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Resilience

Address by Suncorp CEO and Managing Director Michael Cameron to QUT Vice Chancellor's Forum

Good afternoon everyone.

I'm delighted to be here today at this great institution - another proud Queensland organisation – that's something we have in common.

Last year, Suncorp celebrated 100 years in the insurance business. So, while we can't quite compete with QUT's origins which date back to 1849, it's still quite an achievement -considering the average lifespan of a company in the S&P 500 index has decreased from 61 years in 1958 to just 18 years today.

If this run rate continues it will mean that by 2027, more than three-quarters of the S&P 500 will be made of companies that we haven't heard of yet.

Technology, Disruption and Change

Disruption is an overused word these days, but for good reason. Who in the room is familiar with or uses Uber, What's App, Airbnb or Spotify?

Now, who remembers Borders (book store), Kodak and Blackberry? They were once all successful companies in their own right, but weren't prepared for the entry of disruptors who introduced new technology that changed consumer behaviour.

Today, we all have a smartphone and thanks to this device, we have quick and easy access to goods, services and information.

This has fundamentally changed the relationship dynamic between customers and businesses.

Customers are today more informed, more connected and more demanding. They dictate when, where and how they will engage with a company.

Many transactions and relationships now entirely exist online and 24/7 connectivity is expected.

Customers also have more power to influence not only what they buy, but what others buy.

They actively share their views on social media, which has an immediate impact on business reputation and performance.

However, the vast amount of information available is also overwhelming customers.

We know that many are finding it difficult to make good decisions and some find it difficult to make ANY decision.

We also know for the vast majority of people, financial services is incredibly complex - many simply don't understand what products best suit their circumstances and are put off by complicated and lengthy Product Disclosure Statements.

In a technology-driven era, customers expect greater simplicity and transparency from their financial services provider.

Unless these complexities are untangled and the customer's experience is simplified, businesses will not be able to meet these expectations and will struggle to achieve growth.

There's no doubt that the university sector is as much impacted by new technologies, as is the financial services sector – it's how we deal with these changes that will determine our future.

Technology is changing at an exponential rate – the effect on business models, governments, and society is profound.

And we are grappling with what this means, what the consequences are and how we can take advantage of the possibilities, as well as protect ourselves from the risks.

An organisation's ability to adapt to change, in whatever form, is critical to its future – innovation protects and enables organisations to better serve their customers – this is at the heart of staying relevant.

It is not innovation for innovation's sake but grounded in purpose and in the case of Suncorp with a clear customer benefit in mind.

So, a question that confronts us all is how to deal with this new world full of disruption? What do we need to do differently to create an enduring and resilient organisation that won't become another statistic? An organisation that can grow and prosper despite increasing external challenges often beyond our control.

Building resilience

"Organisational resilience" can be described as the ability of an organisation to anticipate, prepare for, and respond and adapt to incremental change and sudden disruptions to survive and prosper.

In fact, we just need to think about recent global events and how quickly, and how dramatically, things can shift and the impact they can have:

- The fallout from the UK's shock Brexit decision in June last year continues to reverberate around European markets
- Continuing conflict and instability in the Middle East has not only created one of the world's largest migration of people but is causing a resurgence in nationalism and border protection
- The long and acrimonious US election campaign which saw Donald Trump elected President
- In Australia, government and businesses continue to face a low growth, low return economy, populist politics impacting the government's ability to focus on quality reform, increasing regulatory pressures, more severe weather events, volatile investment markets and the ongoing threat of disruption by new and agile start-ups.

While this backdrop paints a stark picture, I'm still optimistic about the opportunities ahead of us – for organisations of all kinds, including corporations like Suncorp or tertiary education and research institutions like QUT.

What applies to most organisations is that to become resilient to change, you need to build a culture that is fit for change (a culture that puts the customer first and embraces innovation rather than rejecting it).

