



Australian Government
Australian Reinsurance Pool Corporation

Under the Cover

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Message from the CEO



Welcome to the Summer 2008 edition of ARPC's newsletter. In this edition we include a notice on important changes to the Insurance Act. For many of our clients these changes will affect their operation in Australia. If you are in any doubt, I urge you to seek advice as to the effect of the changes.

We report on the recent OECD meeting I attended, announce the outcome of the tender process for the selection of a reinsurance consultant and outline our expectations of clients in the event of a suspected terrorist incident. We also welcome a new employee and the newest member of ARPC's family.

The subject of this month's "A moment with" segment is Marianne Cavanagh. Marianne has been with ARPC since November 2003 and is an integral member of the ARPC team.

I trust everyone had a safe and happy holiday season. I look forward to working with you in what I hope will be a very successful 2008.

I hope you find the newsletter of interest. If there is an issue which you would like to see discussed in future editions, please contact Michael Pennell at (mpennell@arpc.gov.au).

Neil E Weeks

CEO

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Changes to Insurance Act

The Government has enacted its policy on Direct Offshore Foreign Insurers (DOFIs) in order to enhance the consumer protection of Australian policy holders. From 1 July 2008, all insurers who wish to undertake (including renewals) general (i.e. 'non-life') insurance business in Australia, whether directly or through another party (for example, an insurance agent or broker), will be required to become authorised under the *Insurance Act 1973*.

This general position is subject to limited exemptions which are the subject of a separate consultation process by the Treasury. Details on this process can be obtained from www.treasury.gov.au. The changes to the Insurance Act are set out within the Financial Sector Legislation Amendment (Discretionary Mutual Funds and Direct Offshore Foreign Insurers) Act 2007, which was given Royal Assent on 24 September 2007.

DOFIs wishing to operate in Australia post 1 July 2008 and which are subject to the expanded definition of 'carrying on insurance business' are encouraged to contact the Australian Prudential Regulation Authority (APRA) as soon as possible to initiate authorisation discussions.

Information on authorisation is available on the APRA website at the following link:

<http://www.apra.gov.au/Policy/General-Insurance-Authorisation-Guidelines.cfm>

OECD meeting

Mr Weeks is a member of OECD Advisory Board on the Financial Management of Large-scale Catastrophes and attended the latest meeting of the Board which was held in Paris in October 2007. The meeting focussed on the three major projects currently underway:

- standards for risk mapping;
- risk education for the community; and
- the participation of capital markets in the reinsurance industry.

Appointment of a reinsurance consultant

ARPC is pleased to announce that, after an exhaustive tender process, it has engaged the services of Guy Carpenter as its reinsurance consultant to assist in investigating the feasibility of purchasing retrocession for the ARPC. This step is in line with recommendation number two of the review of the Act conducted in June 2006 which states:

"Once the pool reaches 300 million, the ARPC has the discretion to determine whether to use premiums to build the pool further, purchase reinsurance for the scheme or undertake a combination of the two."

The investigation will be conducted over the next few months. A decision on the purchase of reinsurance is expected to be made mid-2008.

Claims procedure

In answer to a recent query, when an incident occurs, and before it is announced as a declared terrorist incident (DTI), it is the insurance companies' responsibility to ensure that claims are assessed in the normal way under their original policy conditions. At this stage the loss is not deemed to be a terrorist loss and should be assessed in accordance with the insurer's standard practice.

Clients will be requested to provide ARPC with accurate estimates of their losses. This will assist ARPC to assess the likely industry loss which, in turn, will be used to calculate each company's retention under the reinsurance agreement should the incident be announced as a DTI.

The announcement of DTI may be accompanied by the announcement of a reduction percentage if the overall assessment of the Commonwealth's possible liability exceeds \$10 billion. By specifying a reduction percentage, the liability of insurance companies to pay claims for eligible terrorism losses is reduced by that rate. This is to ensure that insurance companies that reinsure through the ARPC are not liable for the amount of the loss in excess of the reduction percentage.



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Systems update

As foreshadowed in the Spring 2007 edition of *Under the Cover*, ARPC is developing a new system for the electronic lodgement of information by clients. The development work is progressing well and the system is expected to be completed in January. The release to clients will be staggered and will run in parallel with the current manual premium submission processes for the December 2007 quarter. Premium for the December 2007 quarter is to be submitted using the current system.

We will contact clients during February and March to provide a user ID, password and user manual. We will arrange a convenient time for clients to be given a walk through of the system. As part of this process, clients will be asked to resubmit their December 2007 premium return in RISE. This is to ensure that all clients have the opportunity to use the system before the March quarter premium return is due. From the March quarter all premium returns must be submitted using RISE.

In summary, the timeline for quarterly premium returns is:

- January 2008 – submit December 2007 quarterly return using current processes;
- February / March 2008 – resubmit December 2007 premium return using RISE;
- April 2008 – submit March 2008 quarterly premium return using RISE.

Welcome to baby Batzogiannis



Our Human Resources and Office Manager, Maria Batzogiannis, and husband Louie welcomed daughter Sophie into the world on 13 October. Maria joined us for lunch and brought baby Sophie with her. As is evident, our CEO, Neil Weeks, was

delighted to welcome the newest member of ARPC's family.

Comings and goings

A fond farewell to Merissa Broadbent a popular staff member and ARPC's Canberra Office receptionist. Merissa decided to return to Darwin and we wish her every success in the future.

Welcome to Kristan Fisher, our new Canberra Office receptionist, who joined ARPC on 10 December.

A moment with ... Marianne Cavanagh



Marianne Cavanagh joined ARPC in November 2003 and is the Manager, Corporate Governance. In that role Marianne is responsible for legislative compliance, business continuity planning, internal audit, risk management, preparation of publications as well as providing the Board Secretariat. As the saying goes, if you want something done

give it to a busy woman.

Marianne enjoys living and working in Canberra because of the beauty of our bush capital, coupled with the easy access to music, theatre, galleries and museums. She and partner Miles get to Sydney as often as they can to enjoy the sights and sounds of a big city, but are always happy to come home to Canberra.

Marianne and Miles also enjoy travelling and have an annual Australian wine trip with friends. Over the years areas as diverse as Margaret River, Coonawarra, Barossa, Eden and Clare Valleys, Rutherglen and the Hunter Valley (to name just a few) have been visited. Marianne and Miles are also having fun planning their next big holiday - this time to Turkey.

Contact update

If there are additional people in your organisation who wish to receive a copy of our newsletter (for example, CFO or accounting personnel), or your nominated ARPC contact person changes, please forward their details to Sue Coates at suecoates@arpc.gov.au to enable us to update our newsletter database.