



One Company
Many Brands



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Barriers to Effective Climate Change Adaptation
Productivity Commission
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Dear Commissioners

Barriers to Effective Climate Change Adaptation – Productivity Commission Draft Report

Suncorp welcomes the Productivity Commission's *Barriers to Effective Climate Change Adaptation - Draft Report* (the Draft Report) released on 27 April 2012. Suncorp is one of Australia's largest general insurer's and appreciates the opportunity to comment on the Draft Report.

The Suncorp Group

Suncorp Group Limited and its related bodies corporate and subsidiaries (collectively 'Suncorp') offer a range of financial products and services in banking (Suncorp Bank), general insurance, life insurance and superannuation (Suncorp Life) across Australia and New Zealand. Suncorp has around 16,000 employees and relationships with over nine million customers.

This submission is made on behalf of the Suncorp Personal Insurance and Commercial Insurance divisions.

Our Submission

Suncorp would like to thank the Productivity Commission (the Commission) for considering our prior submission (Sub 28, lodged 19 December 2012) in response to the *Barriers to Effective Climate Change Adaptation Issues Paper*. In particular, Suncorp is pleased to support draft recommendations related to insurance taxation, risk information sharing, building codes and insurance regulation.

Suncorp broadly supports the Draft Report and the Commission's approach to addressing several barriers to effective climate change adaptation. However, we remain concerned by the lack of national investment in disaster mitigation.

As one of Australia's largest general insurance groups, Suncorp has a detailed understanding of the devastating effects of extreme weather events, and also the immense community value of effective disaster mitigation. We believe that under-investment in disaster mitigation is a key barrier to effective climate change adaptation and within our detailed response, enclosed as Appendix A, evidence to support the need for improved disaster mitigation in Australia.

Yours faithfully

Annabelle Butler

Executive Manager

Public Policy and Stakeholder Management

Appendix A - Detailed Suncorp Response

Executive Summary

The combination of increasingly severe weather, and increased development in high risk areas, has placed many Australians at unacceptably high levels of natural disaster risk. To manage this risk, Suncorp believes there is a clear need for improved disaster prevention through mitigation infrastructure, land-use planning and construction codes.

Despite the need for improved disaster prevention successive Australian Government's have neglected to invest in disaster mitigation. Responsibility for disaster mitigation has been delegated to local governments, without ensuring these governments have the resources necessary to fulfil that responsibility.

It is clear that many local governments are looking for additional financial and technical support from higher levels of government to improve disaster mitigation. Suncorp believes the Australian Government should assume leadership of disaster mitigation and provide the support necessary to improve local efforts to mitigate disaster risk.

Improved disaster mitigation has wide range of positive effects for the community. Governments reduce damage to infrastructure, saving future relief and recovery expenditure. Communities avoid the financial and emotional devastation of natural disaster, allowing lives and businesses to continue unchanged. Insurance risk is reduced, lowering premiums and easing cost of living pressures.