The imperative for change is clear and we at Suncorp are taking the approach of creating an organisation that:

- Can operate in a league of its own and is truly different than its competitors – not just say we are
- Embraces innovation – reinvents itself and becomes more relevant

- And most importantly, we aim to create value for customers beyond price alone.

Building resilience at Suncorp

This brings me why Suncorp had to change and become more resilient.

The company has a large customer base, some nine million customers in fact, however our former siloed structure made it difficult for us to view customers across our many brands and products. As a result, the value we used to deliver was price driven and not sustainable.

Traditionally, we have achieved growth through strategic acquisitions, leveraging scale, maintaining a flat cost base and manufacturing our products in-house.

Despite this success, Suncorp found itself in a situation where it was losing around 125,000 customers a month, primarily because our products are viewed as commodities and customers are making their decisions based on price. That's 1.5 million customers a year, and while we replace the customers we lose with new customers, the cost of doing so is substantial.

Last year, we introduced a revised strategy and realigned our operating model to remove the structural constraints in the business that stopped us from viewing and connecting customers across the company. We also eliminated some areas of duplication that existed.

We reorganised the entire business in just five months to support our priorities which will enable us to broaden and deepen our relationships with our customers – and this has been no small feat as you can imagine.

We shifted the organisation from five lines of business – Bank, Personal Insurance, Commercial Insurance, Life and New Zealand to a 'One Suncorp' functional model. CEOs no longer have end-to-end accountability; they now lead a function – we tilted the organisation 180 degrees.

Customers, for the first time, have become Group customers rather than belonging to a brand, such as Suncorp Insurance, AAMI, GIO, Apia or Bingle just to name a few.

This major undertaking has completely refocused our business on creating value for our customers - rather than creating value from them.

This reflects a deep conviction that creating value for customers is ultimately the best business strategy and builds upon a proud legacy of superior service which has defined Suncorp since its creation.

Ultimately, we are building a more enduring and resilient company where our relationships, and the products and services we provide, meet more of our customers' needs so they are not driven by price alone.

In line with this, we also launched a new purpose – to create a better today for all our stakeholders, and we are now well underway to achieving our vision of creating a financial services marketplace, different to anything anywhere.

The Marketplace we are building is about 're-imagining' the way financial services providers operate and what they stand for. To differentiate ourselves we must try and stop thinking like a traditional insurance company and bank but instead adopt "disruptive approaches" – in this case the marketplace (with a focus on a retailer mindset) – think Amazon and the implications this has for Australian retailers as the company heralds its entry on to our shores.

That's why 'elevating the customer' for us is a key priority – we are on a journey to becoming more customer centric.

We can help our customers and be there in moments that matter most – making it easier, simpler or faster for them to buy a home, a car, start a family, or start and grow a business.

Resilient Communities

Resilience is also highly topical for Queenslanders who have faced plenty of adversity in the form of cyclones, hailstorms, flooding and fires in recent years.

I've travelled widely around the State and whether it's business as usual or in the wake of a major event, invariably the sense of community is so impressive.

We see this every day with our bank staff living and working in communities right across Queensland. And we see it when they mobilise with our insurance customer response teams during major events, processing claims and providing emergency funding when people need it most.

We're all too familiar with the Queensland summer of 2010/11. While we were experiencing major natural disasters in the form of flooding and Cyclone Yasi, Western Australia, New South Wales and Victoria were also hit by storms and flooding. Our communities were suffering and our people and our operations were severely impacted.

In 2010/11, Suncorp managed 100,000 natural hazard claims at a cost of more than \$9 billion. That's \$25 million a day. We'd taken triple the number of customer calls we would ordinarily deal with.

Unfortunately, since then and over many summers, it's been déjà-vous. Just recently, Cyclone Debbie slammed into north Queensland and in its wake, devastated communities down the coast to Rockhampton, south-east Queensland and northern New South Wales.

Nature venting her fury is a reminder that we can't be complacent when it comes to protecting our customers and communities.

