 2019

ACCC Northern Australia Insurance Inquiry  
GPO Box 520  
Melbourne VIC 3001  
Via Email: [insurance@accg.gov.au](mailto:insurance@accg.gov.au)

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.

We have a policy of clearly disclosing (in print) any insurance commissions received in our Annual General Meeting material. There is no instance where a commission has not been disclosed and when questioned, all owners have been accepting of the arrangement once they understand the rationale of the commission system.

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

*Independently owned and operated offices are located at:*

Ascot Vale, Bayswater, Ballarat, Black Rock, Box Hill, Brighton, Brunswick, Camberwell, Carnegie, Chelsea, Cheltenham, City, Coburg, Dandenong, Doncaster, Echuca, Essendon, Ferntree Gully, Footscray, Frankston, Geelong, Greensborough, Hawthorn, Healesville, Heidelberg, Kew, Lilydale, Malvern, Mentone, Mitcham, Moorabbin, Mornington, Murrumbidgee, Northcote, Prahran, Preston, Richmond, Ringwood, Rosebud, Seymour, Shepparton, St Kilda, South Melbourne, South Yarra, Sunbury, Tullamarine, Waverley, Williamstown.  
Members of Strata Community Australia (Vic)

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

The loss of insurance commissions will increase the costs to our clients through management fee increases, with no resultant savings on insurance premiums. It will also have a direct and negative impact on our ability to retain our current staffing levels.

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,

A handwritten signature in black ink, appearing to read 'CH', written in a cursive style.

Craig Hill

**Director**

MBCM Essendon