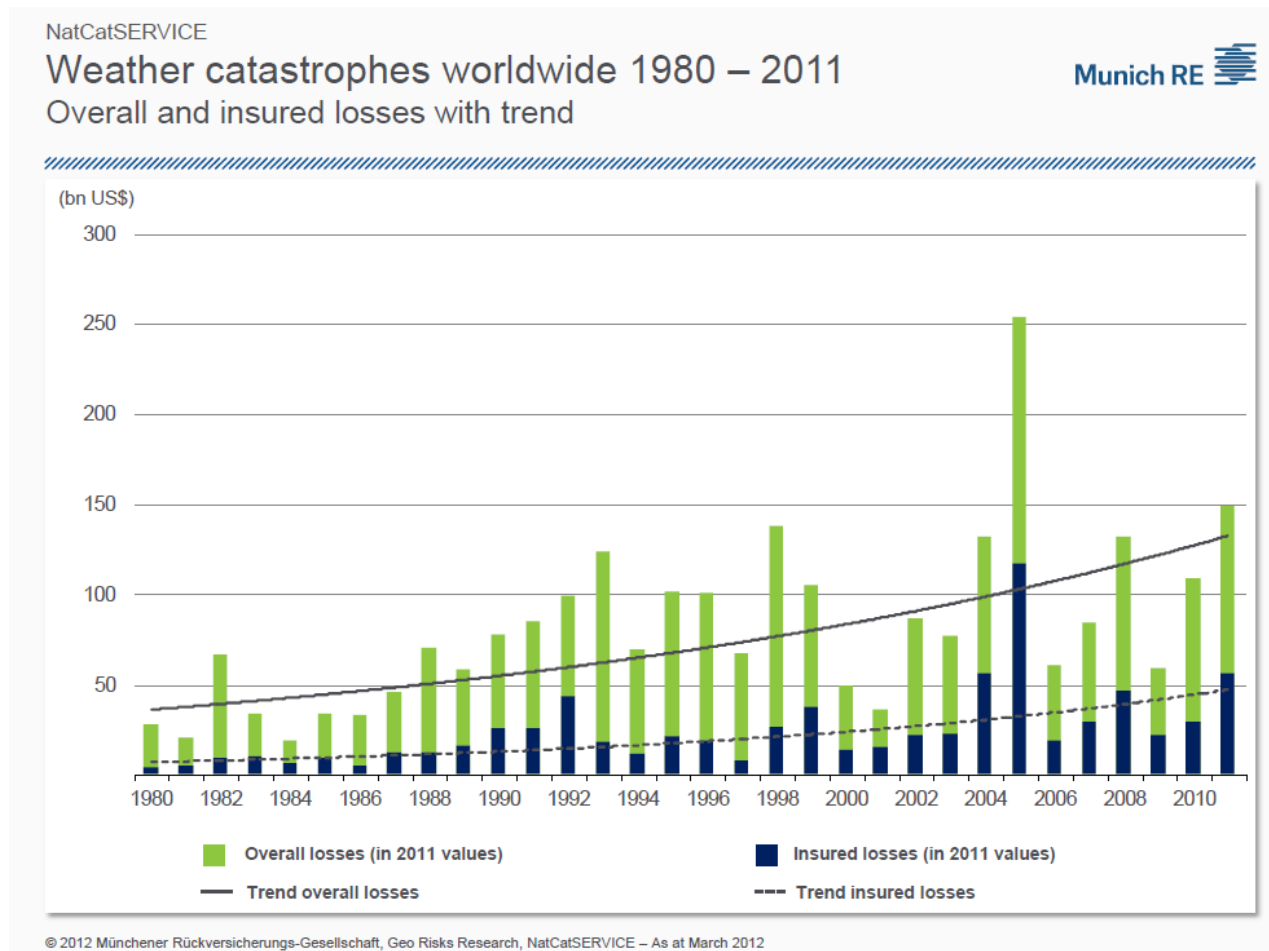
Given the strong public good characteristics of disaster mitigation, and the wide ranging benefits, Suncorp strongly believes there needs to be a stronger national policy for improving disaster prevention. We recommend the Australian Government conduct an inquiry to determine an appropriate mitigation strategy for Australia and significantly increase disaster mitigation funding.

Disaster Mitigation

Suncorp views effective risk management as a crucial aspect of adapting to climate change. As the risk of extreme weather events increases, it is important for the community to have effective risk management practices in place to respond to these changing risks.

Australia faces an increasing level of financial risk associated with natural disaster. More frequent and severe extreme weather events, combined with a population shift towards higher value homes, in higher risk areas has developed a higher concentration of risk in Australia than ever before.

This trend of increased natural hazard risk is not unique to Australia, and can be observed in global insurance markets. Munich RE recently published the below graph, clearly demonstrating the increasing financial losses caused by weather catastrophe's worldwide.



(Source: Munich RE, http://www.munichre.com/touch/naturalhazards/en/natcatservice/focus_analyses.aspx accessed 17/05/2012)

As the risk of significant financial loss increases, it follows that risk management must improve. The Draft Report highlights four phases of emergency management: prevention, preparedness, response and recovery. It also raises the need to 'balance' these four phases to achieve optimal outcomes for the community.

