



Australian Government  
Australian Reinsurance Pool Corporation

# Under the Cover

No. 2009/02 Autumn 2009

## IN THIS ISSUE:

- Message for CEO
- 2009 postcode update information
- Review of Terrorism Insurance Act
- Cedant review program
- A moment with ...
- Thought of the day

## Message from the CEO



Welcome to the Autumn 2009 edition of Under the Cover.

In this edition we advise on updates to the postcode listings, the conduct of the review of the Terrorism Insurance Act and increased retentions as at 1 July 2009. We have also included an explanation of our cedant review program. This program continues to strengthen the collegiate relationship between ARPC and its clients.

The subject of this month's *A moment with ...* segment is Lorrie Cafe. Lorrie is ARPC's internal audit manager. One of Lorrie's tasks is to assist managers to identify, assess and mitigate risks. A vitally important task at any time, and even more so in the current climate.

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](mailto:mpennell@arpc.gov.au)).

Neil E Weeks

CEO

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# Under the Cover

## 2009 postcode update information

Each year ARPC reviews its list of postcodes to ensure it is up-to-date and does not contain any post office box locations. The 2009 review has been completed and the amended tier post code listings can be found on our website at:

[http://www.arpc.gov.au/content/tier\\_postcodes.asp?NavID=7](http://www.arpc.gov.au/content/tier_postcodes.asp?NavID=7)

Please ensure that your administration department is aware of these changes and uses only authorised postcodes in all submissions (eg premium and aggregate reports) to ARPC.

Please note that aggregate reports are due by 30 August each year.

The changes to the postcode list for 2009 are:

### New postcodes

Postcode	Tier	State	Reason
2678	C	NSW	Charles Sturt University in Wagga Wagga
3374	C	VIC	New postcode
3477	C	VIC	New postcode
6077	C	WA	New postcode
6078	C	WA	New postcode
6079	C	WA	New postcode

### Deleted postcodes

Postcode	Tier	State	Reason
5312	C	SA	Redundant postcode (Locations now fall under 5311)
7001	C	TAS	No longer includes Tasman Island, now only PO boxes

## Review of Terrorism Insurance Act

The Government's intention is to operate the terrorism insurance scheme established by the *Terrorism Insurance Act 2003* only while terrorism insurance cover is unavailable commercially on reasonable terms. For this reason, the Act requires a review to be conducted, at least once every three years, of the need for the Act to continue in operation. The first review was conducted in 2006 and next review is due by 30 June 2009.

In the course of the review, Treasury will consult directly with key stakeholders, including ARPC, representatives of insurers and property owners, reinsurers and relevant Government departments and authorities.

Interested parties should direct their queries and/or submissions in relation to the review to Treasury (contact [lauren.hogan@treasury.gov.au](mailto:lauren.hogan@treasury.gov.au)).

## Retentions

Clients are reminded that, as a result of the 2006 review, retentions will increase as at 1 July 2009 to the lesser of \$10 million or 4% of fire and ISR premiums with a maximum industry retention of \$100 million. The minimum retention of \$100,000 remains unchanged.

## Cedant reviews

ARPC introduced its cedant review program to assist clients to meet their obligations under the reinsurance agreement. The philosophy behind the program is to further strengthen the relationship between ARPC and its clients. This is achieved by assisting clients to raise their awareness of the processes involved in the identification of eligible insurance contracts, premium calculation and premium remittance. Since 2005, ARPC has been ably assisted by Pro Re in these client visits.

ARPC appreciates the welcome extended to its review team and thanks clients for their cooperation.



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In addition to the issues noted above, the review team typically reviews the following areas.

## Premium returns

This is designed to ensure that the quarterly premium return submitted to ARPC matches the insurance and financial records of the client.

## APRA and ARPC returns

The reconciliation of the APRA and ARPC returns assists in verifying the GWP which is used to calculate the client's retention level under the reinsurance agreement.

## Claims management

The team reviews the claims manual to ensure that clients are prepared to handle a claim in the event of a declared terrorist incident.

The capability of ARPC's online RISE system to capture loss estimations and regular updated claims payment information is explained.

## Aggregate reporting

The team checks how the sums insured and risk numbers are generated for the submission of the annual aggregate report. The team seeks to ensure that the aggregate information can be broken down into separate policy details.

## Emergency procedures

The review examines business continuity and disaster recovery plans to ensure that, if an incident occurs which affects a client's ability to conduct its business, it will still be in a position to pay claims in a timely manner in the event of a declared terrorist incident.

## A moment with ... Lorrie Cafe



Lorrie Cafe joined ARPC in May 2007 as our internal audit manager. Lorrie has extensive experience in various internal audit management roles and manages ARPC's outsourced internal audit program. In addition to internal audit, Lorrie

coordinates our risk management strategies, administers our automated risk management system, coordinates our business continuity plans and arranges for the testing of our DTI preparedness plan.

These roles required Lorrie to quickly acquire a sound understanding of ARPC's entire business, which he has done through talking and listening people from all areas of the business.

Lorrie maintains a healthy and active life style through exercise, yoga and a vegetarian diet. He cycles to work every day. This maintains his exercise regime and reduces his carbon footprint. Perhaps we should all take a leaf out of Lorrie's book!

Camping and travelling in out of the way places is another of Lorrie's interests. He has back packed through many parts of the world- including Indonesia, Malaysia, Thailand and Burma and also trekked through Nepal, India and Ladakh. His most memorable experience is Egypt because of its history and scenery.

## Thought of the day

*Real integrity is doing the right thing, knowing that nobody's going to know whether you did it or not.*

Oprah Winfrey