



# **CONFLICTS OF INTEREST POLICY & PROCEDURE**

Strata Insurance Services Pty Limited  
AFSL 457 333  
ABN 14 167 214 182  
A wholly owned subsidiary of Netstrata Pty Ltd

## DOCUMENT CONTROL

| Document Title | Strata Insurance Services Pty Ltd – Conflicts of Interest Policy & Procedure                                    |
|----------------|-----------------------------------------------------------------------------------------------------------------|
| Document Owner | Responsible Manager, Strata Insurance Services Pty Ltd                                                          |
| Approved by    | Board of Strata Insurance Services Pty Ltd; noted by the Netstrata Board                                        |
| Version        | 2.0 – supersedes v1.0; reflects fee-only remuneration model and standing-authority placement architecture       |
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| Next review    | 12 months from Effective Date, or earlier on legislative or structural change                                   |
| Audience       | Strata committees and owners corporations of schemes managed by the Netstrata Group; SIS staff and distributors |

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## 1. ABOUT THIS DOCUMENT

This document is the Conflicts of Interest Policy and Procedure for Strata Insurance Services Pty Ltd (SIS). SIS is the in-house insurance broking business of the Netstrata Group and is wholly owned by Network Strata Services Pty Ltd – trading as Netstrata.

Two features of the SIS model shape this Policy and distinguish it from the conventional strata insurance broking arrangement:

1. SIS is a fee-only broker. SIS is paid for its services through a broker fee only. SIS does not accept commission or other monetary benefit from insurers in connection with an insurance placement. This is a deliberate structural choice, made to remove the financial conflict that arises when a broker's remuneration is contingent on the insurance it sells and the associated premium.
2. Insurance placement operates under the standing authority of the managing agency agreement. The Owners Corporation's duty to insure under section 160 of the Strata Schemes Management Act 2015 (NSW) is discharged through the strata managing agent under the agency agreement. The amount of the broker fee is outlined to the strata committee at renewal, with full disclosure to all owners via the financial statements at each annual general meeting. The Owners Corporation retains the right to vary or revoke that authority.

### Are you an Owners Corporation? Why you are being asked to read this

SIS is part of the Netstrata Group. If your strata managing agent is Netstrata and therefore part of the Netstrata Group, that connection creates a potential conflict of interest that must be transparently managed. SIS manages conflicts of interest using robust processes in accordance with this Conflict of Interest Policy. SIS adopts a fee-only model that removes the commission-based reward that drives most conflict in strata insurance. This document explains the choice and the controls that sit around it.

This document is to be read alongside any other disclosure documents that SIS issues to your owners corporation, including the Financial Services Guide. Where there is any inconsistency between this document and the law, the law prevails.

## 2. THE RELATIONSHIP BETWEEN NETSTRATA AND SIS

### 2.1 Ownership and control

Strata Insurance Services Pty Ltd is a wholly owned subsidiary of Network Strata Services Pty Ltd, trading as Netstrata. The two businesses share common ownership. SIS holds, or operates under, an Australian Financial Services Licence (AFSL) and is regulated by the Australian Securities and Investments Commission (ASIC). Netstrata holds a strata managing agent licence under the Property and Stock Agents Act 2002 (NSW) and is regulated by NSW Fair Trading.

### 2.2 Why this is a Potential Conflict of interest

There is a potential conflict of interest because Netstrata, in its capacity as strata managing agent, refers Owners Corporation clients to SIS for insurance broking services. Netstrata is the sole shareholder of SIS and, as a result, receives profit distributions from SIS. The referral relationship, combined with the financial benefit that Netstrata derives as sole shareholder, creates an actual or perceived conflict of interest. This conflict arises by virtue of the corporate structure and the

referral relationship between Netstrata and SIS. It is not eliminated by the fee-only model, but it is materially reduced, and it is managed through the structural mechanisms, information barriers, internal controls and disclosure obligations set out in this Policy.

### 3. REGULATORY FRAMEWORK

This Policy operates within, and is to be read consistently with, the framework set out below. Where any provision of this Policy is inconsistent with a mandatory regulatory obligation, the mandatory obligation prevails and this Policy will be amended at the next review.

