



Natural Disaster Relief and Recovery Arrangements

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.