

## State Financial Institutions and Metway Merger Amendment Bill 2024

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**Submitted by:** Suncorp Group  
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Committee Secretary  
Cost of Living and Economics Committee  
Parliament House  
George Street  
Brisbane Qld 4000  
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Dear Chair

Suncorp Group Limited (Suncorp) is pleased to provide its Submission (attached) to the Cost of Living and Economics Committee supporting the State Financial Institutions and Metway Merger Amendment Bill 2024.

As a significant Australian financial institution, Suncorp has a long heritage in Queensland and is a proudly Queensland headquartered business that is fully committed to remaining and investing in Queensland.

We set out in our submission the strategic rationale for the sale of the bank and the benefits that will accrue to Queensland. Our key focus is to emerge from the transaction as a leading Queensland based trans-Tasman insurer, competing more effectively and working constructively with all governments to help address the severe challenges facing our communities in relation to insurance affordability and accessibility, as well as mitigating the enormous financial and community cost of natural disasters.

I present this submission not only in my capacity as Suncorp CEO and Managing Director but also as someone who has lived and worked in Queensland their whole life. During my 19 years at Suncorp, we have traversed many challenges, including multiple natural hazard events, the global financial crisis and COVID-19 pandemic to become a resilient financial services organisation and Queensland's largest public company. I understand the significance of Suncorp to Queensland and the importance of maintaining a strong and purposeful presence in the state.

The Board and I remain committed to the obligations enshrined in this bill and, beyond that, to the role we play in the economic and social fabric of Queensland. This includes our role as an employer, as a proud partner of the Queensland State Emergency Service, foundation naming rights sponsors of Suncorp Stadium and, most importantly, as an insurer of Queenslanders (Commercial Insurance, General Insurance and as a participant in the State's Compulsory Third Party Insurance scheme).

We firmly believe the transaction with the ANZ Group is in the best interests of our customers, employees and shareholders, and communities across Queensland and Australia. The passage of the State Financial Institutions and Metway Merger Amendment Bill 2024 is vital to completing the sale and we fully support the bill.

We would welcome an opportunity to answer any questions the Committee may have about our organisation and the important passage of this bill. In the meantime, should you have any questions please don't hesitate to contact Pravin Madhanagopal, Head of Government and Public Policy, on [REDACTED]

Yours sincerely



**Steve Johnston**  
Group Chief Executive Officer and Managing Director

## **About Suncorp**

As a significant Australian financial institution, Suncorp has a long heritage in Queensland dating back more than 100 years. Queensland has a strong economic outlook and future, and Suncorp is committed to supporting that growth and assisting the State to take advantage of future opportunities and trends.

Suncorp builds futures and protects what matters through our trusted brands, including Suncorp Insurance, AAMI, GIO, APIA, Shannons and Vero, and has grown to become the second largest general insurer in Australia and the largest insurance provider in Queensland. Our insurance business is considerably larger and more successful in the markets in which it operates than our banking business. For example, Suncorp Bank only accounts for around 2.4 per cent of mortgages in Australia.

As one of the state's largest private sector employers, Suncorp is headquartered in Heritage Lanes, recognised as one of Australia's most innovative and sustainable buildings in the heart of the Brisbane CBD. It provides a superior workplace experience and is a symbol of our existing commitment to Queensland, supportive of a vibrant CBD by attracting employees into the city in a post Covid environment.

We contribute to Queensland's economic growth by investing our insurance and shareholder funds in a diverse portfolio of state assets including Queensland Treasury Bonds, critical infrastructure assets such as regional airports and renewable assets such as the Ross River Solar Farm. Our social real estate investments include disability accommodation in Brisbane, Toowoomba, Cairns, Atherton Tablelands, Gold Coast and Sunshine Coast, and healthcare facilities in Beenleigh, Mackay, Maroochydore, Townsville and Windsor. In addition, we have a long-standing relationship with Queensland Investment Corporation (QIC), with QIC managing over \$4b of our assets.

We have a long-standing partnership with the Queensland State Emergency Service (SES) while our most well-known physical commitment to Queensland is undoubtedly our sponsorship of the iconic and internationally recognised Suncorp Stadium.

In recent years, the landscape (including the natural environment) in which we operate has permanently changed and Suncorp is perpetually required to make trade-offs in the deployment of its capital across its businesses. In a strategy designed to alleviate this and simultaneously improve the way we deliver products and services to our approximately nine million customers, Suncorp has simplified its portfolio. This has involved the sale of a number of businesses, including our life insurance business and superannuation business. The sale of Suncorp Bank will result in further simplification to create a pureplay insurance business at a time when the value and importance of insurance to Queenslanders especially has never been greater.

