

APPOINTING A COMPETING BROKER EXPLAINED

Insurance brokers are licensed professionals qualified to provide general advice to strata schemes about appropriate insurance cover(s). They have access to insurers that only deal via brokers, so they typically provide a broader range of quotes than owners or strata managers can obtain directly.



In markets where there are more insurers willing to provide quotes, the increased competition generally has a positive impact on the cost of insurance for customers.

Do insurers provide a better quote for direct customers?

Generally, no.

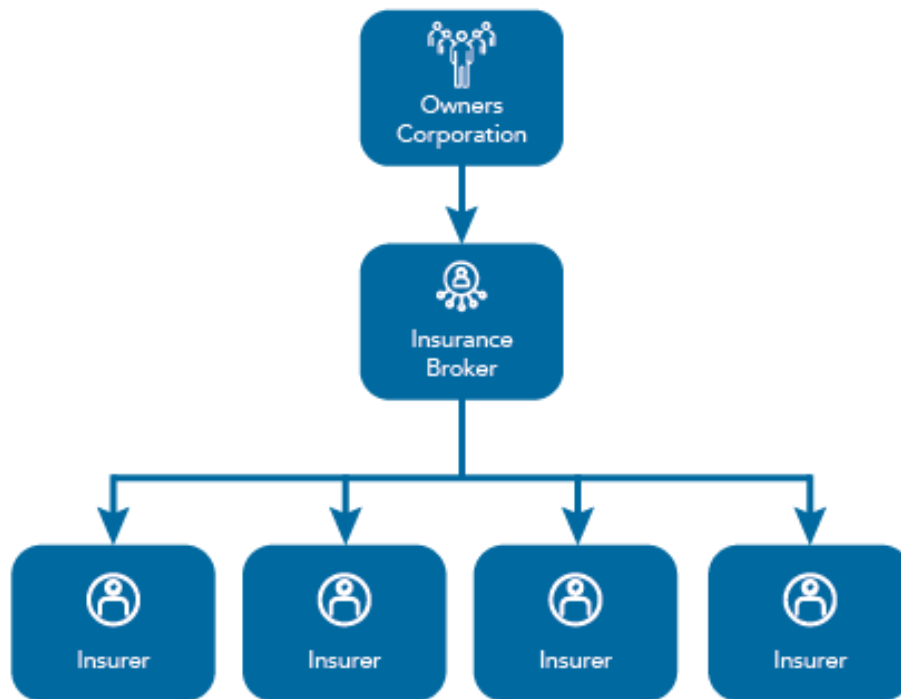
Strata insurers usually quote the same price for a property regardless of whether it comes directly from an owner/committee member or via an intermediary, like a strata manager or broker. Strata insurers recognise the important role that strata managers and brokers play in distributing their products. Without this distribution support, insurers would need to invest in considerably more resources and infrastructure to interact directly with their customers. Therefore, they quote the same price for a direct policy as one arranged via a strata manager or broker.

