Guideline 4

Insurance requirements

1. Section 4.5 of the Natural Disaster Relief and Recovery Determination 2017 (‘the determination’) requires states to have adequate capital or access to capital to fund liabilities or infrastructure losses, and to proactively explore a range of insurance options in the market place and assess available options on a cost-benefit basis.

2. A state may find it appropriate to adopt a qualitative benchmark based on best practice approach, as was established in the 2012 Natural Disaster Relief and Recovery Arrangements insurance review\(^1\). 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:

4. 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.

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\(^1\) 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.