

11 September 2025

By email: [OCActReview@proximity.com.au](mailto:OCActReview@proximity.com.au)

Dear Expert Panel,

## Submission to the Expert Panel Review of the Owners Corporations Act 2006

The Insurance Council of Australia (Insurance Council) welcomes the opportunity to contribute to the Expert Panel's review of the *Owners Corporations Act 2006* on behalf of our members who write strata insurance. As the representative body for Australia's general insurance industry, the Insurance Council has a strong interest in the effective regulation of strata schemes to address systemic risks that drive claims costs, affect building safety, and impact insurance affordability.

With one in five Victorians already living in strata-titled properties<sup>1</sup> – and with that share set to grow with increasing densification – the Victorian Government's review of the Owners Corporation Act 2006 is timely and will help to support the ongoing availability and affordability of insurance for strata communities.

The Insurance Council's policy paper released last year – [Improving consumer outcomes for strata communities](#) – identified several risks relating to strata communities that contribute to insurance affordability and availability issues. We provide this paper as the basis of our submission, to help inform and provide insights to this review.

In addition, we highlight several specific points that are particularly relevant to the matters under consideration in this review.

### Governance, maintenance and education

Poor governance is a common risk across strata schemes. As maintenance decisions are made collectively, weak governance delays decision making around critical maintenance and defect rectification. Over time and if left unaddressed, this can transform an insurable building into a high-risk liability, driving up premiums for all residents or, in extreme cases, making it difficult to obtain coverage. It is estimated that building defects alone cost \$1.3 billion annually for residential apartments, while many strata buildings face insurance affordability challenges due to structural issues, deferred maintenance, and inadequate risk management.<sup>2</sup>

The Insurance Council is supportive of reforms that strengthen transparency, capability, and accountability within owners' corporations (OCs). We understand that the *Owners Corporations and Other Acts Amendment Act 2021* delivered significant improvements – including imposing best interest obligations on OC committee members and reducing the maximum number of OC committee members from 12 to 7.

We consider that the effectiveness of reforms would be further enhanced if OC committee members were supported with relevant resources to better equip them to manage complex financial, maintenance, and insurance matters – all factors which if poorly managed can escalate insurance risk and costs. Ideally these resources would provide OC committee members with knowledge about their roles, responsibilities, and legislative requirements to help bridge the knowledge gap. The Insurance

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<sup>1</sup> Strata Community Association Victoria. 2024. [Comprehensive industry review examines Australia and New Zealand's strata sector with special insights into strata living in Victoria](#).

<sup>2</sup> Insurance Council of Australia. 2024. [Improving consumer outcomes for strata communities](#).

Council would welcome collaboration with Victorian Government as well as relevant peak bodies on the development and distribution of such resources.

## Manager Conduct

Recognising the increasing complexity of the strata manager's role, the Insurance Council supports initiatives that enhance the professionalism, transparency, and accountability of strata managers.

We note the proposal for a licensing scheme requiring formal qualifications and continuing professional development. Such a scheme may have merit in lifting standards, but it should be carefully assessed to ensure benefits outweigh costs and that any changes do not create unintended regulatory burdens.

A structured, evidence-based review by a relevant authority would be appropriate, given the current limited data available on skills of, and required from, strata managers as well as the harms caused by lack of a licensing scheme. Key considerations should include:

- The scale of the issues and whether they justify regulatory intervention.
- The costs of administering and enforcing a licensing regime.
- The availability and accessibility of appropriate training programs.
- Whether a graduated approach is suitable, for example licensing only larger or more complex schemes.
- Realistic transition timeframes to support industry adjustment.

In the first instance, making education resources more readily available, as proposed in the section above, could serve as a practical interim step while further evidence is gathered.

## Banning of manager commissions

We support full transparency regarding all payments made across the strata value chain, including to strata managers, particularly where such payments may influence the strata manager's selection of insurance products on behalf of the OC. Comprehensive transparency, full disclosure and the requirement to obtain informed consent from the OC is essential before any insurance purchase decisions are made.

