

23 August 2021

Ms Michelle Scott.

Office of the Commissioner for Body Corporate and Community Management  
GPO Box 1049  
BRISBANE QLD 4001  
by email: [bccm@justice.qld.gov.au](mailto:bccm@justice.qld.gov.au)

**Re: NQ & Townsville Strata Insurance 2021 Crisis Alert**

Dear Commissioner

Thank you for your letter of the 18<sup>th</sup> of June 2021. Please find our response herewith. Doing nothing is the wrong option if the North Queensland (NQ) strata insurance crisis is to be rectified. We wish to work with our BCCM<sup>1</sup> to resolve this NQ community crisis.

We implore our BCCM to lead this strata market fix by utilising your Public Service Code of Conduct and Public Service Values (PSCV)<sup>2</sup> skill sets to enable the damaged NQ strata economy and community to prosper.

**Your letter – Our understanding:**

1. It is comforting to know that you are now aware of the 21 NQ strata insurance failures we believe are induced by the 15 BCCM insurance regulations that we reported to you.
2. You reported the BCCM have recently processed 32 strata insurance breach<sup>3</sup> claims, which infers there might be more? These 32 Alternative Insurance PD-28<sup>4</sup> applications, we believe, indicate the NQ strata insurance market is experiencing changing circumstances. Do you agree?
3. Consider the following developments in NQ strata.
  - a. More than 32 PD-28's strata insurance breach applications have been submitted to the BCCM.
  - b. The BCCM "Common Ground" publication report 625 schemes, (15,975 lots) have left the Queensland community titles economy in 2020.
  - c. Townsville LGA reports an 87% decline in new apartment build applications since 2014 (Cairns 64%)
  - d. The ACCC<sup>5</sup> report for 2019 shows a 30% decline in new strata building insurance policies in Northern Australia (NA).

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<sup>1</sup> BCCM - Queensland Body Corporate Community Management

<sup>2</sup> PSCV Appendix-A Queensland Public Service Values & Appendix-B Queensland Public Service Code of Conduct.

<sup>3</sup> BCCM - Accommodation Module - Insurance Regulation [188]

<sup>4</sup> PD-28 -Appendix-C: BCCM Practice Direction 28 Approval of Alternative Insurance for regulation [188.4] breaches.

<sup>5</sup> ACCC - Australian competition and Consumer Commission – Northern Australia Insurance Inquiry 2020 final report

- e. The Federal government commissioned an 2017 NA insurance inquiry and a 2021 Cyclone reinsurance taskforce to address home and strata insurance affordability needs in NQ.
  - f. Our BCCM has the largest collection of consumer provided evidence of strata insurance compliance failures in Australia.
4. Is there a problem? If so who can rectify this situation?
5. **Practice Direction-28:** Could approving volumes of PD-28 be devaluing and damaging the \$27 billion dollar NQ strata economy? The PD-28 as we read is written for title owner protections alone and is unbalanced in having no strata consumer protections included. We see the PD-28 outcomes rewarding the insurance suppliers and economically damaging to the strata insured. We believe this PD-28 designed outcome is wrong. We trust you agree and can offer legislative solutions on how to address what really matters here.
6. The volume of strata PD-28 Alternative Insurance applications must be now alarming the BCCM that something is very wrong with the current strata insured status of NQ.
7. **Systemic failure:** From our observations of the above, we detect all is not well in NQ strata insurance. We see a systemic market failure forming on your watch. Do you agree? If there are no PD-28 applications, then our strata insurance market would be deemed to be functioning well. Could these BCCM PD-28's become a 'canary in the cage' warning system? Who is listening?
- a. Therefore, if a **systemic** strata insurance crisis is forming, how does the BCCM report it to our NQ Members of Parliament that their NQ strata insured have a problem? Would our MP's get a proactive or a reactive market condition warning?
8. **Framework:** The BCCM strata advocacy does not exist because of the legislative "Dispute Resolution" framework which can suppresses any BCCM innovation and problem-solving talents. The BCCM Act 1997 Secondary Objects could allow such talents to exist, but the BCCM may have chosen not to activate this facet of approved legislative support.
9. **Legislative Change-1 - Cyclone:** The BCCM advise it has no legislative power to change the strata cyclone and flood regulations. We are surprised and believe your advice here may be incorrect. Could you revisit your letter cyclone and flood claim and validate that flood and cyclone like theft are not BCCM prescribed or legislated as insurable events. Which if the case, makes them an optional insurance product and therefore qualify such as an AGM consumer choice decision alone to activate.
10. The "**Rockhampton Line**", The BCCM did not disclose if it exists and who allowed this strata insurance dividing line to be created in Queensland strata? Should the BCCM discover such a line, it may be deemed to be a root cause contributor of the NQ insurance crisis. This divisional line enables strata insurance post code premiums discrimination to occur. This then distorts and denies the market ability to provide equal affordable strata insurance in Queensland for all. Such post code community segregation, you must agree defeats the purpose of home insurance principles in the first place.
11. **Federal Responsibility:** You advise that our strata insurance regulations are a federal responsibility. Please see attached<sup>6</sup> and correct us accordingly if we wrongly believe that our NQ strata insurance predicament is solely the BCCM responsibility to fix?