#### 3.1 Strata-specific

- Strata Schemes Management Act 2015 (NSW), in particular section 60 (disclosure of agent commissions, fees and other benefits at appointment and at each AGM) as strengthened by the Strata Schemes Management Amendment Act 2024 (NSW), and section 160 (duty to insure);
- Strata Schemes Management Regulation 2016 (NSW).

#### 3.2 Financial services

- Corporations Act 2001 (Cth) and the conditions of the AFSL under which SIS provides financial services;
- ASIC Regulatory Guide 175 (Licensing: Financial product advisers – Conduct and disclosure);
- ASIC Regulatory Guide 181 (AFS licensing: Managing conflicts of interest) (RG 181), which sets out the obligation on AFS licensees to identify, assess and manage conflicts of interest using a proportionate and risk-based combination of structural mechanisms, control measures and disclosure;

#### 3.3 Agency and consumer protection

- Property and Stock Agents Act 2002 (NSW) and the Property and Stock Agents Regulation 2022 (NSW), including the Rules of Conduct for Strata Managing Agents in Schedule 2;
- Australian Consumer Law (Schedule 2, Competition and Consumer Act 2010 (Cth)).

#### 3.4 Professional standards

- Strata Community Association (NSW) Code of Ethics and Professional Standards Scheme;
- National Insurance Brokers Association (NIBA) membership obligations.
- Insurance Brokers Code of Practice (NIBA) 2022, in particular clause 5.3 (Who we act for), which requires SIS to: (i) have policies and procedures to identify and manage conflicts of interest; (ii) contact clients in a timely manner where there may be a conflict of interest and clearly inform them that there may be a conflict of interest; (iii) where there is or is likely to be a conflict of interest, engage with the client regarding steps to manage the conflict in their best interests in accordance with relevant law, and only continue to act with the client's consent; and (iv) periodically review policies and procedures for effectiveness in identifying and managing conflicts of interest.

## 4. SIS COMMITMENTS

### 4.1 SIS Commitments

SIS commits to the following standards in dealing with clients such as Owners Corporations. Any breach is a serious matter that will be reported to the SIS Compliance Manager, SIS Board, Netstrata Board (where applicable) and, where required, to the relevant regulator.

1. Best Interests. SIS will act in the best interests of its client in accordance with the relevant law. SIS complies with obligations under its Australian Financial Services Licence and under the NIBA Code of Practice.
2. Fee-only remuneration. SIS will not accept commission or any other monetary benefit from an insurer or underwriter in connection with an OC placement. SIS is paid the broker fee only.
3. Client first. Where the interests of the owners corporation and the Group diverge, SIS will act in the interests of the OC, even where doing so reduces Group revenue.
4. Genuine market test. SIS will market-test the policy at every annual renewal in accordance with the SIS Insurance Placement Standard (section 7) and provide a written market summary.
5. Full fee disclosure. The dollar amount of the SIS broker fee, and any other charge passed through in connection with the placement, will be disclosed in writing before placement, itemised separately on the invoice, and reported under section 60 SSMA at each AGM.
6. No undisclosed soft-dollar benefits.
7. Right to choose. The OC will be informed in writing of its right to engage a different broker. Any decision to do so will not affect the strata management relationship.
8. Claims independence. At all times SIS acts on behalf of the Owners Corporation and not the insurer during the processing of claims. Staff are not remunerated by reference to claims outcomes.
9. Engagement on conflict management (clause 5.3(d) of the Code). In accordance with clause 5.3(d) of the Insurance Brokers Code of Practice, where there may be a conflict of interest, SIS will contact the OC in a timely manner and clearly inform it that there may be a conflict of interest. Where SIS determines that the conflict is likely to affect the OC, SIS will engage with the OC regarding the specific steps being taken to manage the conflict in the OC's best interests in accordance with relevant law, and will not continue to act for the OC unless it consents.

### 4.2 The fee-only commitment

#### **SIS does not take commission from insurers**

SIS receives no commission or other monetary benefit from any insurer or premium funder in connection with an owners corporation's insurance placement. SIS is paid only the broker fee agreed in writing with the owners corporation. The broker fee is disclosed before placement, charged separately on the invoice, and disclosed again at AGM via your schemes financials.

