

Memo

To: Owners Corporation Members

From: Rupert Cullen, CEO, Vantage Strata

Subject: Vantage Strata – ABC Four Corners investigation

Date: 12 September 2024

Issued via BuildingLink portal and website

This week ABC's Four Corners program aired a serious investigation into conduct in the strata industry that allegedly exploits property owners. The report echoed many of our sentiments at Vantage Strata, namely that increased regulation, transparency and numerous reforms need to occur in the strata sector. This need is amplified by the forecast that Australians will increasingly own and reside in strata titled properties as our nation's population grows. We have written and contributed to many government submissions and public calls to this end over the years, as recently as last month.

The Four Corners report focused on essential business-to-business services that strata companies are responsible for arranging on behalf of owners corporations including insurance, essential services, fire prevention, and generally maintaining and repairing the common property. It highlighted conflicts of interest and commercial kickbacks, overcharging of owners and mismanagement.

With a spotlight on our industry in the aftermath of the report, we are writing to you to restate Vantage Strata's approach to insurance, arranging essential services for our clients, as well as to clarify our partnerships and processes with adjacent service providers.

We are a premium service provider and our business is structured so that we are profitable based on the delivery of our core services of strata, facilities and building management. This means that we do not provide artificial discounted fees for primary services which we make up in other indirect or conflicted revenue streams.

Vantage Strata's approach to partnering with insurance broker

As is legal and standard practice across the industry, Vantage Strata does share in the commission and fees earned by our partner brokers, and we are required to disclose this benefit in our agency agreement, which we do. We recognise the potential for conflicts to arise in relation to insurance, and we appreciate that regardless of the legality of such arrangements, some of our clients will find insurance commission arrangements problematic. We have several clients who elect to use a third party broker, from whom we do not earn a commission, which they are free to do.

Our preferred brokerage firm is Honan Insurance Group which is wholly owned by Marsh McLennan. For the avoidance of doubt, we can confirm Honan does not have any connection with Steadfast Group, which was revealed as being the parent company which owns several insurance brokerages, while also being the owner of CHU, which is a major provider of strata insurance products in Australia.

Whilst Honan does have some commercial interest in underwriting agencies that do offer insurance products, none of these products are for strata insurance offerings.

Furthermore, Honan Insurance Group does not have an interest in any remediation, repairs or maintenance companies.

Whilst many of our clients will undoubtedly have building insurance coverage with CHU, we can confirm that Honan Insurance Group or its parent company would not gain any additional benefit by recommending CHU as an insurer. It should be noted that CHU is the dominant insurer for strata buildings within Australia, and it is therefore unremarkable to find that CHU is the insurer for many of our clients. In fact, CHU is one of 4 underwriters / insurers that collectively make up approximately 90% of the strata insurance market share (CHU / SCI / CHUBB / SUU).

In partnering with Honan Insurance Group as our preferred broker, Vantage Strata goes beyond the disclosure obligations required by law by proactively referencing the insurance commissions arrangements on the agenda for every AGM that we hold with owners corporations. We have done this for many years, despite there being no obligation to do so.

Further, earlier this year we adopted the Strata Community of Australia's (SCA) best practice disclosure guide for insurance renewals, and we were also involved in its development, recognising the need for greater transparency across the industry.

This level of disclosure is a mandatory requirement for all SCA members, while there are no similar disclosure obligations for non-SCA members. We have been strong advocates for enhanced disclosure obligations for many years, through our leadership role in the community and as part of SCA. A public example of this advocacy can be seen in the below recent article:

- [Should the ACT appoint a strata commissioner? | Riotact \(the-riotact.com\)](#)

To ensure further transparency, Vantage Strata developed a clear explanatory document describing the nature of our relationship with our partner brokers, and we have set out how the insurance revenue we earn is arrived at. We have taken this a step further by publicly publishing this information on our website, which we have done for some time. These can be viewed here:

- <https://vantagestrata.com.au/wp-content/uploads/2024/05/Insurance-Renewal-Disclosure-Example.pdf>
- <https://vantagestrata.com.au/wp-content/uploads/2024/05/How-Strata-Insurance-Commission-Works.pdf>

Vantage Strata's approach to arranging services for our clients

With the exception of shared revenue from the placement of insurance, explained above, Vantage Strata does not receive any other commercial benefit, payment, kickback or commissions from any service providers that we engage on behalf of our clients. Vantage Strata implemented a process in 2021, whereby we required any suppliers or trades wanting to provide gifts to our business or members of the team, to instead convert that gift to a financial donation to the charities we support, being:

- Menslink - [Home - Menslink](#)
- Love Your Sister - [Welcome to Love Your Sister - Australia's Home of Cancer Vanquishment!](#)

This request is reiterated to suppliers and trades annually. We also have not and do not own shares in companies that we use for the delivery of services, aside from our common ownership in Taylr Services as discussed further.

Our company has a [clear conflict of interest policy](#) that has been in place for a number of years, and which is publicly available via our website, is acknowledged and adhered to by all staff as a condition of their employment.

Vantage Strata's approach to appointing consultants

All strata companies rely on consultants for compliance reporting, sinking fund forecasts, maintenance plans and insurance valuations et al. Our process for engaging a consultancy firm is based on reputation, expertise, and the value provided by the consultants who tender for the work. Vantage Strata engages consulting professionals who provide the service directly to the Units Plan, for which we receive no commercial or personal benefit. Further, Vantage Strata does not sell consultation services for mandatory reports. We have no commercial interests in any consulting firms.

Vantage Strata and Taylr Services

Vantage Strata has three director-shareholders who also directors and shareholders in a resident services solution and parcel locker provider called Taylr Services - see this video for more information [Taylr Explained](#) or [Taylr – A more convenient way to live](#). For the most part, Taylr's clients are individual tenants and owners who live in strata buildings who have the discretion to opt into services, such as replacing batteries in smoke detectors within their units.

Vantage Strata does not receive any commissions, kickbacks, gifts or benefits from Taylr.

Taylr's provision of parcel lockers, located in common areas, is provided to owner's corporations in return for a licence fee paid for by the corporation. Taylr discloses that there is a common shareholding between it and Vantage Strata in each of its licence agreements, and this disclosure is both prominent and placed towards the front of the agreement. Whenever a motion is presented to the Owners Corporation to enter into a licence agreement with Taylr, the motion includes a clear secretarial note also pointing out the common ownership between Taylr and Vantage.

What next?

We are encouraged and hopeful that the Four Corners program will bring necessary change to parts of our industry and level the playing field. Thank you for taking the time read this memo and for your continued trust and support in Vantage Strata. As always, we remain committed to, and guided by our company values of leadership, authenticity and connection.

Yours Sincerely



Rupert Cullen

Chief Executive Officer