



10 April 2019

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ACCC Northern Australia Insurance Inquiry
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Via Email: insurance@accc.gov.au

Dear Sir,

ACCC Northern Australia Insurance Inquiry First Interim Report

We write to dispel some common misconceptions about the strata industry, specifically the relationship between commissions and the strata manager, as were mentioned in the *ACCC Northern Australia Insurance Inquiry First Interim Report*. It is our opinion that Lot Owners, Strata Managers, Insurance 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. Nor it does not clarify who would be supporting an Owner's Corporation in fulfilling their legal obligation to insure their property. The task of insuring a building is not a one-off transaction but rather, involves significant education, information and communication between various parties.

As experienced professionals with in-depth knowledge of the strata industry, we 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 Owners Corporation in relation 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.

Our Firm is 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 with 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, we support SCA's submission to the *ACCC Northern Australia Insurance Inquiry First Interim Report* and urge you to do likewise.

Kind regards,

A handwritten signature in black ink, appearing to read 'CKelly', written over a thin horizontal line.

Christine Kelly

General Manager

STSM Strata Management