This is a deliberate design choice. It removes the principal driver of conflict in conventional strata broking – namely, that commission rises with premium, which may give the broker a financial reason to prefer a higher-priced insurer or an insurer that pays a higher commission rate. By taking a fixed fee from the OC instead, SIS aligns its remuneration with the work it does, not with the size of the premium it places.

## 5. THE SPECIFIC CONFLICTS SIS MANAGES

SIS manages conflicts of interest using a combination of structural mechanisms, control measures and disclosure, consistent with ASIC Regulatory Guide 181 and in a manner proportionate to the nature and scale of each conflict.

| Specific conflict                                                           | How SIS manages it                                                                                                                                                                                                                                                                                                   |
|-----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Recommending a related broker (Group structural conflict)</b>            | Written disclosure at proposed appointment and at each AGM under section 60 SSMA. The OC is reminded of its right to use an unrelated broker without prejudice to the strata management relationship. SIS requires evidence that the Strata Committee has passed a resolution acknowledging the conflict of interest |
| <b>Insurer panel composition (the choice of which insurers to approach)</b> | The SIS approved panel is documented and reviewed annually. Selection criteria are based on cover, claims service, financial security and price – not on any commercial relationship between SIS or Netstrata and the insurer. Off-panel placements require Responsible Manager approval and a recorded reason.      |
| <b>Soft-dollar benefits (training, hospitality from insurers)</b>           | Recorded in the Netstrata Group Gifts Register;                                                                                                                                                                                                                                                                      |
| <b>Claims handling outcomes</b>                                             | Staff and are not remunerated by reference to claims outcomes. The Owners Corporation may engage independent loss-assessment expertise at any time, at the Owners Corporations cost, and SIS will cooperate.                                                                                                         |
| <b>Insurance recommendation</b>                                             | SIS does not receive commissions or any other remuneration from insurers. The broker fee does not change depending on the size of the premium or the insurer selected.                                                                                                                                               |

### 5.1 What is NOT a conflict in the SIS model

Three conflicts that are commonly material in strata insurance broking do not arise in the SIS model because SIS does not take any monetary benefit from insurers:

- Commission as a percentage of premium – SIS receives none.
- Volume rebate, profit share or contingent commission from insurers – SIS receives none.
- Premium funding referral commission – should a scheme require premium funding, this must be approved by the strata committee prior to execution and any commission or benefit received will be approved by the committee.

SIS will not retain any benefit referable to an OC's premium, regardless of how the benefit is characterised by the insurer or underwriter. If an insurer attempts to pay such a benefit, SIS will return it or rebate it pro rata to affected OCs.

## Structural mechanisms and information barriers

SIS and Netstrata have implemented the following structural mechanisms and information barriers, consistent with the 'functional separation', 'information barriers' and 'communication controls' in ASIC RG 181 Table 3, to ensure that Netstrata's strata agents are not influenced or incentivised to recommend SIS over other insurance brokers:

| Control mechanism                         | Summary                                                                                                                                                                                                                                                                                 |
|-------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Physical and functional separation</b> | SIS staff and Netstrata strata agents work from separate office premises. The two businesses are operationally distinct. This physical and functional separation reduces the risk of conflict between Netstrata's strata management advice and SIS's insurance broking recommendations. |
| <b>System access barriers</b>             | Netstrata strata agents have no access to SIS's insurance-related systems, placement data or client insurance files. This system access restriction provides an additional information barrier.                                                                                         |
| <b>No incentive to appoint SIS</b>        | Netstrata strata agents do not receive any monetary or non-monetary benefit – including commission, referral fee, bonus or other incentive – for recommending SIS as insurance broker or for any insurance placement made by SIS.                                                       |

## 6. DISCLOSURE OBLIGATIONS

### 6.1 At first engagement

Before SIS arranges insurance for an OC for the first time, SIS will provide:

- A copy of this Policy;
- A Financial Services Guide identifying SIS, its AFSL position and how it is paid;

Where the OC has engaged a strata managing agent in the Netstrata group, SIS will also provide:

- A written statement of the relationship between SIS and Netstrata;
- A written confirmation of the fee-only model and the SIS broker fee proposal;
- A statement of the OC's right to engage a different broker.
- A copy of the SIS & NSS Disclosure Document, which includes a section specifically disclosing that SIS is a subsidiary of Netstrata and the remuneration payable to SIS in connection with the placement.

