

2 December 2024

Market Announcements Office  
ASX Limited  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir

**Steadfast Group provides an update on the internal review of its large specialist strata broker and underwriting agency subsidiaries**

Please find attached a market release.

This announcement is authorised by the Steadfast Disclosure Committee.

All queries in relation to this announcement should be directed to:

Shalome Rüter  
Steadfast Group Limited  
EGM – Investor Relations and ESG  
0404 811 847

Yours faithfully



Duncan Ramsay  
Company Secretary

**Steadfast Group Limited**

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## Market Release

2 December 2024

### **Steadfast Group provides an update on the internal review of its large specialist strata broker and underwriting agency subsidiaries**

At the Steadfast Group 2024 Annual General Meeting on 1 November 2024, the Chair outlined an ongoing internal review of Steadfast's large specialist strata broker and underwriting agency subsidiaries, including the update of its minimum standards on strata insurance business practices ("Operating Expectations").

This update is in response to queries from investors on the progress and results of the internal review.

In addition to undertaking the internal review, Steadfast asked John Trowbridge to independently review the work done by Steadfast and the proposed Operating Expectations.

Attached for the market's information is his summary report, "Review of Steadfast's Strata Insurance Practices".

The independent report from Mr Trowbridge comments generally on strata business practices in the large specialist Steadfast insurance broker and underwriting agency subsidiaries. It also comments specifically on the Steadfast operating model and the proposed Operating Expectations and provides his findings.

The internal review is ongoing, specifically in relation to implementing enhanced disclosures to meet reasonable consumer expectations through the adoption of the final Operating Expectations.

The internal review has, to date, not found any evidence of:

- channeling of incentives between Steadfast - related entities; or
- deliberate actions or inactions relating to non – compliance with regulatory or legislative obligations

This announcement is authorised by the Steadfast Disclosure Committee.

For more information, please contact:

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Steadfast Group, established in 1996, operates international general insurance broking and agency networks located across Australia, New Zealand, Singapore and the United States of America. Steadfast provides products and services to support the broking and agency networks businesses. Steadfast also operates as a co-owner through its equity interests in a number of broker businesses, underwriting agencies (also known as managing general agencies) and other complementary businesses. Steadfast also owns a portfolio of 29 underwriting agencies, and has a 60% equity stake in UnisonSteadfast, a global general insurance broker referral network with 294 brokers in 110 countries. Steadfast is also a licensed Lloyd's of London broker.

Steadfast Group ranks 17th in Best's Review's Top Global Insurance Brokers ranking.

For further information, please visit [investor.steadfast.com.au](http://investor.steadfast.com.au)

25 November 2024

Mr Robert Kelly AM  
Managing Director and CEO  
Steadfast Group  
Level 4  
99 Bathurst St  
Sydney NSW 2000

Dear Robert

## **Review of Steadfast's Strata Insurance Practices**

### **1. Background**

You have informed me that Steadfast is conducting a review of its strata insurance businesses with the aim of being able to ensure that these businesses are acting ethically and competitively in the best interests of the owners' corporations who are their customers.

Steadfast has a Broker Code of Conduct that applies to all Steadfast-owned brokers and also to all Steadfast Network brokers. This code "*clearly and emphatically focuses on the best interests of network brokers' clients*" and is now being extended by means of a documented set of **Operating Expectations** for strata brokers and underwriting agencies. They are aimed at overcoming where possible any perceived shortcomings in the practices of Steadfast strata insurance subsidiaries, with particular reference to some opaqueness of existing practices via improved disclosures and transparency.

You have asked me to review the Operating Expectations, specifically confirming my views on whether they sufficiently enable transparency of fair remuneration and minimisation of conflicts of interest and possible anti-competitive activities. You have also asked me to review and confirm whether there are any indications of preferential placements by Steadfast Brokers with Steadfast Underwriting Agencies.

### **2. The Steadfast operating model**

Operating entities within Steadfast are all subsidiaries of the Group's holding company. They are partly or wholly owned and they operate independently of each other as part of a decentralised corporate model.

Steadfast has always operated this way, relying on each entity's independence to operate effectively and minimising conflicts of interest across the broking and underwriting industries. This method of operating is fundamental to Steadfast's ability to arrange for its subsidiaries to compete in their respective markets including competing with each other. Accordingly Steadfast has generally concentrated on ensuring sound governance and compliance with its own Broker Code of Conduct and a range of operating guidelines rather than exercising operational control over the subsidiaries.

