15 October 2015

Mr Robert Wright

General Manager—Water and Wireline Markets

Australian Competition and Consumer Commission

23 Marcus Clarke Street

CANBERRA ACT 2601

Email: postalservices@accc.gov.au

Dear Mr Wright

**Australia Post’s draft price notification – Issues paper**

Suncorp Group (Suncorp) welcomes the opportunity to provide a submission to the ACCC regarding Australia Post’s draft price notification for its basic postage rate.

Suncorp understands the need for Australia Post services to be financially sustainable. However, we are concerned about the impact of proposed price increases canvassed in the issues paper, on both the insurance industry and the wider community.

**About the Suncorp Group**

Suncorp Group is one of the largest insurers in Australia offering a range of personal and commercial insurance products, protecting the financial wellbeing of millions of Australians. As a Group, Suncorp has nearly 15,000 employees and more than nine million customers across the country. The General Insurance business alone paid out $5.5 billion in insurance claims in 2014-15, averaging more than $15 million each day.

Suncorp offers a range of personal insurance products including car, home and contents, travel, boat, motorcycle and caravan insurance. The key to Suncorp’s success in personal insurance is its portfolio of well-known brands. These include Suncorp Insurance, Apia, AAMI, GIO, Vero, Shannons, Just Car Insurance, Insure My Ride, Bingle, Terri Scheer, CIL Insurance, Resilium and Essentials by AAI. These brands have built reputations for insurance innovation, outstanding customer service and trustworthy products.

**Access to electronic communication**

Businesses can only avoid exposure to postage price increases by transitioning customers to electronic communications.

There is a strong trend toward our customers taking up electronic disclosure, with approximately 20% of customers taking advantage of this option. However, there are also barriers that slow down implementation in the context of insurance, and increase business exposure to increased postage costs.

Insurers are required to obtain express client consent in order to deliver disclosure documents electronically, unlike other financial services providers who have received regulatory relief from ASIC to facilitate an opt-out approach to electronic disclosure.

This is due to provisions in the *Electronic Transactions Act 1999* (ET Act), which do not apply to disclosure requirements in the *Corporations Act 2001*, but do capture the *Insurance Contracts Act 1984* (IC Act).

ASIC is not empowered to provide relief from IC Act provisions, meaning that a legislative change would be required to place insurers on equal footing with other financial service providers when it comes to using electronic communication.

In collaboration with the Insurance Council of Australia the Effective Disclosure Taskforce is actively looking at how to improve consumer communication and will likely recommend the Insurance Contracts Act 1984 and the Electronic Transactions Act 1999 be amended to level the playing field.

Because many customers will only interact with their insurer at renewal or in the event of a claim, there are few opportunities for Suncorp to prompt existing clients to change the way they receive communications. This means there is limited opportunity to reduce the impact of postage price increases.

Legislative changes to facilitate easier use of electronic communication by insurers should be prioritised, before the ACCC and Minister approve price increases for postage. A recent submission by the Insurance Council of Australia provides an overview of the regulatory change needed (Attachment A).

**Impact of proposed price increase**

Suncorp has estimates that raising the basic postage rate to $1 will increase our postage costs by more than $6 million in the first year – close to double existing postage costs. These increased costs to business will ultimately be passed through to consumers and added to premiums.

While the impact of this increase on an individual premium may be small, consumers who receive communications by post, particularly pensioners and low income earners, will likely see this increased cost passed through by multiple service providers. At the same time, customers may be waiting longer for documents under the proposed new delivery schedule.

In addition to the impact on consumers, Suncorp is concerned about the ACCC approving a large increase in transaction costs at a time when the insurance industry and Commonwealth Government are focused on improving affordability and reducing levels of non-insurance and underinsurance.

Recent submissions to the Northern Australia Insurance Premiums Taskforce have noted the impact of taxes and charges on the price of insurance premiums. In particular, Suncorp is actively working to improve insurance affordability and resilience in cyclone affected regions of Queensland through its *Protecting the North* initiative.

Adding an additional government-approved impost on insurers trying to improve affordability for customers sends a poor message to both consumers seeking relief from higher premiums and insurers trying to lower costs.

**Suncorp Recommends:**

* the ACCC object to the full price increase proposed by Australia Post and consider the market implications of moving to a more expensive postage price, specifically considering the varying levels of access to electronic distribution between market players;
* any increase in postage prices should be implemented gradually through the development of a price path, and be subject to an annual cap, in order to provide business and the community with more certainty and sufficient time to prepare for changes; and
* Australia Post be required to undertake a full assessment of the impact of price increases, not just on its own profitability but on the community more broadly.

Yours sincerely

**Jonathan Davies**

**Manager, Public Policy
General Insurance**

Attachment A: Insurance Council of Australia Submission to ASIC Consultation Paper 224.