For OCs that have engaged a strata managing agent in the Netstrata group, SIS requires Netstrata to:

- disclose the actual or perceived conflicts of interest;
- explain that SIS manages the conflicts of interest in accordance with this Conflicts of Interest Policy; and
- obtain a resolution acknowledging the existence of the conflict, that SIS manages the conflicts of interest in accordance with this Conflicts of Interest Policy, and that the strata committee agrees to appoint SIS as its strata insurance broker. A copy of this resolution must be provided to SIS in order for SIS to continue to act for the Owners Corporation.

This obligation also applies to OCs who are clients of SIS who, during the course of an engagement, appoint a Netstrata managing agent.

SIS complies with the Strata Community Association (SCA) Strata Insurance Best Practice Disclosure Guide as the industry guideline for disclosure of the relationship between strata managing agents and insurance brokers and the remuneration payable.

## 6.2 At each renewal

Strata insurance placements operate under the standing authority of the agency agreement. SIS will market-test the cover at every annual renewal and provide the strata manager and the strata committee with the renewal recommendation as soon as the market response is sufficiently complete. Each renewal recommendation will include:

- A summary of the market test (insurers approached, quotations received, insurers that declined);
- The recommended insurer and policy, with reasons;
- The premium broken down by insurer charge, statutory levies and the SIS broker fee;
- Confirmation that no commission, rebate or other monetary benefit from the insurer or premium funder will be received by SIS or the Netstrata Group as a result of the placement;
- A General Advice Warning, or where SIS has provided personal advice, a Statement of Advice.

Where the strata committee considers the recommendation requires OC consideration before placement (for example because of a material change in cover, premium or insurer), SIS will support the strata manager in convening or escalating that consideration, including by extending or interim-binding cover where the market permits.

## 6.3 At each annual general meeting (section 60 SSMA)

In the AGM pack prepared for the OC each year, the pack will include a breakdown of the following;

- Total premium paid by the OC, broken down by insurer;
- The SIS broker fee, in dollars;
- A statement that no commission, contingent commission, or other monetary benefit was received by SIS or the Netstrata Group from any insurer or premium funder in connection with the OC's placement;
- A reminder of the OC's right to vary or revoke the standing authority for SIS to act as broker at any general meeting.

## 7. SIS INSURANCE PLACEMENT STANDARD

Each annual placement is conducted in accordance with this Standard. The Standard is the practical procedure that gives effect to the commitments in section 4.

### 7.1 Market test

- Quotations are sought from a minimum of three insurers where the market permits;
- Where fewer than three quotations are obtained, the file must record the reasons (for example, the building is in a category that few insurers will price);
- The insurers approached are selected from the SIS approved panel; any off-panel placement must be approved by the SIS Responsible Manager and the reason recorded;
- Quotations will be provided to the strata committee with the renewal recommendation.

## 7.2 Recommendation

- The recommended insurer is the one assessed to give the best balance of price, scope of cover, claims service and security, having regard to the building's risk profile;
- Because SIS is paid a fixed broker fee by the OC and receives no commission from any insurer, the SIS recommendation is not influenced by which insurer would otherwise pay the broker more;
- Where the recommended insurer is not the lowest priced, the reason is set out in writing in the recommendation;
- The strata committee or OC may direct SIS to place the policy with any insurer that has provided a quote, regardless of the SIS recommendation.

## 7.3 Broker fee

- The SIS broker fee is provided to the strata committee in writing in advance and disclosed in the Quotation renewal documentation.
- The fee is itemised separately on the invoice from insurer charges and statutory levies;
- Premium-funding arrangements, where used, are disclosed including the funder's charges;

## 7.4 Timing

Strata insurance markets often finalise their quotations late in the renewal cycle. The Placement Standard is calibrated to the realities of the market: SIS will commence market testing no later than 60 days before renewal where the insurer panel allows, will issue the renewal recommendation as soon as the market response is sufficiently complete, and will support continuity of cover by binding interim cover or seeking a short-term extension where a recommendation cannot be issued before expiry without compromising market choice.