While all that was happening here, New Zealand was again trying to come to terms with the latest earthquake to hit the Kaikoura region, leaving many people homeless and lives ruined.

You may not be aware that Suncorp is New Zealand's second largest insurer. In 2010 and 2011, while Queenslanders were coming to terms with their summer of disaster, five major earthquakes ripped through the Canterbury region. It's an extraordinary reality that the insured loss in New Zealand was greater than that of Hurricane Sandy which in effect wiped out the north-east coast of the US.

On a GDP and per capita basis, the earthquakes in New Zealand represented the biggest natural disaster recovery in the world today. They continue to pose unprecedented difficulties for the community and government. Aftershocks and liquefaction have made rebuilding an extraordinarily difficult task, impossible in many areas but we see progress every day and recently Suncorp moved into its new building in Christchurch.

There's a quote by American psychologist Martin Seligman that's stuck with me over the years. It comes to mind with the work we've been doing at Suncorp. And it couldn't be more true of the community – such as the mud army springing to life - after the 2011 floods and again after Debbie:

“Resilient people...resilient communities...resilient businesses...don't wait around for someone to save them. They work through events and how they feel about them, and they set goals and work toward them....and they most often emerge in a far better place.”

Even if everything can be replaced through insurance, we can't underestimate the emotional and psychological impacts these events have. And much of it can be mitigated.

The cost of inaction is mounting every year and it's not as if the issue has not been discussed or debated.

Australia has had no less than a dozen inquiries into this issue, in one form or another, over the past six years. The Productivity Commission highlighted more than two years ago that 97 per cent of disaster funding is spent after a disaster, cleaning up and rebuilding. Just three per cent of this funding is spent on mitigating and preventing the impact of disasters.

Over the 12-year period to 2015 that's \$13 billion compared to \$600 million. You don't have to be an insurance expert or climate scientist to know that this imbalance is clearly unsustainable. Indeed, the Commission itself put it best: "Governments overinvest in post-disaster reconstruction and underinvest in mitigation that would limit the impact of natural disasters in the first place. As such, natural disaster costs have become a growing, unfunded liability for governments".

The reasons for mitigation have been brought to life in stories from the outback towns of Roma and St George. These communities were continually being subjected to flooding and only when levees were constructed did the residents feel protected. The added benefit resulted in significantly lower premiums. The economic benefits that flow to these towns is considerable – worth up to five times the cost of the levee.

No one needs to be told that public money for capital projects is scarce right now, nor that in every community there is fierce competition for every tax dollar. But we are not making a choice between resilience and education, between resilience and housing, between resilience and transport networks. We are making a choice about prosperity and security or the tyranny of unpredictable events.

Managing risk and resilience through the delivery of transparent information, stronger buildings, smarter planning and investment in disaster mitigation is crucial to a sustainable economy and a stronger nation.

Living in Queensland and being in a country that serves up some extreme weather, we know that our communities will again be tested. And we know that the resilient spirit and sense of community that's so strong here will serve us well. [Along with good insurance.]

Conclusion

In wrapping up - one thing is certain – change. And we know: "change will never be this slow again".

To prosper, organisations must maintain stability, resilience, and, in the case of companies, they must grow – to grow, companies must innovate and reinvent themselves, because staying the same is one step closer to becoming irrelevant.

The same would apply to an institution like QUT.

At Suncorp, we are re-imagining the future of financial services – one that is resilient and enduring, and can withstand market shocks. Like I said, our next chapter has begun - we have set the wheels in motion to create a marketplace and to become the destination for customers when they embark on important life journeys like buying or building a house, starting a family, planning for their retirement, etc.

We want our customers and communities to see us as trusted partners for the value we create, we want to be admired by industry for our leading practices, envied by competitors and respected by our people for our inclusive, diverse and flexible culture.

Disruption and change are not easy to handle, but it is a central part of the reality we live in and offers exciting opportunities to create a better today, and an even better future.