## **Strategic Rationale for the sale of Suncorp Bank to ANZ**

### **Framework for consideration**

While decisions like this are never easy, we considered the sale of Suncorp Bank to ANZ from the perspective of our people, customers, shareholders (including over 150,000 retail shareholders, almost half of which are Queenslanders), the Queensland community and in the broader national interest. Our considerations included the commitments made by ANZ (and which will be addressed by them in more detail in their submission). For this and the other reasons set out in this submission, we formed the view and firmly believe that the sale is in the best interests of all those stakeholders.

## **An insurance perspective**

As the frequency of natural disasters increases and the number of communities impacted by each event grows, fit-for-purpose insurance has never been more important.

The floods that Australia experienced in 2022 were the most widespread and expensive insurance events in the nation's history. Almost all Queenslanders have either been directly impacted by these floods or know of someone who was. And beyond Australia's shores, last year was the worst year on record for insured losses from natural catastrophes around the world, with a total cost of US\$135 billion according to global reinsurer Munich Re. This caused a period of dislocation in relation to pricing and capacity in global reinsurance markets, which impacts the reinsurance costs of Australian insurers and potentially requires them to retain more risk, particularly catastrophe risk.

This increased frequency of natural disasters and associated impacts on reinsurance costs, intersecting with the effects of historical underinvestment in resilience, mitigation and poor planning decisions permitting communities to be built in areas unable to cope with climate trends, is resulting in growing under-insurance, accessibility and affordability issues for policyholders. This has only heightened since the sale of Suncorp Bank to ANZ was first announced.

To respond to these challenges and ensure we are providing the highest value to our customers and stakeholders, Suncorp's businesses must continually invest in new products, distribution systems and technology. These products, systems and technology must meet our customer demands while also satisfying regulatory requirements and, particularly across our banking services, protecting against money laundering activities, cyber-attacks and ever more sophisticated scam risks. Suncorp's current conglomerate structure means that capital and resources must be prioritised between Suncorp's insurance businesses and Suncorp bank, impacting both businesses' capacity to invest.

A successful and resilient private insurance industry underpins a resilient Queensland economy. Without it, the taxpayer becomes the insurer of last resort. We have seen this in the Federal Government's recent intervention to underwrite cyclone risks.

It is against this backdrop that the decision was taken to sell Suncorp Bank to ANZ, enabling Suncorp Group to dedicate our full attention and investment to focus on the required transformation of our insurance business.

## **The Suncorp Bank / ANZ combination**

Suncorp Bank's business banking portfolio has contracted significantly since the GFC. Suncorp Bank does not have the overall lending capacity or the risk appetite to offer the more complex business banking products and services that some business banking customers require. The sale to ANZ should, over time, effectively fill the gaps in Suncorp's business banking offering and provide benefits to Suncorp Bank's business customers.

Similarly, Suncorp Bank's retail customers should benefit from retaining all the advantages which come from banking with Suncorp Bank, augmented with ANZ's more diverse product suite and its increased ability to service the modern banking needs of customers through its branch network and digital capabilities, as well as its capacity to invest in technology.

ANZ has publicly committed to growing its business in Queensland and is making its own commitments to the State, which will benefit customers and employees as market conditions become more challenging.

## **What happens if the sale does not proceed?**

In the event the transaction did not proceed, Suncorp would continue to be faced with the competing demands for capital and management time from its insurance and banking businesses. Suncorp considers this would negatively impact the ability for both businesses to achieve their full potential.

At a practical level, Suncorp would need to move quickly to consider the feasibility of a number of portfolios across its insurance and banking businesses. This would likely lead to negative impacts on our people and

customers, potentially impacting parts of the Queensland community relying upon the impacted services. In contrast to this, ANZ have a broader product set and offerings.

## **Why do we need the State Financial Institutions and Metway Merger Amendment Bill 2024?**

The State Financial Institutions and Metway Merger Act 1996 (Qld) ('the Act'), being the current Act, applies to Suncorp Bank Limited (formerly Metway Limited) and the 'Metway Group Companies'.

The primary objective of the Bill is to ensure certain conditions of the Act continue to apply to Suncorp Group Limited, as an insurer, once Suncorp Bank is removed from the application of the Act.

This will ensure that the Act will continue to apply to Suncorp's insurance business following completion of the sale.

ANZ and Suncorp Group agreed that an amendment of the Act is a condition precedent to the transaction.

The *State Financial Institutions and Metway Merger Amendment Bill 2024* ('the Bill') is one part of a package of measures which have been put in place to record the ongoing commitment of ANZ and Suncorp Group to Queensland. Both Suncorp Group and ANZ have entered into binding agreements with the State of Queensland which deliver a package of benefits described below. These benefits are conditional upon the passage of the Bill and the sale of Suncorp Bank to ANZ.

