



Australian Government

Australian Reinsurance Pool Corporation

# Under the Cover

No. 2010/01 Summer 2010

## Message from the CEO

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Welcome to the summer 2010 edition of 'Under the Cover'. 2009 was another busy and successful year for the ARPC.

Last year saw the second triennial review of the Terrorism Insurance Act 2003. The review found that there is a need for the scheme to continue for at least the next three years. One of the main outcomes as a result of the review is the need to examine the effect of extending the scheme to mixed-use high rise buildings that are not predominately for commercial use, (see page two for full story).

This year, ARPC is proud to be sponsoring the 2010 Reinsurance Rendezvous. The Rendezvous is one of the Australian market's major events and is held biannually, attracting high profile speakers and challenging topics. This year the conference will be held in the beautiful Hunter Valley, from 7-9 March (see page five for full conference details or contact Andrew Martin at ANZIIF on 02 9247 1141).

This edition's 'A moment with' subject is one of our newest staff members, Business Analyst Paul Elton (see page three for full story).

I would like to thank our retrocession panel members for their continued support throughout 2009, and I look forward to working with you all again in 2010. I would also like to thank all of our clients for their cooperation in 2009, particularly with providing street level information and the welcome afforded to our cedant review team. I hope you all have a prosperous 2010.

Neil E Weeks  
**Chief Executive Officer**

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## Review of the Terrorism Insurance Act 2003

The second triennial review of the need for the *Terrorism Insurance Act 2003* to continue in operation was conducted during 2009 and the report, '*Terrorism Insurance Act: Review 2009*' was released by the Treasurer in October last year. The review recommended that the terrorism insurance scheme continue in operation for at least another three years. Another review will be conducted in three years, in accordance with the Act.

The review report also recommended that:

- Premiums continue to be collected at current rates;
- Industry retentions levels remain at the levels that took effect on 1 July 2009;
- ARPC not be required to maintain a line of credit facility for the scheme, but it should investigate the purchase of additional retrocession; and
- ARPC examine the effect of extending the scheme to mixed-use, high-rise buildings that are predominately not for commercial use.

The Government has agreed to all of the report's recommendations.

Beginning in February, ARPC will consult with relevant stakeholders to examine the issues, collect data and assess the impact of extending the scheme to mixed-use high-rise buildings that are not predominantly for commercial use. ARPC is required to report to the Minister by September 2010.

Any consideration of this issue must have regard to the need to maintain, to the greatest extent possible, private sector provision of terrorism insurance and to allow the re-emergence of commercial markets for terrorism risk cover.

## ARPC visits overseas Retrocession markets

Representatives from ARPC, accompanied by a representative from Guy Carpenter, visited reinsurers in the United States, Bermuda, United Kingdom, Paris and Singapore to discuss renewal of ARPC's terrorism retrocession.

Potential new retrocession markets were visited as well as the majority of our current panel of retrocessionaires. All of the existing markets we visited overseas were very supportive of ARPC's retrocession program.

It is encouraging to note that retrocession participants were complimentary about the quality of our exposure information and exposure/blast modelling that has been achieved over the course of 2009.

## Successful placement of retrocession renewal

In keeping with its obligation to encourage the return of the commercial terrorism insurance market, ARPC successfully placed its retrocession renewal program for 2010.

Cover inception on 31 December 2009. Because of the positive response from reinsurers, the program cover has increased from \$2.3 billion in 2009 to \$2.6 billion in 2010.

ARPC is pleased to report that 12 new markets have been attracted to the panel and no markets which were on the 2009 program declined to participate in the 2010 program.

ARPC intends to continue its retrocession program mainly because it is encouraging the return of the commercial reinsurance market. In addition, the program:

- Raises the point at which the Commonwealth guarantee will be required; and
- Lessens the risk that a reduction percentage will be required.



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## Remember to submit your gross written premium

During recent cedant reviews we have discovered that some clients are unaware of their obligation under the reinsurance agreement (Clause 5(b)(ii)A & B) to report on their gross written premium (GWP) by the end of each financial year.

It is vital that we receive clients' GWP as this is the figure used to set retention levels under the reinsurance agreement. It is suggested that this requirement is logged in your corporate governance register for future reference.

Submitting GWP data each year ensures that retention levels are accurately recorded by ARPC based on current information rather than historical data.

## ARPC releases 2008-09 Annual Report

ARPC's 2008-09 annual report was tabled in Parliament on 5 November 2009. Financial highlights for the year included:

- Annual gross written premium of \$106.270 million;
- Annual investment income of \$30.416 million; and
- As at 30 June 2009, the reserve for claims stood at \$551.189 million.

The annual report is available at: [http://www.arpc.gov.au/content/publications/annual\\_reports/2008\\_09/html/ARPC\\_08\\_09.asp](http://www.arpc.gov.au/content/publications/annual_reports/2008_09/html/ARPC_08_09.asp)

## A moment with Paul Elton



Paul joined the Australian Reinsurance Pool Corporation (ARPC) as Business Analyst in October 2009. Having settled into this role, Paul has already developed a business process mapping document, which shows all of ARPC's major functions and how they relate to each other. Paul is also working on enhancing the Reinsurance Information System (RISe). Previously, Paul worked in similar roles at Diabetes Australia and Telstra.

