

A Message on Stratacare's Insurance Policies

Managing a strata community is a complex and multifaceted responsibility. One of the critical aspects of this role is insurance management, a task that is often underestimated in terms of complexity and potential pitfalls.

At Stratacare, we take this responsibility seriously, and we would like to clarify our policy regarding insurance commissions, emphasising the value you receive from our experienced insurance department.

Yes, we do receive commissions from our insurance partners. This is declared to the owners as part of our contract and also at the time of renewal.

However, it is crucial to understand that these commissions are a small part of the broader picture.

The payment of these commissions saves the Owners additional fees being charged by the Strata Management Company and helps to keep management fees reasonable.

The real value lies in the expertise and support our insurance department provides in managing your claims and in the proactive nature of our insurance partners who have a fantastic track record of providing coverage to Queensland strata communities and understanding the unique challenges they face.

Services Included in Commission

What services are included for the commission received?

All advocacy and administration time in quoting and servicing an insurance contract including:

- Sourcing relevant data and disclosure information (e.g. specific details on building construction/machinery/tenancy etc., defects, repairs, past claims or incidents reported)
- Providing general advice
- Completion and lodgment of all documentation
- Obtaining certificate of currencies
- Co-ordination of repairs
- Processing of claims and historical record keeping
- Arranging/ updating insurance valuations

NOTE: The paying of insurance premiums and arranging renewal quotations for renewals is an "Agreed Service" under the Administration Agreement therefore these are not included in the "commission."

You Are Entitled to Arrange Your Own Insurance

We also have schemes that manage their own affairs. Both systems are functional and fair to owners in terms of transparency and as a trade for receipt of payment for work conducted.

Body Corporates are entitled to arrange their own insurance if they want, and if you can get a better deal for your scheme then you probably have an obligation to do this.

The initial process is relatively simple – advise your body corporate managers that you will arrange your own insurance by holding a VOC to confirm that the committee will be undertaking this function, and then either contact insurers or an independent broker to arrange.

What considerations are there if you want to go it alone?

Fees can be low elsewhere because of insurance commissions. No insurance commissions usually result in higher agreed fees for fixed services.

From an owner's perspective, consider that arranging insurance and dealing with claims takes a lot of time, organisation, and some skill. It may not always feel like it, but our managers put a lot of energy into trying to keep premiums low for our clients.

The amounts paid to managers and brokers are compensation for the time and effort they put in.

Who will be doing the work?

If it is not the body corporate manager, it probably means the Committee is responsible for managing claims throughout the year.

This includes dealing with owners, contractors, loss adjusters and all the associated issues.

The managing agent will probably just forward the Committee any phone calls and emails they receive.

Is the Committee happy to do this? Do the individuals have the time? Do they have the expertise and the knowledge?

If the answer is yes, then you can probably make a saving by going it alone, but this is mostly because the Committee members rarely charge for their time where BCM's and brokers do.

It is also important to note that regardless of where cover is placed, all claims must be administered through our office.

In accordance with QLD Body Corporate legislation, we are required to keep full records of all correspondence received and sent by Body Corporate. It is important for detailed records of all claims to be kept enabling full disclosure to incoming owners searching the Body Corporate records.

Individual Committee Members

As an individual committee member, you might want to consider what the net benefit to you is for doing the work on behalf of others.

Consider this – if you have a 10-lot scheme and the Committee saves \$1000 by arranging its own insurance, that sounds great.

But as an individual you have saved just \$100. If you have done ten hours of work (very likely) to achieve that saving your rate of pay is, effectively, \$10.00 per hour.

Are you happy with that? It's worth thinking about.

Independent Brokers

If the Committee don't want to do it all by themselves, they could get an independent broker to assist, but then you will still pay a fee to the broker.

Are their rates better than the fees charged by your body corporate manager and their broker?

What's in Your Contract?

Look at your contract with your manager to see what the total of the commission is and what is included in it. It is important to note that the agreement states what is the *maximum* commission receivable. This is often not charged at the full rate, especially for larger schemes.

Do the managers only arrange the insurance renewal for that fee, or do they help file claims and manage owners and contractors as well?

Will the broker do this for you, and would they charge a fee for it?

Going alone but still need help

Consider any additional service fees that could be applied by your body corporate if you go it alone but still need help with insurance matters through the year – even if the body corporate manager tries to stay out of insurance affairs, it is not always that simple.

Think about the last few years where there have been several severe weather events.

If you have flooding at your building, would you be happy if you called up the manager on the day of a disaster and they said, "that's an insurance event, we don't handle that for your scheme – contact your broker and good luck with arranging the repairs."

Well, our managers wouldn't do that, but they would have to bill you for the time it takes to help resolve the issues. The costs of this can rise quickly in some circumstances.

Case Study: Responding to a Large Gas Explosion

Recently, in one complex we manage, a huge gas explosion occurred causing significant damage.

Such a disaster can be a nightmare for any community. However, thanks to our excellent relationship with the insurer, claims were processed smoothly. All eligible residents were provided with temporary accommodation, and the complex was back on its feet in no time.

This didn't happen by itself and took a lot of time, expertise, and a strong relationship with the insurer to create an optimal outcome.

Imagine how challenging and chaotic the situation would have been if the claims process were not meticulously managed.

Residents left without temporary accommodation, repair costs spiraling out of control, and the complex left in a state of disarray for an extended period. This case study illustrates the value of our insurance management services and the peace of mind they offer to our clients.

We believe that our commitment to efficient and effective insurance management far outweighs the commissions we receive. Our goal is to ensure that your strata community is adequately protected and well-prepared for any unforeseen events.

We Are Happy to Address Any Concerns You May Have

If you have any questions or concerns about our insurance policies or our approach to insurance management, please don't hesitate to reach out.

We are here to provide you with the support and expertise you need to navigate the complex world of strata insurance successfully.