Suncorp considers that the current approach to risk management does not appropriately balance the four phases of emergency management. Communities (and therefore government) naturally focus on disaster response and recovery. It is clear when disaster strikes that strong and decisive action is needed to appropriately manage the impacts of that disaster. It is, however, substantially more difficult to determine what action should be taken prior to disaster.

The natural focus on response and recovery has led to significant and long-term under-investment in the 'prevention' phase throughout Australia. To improve the disaster prevention there is a need for a more systematic approach with national leadership, increased funding and local level implementation.

The townships of Roma and Emerald are clear examples of communities that have been left exposed to natural hazard risk due to under investment in the prevention phase. Despite severe and repeated flood damage to these townships in recent years, there has been no meaningful government action taken to mitigate flood risk. As a result, Suncorp has recently decided to place a temporary embargo on new customers in Roma and Emerald. This decision is a simple reflection that the level of flood risk faced by these towns is unacceptably high for insurance companies, and grossly unfair for residents exposed to the emotional and financial impacts of repeated natural disaster.

The under-investment in disaster mitigation is particularly clear in Roma. A flood levee to protect the township of Roma has been discussed since 2005, with cost estimates ranging between \$2m and \$15m. This preventative measure has not been invested in and, as a result, some households in Roma have now been inundated by flood water three times in as many years.

Even now, after having completed a detailed flood study, Maranoa Regional Council is unable obtain funding support to undertake flood mitigation. Mayor Robert Loughnan recently stated "*There have been rumours that we more or less have the funding in the bag and we should just go ahead, but we haven't had a promise of funding.*"¹

The Queensland Reconstruction Authority's 'Projects and Dollars Map' shows that over \$1.1b of recovery funds have already been invested in the South Queensland region, with a further \$114.5m due in the near term. In comparison, the Queensland Government has committed \$40 million over four years to improved floodplain management across the state.² Although taking into account federal and local funding this figure will increase to \$100 million over 4 years, the disparity between disaster 'prevention' and disaster 'recovery' funding remains stark.

Suncorp acknowledges that it is difficult assess disaster mitigation funding and determine whether the appropriate balance between disaster prevention and disaster recovery is being achieved. There is, however, significant evidence to suggest disaster prevention is being underfunded in Australia. Suncorp maintains our original recommendation that further investigation into disaster mitigation strategies is warranted and a federal review of disaster prevention should be conducted.

As part of this review, national facilitation of disaster mitigation should be considered. In 2003, the COAG Natural Disasters in Australia Review recommended that all levels of Government endorse a 'Statement of Contemporary Roles and Responsibilities of All Levels of Government in Natural Disaster Management'. In this statement there is specific reference to the leadership and financial assistance role the Australian Government has in relation to disaster mitigation.

The Commonwealth also has a continuing role in:

- *providing national leadership on mitigation strategies and assessment*
- *providing financial assistance to States, Territories and Local Government for cost-effective, priority disaster risk management*
- *providing financial assistance to States, Territories and local Government to assist them in meeting their disaster mitigation responsibilities*

*leading to an overall reduction in damage and costs, thereby benefiting all Australians and all levels of government.*³

Suncorp strongly supports this statement of Government roles. It would appear that local government is also supportive of national coordination of disaster mitigation. All local government submissions to the Commission have indicated a need for better disaster mitigation support from higher levels of government. The Redland City Council submission stated:

¹ *Suncorp says no new policies*, Rebecca George, The Chronicle, 15/05/2012. Available: <http://www.thechronicle.com.au/story/2012/05/15/Suncorp-says-no-new-policies/> (Accessed: 24/05/2012)

² *LNP commits \$40 million for floodplain security*, Campbell Newman, Media Release, 07/03/2012. Available <http://lnp.org.au/news/leader-of-the-lnp/lnp-commits-40-million-for-floodplain-security> (Accessed: 06/06/2012)

³ *Natural Disasters in Australia*, The Australian Government Department of Transport and Regional Services, 2004, p. 21. Available: <http://www.em.gov.au/Publications/Program%20publications/Pages/COAGreportonnaturaldisastersinAustralia.aspx> (Accessed: 22/05/2012)

