

INSURANCE COMMISSIONS EXPLAINED

It's strata industry practice for strata managers to receive insurance commissions.

Your strata manager receives a commission from BCB for the role it plays in the insurance process. This commission is clearly disclosed in the Strata Management Agency Agreement.



Commission is paid in recognition of tasks undertaken by a strata manager.

- Sourcing relevant data and disclosure information (e.g. specific details on building construction/machinery/tenancy, defects, repairs, past claims or incidents reported).
- Providing general advice (if an Authorised Representative).
- Completing and lodging all documentation.
- Collecting and paying premiums.
- Obtaining Certificate of Currencies.
- Coordinating repairs.
- Claim preparation and ongoing assistance with processing claims.

A strata manager is the permanent contact for owners and has comprehensive knowledge of the property and essential underwriting data.

Without a strata manager, BCB would need to carry out many tasks directly with owners. Therefore, your fees would likely need to increase to cover the operational costs of facilitating insurance services, gathering information and fulfilling disclosure obligation requirements.

The difference between commission and fees

Insurers pay commissions to intermediaries, like brokers, to source business for them. This payment avoids the insurer incurring costs to advertise and employ staff to deal with advice, sales and service enquiries themselves.

In return for a commission, intermediaries promise to provide services without discrimination to the amount of time and resources required for each customer.

Pooling business provides an equitable approach for all customers who have the comfort and security knowing that if disaster strikes, they'll receive full service without additional charges.

On your insurance quotation, you'll see that the Base Premium already includes the commission paid to BCB by the insurer. This is not an additional charge.

In contrast, fees are charged for known and identifiable services. They are calculated at the time the resources and expertise are required to provide those services. Most fees are fixed for a term but may also be charged on a time-based formula, potentially exposing strata schemes to the risk of charges blowing out considerably.

Full disclosure is a legal requirement

Payment of insurance commissions is standard strata industry practice.

Many Strata Management Agency Agreements state that if they don't receive commissions then strata management companies may increase their management fees to cover their costs of providing insurance services.

It pays to deal with a professional, reputable broker

Just like other professional service providers, BCB charges a fee for its expert insurance advice and services.

- Negotiating renewal terms and alternative quote options.
- Providing renewal submissions, policy comparisons and recommendations to support informed decisions.
- Advocating for claims and specialist claims management.
- Providing access to specialty/broker-only markets.
- Leveraging relationships to provide cover for properties deemed high risk.
- Free advice or cover changes throughout the policy period.

BCB's fee is displayed on the Insurance Renewal Report.

Full disclosure of commissions and fees is a legal requirement. BCB complies with legislation, and we disclose any commission and fees paid or received in our documentation.

You should also be aware that insurers won't discount your premium just because you don't use the services of a broker.

Understanding and interpreting strata insurance can be complicated

Together with your strata manager, BCB will remove complexity and make strata insurance simpler for committees and owners to make well-informed decisions.

**If you have any questions about commissions and fees,
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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QUESTIONS?

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



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