

# Disasters

## Centrelink and insurance payouts



### Principal home and the asset test

If you are receiving an income support payment from Centrelink, the home you live in is **not counted** in the assets test, no matter how much it is worth.

There are some circumstances in which your principal home can be exempt from the asset test even when you are not living in it, for example, if you left due to loss or damage caused by a natural disaster.

### Vacating the principal home due to a natural disaster

**!** If you leave your principal home because it was damaged or destroyed in a disaster, **you must notify Centrelink within 14 days.**

If you are temporarily leaving your principal home due to loss or damage caused by a disaster, you can request that your principal home continues to be exempt from the asset test for up to 12 months. This is called a **temporary vacation exemption period.**

**i** If you are unable to return to live in the home by the end of the temporary vacation exemption period, you can request an extended exemption period if you meet **specific criteria** including:

- you have made reasonable attempts to
  - build, repair or sell the principal home; or
  - purchase or build another principal home; and
- you have been making those attempts within a reasonable period of time after the loss or damage; and
- you have experienced delays beyond your control in purchasing, rebuilding, repairing or renovating another principal home.

If you meet these criteria, you may be eligible for an extension of up to 12 months. The total exemption period cannot exceed 24 months.

**!** You will need to **provide Centrelink with evidence** that you made reasonable attempts within a reasonable time and about any delays beyond your control.

If you have not returned to living in your home at the end of either the first 12-month period or the extended exemption period, the value of your principal home will be included in your asset test. In some circumstances, this could reduce or cancel your Centrelink payments.

### Unrealisable assets

Under Centrelink's hardship rules, there are some circumstances where your principal home may be considered an unrealisable asset.

**i** An **unrealisable asset** means an asset:

- you cannot sell or borrow against; or
- if you receive a pension, you could not be reasonably expected to sell or borrow against.

If Centrelink decides your principal home is an unrealisable asset, it will not be assessed in the asset test. This may be an option available to you if you cannot return to live in your home but have exceeded the 24-month temporary vacation exemption period.

### Worker Help Line

**03 9481 0655**

Monday to Friday, 9am–5pm, community lawyers and workers can contact us for information or secondary consultation with an SSRV lawyer.

### Legal Assistance Line


**03 9481 0355**

Monday to Thursday, 9am–4.30pm for Victorians experiencing a Centrelink issue.


## Insurance payments

If your principal home is damaged or destroyed due to a disaster, and you receive an insurance or compensation payment for this loss, the payment is exempt from the Centrelink asset test for 12 months. You will need to notify Centrelink when you receive the payment and request that the exemption be applied.

The exemption period for insurance payments can be extended beyond 12 months if you meet **specific criteria** which includes:


-  - in the first 12-month exemption period, you made reasonable attempts to:
  - to have the home repaired; or
  - to sell the home in order to purchase or build another home; or
  - to purchase or build another home; and
- you made those attempts within a reasonable period after the loss or damage; and
- you experienced delays beyond your control in purchasing, building, repairing or renovating the building.

If you meet these criteria, you may be eligible for an extension of the exemption period for a further 12 months or longer.

-  **You need to provide evidence to Centrelink** of your reasonable attempts within a reasonable time and about any delays outside of your control.

## Cash settlements

If you accept a cash settlement from an insurance company, you may still be able to access the initial 12-month exemption from the asset test.

-  **You must tell Centrelink within 7 days of receiving the cash settlement.** You should talk to Centrelink about your specific situation and confirm whether the initial 12-month insurance payment exemption will apply in your circumstances.

After the 12-month initial exemption, the cash settlement money will be included in your Centrelink's asset test and subject to deeming rules for the income test.

Depending on your situation, the inclusion of the cash settlement in your asset test may not affect your Centrelink payment if you are still under asset and income test thresholds. If the cash settlement pushes you over the asset and income test thresholds, your Centrelink payment rate may reduce or be cancelled entirely.

## Who we are

Social Security Rights Victoria (SSRV) is a community legal centre that provides free legal advice and assistance for Social Security, family assistance and Centrelink matters to people who live in Victoria.

The SSRV team assists people with issues including:

- understanding rights of review of Centrelink decisions
- refusal, suspension or cancellation of payments
- management and review of debts
- Disability Support Pension eligibility
- review of Centrelink decisions where clients are impacted by family violence
- secondary consultations for social, community and health workers (such as financial counsellors, disability advocates, social workers, doctors and community lawyers) to help with clients.



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[www.ssrv.org.au](http://www.ssrv.org.au)

If you have any questions or client queries about the above content, [please call us to discuss](#). SSRV welcomes contact and queries from workers and clients. This factsheet has been designed as general information for Victorian Community Legal Centres and should not be relied upon as legal advice. Current April 2026.