Effective adaptation planning should propose a funding scheme that will assist with early actions to mitigate future costs and prevent excessive disaster management and recovery costs in the medium and long term. Establishment of a funding scheme will necessarily require that regional, state and national risks and vulnerabilities are prioritised so that the cost benefit of actions can be analysed and funding appropriately allocated.” (Sub 36, Redland City Council, p.2)

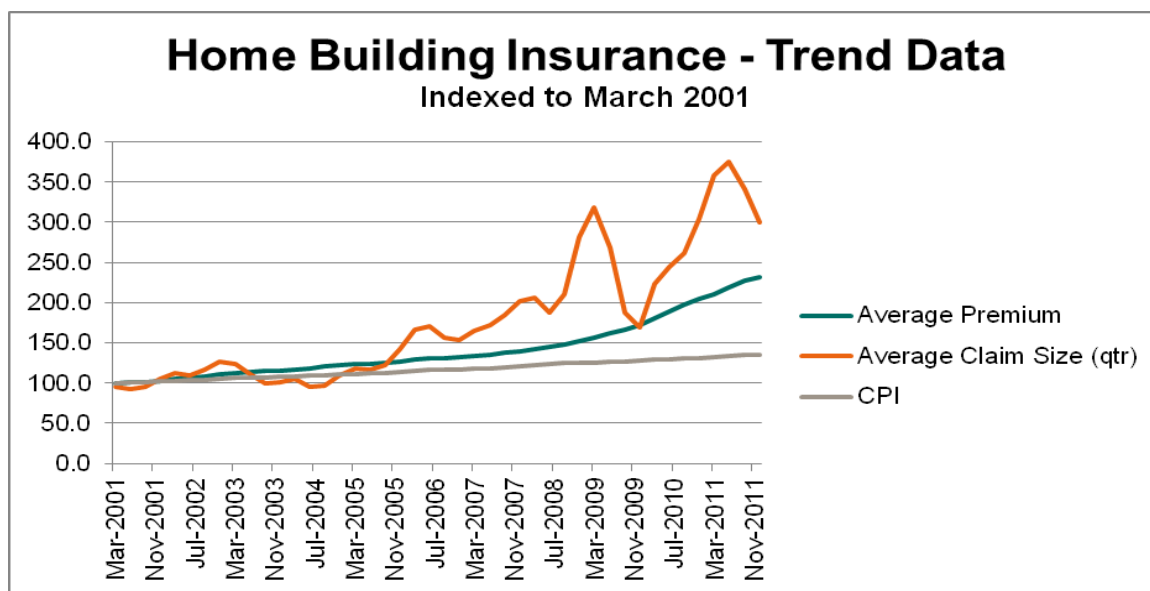
Similarly, the Local Government Association of Queensland stated:

“Local government has a critical role to play but cannot fulfil that role without the collaboration and assistance of the State and Australian governments and key stakeholders within the community and industry sectors.” (Sub 41, Local Government Association of Queensland, p. 2)

Local government has made it abundantly clear that they require additional support and funding from higher levels of government to improve disaster mitigation. The Australian Government however appears to be reluctant to take a leadership role in this regard. The Parliamentary Committee on Social Policy and Legal affairs recently stated *“The inquiry also did not examine the mitigation of extreme weather risks, as this is the responsibility of state and local governments.”*⁴

Similarly, the Natural Disaster Insurance Review (NDIR) recommended the Australian Government establish a national agency that would *“...monitor the effectiveness of flood risk mitigation initiatives across the country and advise on priorities for flood risk mitigation...”*⁵ The Government response to NDIR indicated that further consultation would be required to determine the appropriate form of such coordination, however Suncorp is not aware of any such consultation to date.

Suncorp submits that without strong national leadership to mitigation disaster risk throughout Australia, insurance premiums are likely to become unaffordable. The below graph shows home building insurance average claim size, average premium and the Consumer Price Index (CPI) over the past decade. The trend data clearly demonstrates that as the average home claim size increases, so does the average home insurance premium.