Paul's work requires him to liaise with staff from all areas of the organisation. The finished result of Paul's work on mapping ARPC's processes will assist staff to increase knowledge and understanding of how the business functions fit together.

In Paul's previous role at Diabetes Australia, he worked on a number of interesting projects including developing a geospatial map showing trends against demographic and socioeconomic information. Throughout his career, Paul has also been involved in the development of and the ongoing maintenance of point of sales

systems in retail stores.

Paul was born in Canberra, but lived in Wollongong and the south coast for a number of years. For the past seven years Paul has called Canberra home. Having travelled extensively throughout Australia, Paul wishes to travel overseas one day to places such as New Zealand's south island, Canada, Spain and Mexico. In his spare time, Paul plays touch football, cycles and manages a rugby league team. Paul also enjoys live music and cooking.



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## RISe and website developments

Last year a number of improvements were made to our Reinsurance Information System (RISe). Clients are now able to view broker /group / agent details when reviewing their contact details and are also able to print the premium submission confirmation page.

A new premium return template has been added to RISe. In order to avoid confusion over the financial year, we have locked the 'Financial Year Ending' field and will release a new version of the template at the beginning of each financial year. If you wish to submit a return for a previous financial year please contact ARPC's Senior Business Analyst, Paul Brand on 02 6279 2100 or email [Paul.Brand@arpc.gov.au](mailto:Paul.Brand@arpc.gov.au)

This year we are undertaking a major upgrade of RISe to make it even more functional and user-friendly for our clients.

The RISe upgrade will include:

- A facility for clients to upload detailed street address information;
- Additional and more intuitive reporting tools;
- Personalised information notification for clients and ARPC staff; and
- A seamless interface between the updated RISe and the ARPC website.

In addition to the RISe upgrades, we are also redeveloping the ARPC website, to improve content, design and functionality.

## Welcome to new staff

We have recently welcomed a number of new staff including Financial Accountant Barbara Li, Business Analyst Paul Elton (who is this edition's A moment with topic, see page 3), HR Administrator Ivana Ippoliti and Communications Officer Gemma Youl.

## Q and A's

**Q** Is an ISR policy which covers buildings on a site and vehicles housed in those buildings an eligible insurance contract for the purposes of the Terrorism Insurance (TI Act) or is it excluded by item 18 of the Regulations made under the TI Act?

**A** *Prima facie*, the policy is an eligible insurance contract because it meets the description in s7(1)(a) of the TI Act. *Prima facie*, the buildings on the site meet the description in sub-paragraph (a) of the definition of eligible property and the vehicles "while they are housed in the sheds overnight" meet the description in sub-paragraph (b) of the definition of eligible property. ARPC interprets Item 18 of the Regulations as concerning motor vehicle insurance, such as comprehensive insurance and third party property insurance.



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## REshaping the Future Reinsurance Rendezvous 2010

7<sup>th</sup> – 9<sup>th</sup> March 2010  
Cypress Lakes Resort, Hunter Valley

The 2010 Reinsurance Rendezvous will feature leaders coming together to engage and inspire you to tackle local and global challenges in the insurance and reinsurance industry.

Today, compliance demands a lot more from Senior Management and Board Members alike so we have designed the conference programme with this in mind.

The programme will cover a number of topics that senior management and board members will find of great value. These include:

- Responsibilities of an Insurance Company Director – reinsurance issues
- The evaluation of reinsurance as a capital alternative (or necessity)
- The issues of reinsurance security / ratings and concentration risks
- Current view on Catastrophe modelling that drives reinsurance pricing globally
- Litigation Funding and Class Actions – they are on the rise!
- An extremely topical catastrophe event definitions and hours clause panel discussion
- The global reinsurance market, pricing and survival
- JP Morgan & Deloitte will present their 2009 Australian Market survey.

### Who should attend?

Directors, CEO's, CFO's, Reinsurance Managers and their deputies, Direct Insurance and Reinsurance Underwriters, Actuaries, Auditors, Lawyers and Modellers.

### Keynote Speakers

Chris Crowder, Managing Director, General Reinsurance Australia  
William J. Bartlett, Non-executive Director, Suncorp Metway

### Other confirmed speakers include:

- **Stephen Evers**, Director & Head of Client Markets, Property & Casualty, Swiss Reinsurance Company
- **Chris Klein**, Global Head of Business Intelligence, Guy Carpenter
- **Blair Nicholls**, Chief Actuarial Officer, QBE
- **John Peberdy**, CEO, Ansvr Insurance
- And many more....

### Social Programme includes:

- Conference Dinner with **Kerry O'Keefe**
- Wine Making Presentation and Tasting with **Michael Hope** of Hope Estate Wines.

|                    |   |
|--------------------|---|
| <b>Date</b>        | Sunday 7 <sup>th</sup> – Tuesday 9 <sup>th</sup> March 2010   |
| <b>Location</b>    | Cypress Lakes Resort<br>Corner McDonalds and Thompsons Rd<br>Pokolbin<br>Hunter Valley NSW 2320<br><i>The Hunter Valley is approximately 2 hours north of Sydney and coach transport will be available.</i> |
| <b>Programme</b>   | A full conference programme and registration details will be released shortly   |
| <b>Interested?</b> | For further information, please contact: <a href="mailto:nsbranch@theinstitute.com.au">nsbranch@theinstitute.com.au</a>   |

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