

**Individual**

**Submission to : Standing Committee on Public Administration.
Inquiry into Western Australian Strata
Managers.**

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**Prepared and
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a) Functions and Responsibilities of Strata Managers

The role of a Strata Manager from the point of view of an owner would be to represent the owners in the management of the property and in compliance with the act as it applies. In all these matters they are to act in the best interests of all the owners and other stake holders. In carrying out this role they should be acting on instructions from the council.

Unfortunately I have recently had the displeasure of dealing with a Strata Manager who was very unprofessional and deceptive in their conduct. When confronted with some accounting questions they promptly resigned. They have not been accountable for certain funds and failed to follow instructions of the council in other matters.

This situation left me with nowhere to go to complain or get help. I have also discovered there is no regulation whatsoever for this Industry and they are dealing with what must amount to millions of dollars of clients funds. This is reminiscent of financial advisers and brokers of decades past.

b) The Education of Strata Managers.

It appears the Strata Titles Institute has an accreditation scheme but other than that I can see no evidence of education or training facilities. I understand if the Strata Manager is part of a Real Estate then these facilities may be available.

c) Whether Strata Managers Should be Licensed.

From what I have seen first hand from an owners point of view and professionally from the stand point of a retired Insurance Broker I would say an emphatic yes to this question. As an owner I should have been able to turn to an independent authority to not only determine my rights but have them enforced. My treatment by the Strata Manager in question was highly unprofessional and unaccountable. When their conduct was questioned they promptly resigned. If they had a license to be concerned about I'm sure the prior conduct and outcome would have been different. Licensing should, at the very least, address the operation and audit of a trust account and observe the appropriate conventions. Strata Managers should operate under the same rules as those who form part of a licensed Real Estate Agency who, I understand, use a trust account.

Licensing should also address qualifications , ongoing professional development and dispute resolution.

d) Any Other Relevant Matter.

It's under this heading I find the most unprofessional and unethical conduct which seems to be present in most Strata Managers. It is the matter of the relationship between Insurers and Strata Managers. One Insurer dominates the market and maintains their position through the appointment of Strata Managers as their agents or Authorised Representatives. Strata Managers then incorporate an authority to act from the Strata Owners in their Strata Managers appointment. The Strata Manager receives 20% commission on the premiums they collect. I don't believe this commission is declared to the clients, or certainly wasn't in my case. I believe this is an enormous conflict of interest. Strata Managers should not be permitted to act on behalf of the Strata Property Owners on one hand and represent Insurers interests on the other.

In my personal case, the Insurer had managed to double the premium by massive annual increases in the Insured Value which were accepted by the Strata Manager without question. It wasn't until I asked for a valuation that this behaviour was discovered. When you consider this is just one property and the Insurer in question has the majority share of the market, this form of inertia selling may have resulted in millions of dollars in over insurance and inflated commissions. I have no problem with Strata Managers providing Insurance Services but let them obtain an Insurance Broking license then they can truly provide independent advice in relation to Insurance and Strata Management. The existing system of Strata Managers becoming Authorised Representatives is one that is heavily promoted and supported by the main Insurer who also happens to be a major sponsor of the Strata Titles Institute of WA.....once again independence and conflict come into question.

A form of licensing involving the use of a trust account and prohibiting acting as an Authorised Representative for Insurers would address the foregoing concerns.