Notes: Graph derived from trend data published by the Insurance Council of Australia. Available: <http://www.insurancecouncil.com.au/industry-statistics-data/qi-trends-building> (accessed: 22/05/2012)

The numbers in the series do not represent dollar values or frequencies. They represent the percentage change in the index numbers between two consecutive or distant quarters. Source of underlying data: Insurance Statistics Australia. Original data has been indexed to the March quarter 2001 and trended using a 7 term Henderson moving average. The data does not include State or Commonwealth Government taxes and charges.

⁴ *In the Wake of Disasters: Volume One*, House of Representatives Standing Committee on Social Policy and Legal Affairs, February 2012, p.5. Available: http://www.aph.gov.au/Parliamentary_Business/Committees/House_of_Representatives_Committees?url=spla/insurance/report/index.htm (Accessed 21/05/2012)

⁵ *Natural Disaster Insurance Review: Final Report*, The Australian Government The Treasury, 30 September 2011, p. 13. Available: <http://www.ndir.gov.au/content/Content.aspx?doc=report.htm> (Accessed: 22/05/2012)

Without more effective disaster mitigation, the costs associated with extreme weather events will continue to rise and insurance premiums will ultimately become unaffordable for many Australians. Improved disaster mitigation is essential for maintaining an affordable insurance market in Australia.

Affordable insurance is just one of many benefits of investing in disaster mitigation. The *Natural Disasters in Australia Review* found that “additional investment in natural disaster mitigation by all three levels of government is conservatively estimated to provide a rate of return of 15 per cent.” Flood mitigation is particularly effective, with each dollar of investment saving Government \$2.10 in future recovery expenditure.⁶

Disaster mitigation increases community resilience, reduces the social impacts of disaster and reduces insurance premiums. Suncorp therefore restates the below barrier and associated recommendations provided to the Commission in our original submission.

Barriers and Recommendations – Mitigation Strategies

Barrier 1	Community focus commonly falls on disaster recovery following a natural disaster. The lack of focus on disaster mitigation has resulted in many areas of Australia being under-protected against extreme weather events.
Recommendation 1	The Federal Government launch an inquiry to examine disaster mitigation in Australia. This inquiry be tasked to examine strategies that ensure mitigation activities are sufficient to cost effectively address future requirements.
Recommendation 2	Disaster mitigation be approached at a national level with local government implementation.
Recommendation 3	Federal Government funding of local risk mitigation be increased in recognition of the increased risk of extreme weather events. Federal funding of \$27 million per annum does not appear to be commensurate with the risk.

⁶ *Natural Disaster Insurance Review: Final Report*, The Australian Government The Treasury, 30 September 2011, p. 24. Available: <http://www.ndir.gov.au/content/Content.aspx?doc=report.htm> (Accessed: 22/05/2012)

Draft Recommendations

Suncorp broadly supports the Draft Report and has no further comment on a number of the Draft Recommendations. The comments below are made where Suncorp believes further refinement is necessary.

Building adaptive capacity

DRAFT RECOMMENDATION 5.1

Australian governments should implement policies that help the community deal with the current climate by improving the flexibility of the economy. This would also build adaptive capacity for dealing with future climate change. This includes reforms to:

- *taxes that influence the way resources are used, such as land tax exemptions and conveyancing duty, which could inhibit the mobility of labour, capital, or both*
- *government transfers that reduce incentives to adjust to changing circumstances, such as the reforms recommended in the Commission's 2009 inquiry into drought support*
- *regulations that impose unnecessary costs or inhibit competition or flexibility and could impede climate change adaptation by reducing the ability of firms, households or other organisations to respond to changing circumstances, such as restrictions to water trading.*

The Australian economy is undergoing significant structural change due to climate change, an ageing population, the mining boom, global economic uncertainty and the "Asian century". A more flexible economic structure, through improved Government policy, is important to facilitate this economic change.

Suncorp suggests that an effective way to ensure economic flexibility would be to amend the Office of Best Practice Regulations' *Best Practice Regulation Handbook* to include reference to the principle of flexibility. The current Regulatory Impact Statement (RIS) process produces a cost/benefit analysis for regulatory change; Suncorp considers it would be sound decision making to consider impact upon economic flexibility throughout the RIS process.

