Disaster Recovery Funding Arrangements 2018

Guideline 4 – Insurance arrangements

# Insurance arrangements

1. *States* have a responsibility to put in place insurance arrangements which are cost effective for the *state* and the *Commonwealth*—clause 3.1.5 of the Disaster Recovery Funding Arrangements 2018 (the *arrangements*) refer.
2. A *state* may find it appropriate to adopt a qualitative benchmark based on a best practice approach, as was established in the 2012 Natural Disaster Relief and Recovery Arrangements’ insurance review[[1]](#footnote-1). This approach reflects the obligation on *states* to identify their risk exposures and fully inform their decisions with respect to financing potential losses.
3. The qualitative benchmark process is illustrated below:

*Diagram of qualitative benchmark process

step 1: Identification of assets and risk exposure

step 2: test the insurance market

step 3 perform cost-benefit analysis

step 4: make fully informed insurance decisions*

1. A *state’s* access to adequate capital may be demonstrated by referencing the *state’s* policies to access internal funds, such as deferral of capital expenditure, access to insurance and/or the *state’s* ability or willingness to borrow.

1. Commonwealth of Australia, Department of Finance and Deregulation. *Review of Insurance Arrangements of State and Territory Governments under the Natural Disaster Relief and Recovery Arrangements Determination 2011*. NDRRA Phase 2 Report. September 2012. [↑](#footnote-ref-1)