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ANTHONY MARX

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# DIRTY LITTLE SECRET HITS UNIT OWNERS

THERE'S a dirty little secret tucked away in the back of a 560-page report released last month about skyrocketing insurance premiums in northern Australia.

Few seem to know much about the issue even though it impacts thousands of Queensland unit owners and their wallets.

In a nutshell, building managers are pocketing commissions of 15 per cent to 20 per cent on the insurance policies they source on behalf of body corporates. In some cases, incentives can reach 30 per cent for the cover, which is mandatory for common areas.

Critics, such as former insurance industry operative **Margaret Shaw** (illustrated), say the disclosure of these payments is woefully inadequate and they create clear conflicts of interest.

Ms Shaw, who watched in horror as the cost of insuring her Airlie Beach unit block more than tripled in one year to \$81,000, was among more than 420 parties who made submissions to the ACCC's three-year probe into the dysfunctional insurance mess up north.

Under Queensland law, body corporate managers have to disclose the commission they are entitled to receive. But that declaration is usually buried in management agreements and does not appear on invoices received by resident committees.

"When it comes to strata insurance, there seems to be very little transparency," Shaw told the ACCC. "In my opinion, body corporate managers do not always act in the best interest of

their owners when it comes to insurance."

The report backs up those concerns. It found that "strata managers are not using, or making no effort to find, the best brokers ... and are instead focused on maximising their revenue."

Not surprisingly, they are "influencing the broker's policy selection by having a bias towards those policies that generate a great commission," the report says.

Shaw, along with unit owner associations, is among many who have called for reforms, including easily understood invoices and the capping of commissions.

They also want to see body corporate managers banned from receiving commissions from either brokers or insurers.

The ACCC obviously got the message, with one of its 38 recommended changes urging that strata managers be remunerated only by body corporates.

But defenders of the status quo, such as industry lobby group Strata Community Association, are fighting back.

"Present remuneration structures reflect the value of the strata manager's work in the sourcing of insurance and the processing of claims," SCA head **James Nickless** said.

"Any changes to this remuneration model will simply result in higher base management fees and higher fees for additional services, which will ultimately cost consumers more."

So will anything change? Stay tuned.