An expanded RIS process would assist the Government to identify regulatory proposals that pass traditional impact analysis, but may unnecessarily impede economic adaptation. For example, Draft Recommendation 12.3 highlights that the Government should not subsidise insurance premiums, as this would pose a barrier to climate change adaptation. It is foreseeable however, that insurance subsidies would pass standard regulatory impact analysis should the impact upon economic flexibility be overlooked.

Information provision

DRAFT RECOMMENDATION 6.1

The Australian Government initiative to improve the coordination and dissemination of flood-risk information should be expanded over time to encompass other natural hazards. Guidelines to improve the quality and consistency of risk information should be regularly updated and take climate change into account where feasible.

Suncorp strongly supports improved coordination and dissemination of natural hazard risk information. For reasons already explained in the Draft Report, the sharing of hazard risk information is essential to climate change adaptation.

Suncorp considers that a detailed set of operating guidelines should be developed to govern the initiative and support the timely standardisation of hazard risk information sharing. The current barrier to broader risk information use among the community is the variety of methodologies used to develop risk information, and the variety of ways this information can be accessed or used.

Significant additional benefit can be obtained from standardising the approach to developing and sharing risk information across government bodies. Conversely however, significant cost can arise from sharing inaccurate hazard risk information. For example, if two bushfire maps developed under different methodologies (i.e. meaning of 'high risk' is different from one to the other) were to be shared via the one government portal; this could lead to inappropriate community adaptation and unfairly impact property values.

It is therefore important that this initiative have detailed operating guidelines, designed to support the timely standardisation of approaches to ensure efficient and equitable outcomes for the community. The aim should be to share what is available at the current time, and quickly transition to more accurate consistent and better maintained risk information systems.

Suncorp suggests that this Draft Recommendation be amended to clearly state the need for detailed operating guidelines, including a stated aim to achieve consistent and high-quality hazard risk information in a timely manner.

Local government

DRAFT RECOMMENDATION 7.1

There is uncertainty about the roles and responsibilities for adaptation by local governments, including in the areas of land-use planning, coastal management, and emergency management. As a first step to clarifying these roles and responsibilities, State and Northern Territory governments should publish a comprehensive list of laws which delegate regulatory roles to local governments. This would assist state, territory and local governments to assess whether local governments have the capacity to effectively discharge their roles.

Suncorp supports clarification of the roles and responsibilities of local governments. Further, we support clarification across all levels of government and also across government agencies.

Several post-disaster inquiries have identified gaps between the functions of various government bodies, leading to poor emergency management outcomes. To ensure the four stages of emergency management are appropriately handled across the various government organisations involved, Suncorp believes a broader Council of Australian Governments (COAG) review of emergency management roles and responsibilities should be undertaken.

This review should consider roles and responsibilities as currently legislated and, where necessary, amend these roles with regard to contemporary emergency management principles. Following this review, a detailed statement of roles and responsibilities should be agreed to by all levels of government through COAG and released for agency implementation.

Suncorp supports the 'Statement of Contemporary Roles and Responsibilities of All Levels of Government in Natural Disaster Management' recommended in the *Natural Disasters in Australia Review* in 2003 and believes this could form the basis of the COAG statement of responsibilities.

DRAFT RECOMMENDATION 7.2

Uncertainty about the legal liability of local governments is emerging as a barrier to effective climate change adaptation. State and Northern Territory governments should clarify the legal liability of local governments regarding climate change adaptation matters and the processes required to manage that liability.

Suncorp supports clarification of legal liability for local governments. It should be noted however, that limiting or altering this liability may act as a barrier to climate change adaptation and should be subject to due consideration.

It has been suggested that limited liability may enable more proactive adaptation action by local councils in the future. While there is merit to this argument, it must also be considered that limited liability may remove the incentive to make proactive adaptation decisions.

Suncorp believes it would be difficult to limit liability enough to enable action, without reducing the incentive for sound decision making. For this reason, Suncorp suggests that any change to local government liability only

apply for past decisions. Decisions made into the future should be made with due consideration of the risks associated with climate change and legal liability should apply.