Concerns about strata insurance raised in a September ABC Four Corners episode, including questions about the integrity of some individual entities, have led Steadfast to take various steps to ensure that its decentralised model is working effectively. The first initiative was to undertake an internal operational review of the Steadfast-owned brokers that specialise in strata insurance, of which there are six, and underwriting agencies, of which there are five, as a prelude to documenting the Operational Expectations.

### **3. Status of the Operating Expectations**

The initial version of the Operating Expectations has been finalised, in consultation with the Steadfast subsidiaries. I am informed that the subsidiaries are currently preparing to implement them and that each one has a plan to introduce the disclosure components by the end of this calendar year 2024.

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The next step will be for Steadfast to review whether each such entity is meeting the full intent of the Operating Expectations. All other Steadfast related entities, being all other broker subsidiaries and all Network brokers, will be introduced to them and required to meet them during the first half of 2025.

#### **4. Evaluating the Operating Expectations**

To preserve the Steadfast decentralised model, the Operating Expectations must have substance but not be too prescriptive, with responsibility being placed on each subsidiary to meet them in the letter and the spirit.

The Operating Expectations begin with a commitment to “transparent disclosure of remuneration and potential conflicts of interest ... to help ensure steps are taken to deliver to reasonable customer standards...” and they supplement, as in the Broker Code, a focus on the best interests of customers.

I have examined the Operating Expectations, including proposing some amendments that Steadfast has accepted, and considered how far they support this commitment.

##### **Findings - Brokers**

###### ***Transparency and Disclosure***

The Operating Expectations should carry brokers a long way along the transparency track. In my opinion, if implemented in an effective and timely manner, the Operating Expectations will represent an important step forward towards comprehensive disclosure to owners’ corporations as part of the overall objective of meeting reasonable customer expectations and customers’ best interests.

They also have potential spin-offs for strata managers and owners’ corporations in understanding and dealing with insurance matters, especially if brokers are able to ensure through their strata managers that the disclosures to their owners’ corporations are transparent and timely.

###### ***Conflicts of interest***

The Operating Expectations emphasise that there are to be no incentives between Steadfast subsidiaries, including Authorised Representatives and Distributors, or the Steadfast Group to encourage or influence business placements with any other Steadfast-related entity. Regarding the question of *preferential placements from Steadfast brokers to Steadfast underwriting agencies*, I have seen no evidence that such preferences exist.

In summary, I believe that there are no conflicts of interest for any of the six Steadfast brokers either upstream (to underwriting agencies) or sideways (to other brokers).

The *sharing of commissions* (where received) and broker fees between strata managers and brokers is a widespread practice across the industry. It is one that, as I have stated previously, is a conflict of interest for both brokers and strata managers and that I believe should be phased out. Steadfast and its brokers, however, in acknowledging this proposition, believe that these conflicts are manageable and will be assisted in future by the extended disclosures in the Operating Expectations.

###### ***Customer choice***

Customer choice of broker is enhanced under the Operating Expectations. They provide explicitly for any incentives that limit choice to be reviewed and, if appropriate, modified or removed to help ensure remuneration transparency and customer choice of broker.

Customer choice of underwriter has always applied to brokers. They act as agents for the insured (the owners’ corporation), not the insurer, and are subject to legislation and regulation administered by ASIC.

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## Findings - Underwriting agencies

### *Transparency and disclosure*

Commercial practice in dealings between strata underwriting agencies and brokers dictate full disclosure to the broker of premium components and commissions where they apply. The Operating Expectations serve to emphasise the importance of these practices.

### *Conflicts of interest*

I have found no evidence to suggest that any of the Steadfast underwriting agencies have colluded with each other or otherwise acted in any manner suggesting conflicts of interest, anti-competitive behaviour or other than open market competitive pricing and underwriting, whether dealing with Steadfast related brokers or others. Furthermore, Steadfast's support in extending market capacity in recent times is contributing towards increasing not diminishing choice, competition and availability of strata insurance.

## 5. Reliances and limitations

I have relied on two sources of information for this Review. The first is the knowledge and understanding I have accrued from investigations of these markets over the last 3 years. The other is a range of written and verbal communication from Steadfast and its specialist strata insurance subsidiaries for the specific purpose of this Review.

The scope and the substance of the Review have been limited by a short timeframe available for its preparation. To the best of my knowledge, the findings are based on information which I believe to be sufficiently comprehensive and credible for the purposes of the review but I make no representations as to the accuracy or completeness of the information.

### *Independence*

All conclusions and findings are my own and are independent of the SCA, NIBA and the Steadfast Group.

While Steadfast has facilitated access for me to information from the Group and its strata subsidiaries, it has been meticulous in supporting my independence throughout this Review.

Yours sincerely

*John*

John Trowbridge

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### *Disclaimer*

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