We acknowledge the heightened public attention on insurance commissions following recent media coverage. However, it is important to distinguish between the different forms of remuneration associated with strata insurance:

- **Underwriting agent commissions:** Most strata policies are distributed by specialist underwriting agents acting for insurers. Underwriting agents are remunerated through commissions, which cover functions otherwise performed by insurers, including underwriting, policy administration, claims handling, dispute resolution and related operations, under a contractual commercial agreement.
- **Insurance broker commissions:** Brokers are often engaged by the OC (or their strata manager) to help secure suitable insurance, particularly where there is limited expertise or capacity in placing complex insurance policies across the OC. The role of brokers is to act on behalf of the client, providing risk advice and claims services, for which they are remunerated through commissions paid by insurers. These commissions are regulated under financial services law, with the general requirement that they are disclosed to the client (the OC or strata manager). In some instances, insurance brokers may operate on a fee-for-service basis, where fees are charged directly to the client.

- **Strata manager commission arrangements:** In some cases, a broker shares part of its commission paid to them by insurers with a strata manager as an incentive for placing insurance. The Insurance Council understands this to be a common business practice within strata insurance however it is important to emphasise that insurers have no visibility of, or commercial interest in, these arrangements between brokers and strata managers.

While banning the payment of insurance commissions to strata managers could be a potential solution for improving transparency, this outcome is far from certain. Accordingly, the Insurance Council would support a thorough assessment of the market impacts of such a ban before any such policy is implemented, to ensure that any reforms do not inadvertently increase premiums or restrict a strata community's access to appropriate cover.

We support robust modelling to quantify the impact of commissions on premiums, compare fee-for-service models, and assess effects across scheme sizes and market segments, noting similar work underway in NSW.

We also note Strata Community Association NSW's decision to phase out insurance commissions in management contracts, including those payments made by insurance brokers, in favour of fee-for-service from January 2026; this transition should yield useful data and operational insights to inform broader policy.<sup>3</sup>

## Collective sales

In Victoria, the sale of a strata complex to a developer currently requires unanimous agreement of all owners. This can create challenges for older buildings that are increasingly uneconomical to maintain, where redevelopment may be a more practical and beneficial option. In many cases, ongoing maintenance of common areas is uneconomical, leading to chronic under-maintenance and deterioration of the building condition. These issues have direct implications for insurance – both in terms of rising premiums and the availability of cover – which is a key area the Insurance Council and members would like to see addressed.

We note that New South Wales has implemented reforms to lower this threshold to 75%. This has in theory allowed sales to proceed more quickly and help to facilitate the faster renewal of ageing stock. However, we understand that for a host of reasons, this mechanism has not been utilised as widely as anticipated in practice.

The Insurance Council supports the principle of making it easier for OCs to sell where this is in the collective interest, particularly if this also helps support the overall insurability of strata communities. It would be prudent to review the experience in New South Wales to ensure that barriers to uptake are addressed before legislation is formally implemented.

## Ongoing monitoring, enforcement and compliance

While the Insurance Council welcomes changes to OC laws to improve how strata communities function – and by extension address maintenance issues that impact insurance affordability - we consider it essential that these reforms are backed by effective compliance and enforcement.

At present, there appears to be limited mechanisms to hold OCs accountable for significant building defects in common areas. We note that other jurisdictions have taken steps to strengthen compliance and accountability through measures such as [public complaints registers](#). We recommend that Victoria consider adopting similar initiatives, alongside broader improvements in compliance and enforcement.

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<sup>3</sup> Strata Community Association NSW (2024). Voluntary Commission Phase-out Initiative. Available at: <https://www.lookupstrata.com.au/nsw-sca-phase-out-strata-insurance-commissions/>

## Further engagement welcomed

The Insurance Council commits to continuing our work with the Victorian Government and other stakeholders to improve outcomes for strata communities. The reforms under consideration present a crucial opportunity to address longstanding issues in the strata sector and ensure the regulatory framework meets the needs of the growing number of Australians who call strata communities home.

We believe the recommendations outlined in this submission, if implemented, will help de-risk strata complexes, improve governance and transparency, and ultimately deliver better outcomes for all stakeholders, including more affordable and accessible insurance.

The Insurance Council welcomes the opportunity to discuss our submission in detail and provide further input as the review progresses. Please contact Sam Xu, Senior Adviser ([sxu@insurancecouncil.com.au](mailto:sxu@insurancecouncil.com.au)) should you have further questions or need for clarification.

Yours sincerely,



**Kylie Macfarlane**

Chief Operating Officer and Deputy CEO