

Senate Finance and Public Administration References Committee: Lessons to be learned in relation to the Australian bushfire season 2019-20

Suncorp responses to questions taken on notice

Question 1: How much revenue would be foregone if your proposals were adopted for the Commonwealth and states? The Emergency Services Levy in New South Wales funds a substantial proportion of emergency services. What have you to say about the amount of revenue that would be foregone and where do you say that revenue will be recovered?

Response:

Suncorp recognises the importance of fully funded emergency services. The Draft Report from the NSW Review of Federal Financial Relations (published in July 2020) stated that the Emergency Services Levy (ESL) “*is a charge on property insurers at differing amounts each year in order to fund 73.7 per cent of the fire and emergency services budget (\$0.8 billion).*”¹

In recommending the removal of all taxes on insurance, the Draft Report states that revenue from abolished taxes should be replaced with revenue sourced from more efficient and equitable taxes. As the Draft Report notes, a separate fire services property levy to replace the ESL may not be necessary if stamp duty is to be replaced by a broad-based land tax.² The Draft Report also highlights that previous reviews have estimated that the abolition of both ESL and insurance duty in NSW could see as many as one-third of currently uninsured households take up home insurance.³

In 2013 Victoria removed the Fire Services Levy (FSL) from property insurance premiums - replacing it with a Fire Services Property Levy which is charged on property owners and collected by councils.

The overall amount of GST and stamp duty collected from property insurance policies across all jurisdictions is not information that Suncorp has.

Question 2: APRA has written to all of you to advise it's going to begin climate change financial risk vulnerability assessments. Can each of you take me quickly to what vulnerabilities APRA is looking for?

Response:

APRA wrote to all APRA-regulated entities on 24 February 2020 to advise its planned supervisory actions in relation to understanding the financial risks of climate change. Part of this program is a climate change financial risk vulnerability assessment. Per APRA’s letter:

The vulnerability assessment will involve entities estimating the potential physical impacts of a changing climate, including extreme weather events, on their balance sheet, as well as the risks that may arise from the global transition to a low-carbon economy.

On 23 March 2020 APRA advised that it had suspended the majority of its planned policy and supervision initiatives in response to COVID-19 – including the climate change financial risk vulnerability assessment. Suncorp is currently awaiting further advice from APRA on the revised timing of this assessment.

¹ State of New South Wales (NSW Treasury) 2020, NSW Review of Federal Financial Relations Draft Report, page 64

² State of New South Wales (NSW Treasury) 2020, NSW Review of Federal Financial Relations Draft Report, page 72

³ State of New South Wales (NSW Treasury) 2020, NSW Review of Federal Financial Relations Draft Report, page 67

Question 3: At what level are you making decisions in terms of bushfire zones. How big are the areas that you're looking at - or to what extent can you drill down to street by street or property by property?

Response:

Suncorp's bushfire model has several components at different scales of geographical variation which combine to determine our view of bushfire risk for each property. These components include:

- At a regional level: the overall susceptibility to hot, dry days and long term drought conditions, as well as factors which influence the ability of any fire that starts to spread through vegetation and make it to the urban environment (such as topography and continuity of dry fuel).
- At a community or neighbourhood level: the precise arrangement of fuel relative to the urban environment and presence of any barriers to fire spread between the fire and urban environment in question.
- At the individual property level: factors that influence bushfire risk include the location of each property relative to fuel sources, as well as the materials used in the construction and age of the building.

Additional information for the Committee

Climate change

Suncorp notes there was commentary in the hearing about the insurance industry's advocacy on climate change and the actions individual companies are taking.

Climate change is a shared global challenge that needs to be addressed by governments, businesses, and individuals. Suncorp is committed to playing our part in reducing emissions and preparing for the physical and economic impacts of climate change on our business, community, and across our value chain.

Suncorp accepts the international scientific consensus presented by the Intergovernmental Panel on Climate Change. We support the objectives of the Paris Climate Agreement's target to limit global warming to well below a rise of 2°C to minimise the risks that come with changing weather patterns.

Climate change presents strategic and financial risks to our business and communities over the medium and long term, as well as providing significant opportunities for our future.

While we are working on understanding these longer-term impacts through scenario analysis (see below), we know we have a part to play today in helping to limit global warming and building resilience. This includes reducing our own emissions, making decisions that support an orderly transition to a net-zero emissions economy and supporting growth through new and emerging opportunities that have a positive environmental impact for our business and communities.

Suncorp's central framework to manage our response to climate change is the Board-approved Climate Change Action Plan (CCAP), which was first published in April 2018, and guides the maturing of our assessment, management and disclosure of climate change risks and opportunities. Our Climate Change Action Plan is [available here](#)

Climate change scenario analysis

Suncorp has recently undertaken a climate change scenario analysis focused on:

- How the physical risks of climate change may impact business operations, pricing and income over the medium (next ten years) to long term (mid-century) on our residential property insurance and lending portfolios in Australia and infrastructure and property investments in Australia.
- How an economic transition to a net-zero emissions economy of financial markets, consumer markets and the economy may impact our commercial and liability insurance portfolios as well as investment assets for our Australian insurance business, and the business lending portfolios for our Bank, in the short (next three years) to medium term (next ten years).

Key findings from this analysis and how we are managing the risks of climate change to our business will be described in our 2019-20 Climate-related Financial Disclosures (TCFD), which will be published on 21 August 2020. A copy of these disclosures can be provided to the Committee after publication.