

15 May 2020

To Kobi Maybury  
Adjudication, Mergers & Authorisations Review Division  
Australian Competition & Consumer Commission  
[Kobi.maybury@accc.gov.au](mailto:Kobi.maybury@accc.gov.au)

Dear Mr Maybury

## Suncorp Group Limited's application for authorisation AA1000485 – response to request for update

As you know, we act for Suncorp Group Limited in relation to its application for authorisation AA1000485 (**Application**).

We refer to your letter dated 30 April 2020 requesting an update on the conduct authorised under the interim authorisation that the ACCC granted on 2 April 2020 (**Interim Authorisation**) which enables participating insurers to coordinate and implement relief measures for eligible small and medium-sized businesses (**SME policyholders**) suffering hardship due to the COVID-19 pandemic (the **Conduct**).

We are instructed as to the responses to your questions on behalf of Suncorp and its relevant associated brands (**Suncorp**) as set out below.

## 1 Is the Conduct working as expected?

### 1.1 Conduct implemented

Since 3 April 2020, Suncorp has been implementing the authorised Conduct described in the Interim Authorisation at:

- (a) paragraph 7(a) regarding the offer of premium deferrals of up to six months (**Deferrals Offer**);
- (b) paragraph 7(b) regarding the offer of fee-free cancellations with a refund of unused premiums (**Cancellations Offer**);
- (c) paragraph 7(c) regarding the offer of continuing cover for unoccupied premises with no change to premiums (**Unoccupied Premises Cover Offer**);
- (d) paragraph 7(d) regarding the offer of credits or refunds for any unused travel insurance premium with no administration or cancellation fees applying (**Travel Refunds Offer**); and
- (e) paragraph 7(e) regarding reducing payment times for SME suppliers and contractors involved in servicing claims to no more than 15 business days (**Reduced Payment Times**).

## 1.2 Overview of experience with implementing the Conduct

Suncorp's intention in implementing the authorised Conduct was to provide policyholders with a range of options to choose from to help ease financial hardship arising from COVID-19 in a manner suited to their particular circumstances. In summary, based on data and observations over the period 3 April 2020 to 11 May 2020 (**Period**), we are instructed that the Conduct is working as expected where SME policyholders have elected to take up the relief offered.

Over the Period since the Interim Authorisation was granted, the following aspects of the authorised Conduct have worked as expected:

- a significant proportion of SME policyholders took up the Cancellations Offer;
- Suncorp has received anecdotal feedback that the Unoccupied Premises Cover Offer has provided SME policyholders with peace of mind;
- a significant proportion of travel insurance customers whose upcoming travel plans were affected by COVID-19 took up the Travel Refunds Offer; and
- Suncorp has successfully introduced Reduced Payment Times for its suppliers and contractors involved in servicing claims.

There has been a more limited uptake of the Deferrals Offer during the Period. Given that Suncorp has taken steps to communicate the Conduct relief initiatives to SME policyholders (see section 4 below), Suncorp expects that the lower rate of uptake of the Deferrals Offer is likely to reflect a number of factors, outlined in section 1.3(b).

Each element of the Conduct is discussed in more detail below.

## 1.3 Initiatives available only to eligible SME policyholders

To assist eligible SME policyholders, Suncorp has implemented the Cancellations Offer, Deferrals Offer and Unoccupied Premises Cover Offer.

### (a) Cancellations Offer

A significant number of Suncorp's SME policyholders have taken up the Cancellations Offer and have received or will receive refunds for unused premiums without incurring any administration or cancellation fees. This take-up occurred over the entire Period but Suncorp observed a particularly large number of SME policyholders taking up the Cancellation Offer very soon after it was made available following Interim Authorisation.

Cancellation rates among eligible Suncorp SME policyholders over the Period were [REDACTED] for AAMI and [REDACTED] for GIO, which [REDACTED]

### (b) Deferrals Offer

The limited uptake of this offer by Suncorp's SME policyholders to date may reflect:

- a preference among worst-hit policyholders towards cancellations rather than deferrals, particularly in the early part of the Period, when the most severe social distancing restrictions were in place and the public health and economic forecasts were more negative. This may explain the high uptake of the Cancellations Offer over the Deferrals Offer;

- the fact that April is a relatively quiet month for renewals across Suncorp's SME insurance book. By contrast, for example, around one-third of Suncorp's intermediated SME commercial insurance policies are due for renewal by 30 June 2020.

In the Application at section 1.2, the Participating Insurers sought authorisation "for conduct the effects of which may extend to 31 December 2020, by means of arrangements or understandings in place up to and including 30 June 2020". In relation to the Deferrals Offer, this means that, subject to continuing interim authorisation or the grant of final authorisation, SME policyholders in this larger cohort will be able to defer premiums for their policy renewals up to 30 June 2020;

- the public health impact of COVID-19 in Australia being more limited than initially anticipated and when compared to the overseas experience. Accordingly, as restrictions have gradually begun to ease, SME policyholders may have reduced need for the Deferrals Offer;
- that since the Interim Authorisation was granted:
  - a range of Federal and State government assistance measures have been announced and implemented, including the JobKeeper program and industry support packages; and
  - other parts of the private sector (including in the insurance industry) have implemented other relief measures – for example, access to premium financing, or payment deferrals available from other suppliers,

providing alternative forms of relief that have enabled Suncorp's SME policyholders to continue to prioritise continuing insurance cover; and

- Suncorp offering tailored discounts on premiums to meet the needs of individual policyholders under its hardship policies. These discounts are separate to the Conduct under the Interim Authorisation.