Planning and building regulation

DRAFT RECOMMENDATION 8.1

As a priority, land-use planning systems should be revised to ensure that they are sufficiently flexible to enable a risk management approach to incorporating climate change risks into planning decisions. In doing this, consideration should be given to:

- *transparent and rigorous community consultation processes that enable an understanding of the community's acceptable levels of risk for different types of land use*
- *the timeframe of risks and the expected life time of proposed land use*
- *the costs and benefits of different types of land use.*

It is critical that land-use planning take into account both the short term and long term risks of the location. Suncorp strongly supports reform to further integrate risk management into land-use planning. Flexibility in planning systems is required to cater for variances in local risks and different approaches will be required across jurisdictions.

However, to the extent possible, changes to land-use planning systems should be consistent in line with the Council of Australian Governments National Seamless Economy Initiative. Introduction of new land-use planning systems will require adjustment by a variety of industries, including the insurance industry. For example, two regional towns facing similar risk should adopt similar land-use planning systems. This will minimise adaptation costs for industries that operate nationally.

Suncorp suggests that this Draft Recommendation be amended to include consideration of national consistency where appropriate.

DRAFT RECOMMENDATION 8.2

As a priority, the Building Ministers' Forum should ensure that the National Construction Code and associated standards (including those developed by Standards Australia) take climate change impacts into account. As soon as practicable:

- *the Building Ministers' Forum should provide a formal response to the Australian Building Codes Board's 2010 review of the Building Code of Australia under climate change*
- *the Australian Building Codes Board should develop a formal work program that outlines its approach to incorporating climate change in the National Construction Code over time. This work program should reflect any formal government response to the 2010 review of the Building Code of Australia.*

The Australian Government should give consideration to the public funding requirements for the Australian Building Codes Board and Standards Australia to undertake this work.

Regular review of the National Construction Code is important to ensure appropriate adaptation to changing risks. A strong building code, implemented at an early stage, can dramatically reduce the damage caused by extreme weather. This greater resilience to damage will be vital to offset the increased financial risks associated with extreme weather.

Suncorp believes there is a need to more frequently review the National Construction Code and 'operationalize' amendments to adapt to changing risk. Suncorp considers that any delay in amending the National Construction Code is a significant barrier to climate change adaptation. It should be a government priority to resolve any delays to timely amendment of the National Construction Code.

DRAFT RECOMMENDATION 8.3

The Council of Australian Governments' Select Council on Climate Change should consider, as part of its adaptation work plan, appropriate responses to managing the risks of climate change to existing settlements in high-hazard risk areas.

Suncorp suggests that the COAG Select Council on Climate Change should also consider a response for when it would not be appropriate to rebuild settlements post-disaster. The New Zealand Government has recently implemented a process of zoning areas green, orange, red or white in earthquake damaged areas of Christchurch. The zone colours indicate whether buildings can be reconstructed (green), further investigation is required (orange), if reconstruction is not appropriate (red) or if the area is yet to be assessed (white).

The zoning process has been designed on short notice and as a result, many residents have been left confused about process and under additional stress. Similarly, insurance companies are now attempting to determine how a red zoning affects policy coverage and claims payments. Deciding not to rebuild communities devastated by natural disaster is incredibly complex and is bound to have a variety of unintended consequences, but as shown by the recent relocation of parts of Grantham, it is necessary to consider this further.

To minimise uncertainty, Suncorp suggests that COAG should outline a plan for responding to communities exposed to unacceptably high levels of risk. The plan should state who is responsible for decision making, what information should be considered, how the community will be consulted and what remedies (e.g. relocation or land buy-back) are available.

Suncorp considers that the publication of and familiarity with such a plan at local government level would help to minimise uncertainty and community stress should such a drastic decision be required in Australia. Importantly, it would also allow insurers to develop policies that cater for this extreme scenario.

The role of insurance

DRAFT RECOMMENDATION 12.1

State and territory taxes and levies on general insurance constitute a barrier to effective adaptation to climate change. State and territory governments should phase out these taxes and replace them with less distortionary taxes.

