

29 January 2021

The Hon Michael Sukkar MP
Minister for Housing and Assistant Treasurer
PO Box 6022
House of Representatives
Parliament House
Canberra ACT 2600
Via email: prebudgetsubs@treasury.gov.au

Dear Assistant Treasurer

Suncorp Group Limited 2021-22 Pre-Budget Submission

Suncorp Group Limited¹ (*Suncorp*) has long argued that we must build more resilient communities through greater disaster mitigation in the face of climate impacts and a growing population settling in exposed regions. We believe the 2021-22 Federal Budget must begin to correct the significant funding imbalance between disaster recovery and disaster mitigation.

Our climate change analysis projects a heightened risk across the different natural perils, including cyclone, flood and fire, pointing to growing Annual Average Loss. It also shows that lower socioeconomic communities are overrepresented in locations at high-risk from natural hazards.

Over the years, Australia has fallen drastically behind the level of investment required, leaving countless communities dangerously exposed. As one of the largest insurers, we see firsthand each year what this has created – widespread destruction, economic disruption over long periods, thousands of families displaced from their homes for months, social and psychological impacts on communities and rising insurance costs. These impacts hinder our economy's ability to enter the post-COVID period in a strong and competitive position.

Building resilience in our most vulnerable regions is one of the smartest investments that governments can make. Suncorp, and the industry more broadly, have commissioned a growing body of research that confirms that effective, well-placed mitigation pays economic dividends over time. We are aware that some projects, such as the Launceston flood levee, have paid for themselves after one weather event.

In addition to the upfront economic injection that targeted resilience projects can deliver, expensive post-disaster activity will reduce and communities will see downward pressure on insurance premiums. Beyond the short and long-term economic benefits, the incidence of suffering and loss of life will reduce and the confidence that comes with living and working in a safer region will grow.

Suncorp urges the government to increase mitigation and resilience funding in the 2021-22 Budget, adopting recommendations from several previous inquiries. Suncorp acknowledges the \$50 million annual allocation in the *Emergency Response Fund Act 2019*, however we have seen little evidence of this funding being spent so far. In any case, further funding is required to start correcting the significant historical imbalance between recovery (97%) and

¹ Suncorp is a listed financial services company with \$96 billion in assets and approximately nine million customers across Australia and New Zealand. In Australia we provide insurance, banking, and superannuation solutions through our network of leading brands, which include Suncorp, AAMI, Apia, GIO, Shannons and Vero.

mitigation/prevention (3%). The Productivity Commission previously recommended a five-fold increase in Federal funding to mitigation.

The importance of mitigation projects and maintaining affordability of insurance is reinforced by new Suncorp commissioned research this month, entitled *Economic Recovery After Disaster Strikes – Volume 2*. The report attached examines three recent natural disasters: the Townsville floods, Black Summer bushfires, and the East Coast hailstorms. Catastrophes of this kind are becoming increasingly common and present a challenge for communities across the country due to the destruction of homes, businesses and infrastructure. The report reiterates how well-chosen infrastructure projects can protect communities in the long-term and kick-start job creation in the short-term.

The 2021-22 Budget should fund the first phase of a National Resilience Plan of risk-reducing projects in vulnerable regions throughout Australia. The east coast of Australia has many communities where investment should be prioritised, particularly in north Queensland which is regularly impacted by cyclones and flooding.

This year's Budget should fund a balanced mix of public and private mitigation measures including:

- The South Rockhampton and Bundaberg East flood levee projects (in partnership with the Queensland Government and local councils).
- Expansion of the Queensland Household Resilience Program (with the Queensland Government) which provides grants for cyclone upgrades.
- Establish similar Household Resilience Programs in conjunction with other state governments and re-focus these programs where necessary to address other natural perils such as flood and bushfire. The Brisbane City Council runs a Flood Resilient Homes Program in the worst flood prone locations of Brisbane.
- A national bushfire mitigation plan which sees better co-ordination and collaboration between agencies. Landholders properly supported to manage their vegetation and Traditional Owners engaged to increase their involvement in land and fire management – as recommended by last year's Royal Commission.

Beyond the first phase of known projects ready to fund, Suncorp acknowledges there are exposed communities throughout Australia that may require detailed planning to identify viable public infrastructure projects that will address their high risk. A National Resilience Plan should assemble a taskforce of engineering, planning, environmental and insurance experts to develop such projects for regions in need. Suncorp notes the Royal Commission also recommended an authoritative advisory body to consolidate advice on strategic policy and operational considerations for Ministers in relation to natural disasters. This body should be established immediately with the Insurance Council of Australia appointed as a member. Populated regions with known flood risk include Western Sydney, northern NSW, Queensland's coast, Newcastle and Hunter Valley, NSW Central Coast, and parts of western NSW and Queensland.

Finally, Suncorp has been a strong voice in highlighting the challenges that people in northern Australia face each year. The final report from the Australian Competition and Consumer Commission's Northern Australia Insurance Inquiry confirms the main driver of the region's higher premiums is the elevated natural peril risk. Greater investment is needed now in natural disaster resilience and mitigation programs to ensure insurance in the north is affordable and sustainable.

We would welcome further discussions on specific measures to be included in the Budget. Please contact Joshua Cooney, Executive Manager, Government, Industry and Public Policy at joshua.cooney@suncorp.com.au or on 0477 391 260.

Yours sincerely



Steve Johnston
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Suncorp Group

