



The quarterly newsletter from ARPC

UNDER THE COVER

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Message from the CEO



Welcome to the first edition of our newsletter for 2016.

On 15 December, the Minister for Small Business and Assistant Treasurer, the Hon Kelly O'Dwyer MP, released the 2015 Triennial Review report on the Australian terrorism insurance scheme. Communication with stakeholders is underway on the report's findings and their likely impact (please see separate article).

In mid November, Australians were shocked and saddened by the co-ordinated terrorist attacks in Paris which left 132 people dead. Two weeks earlier, I was in Paris meeting the OECD and also Gareat, the French Terrorism Pool. On the same trip, ARPC Chair Joan Fitzpatrick and I made presentations on terrorism risk insurance to the 2015 National Terrorism Reinsurance Pools Congress in London. Other major conference presentations during the period included the December Actuaries Institute Enterprise Risk Management Seminar in Sydney. Please contact us if you would like to receive a copy of any of these presentations.

ARPC has successfully completed its retrocession reinsurance program for 2016. This is a significant piece of work and we are grateful for the support of our global panel of almost 60 reinsurers.

We have also published our [corporate plan](#) for the financial year 2015–16. The plan commences 1 July 2015 and spans the three subsequent reporting periods to 30 June 2019. Each year, ARPC undertakes a strategic planning process in conjunction with the Board and executive to set our purpose and role, values, and strategic priorities for future years.

ARPC staff have now moved to our new Sydney office. Please feel free to contact us on (02) 8223-6777 or enquiries@arpc.gov.au if you have any questions or would like to send us feedback on our newsletter. I also encourage you to visit our website www.arpc.gov.au where we post information on a regular basis.

Dr Christopher Wallace
Chief Executive Officer

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2015 Triennial Review report released

The 2015 Triennial Review report, published in December, ensures the financial sustainability of the ARPC and addresses issues raised in the 2012 Triennial Review. The Review stated that market failure still exists in the Australian terrorism reinsurance market and ARPC should remain under the current ownership structure and administration. It also proposed to extend our remit within the terrorism risk insurance space to some non-commercial property and to bio-chemical events.

The Review considered a range of issues including scheme ownership, administration, fee retention, funding levels returned to government, premiums and the scope of the scheme.

To ensure the ARPC scheme remains financially sustainable, annual premiums paid by insurer cedants will increase (for the first time since the scheme's inception in 2003). The increases take into account the \$90 million ARPC annual payment to the Federal Government for the \$10 billion Commonwealth Guarantee of ARPC's liabilities.

In particular, the Review recommended and Treasury accepted that the scope of the scheme be extended so that it applies to:

- a) buildings in which at least 20 per cent of floor space is used for commercial purposes; and
- b) buildings with a sum-insured value of at least \$50 million, whether used for commercial or other purposes.

And:

Recommendation 10: That the application of the Act be clarified by amendments that remove doubt about whether certain losses would be covered under the scheme, in particular, losses attributable to terrorism attacks that use chemical or biological means.

The premium pricing changes are effective from 1 April 2016. The timing of other changes has not yet been determined.

Click [here](#) for the full report.

Click [here](#) for the ARPC Press Release and a link to the ARPC Market update on the report.

ARPC to host Global Terrorism Risk Insurance Conference

ARPC is proud to announce that we will host the 2016 Global Terrorism Risk Insurance Conference in collaboration with the OECD. The one-day Conference will take place on Thursday, 6 October, 2016 at Parliament House Canberra. The Conference will include global and local speakers from across academia, insurance/reinsurance and government. The program will be available shortly. For enquiries, please contact events@arpc.gov.au

Premium submissions due

Premium submissions for the second quarter (1 October–31 December) of the 2015–2016 financial year are due by 29 January 2016. All premium submissions, including nil submissions, must be lodged by 29 January.

To submit a premium please log into <https://rise.arpc.gov.au> and click on download templates. For further instructions please refer to page 27 of the RISE Cedant User Manual.

If you have any questions please contact accounts@arpc.gov.au or call +61 2 8223-6777.

Retrocession renewal

In November, ARPC's Chief Underwriting Officer Mike Pennell and CEO Dr Chris Wallace met with reinsurers in key markets to negotiate the renewal terms of our retrocession program for the 2016 calendar year. This year, ARPC reduced its retention to below \$400m, increased the amount of cover purchased and removed the co-reinsurance that has been a feature of the retrocession program since 2011. The program continues to be supported by almost 60 reinsurers.

The retrocession program is a key component of ARPC's scheme. It reduces the loss exposure of the government by \$2.9 billion in the event of a terrorist attack. The total capacity of the scheme is boosted to almost \$13.5 billion using ARPC capital, retrocession and the Commonwealth guarantee.

Overall, ARPC remains well positioned to respond to an event to protect Australia from economic losses in the event of a declared terrorist incident. We will continue to work with all our stakeholders to ensure we provide value for money.

Q&A

- Q:** How low should individual building valuations go when submitting aggregate postcode exposures as at 30 June each year?
- A:** This is really up to the insurer. However, during some recent cedant reviews, we have come across building values as low as \$43. These amounts were found to be in error. ARPC asks all cedants to check the veracity of the building value data that they submit each year.

Postcode update

Postcodes will now be updated annually. Quarterly updates have now ceased. If you use any postcodes which do not appear on the ARPC postcode table, please assess them as Tier C until the annual update is issued.

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