Suncorp strongly supports this recommendation. Insurance taxes and levies have a variety of negative impacts on the community and should be phased out as a priority. To progress insurance tax reform, Suncorp believes State and Territory governments should commit to a 2015/16 target transition year.

DRAFT RECOMMENDATION 12.3

Governments should not subsidise premiums for household or business property insurance, whether directly or by underwriting risks. This would impose a barrier to effective adaptation to climate change.

Suncorp supports this recommendation. International experience has shown that insurance subsidies lead to market distortions and ultimately result in poor outcomes for the community. It should be recognised however, that governments will come under increasing pressure to address insurance affordability as premiums rise in response to increased extreme weather risk.

Suncorp considers that this recommendation should outline alternatives for government consideration when faced with mounting political pressure to address insurance affordability. As outlined earlier in this submission, the most appropriate government response is to increase disaster mitigation. Increased mitigation reduces financial risk and will ultimately result in lower insurance premiums. Improved construction codes and land-use planning systems to minimise future risk should also be considered.

Information requests

Hazard risk information

INFORMATION REQUEST 6.1

How useful are property title documents, property certificates, rates notices and rental contracts as means for communicating natural hazard risk information to households and businesses? What alternatives are available? What costs and risks would state and local governments incur in providing such information?

Suncorp believes these contract documents would be highly useful for communicating natural hazard risk information. Communicating any message to a wide audience effectively requires use of multiple distribution channels. All hazard risk information collated by government should be disseminated via as many channels as practicable.

The use of contract documents for raising awareness of risk is desirable as these are provided before a homeowner or landlord decides to purchase or a tenant chooses to rent a property. Suncorp believes it is a simple matter of fairness that potential residents be informed of natural hazard risks associated with a property prior to moving in. Provision of relevant risk information in the purchase process should be a priority.

The cost of providing this information can be minimised through use of hazard risk information collated by the Australian Government initiative recommended in Draft Recommendation 6.1. As information under this initiative would be nationally consistent, automated systems could be created to draw upon that information and include in these contract documents.

Local governments' legal liability

INFORMATION REQUEST 7.1

The Commission notes the current arrangements in New South Wales to limit the legal liability of local governments through the Civil Liability Act 2003 (NSW) and the Local Government Act 1979 (NSW), and seeks further information on whether this approach (or alternatives) could fully address the legal liability issues facing local governments in other jurisdictions when dealing with climate change adaptation.

Suncorp refers the Commission to our response to Draft Recommendation 7.2 where we express the need to approach limited liability with caution.

INFORMATION REQUEST 8.2

The Commission seeks views on individual, business and community preferences for managing the risks of climate change for existing settlements.

- *What levels of climate change risk are appropriate for existing settlements? Does this differ for private and public assets?*
- *What approaches should governments take to ensure these levels of 'acceptable' risk are maintained?*
- *In what circumstances should governments use 'protect', 'accommodate' or 'retreat' options for managing climate change risks to existing settlements?*

The level of 'acceptable' risk is likely to vary significantly between individuals and settlements. Factors such as the residents personal risk attitude, why they chose to live there, where the home is and what it is made of will all have an effect on the 'acceptable' level risk for that home. Suncorp considers that indicators from insurance companies, banks and developers could assist to determine when the 'acceptable' level of risk has been exceeded.

Insurers provide a risk signal to the market through risk-based insurance premiums. Premiums are a simple and clear indication of overall risk to a property. When the level of acceptable risk is exceeded, insurance premiums will either become unaffordable for residents or insurers will withdraw from the market.

Banks are unlikely to issue a mortgage for a home which may be subject to unacceptably high risk during the term of the loan. If there is a reasonable expectation that the asset will not be available for future sale, there is no asset security for the loan and it would not be issued.

Finally, developers will generally avoid high risk areas where new buildings are at high risk. The return on investment in these areas is likely to be limited, leading to reduced development.

These three markets can be monitored by government through existing regulatory authorities and will provide some indication that communities are exposed to unacceptably high levels of risk. It should be noted however that this indication would only be general in nature and likely to be provided once the acceptable level of risk has already been exceeded.