

Strata Insurance – Strata Managing Agents’ Engagement of Insurance Brokers

This fact sheet provides guidance in relation to the appointment by a strata managing agent of an insurance broker on behalf of one or more owners corporation clients. This assumes the following typical scenario:

- The strata managing agent has been appointed by the owners corporation client by means of an agency agreement compliant with the legislation.
- The agency agreement delegates to the agent the function of arranging insurance cover for the owners corporation.
- The agency agreement authorises the agent to receive insurance commissions, disclosed to the owners corporation, payable by the insurer.
- The agent will engage an insurance broker on behalf of the owners corporation on the basis that insurance proposed by the broker will require approval by the owners corporation.

Can the strata managing agent effect insurance cover itself?

Possibly yes, but it is inadvisable, as it may expose the agent to claims. It is common to authorise the agent to arrange insurance cover for the scheme, but this is typically subject to limitations, such as the requirement of approval by the scheme. It would be preferable for such decisions to be referred to an AGM.

Can the strata managing agent appoint an insurance broker itself?

Normally yes, depending on the scope of the agent’s delegated authority. However, it would be advisable for the agreement be approved by the strata committee.

Can the broker be appointed as broker for all owners corporation clients of a particular strata managing agent?

Normally yes. Again, it would be advisable for the agent’s entry into the agreement be approved by the strata committee.

What action does the agent need to take?

The agent should:

1. Ensure that its agency agreements contain requisite disclosures of anticipated insurance commission income and authority to receive such commission income.

2. Obtain owners corporation approval of the agreement appointing the broker. Unless the owners corporation has reserved such decisions to itself, the approval of the strata committee would be sufficient.
3. Obtain owners corporation approval prior to effecting insurance policies through the broker. Again, unless the owners corporation has reserved such decisions to itself, the approval of the strata committee would be sufficient.

Key takeaways

- Strata managing agents can appoint insurance brokers on behalf of owners corporations with proper authority.
- Approval from the owners corporation or strata committee is essential before engaging brokers.
- Insurance cover decisions should ideally be made at the Annual General Meeting (AGM).
- Agents must disclose anticipated commission income in their agency agreements.
- Obtaining owners corporation approval is necessary before effecting insurance policies.

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