## 8. STANDING COMMITMENT ON COMMISSIONS AND UNDISCLOSED BENEFITS

SIS makes the following commitments:

1. SIS will not enter into any agreement with any insurer or premium funder under which SIS is paid commission, brokerage, override, volume rebate, profit share, contingent commission, marketing allowance, referral fee or any other monetary benefit referable to the placement of OC business.
2. Where an insurer or premium funder pays a benefit of that kind in error, SIS will identify the payment, return it to the payer or rebate it to the affected OCs, and record the matter in the Breaches Register.
3. The fee-only commitment will not be varied without the approval of the SIS board, the Netstrata board, and a 90-day written notice to clients with the right to terminate the SIS engagement before any change takes effect.

## 9. CLAIMS HANDLING INDEPENDENCE

SIS recognises that the relationship between a broker and an insurer can become contentious when a difficult claim is in dispute, and that the OC must have confidence the broker's loyalty in those moments runs to the OC.

- SIS claims handlers are not remunerated, in whole or in part, by reference to claims outcomes that are favourable to the insurer;

- The OC may, at any time and at its own cost, engage an independent loss assessor or solicitor. SIS will cooperate with that engagement and share its file in accordance with applicable privacy law;
- Disputed claims may be escalated to the Australian Financial Complaints Authority (AFCA) and SIS will support the OC in lodging any AFCA complaint.

## 10. THE OWNERS CORPORATION'S RIGHTS

Adoption of this Policy does not extinguish or limit any right the OC has under law. In particular, the OC:

- May at any time, by resolution at general meeting, vary or revoke the standing authority for SIS to act as the scheme's insurance broker;
- May obtain quotations from any other broker;
- May lodge a complaint with the SIS Responsible Manager, the SIS Compliance Officer, the Netstrata Compliance Officer, IBCCC, NSW Fair Trading or AFCA, depending on the nature of the complaint;
- May rely on the disclosures in this Policy and the Section 60 AGM Disclosure and is entitled to assume those disclosures are complete and accurate.

### If something looks wrong

If a member of the OC believes that a fee or benefit has not been disclosed, that the market has not been genuinely tested, that the fee-only commitment has been departed from, or that a claim is not being handled fairly, the matter should be raised in writing with the SIS Responsible Manager ([info@stratais.com.au](mailto:info@stratais.com.au)). All such matters are escalated to the SIS Compliance Officer, and where applicable, the Netstrata Compliance Officer and reported to the Netstrata Board.

## 11. GOVERNANCE, COMPLAINTS AND REVIEW

### 11.1 Governance

Compliance with this Policy is overseen by the SIS Responsible Manager, who reports to the SIS board and, on a quarterly basis, to the Netstrata Compliance Officer. Material breaches are reported to the SIS board and, where applicable, the Netstrata Board within ten (10) business days. The fee-only commitment is reported on each quarter, including any insurer-paid amount returned or rebated under section 8(2).

**Training.** All SIS employees undertake training on the Insurance Brokers Code of Practice upon commencement with SIS and complete an annual refresher. SIS employees are required to complete an annual attestation confirming they acknowledge and comply with the Code. SIS also requires Netstrata employees to undertake all conflicts of interest training that SIS reasonably directs under the Distributor Agreement between SIS and Netstrata. Netstrata employees complete conflicts of interest training as part of their induction programme and are required to complete an annual attestation on the Netstrata Group Conflicts of Interest Policy.

**Conflicts of Interest Register.** The SIS Responsible Manager reviews the Conflicts of Interest Register on a quarterly basis. The results of each quarterly review are reported to the SIS and Netstrata Compliance Officers. Any entry in the register that reflects an unmanaged or escalating conflict is reported to the SIS Board, and Netstrata Board where applicable within ten (10) business days of identification.

## 11.2 Complaints

Complaints about a conflict of interest may be made to:

- The SIS Responsible Manager — [info@stratais.com.au](mailto:info@stratais.com.au);
- The Netstrata Compliance Officer — [admin@netstrata.com.au](mailto:admin@netstrata.com.au);
- Insurance Brokers Code Compliance Committee (IBCCC);
- NSW Fair Trading;
- The Australian Financial Complaints Authority (AFCA) — for disputes about a financial service.

## 11.3 Review

This Policy is reviewed annually and earlier where there is a material change in legislation, regulation, conflicts of interest, the SIS or Netstrata Group structure, or the SIS risk profile. Amendments are to be approved by the SIS board.