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<sup>6</sup> TSV.LOG Observation-19 Queensland Strata Insurance History 101/.

12. **ACCC 2020 Insurance Inquiry failure:** In May we shared our ACCC inquiry review with our BCCM, highlighting many failings of the ACCC inquiry. The ACCC report presents our BCCM as the most significant stakeholder in the Northern Australia strata insurance market. The BCCM controls 6,610 strata insurance policies, some 70% of the Northern Australian strata market. We believed the BCCM would have conducted a review of the ACCC inquiry and concluded similar to our findings. The BCCM's regulated 90,000 NQ strata residents remain curious to when our responsible BCCM will publish its regulatory review of what the BCCM learned from the ACCC report and its consequences for the NQ strata insured and the NQ strata economy.
13. **Legislative Change-2:** BCCM advises it cannot invoke legislative change to fix the insurance regulations problems we've identified, as this would require increasing involvement to do so. That being said, we cannot forget the fact that these insurance regulations issues are of the BCCM making and we believe the BCCM must deliver these regulations with some duty and responsibility for the benefit of the NQ strata community. Your letter stipulates bodies corporates to understand their insurance obligations. But our BCCM might not have been proactive here in ascertaining if the BCCM regulated bodies corporate committees are indeed insurance discerning and capable of enforcing your regulations on the insurance suppliers. Has the BCCM legislated edict of providing bodies corporate with **education** and **training** ever been audited to see if these legislated BCCM programs are actually working?
14. Your letter advises the BCCM role is to only provide a legislative "disputes resolution service". Which infers our NQ strata insurance crisis is not a concern for the BCCM. Whereas the approved Secondary Objects provision of the Act and your PSCV skill sets of "know your customers", "deliver what matters" and "challenge the norm and suggest solutions" if activated by our BCCM could deliver solutions to address this community problem in the spirit of delivering good government?
15. Finally – we thank you for advising that the Queensland Government will be consulting with NQ business and community on a response to the ACCC reinsurance pool recommendation. Did our BCCM make a submission to the Federal Treasury Cyclone Reinsurance Pool Taskforce on behalf of your regulated 6610 NQ strata communities as requested? We are disappointed you cannot meet with us in NQ as you advise it is inappropriate at this time.

**Our perception,**

16. We wish to bring your attention to the fact that a NQ strata insurance crisis exists. It is a Queensland problem, a NQ economic problem, a home problem, a political problem, and a public service problem that someone needs to fix after ten years of reported abuse and neglect.
17. We are trying to align this strata community need with your Public Service values in a mutual attempt to solve this decade long strata insurance affordability crisis.
18. The numerous federal government insurance inquiries of 2011, 2012, 2015 and 2017-2019 have all proved that all NQ Strata insurance premium pricings based on natural disasters models and predictions were wrong. That the NQ strata community has wrongly paid for in advance for such in "trust" whilst our BCCM and ACCC regulators have remained NQ strata consumer mute for the entire period. Neither regulator is sure whose job it is to fix the problem. For example, we ask, today, who from Queensland government is monitoring the NQ strata insurance market premium pricing economy?

