

INSURANCE BROKERS CODE OF PRACTICE

STRATA INSURANCE GUIDANCE

September 2024

NIBA

National Insurance Brokers Association.



ABOUT THIS GUIDE

This guide is intended for organisations that have agreed to be bound by the [2022 Insurance Brokers Code of Practice \(the Code\)](#), including members of the National Insurance Brokers Association (NIBA) and other organisations that have voluntarily subscribed to the Code.

The Code outlines the minimum standards expected of NIBA members. However, subscribers are encouraged to exceed these obligations, particularly where doing so would reduce administrative complexity and minimise the risk of Code breaches due to human error.

As the Code is a living document this guide will be updated to reflect changes to the Code, shifts in community expectations, or industry best practices.

NIBA will make every effort to distribute updated copies of this guide to subscribers as they are published. However, subscribers are encouraged to confirm they have the latest version by visiting the NIBA website.



BACKGROUND

Approximately 16 percent of Australians currently reside in properties with strata titles. Strata properties play an integral role in meeting Australia's future housing needs with the number of Australians living in strata properties predicted to increase to 50% by 2040.

Insurance brokers play a crucial role as trusted advisors in the strata sector, providing expert guidance and arranging insurance to protect residents from a variety of risks. By navigating increasingly complex insurance markets and advocating on behalf of their clients, brokers help to enhance transparency and safeguard strata communities.

Rising premiums and availability issues within the strata sector have attracted the attention of a number of stakeholders. As a result of this increased attention, the conduct of strata managers, insurance brokers and the relationship between them has come under scrutiny.



THE ROLE OF THE CODE IN INDUSTRY SELF-REGULATION

Industry codes of practice are essential to effective industry self-regulation. The Code establishes clear guidelines and ethical standards that general insurance brokers and their representatives must follow, fostering consistency and accountability.

By adhering to a shared set of principles, the broking profession can improve consumer outcomes and promote responsible practices. The Code also serves

as a benchmark for evaluating industry behaviour, helping to identify and address issues without external intervention.

The Code provides a framework for transparency, allowing clients and the community to hold Subscribers accountable for their actions. In this way, the Code reinforces the credibility of self-regulation and fosters a sustainable and ethical broking profession.



STRATA MANAGERS AS AUTHORISED REPRESENTATIVES

Brokers and Strata Managers often enter into arrangements whereby the Strata Manager becomes a Distributor or Authorised Representative of the broker. When performing services under these arrangements, Strata Managers are required to comply with the Code. It is the Subscriber's responsibility to ensure that all representatives are meeting their obligations under the Code.

Actions for Subscribers

Subscribers should make training available to all representatives (including Strata Managers) so that they are aware of their obligations, as Subscribers will be liable for any breach of the Code by their representatives.

CODE PRINCIPLES (SECTION 3.1)

When providing services covered by the Code, Subscribers should ensure they and their representatives act in accordance with the Code principles:

- Professional commitment;
- Ethical behaviour; and
- Transparency and accountability.

These three principles are at the heart of all Code obligations. Behaviour contrary to the Code principles will be considered a breach of the Code.

Actions for Subscribers

Subscribers should review their existing processes, policies and any agreements with third-parties to ensure they meet these principles, including identifying any areas where changes can be made to further demonstrate these principles to clients.

CONFLICTS OF INTEREST (SECTION 5.3)

Section 5.3: Under both the Code and AFS licensing regime, Subscribers and their representatives are required to manage and disclose conflicts of interest.

When disclosing conflicts of interest, Subscribers should consider whether or not the disclosure is being done in a transparent manner in accordance with the Code principles.

Actions for Subscribers

Subscribers should review disclosure documents to ensure any real or perceived conflicts are disclosed in accordance with the Code principles.



DISCLOSING REMUNERATION (SECTION 6.1)

Broker remuneration is one of the key areas where clients may perceive conflicts. The Code introduces new obligations that significantly increase the disclosure of remuneration in pursuit of a more transparent relationship between brokers, clients and other parties.

Under the Code, Subscribers are required to disclose commissions to all Retail Clients. This includes commissions paid in relation to residential strata policies. Subscribers must also disclose any additional fees payable by the client. This obligation applies to both brokers and Strata Managers acting under an Authorised Representative or Distributor arrangement.

Both the commission and any fees must be disclosed as a dollar value. In keeping with the Code principles, Subscribers should ensure that the disclosure of commission and any non-monetary remuneration is done in a transparent manner.

Actions for Subscribers

Subscribers should review their existing commission disclosure documents to ensure they are Code-compliant.

REMUNERATION REVIEW (SECTION 6.5)

Subscribers are required to periodically review their remuneration arrangements to ensure they are not creating unmanageable conflicts of interest.

Actions for Subscribers

Members should review their remuneration arrangements, particularly any remuneration-sharing arrangements to ensure they comply with the Code.

WHAT SHOULD I DO IF I IDENTIFY A BREACH?

If members identify that they have breached the Code, they should report the breach as per their company's breach reporting policy.

If members have any questions about their obligations under the Code, they should contact info@niba.com.au

