



# 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<sup>1</sup>. 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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<sup>1</sup> 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.