Guideline 4 – 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. 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:

   Identification of assets and risk exposure → Test the insurance market → Perform Cost-benefit analysis → Make fully informed insurance decisions

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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Date of issue: 8 June 2018
Date of effect: 1 November 2018