

UNDER THE COVER



Australian Government

Australian Reinsurance Pool Corporation



Message from the CEO

Welcome to the summer edition of 'Under the Cover'.

Happy new year to all. We hope everyone had a safe and well rested break. 2010 was a successful year for ARPC and we will strive to make 2011 a successful year. I would like to take this opportunity to thank everyone for their support and we look forward to working with you in the future.

In recent years ARPC has actively canvassed the international insurance community to ensure that any risk carrier providing commercial property

insurance for Australian assets is aware of the scheme and the provisions of the 2003 Terrorism Act.

ARPC believes that nearly all commercial building and infrastructure assets in Australia which can be declared to ARPC are declared to ARPC. In fact the only known commercial buildings which are not declared to ARPC are state, federal and educational installations. In 2010 there were 250 active cedants who declared in total building sums insured of \$1,972 billion. \$338 of this sum is declared by captives and off-shore cedants. The balance is from APRA regulated companies and Lloyd's syndicates. The cover offered by ARPC does not extend to discretionary mutual funds.

The collection and mapping of this information has been valuable in assisting ARPC to develop an appetite for terrorism risk among the reinsurance community.

David Matcham
Chief Executive Officer

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ARPC visits overseas retrocession markets

Representatives from ARPC, accompanied by a representative from Guy Carpenter, visited reinsurers in the United States, Bermuda, United Kingdom, France, Germany and Singapore to discuss the 2011 renewal of ARPC's retrocession program. The program continues to be actively supported by all markets.

Successful placement of retrocession renewal

The retrocession renewal program for 2011 has been placed successfully.

Cover inception at midnight on 31 December 2010. The response from reinsurers was very positive. This resulted in the excess of loss program increasing from \$2.6 billion in 2010 to \$2.75 billion in 2011.

ARPC is pleased to report that all markets which participated in the 2010 program are participating in the 2011 program.

In addition to encouraging the return of the commercial terrorism reinsurance market, the program:

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

Mixed use buildings report

As required by the 2009 review of the scheme ARPC examined the effects of extending the scheme to mixed use high rise buildings that are not predominantly for commercial use. ARPC was required to have regard to the need to maintain, to the greatest extent possible, private sector provision of terrorism insurance and allow the re-emergence of commercial markets for terrorism risk cover.

ARPC reported to the Minister on 30 September 2010 with the following recommendations:

- That the existing test of predominance be retained, thus continuing to exclude mixed use buildings in accordance with the existing protocol.
- That ARPC conduct an education campaign with cedants to raise awareness of the protocol contained in the Insurance Council of Australia General Circular No G1573.
- That the existing floor area test be retained.

The Minister has accepted all the recommendations contained in the report. The report is available on the [ARPC website](#).

Accuracy of annual aggregate reports

Clause 10(b) of the reinsurance agreement requires all insurers which purchase terrorism reinsurance from ARPC to provide an annual report of total sums insured by postcode. This report is based on figures as at 30 June and is due by 31 August each year.

The provision of accurate information is vitally important to ARPC as it is used to determine peak exposure regions and forms part of our retrocession renewal information. ARPC appreciates that most reports are accurate and submitted on time and thanks insurers for their co-operation.

A small number of reports were found to contain unusually high sums insured, particularly when compared to previous years' reports and compared to the reinsurance premium that has been paid to ARPC. Investigation showed that these reports were inaccurate and this required insurers to recalculate aggregate exposures and resubmit reports.

During 2011, ARPC will investigate means by which aggregate reports can be verified before being accepted into RISE.

Annual report tabling

The 2009-10 annual report was tabled in Parliament on 26 October 2010 and is available on the [ARPC website](http://www.arpc.gov.au).

If you wish to receive a copy of the annual report please contact us on 02 6279 2100 or via email enquiries@arpc.gov.au

Highlights from the annual report

Financial highlights for the year include:

- annual gross written premium of \$104.885 million,
- annual investment income of \$28.351 million,
- a reserve for claims of \$604.460 million as at 30 June 2010.

Other highlights from the 2009-10 annual report include:

- the loss estimation model capabilities continue to be developed and refined,
- a significant cedant review program was undertaken in 2009-10,
- ARPC implements strategies designed to minimise waste and conserve energy.

A moment with Dora Koripas

Dora Koripas joined ARPC as Communications Officer in July 2010. In this role she coordinates the production of electronic and print publications, updating of the website, and other communication duties.

Before joining ARPC, Dora worked in a similar role with a statutory authority, where she was responsible for all communications. She also brings eight years of administrative experience from both the public and private sector. On an academic level, she has completed a Bachelor of Communications and is currently undertaking a Graduate Diploma in Marketing.

Born in England, she lived in Cyprus until she was 15 when she came to Australia with her family. She enjoys travelling back to see her family and has also been to Singapore, Thailand, Greece, and Israel. In her spare time Dora likes to go walking, read a book or go to the movies.



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Farewell to our CFO

Mr Trevor Ament was ARPC's Chief Financial Officer since July 2004. Trevor has accepted the position of General Manager of the Anglican Diocese of Canberra and Goulburn and had his last day with ARPC on 24 December 2010.

We wish Trevor all the best in his new role and would like to take this opportunity to thank him for his hard work and dedication over the years.

CFO appointment

Mr Laurence Daly has been appointed to replace Trevor Ament and took up his role on 17 January 2011.

Laurence has a wealth of experience in both the private and public financial sector, most recently as Chief Financial Officer for the Australian Sports Commission. He is also a Certified Practising Accountant.

We would like to welcome Laurence on board and we hope his time with us is enjoyable and fulfilling!