Working with a broker

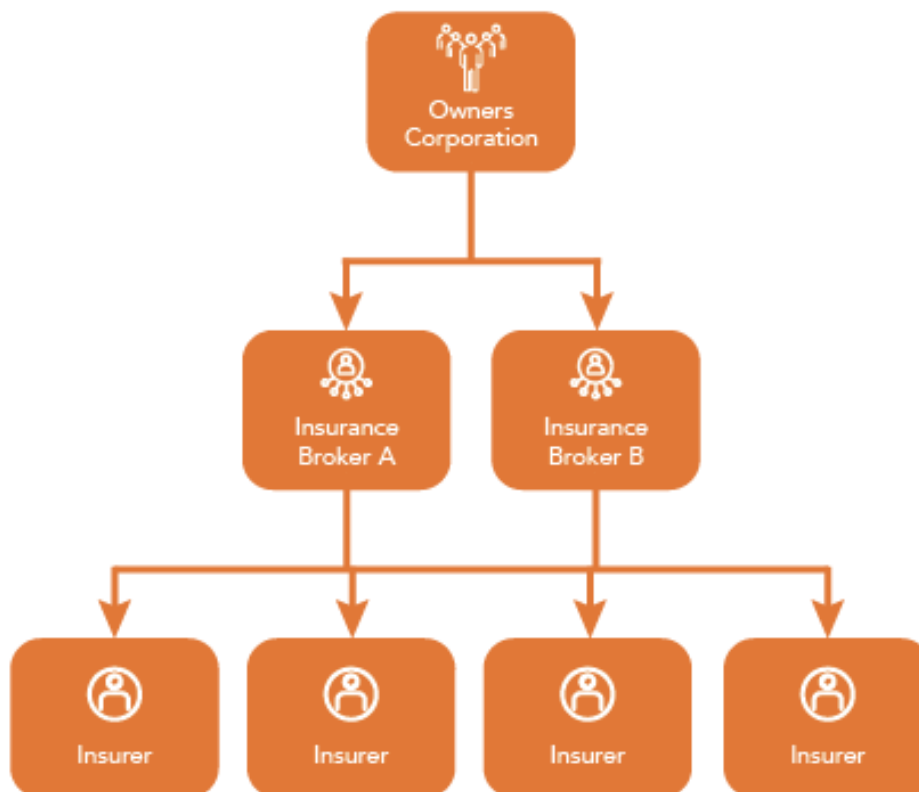
A strata scheme asks a broker to obtain quotes from the market and negotiate the best deal. The broker then makes a recommendation about the most suitable cover to meet the scheme's needs.

Generally, a broker will approach all available insurers to source quotes, so using more than one broker doesn't necessarily result in more quotes. There are a limited number of strata insurers in the market and insurers quote the same price to all brokers for identical risks.

Using one broker



Using multiple brokers (No change in the number of insurers)



Cheaper isn't always better

If you receive a cheaper premium from a competing broker, make sure it's a like-for-like comparison before you're distracted by the headline price.

- **Quoting different limits** – check the level of insurance and excess level as these will affect the premium and may also vary the level of cover for your scheme. When comparing insurance proposals, ensure they're based on the same underlying information so you can be certain the insurer has assessed the same risks.
- **Net rate** – a broker can sometimes ask an insurer not to pay commission on the insurance premium, which may make it look lower. However, the broker will typically charge an increased fee for their services instead. So, although the premium may seem lower, when the premium and fee are added together, there is often little difference in the total amount payable.
- **Excluding the strata manager** – some brokers may suggest strata schemes can save money by excluding the strata manager from the insurance process. However, the strata manager not only assists with renewals but also coordinates invoice payments and helps manage claims. By removing the strata manager, these functions will instead fall to the committee to carry out.

What's more, insurance commissions also subsidise the scheme's management fee. If the strata manager doesn't receive a commission from insurance, many agency management agreements allow for an equivalent increase in management fees, resulting in increased overall costs to the strata scheme.

Legal protection for strata managers and strata schemes

Working with a broker that doesn't have an agreement in place with a strata manager exposes both the strata manager and the strata scheme to increased risks because the strata manager isn't authorised to deal in financial products or offer any advice.

One of the key benefits of using BCB is the legal protection we offer our strata managers as Authorised Representatives (ARs). When a strata manager is working as an AR of BCB, it is protected by BCB's Professional Indemnity policy, providing protection for financial loss and legal costs in the event of a claim for non-intentional or non-deliberate professional misconduct.

Owners and committees should also be aware that they are jointly and severally liable for any underinsurance and are responsible for making up any shortfall if a major claim occurs. The importance of having a suitable insurance policy with adequate covers and insurable limits, such as the building sum insured, should not be underestimated.

**If you have any questions about appointing a competing broker,
please contact your local BCB office.**

The information provided is general. It does not constitute legal advice and should not be relied upon as legal advice. BCB recommends seeking advice from a qualified lawyer on any legal issues affecting you before acting on any legal matter. Whilst BCB endeavours to ensure the content of this information sheet is accurate, it does not represent or warrant its accuracy, adequacy or completeness and is not responsible for any loss suffered as a result of or in relation to the use of this information.

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Please contact your nearest BCB office for any queries or advice.



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