(c) **Unoccupied Premises Cover Offer**

Suncorp has provided the Unoccupied Premises Cover Offer in accordance with the Interim Authorisation as expected. It has received anecdotal feedback through brokers and its customer call centre to the effect that the Unoccupied Premises Cover Offer has provided greater peace of mind to SME policyholders by providing continuing their insurance cover with no increase to premiums.

## 1.4 Travel Refunds Offer and Payment Times

(a) **Travel Refunds Offer**

As at 12 May 2020, Suncorp had provided or agreed to provide full refunds for all travel insurance policies cancelled under the Travel Refunds Offer. For future travel booked for May 2020 to December 2020, Suncorp has already provided refunds to █████ of policyholders.

To date, Suncorp has observed that customers often wait to cancel their policy until the week or two before their intended travel date. Accordingly, Suncorp continues to receive a steady stream of cancellation requests. Suncorp is also proactively contacting customers with upcoming departure dates to offer Travel Refunds if customers cannot travel due to COVID-19 restrictions (subject to customers making cancellation claims under the policies where applicable).

(b) **Reduced Payment Times**

Suncorp has also implemented the Reduced Payment Times initiative in accordance with the Interim Authorisation as expected. We are instructed that in most cases, payments have been approved on the same day that Suncorp receives the supplier or contractor's tax invoice.

**2 Is the Conduct taking place as described in the application and the interim authorisation decision?**

Yes. Suncorp is offering the initiatives described in Section 1.1 above, consistent with its Application and the Interim Authorisation.

As foreshadowed in paragraph 2(b) of our email dated 8 April 2020 regarding Suncorp's communications about the Conduct under the Interim Authorisation (**Communications Update**), Suncorp has also notified its brokers that the ACCC requires any insurer or insurance broker wanting to offer the relief measures under the Interim Authorisation to first notify the ACCC.

**3 Are there any particular benefits or detriments that the Conduct is resulting in?**

**3.1 Benefits**

Based on the information set out above, Suncorp considers that the Conduct is resulting in the following benefits, which are consistent with the expected benefits outlined in section 4 of the Application:

- providing SME policyholders suffering financial hardship with the flexibility to choose from a range of relief options depending on their particular circumstances, enabling them to:
  - adapt to the evolving economic impact of COVID-19; and
  - remain viable and continue to employ their workers;
- enabling SME policyholders who take up the Cancellations Offer; Deferrals Offer, or Unoccupied Premises Cover Offer to reallocate premium expenses to other business needs;
- providing peace of mind to SME policyholders who enjoy continuing cover on unoccupied premises, in circumstances that would otherwise limit their cover or result in higher premiums;
- limiting the unnecessary cancellation of cover;
- in relation to the Travel Refunds Offer, enabling all travel insurance policyholders who can no longer travel as planned due to COVID-19 to:
  - in the case of a cancellation and refund, reallocate unused premiums to other household or business needs; or
  - in the case of a credit, apply unused premiums to any travel insurance required for future personal or business travel, and avoid the need for additional expenditure up to the value of a credit; and
- under the Payment Times initiative, assisting to stimulate the economy by providing prompt payments to suppliers and contractors involved in servicing claims for Suncorp.

Despite some improvements in the public health and economic outlook since the Interim Authorisation was granted, SME policyholders in industries that are worst-affected by public health restrictions (e.g. businesses in hospitality or entertainment that rely in large part on public gatherings) may continue to experience a downturn for some time yet. Accordingly, the continuing availability of the relief pursuant

to the Interim Authorisation is likely to provide ongoing peace of mind and practical benefit to a number of SME policyholders.

Further, as the Conduct is voluntary, Participating Insurers (as defined in the Application), including brokers, have been able to devise and offer the Conduct relief initiatives on their own behalf and subject to their own commercial circumstances, as well as to tailor the Conduct to their customers and to their individual needs.

### 3.2 Detriments

Suncorp is not aware of any detriments arising from the Conduct or of any complaints in relation to the Conduct.

Suncorp considers that the Conduct has provided a net public benefit, having regard to the benefits outlined above, the short-term nature of the Conduct, and the fact that Suncorp is offering separate and additional relief to SME policyholders (e.g. in the form of premium discounts).

## 4 Has your organisation engaged in the Conduct, and if so, what was your experience in doing so?

### 4.1 Authorised Conduct generally

Yes, Suncorp has engaged in the Conduct. Please see Section 1 above for details of Suncorp's experience engaging in the Conduct authorised under the Interim Authorisation.

### 4.2 Communications and related conduct

The Communications Update set out the steps Suncorp had taken and proposed take in order to communicate the Conduct relief initiatives. Suncorp's communications since then have been in accordance with the Communications Update. Suncorp has maintained information about the relief initiatives available on the Suncorp, AAMI and GIO websites.

Yours sincerely

**Peta Stevenson | Partner**  
**King & Wood Mallesons**

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