### Problem Solving?

19. First step to problem solving is to determine if there is a problem. Then determine who owns this problem? We believe we need our BCCM to own the NQ strata insured problem as is best positioned and resourced to solve the problem. The problem we believe is root caused by time proven poor insurance regulation design.
20. Because we cannot meet with you, please find our continuing offer to help and provide Townsville strata community feedback and information on the pain and poor value the NQ strata insured endure.
21. We can contribute strata consumer data and ideas. We trust you can creatively contribute your PSCV toolbox skill sets and rectify the NQ strata crisis with your leadership and innovation.
22. Consider a mutual goal to solve the crisis as defined as ***“Why cannot North Queensland Strata have equal insurance”?*** *the same as Southeast Queensland!*
  - a. *Why are the 6,610 NQ strata communities not having access to the same home insurance value equal to that what the 42,000 South East Queensland strata communities are paying?*
  - b. *The ACCC report the NQ strata building risks have not changed over the decade, but the NQ premium pricing has surged! Why? Please be careful when looking at insurance loss claims that they do not merge, and mix “regulated” strata insurance claims with “unregulated” home house insurance claims reporting.*
23. We believe the following suggestions may help you solve this NQ strata problem.
  - a. The first step would be to discover what is the root cause for all the PD-28 applications?
  - b. BCCM open an office in Townsville to get closer to your NQ strata customer problems.
  - c. Determine if the PD-28 production is condoning and therefore stimulating aggressive insurance market gouging supply behaviours.
  - d. BCCM forensically scrutinise all PD-28 applications for BCCM regulations non-compliance, non-prescribed and insurance “third line forcing” products, contaminations, distortions and fit for purpose terms and conditions. *Our study indicates the majority of Townsville Strata Insured policies are not compliant with the BCCM regulations.* Could our BCCM be legislatively and responsibly amiss in its role of being the strata insurance regulator if found not to be actively auditing its own regulations.?
  - e. BCCM conduct consumer audits on strata insurance procurement compliance. Discover if the BCCM prescribed three insurance regulations<sup>7</sup> [187]+[188]+192] are working and if such are compliant. And discover if the post code segregation and the unfit for service insurance products are damaging your and our Queensland economy? This really matters!
  - f. Then change the market with updated regulations to replace those defective regulations that caused the crisis.
24. We read, the Queensland Government Insurance Fund (QGIF) scheme became operative on 1 July 2001 and was established within the general Government sector. Queensland Treasury administers the fund with agencies paying premiums to the fund and any claim met from this fund. The cover provided by QGIF includes general liability, property losses and medical indemnity. Could our BCCM strata community join this fund?

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<sup>7</sup> BCCM Accommodation Module prescribed insurance regulations

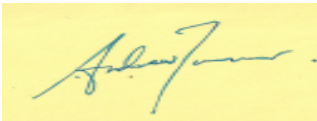
**25.** Working together with our BCCM, we can alert our members of parliament that there is indeed an insurance crisis and urgent legislative action is required. This we believe is a duty of all our government employees to identify and repair dysfunctional and damaging legislations that cause harm and distress to the people, in this case the 90,000 strata community residents of North Queensland.

Great achievements all begin with the starting commitment of “I will try”

If our BCCM can resolve the NQ Strata insurance crisis that would become a significant Public Servant good work administration success benefiting North Queensland communities and the entire Queensland economy.

Thanking you in anticipation of leadership and help.

Yours faithfully

A handwritten signature in blue ink on a yellow rectangular background. The signature appears to read 'Andrew Turnour'.

Andrew Turnour

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## Appendix-A: Queensland Public Service Values

# Queensland Public service values

Our ambition is to be a high performing, **impartial** and productive workforce that puts the **people of Queensland** first.

We are committed to a way of working where:

- leaders and employees **make decisions** based on the values.
- leaders demonstrate the values as role models for employees.
- we prioritise quality, inclusion, diversity, creativity, and collaboration every day.

**Our values:** - These 5 values guide our behaviour and the way we do business:

### Customers first



- **Know your customers.**
- **Deliver what matters.**
- Make decisions with empathy.

### Ideas into action



- **Challenge the norm and suggest solutions.**
- Encourage and embrace new ideas.
- Work across boundaries

### Unleash potential.

## Appendix-B: Queensland Code of Conduct for the Queensland Public Service

### Principle and values

#### 2 Promoting the public good

The *Public Sector Ethics Act 1994* states:

In recognition that the public sector is the mechanism through which the elected representatives deliver programs and services for the benefit of the people of Queensland, public service agencies, public sector entities and public officials -

- a. accept and value their duty to be responsive to both the requirements of government and to the public interest;
- b. accept and value their duty to engage the community in developing and effecting official public sector priorities, policies and decisions;
- c. accept and value their duty to manage public resources effectively, efficiently and economically;
- d. value and seek to achieve excellence in service delivery; and
- e. value and seek to achieve enhanced integration of services to better service clients.

#### 2.2 Ensure appropriate community engagement

Community participation is crucial to the development of quality government planning and decision-making processes.

We have a responsibility, where appropriate and in accordance with our official duties, to:

- a. listen and respond to issues and concerns raised by individuals or communities
- b. consult with the public to assist in the development of public policy, and
- c. assist in raising community awareness about public issues and policies.

## Appendix-C: Practice Direction-28

Office of the Commissioner for Body Corporate and Community Management

### Practice Direction 28

#### Approval of alternative insurance