## **What does the Bill achieve?**

The Bill sets out a positive and contemporary framework which ensures that Suncorp Group, as an insurer, will remain headquartered in Queensland and will continue to operate as a leading trans-Tasman insurance business.

It requires that:

- Suncorp Group will remain headquartered in Queensland. This includes the Chairperson maintaining a physical office in Queensland and the CEO maintaining their principal operational office in Queensland and performing their role primarily in Queensland;
- At least one director to be Queensland resident;
- the usual location of Board meetings to be in Queensland;
- Suncorp Group Corporate Services (which includes finance, legal, risk, technology, human resources, corporate affairs, government relations and internal audit) are to be performed wholly or in part in Queensland;
- the Headquarter obligations will apply to any entity that acquires Suncorp's Australian insurance business; and
- that there be annual certification by the CEO to the Queensland Treasurer of compliance by Suncorp with its obligations.

## **What additional commitments has Suncorp made to Queensland in the context of the transaction?**

Suncorp has made a number of commitments benefitting Queensland in the event the Bill is passed into legislation and the sale proceeds, including:

- for ten years after the commencement of the legislation, Suncorp will ensure that the number of its employees servicing the Suncorp Insurance business located in Queensland is greater than the number of employees servicing that business in any other state or territory in Australia;
- Suncorp will ensure that the number of Suncorp employees performing Suncorp Group Corporate Service Activities located in Queensland is greater than the number of employees performing those roles in any other state or territory in Australia;

- developing a Disaster Response Centre of excellence in Brisbane, employing more than 100 people, supported by an investment of at least \$12 million in a new market leading Event Control Centre platform. This significant investment will help us improve our ability to communicate with our customers about impending weather events using more accurate data. After an event the Disaster Response Centre helps us get the right resources to the right places, ready for customers who need our support, simplifying the processes for them in lodging claims and understanding their rights. As we direct the agreed funding to the Disaster Response Centre, we will be able to harness technological advances like Artificial Intelligence to more accurately assess risks from natural disasters and reduce the lead times for assessment and claims processing. This will lead to less stress and better customer experiences after a natural disaster. We are also working with local councils to share this data to support better planning decisions;
- within 12 months of the commencement of the legislation, creating and filling a further 20 new full-time employment roles to work on the Event Control Centre platform;
- within 2 years of the commencement of the legislation, increasing the number of Suncorp employees in regional Queensland by 120 people (100 of which are to be employed on a full-time basis). To support this Commitment, Suncorp must invest in leased premises, fit-out and infrastructure (expected to be in Townsville);
- contributing at least \$3 million within 3 years from the commencement of the legislation to community or educational initiatives specified by the State of Queensland, directed at:
  - vocational training for trades to support disaster resilience, as well as trades for the construction of housing in Queensland;
  - supporting First Nations employment pathways; and
  - research, courses, internships and scholarships relevant to disaster resilience and emergency management.

The agreement which sets out these commitments is underpinned by rigorous reporting obligations.

## What other benefits does the sale bring to Queensland?

Completion of the transaction will also see the return of significant capital to our shareholders at a time when the cost of living is creating challenges for many Queenslanders. With more than 60,000 retail shareholders in Queensland that equates to approximately \$500 million, with additional shares held through large institutional funds.

## Previous and concurrent approvals

The sale of Suncorp Bank to ANZ is also conditional upon:

- **Competition approval.** On 20 February 2024 the Australian Competition Tribunal granted ANZ authorisation under the *Competition and Consumer Act 2010 (Cth)* to acquire Suncorp Bank, satisfying the competition approval condition; and
- **Federal Treasurer approval.** Following satisfaction of the Competition approval condition, ANZ has made an application to the Federal Treasurer under the *Financial Sector (Shareholdings) Act 1998* for approval to acquire Suncorp Bank. That application is still being considered. It is understood that the application will likely be decided following royal assent of the State Financial Institutions and Metway Merger Amendment Bill 2024, but before proclamation of the legislation (assuming the Bill is passed).

## Progress towards completion

Suncorp and ANZ have a detailed joint separation and transition plan. Activities are well advanced:

- Subject to the passing of the Bill and FSSA approval, the parties are on track to complete the transaction around the middle of this year. This involves the completion of an extensive business and technology

program of work to separate and transfer relevant systems, premises, assets, processes, platforms and infrastructure to be supported by a transitional services agreement.

- Acknowledging the importance of a seamless experience for Suncorp's people, a comprehensive communication and change management program has commenced. 98.4% of employees have accepted the Offer to transfer to ANZ, noting a number of acceptances are outstanding due to employees being on longer term leave.

## Conclusion

In summary, we firmly believe that this transaction is in the best interests of our customers, employees, and shareholders, and communities across Queensland and Australia. The passage of the *State Financial Institutions and Metway Merger Amendment Bill 2024* is vital to completing the sale and we fully support the bill.