



Australian Government  
Australian Reinsurance Pool Corporation

# Under the Cover

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## Message from the CEO



Welcome to the Spring edition of Under the Cover.

In this edition we report on cedant reviews conducted in the London market and give an update on the review of the Terrorism Insurance Act 2003. We also advise on the use to which we put annual aggregate exposure data. I would like to take this opportunity to thank those clients who submitted their aggregate returns. This information is of inestimable assistance when we negotiate terms for our retrocession program.

The subject of this month's *A moment with ...* segment is Kate McInerney. Kate makes a valuable contribution to the smooth running of the Sydney office and to ARPC's administrative practices more generally.

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

## Cedant reviews

ARPC recently conducted cedant reviews on a number of companies and Lloyd's syndicates in London. The feedback has been very positive and we have been able to help the organisations we visited in many areas related to complying with their obligations under the reinsurance treaty. Our collegiate approach to the reviews was appreciated and Lloyd's will be issuing a Market Bulletin about many aspects of our visit there.

On visits to non-Australian domiciled organisations we have found that a lot of questions are raised. We are only too happy to help and if anyone has any queries they would like us to consider, please contact the ARPC directly at any time.

## Review of the *Terrorism Insurance Act 2003*

The Act requires that a review of the need for the Act to continue in operation must be undertaken at least one every three years. The first review was undertaken in 2006. The second review was completed in June 2009. It is expected that the report of the review will be released later this month.

## Aggregate reports

ARPC thanks all of our clients who have now submitted the annual aggregate report via RISE. The annual aggregate reports, which are due on 30 August each year, form an essential part of ARPC's exposure and loss estimation systems. The aggregate data is used to estimate losses for various scenarios, and is of great importance in our discussions with our retrocessionaires.

## Retrocession program

As we reported in the Summer 2009 edition of *Under the Cover*, on 31 December 2008 ARPC entered into a retrocession program for the scheme. The response from the market to our initial retrocession program was extremely pleasing. As we approach the renewal of the program, we look forward to continuing to involve commercial reinsurers in the Australian terrorism insurance scheme.

## Questions and answers

- Q** In an events cancellation policy does an insured have to actually occupy eligible property in order for the reinsurance offered by ARPC to respond to an incident?
- A** The advice that ARPC has received in relation to the meaning of the word "occupied" in the *Terrorism Insurance Act 2003* is that, for an events policy to be an eligible insurance contract for the purposes of s7(1)(b)(ii) the Act, the policy must cover business interruption and consequential loss arising from the inability to use eligible property that is **occupied** by the **insured**. The ordinary meaning conveyed by the phrase "eligible property ... that is ... occupied by the insured" clearly refers to an insured that is in actual possession of the eligible property. The phrase "is occupied" refers to the present tense (in actual possession) not future tense (will be occupied).

- Q** In cases where a parent insurance company has subsidiary insurance companies can ARPC set one retention for the group?

The *Treasurer to Australian Reinsurance Pool Corporation (Risk Retention) Direction* (Ministerial Direction) requires ARPC to apply a separate retention to each individual entity which reinsurers with ARPC. The Explanatory Memorandum to the *Terrorism Insurance Bill 2003* reinforces the idea that it was the Government's intention that a separate retention be applied to each individual entity which reinsures with ARPC. Item 1.1 of the Revised Explanatory Memorandum states that the retention will be set "per insurer" and item 3.38 describes the retention for "each insurer that reinsurers with the ARPC".

Consequently, ARPC cannot set one retention for an insurance group because it must comply with the Ministerial Direction and Government policy.



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## A moment with ... Kate McInerney



Kate is the friendly voice you hear when you contact our Sydney office. Having joined ARPC in November 2008 as the Sydney office Administrative Assistant, Kate quickly settled into her role ensuring the smooth running of the Sydney office. Kate is also a very

valuable member of the wider administration team and maintains a close working relationship with the Canberra team.

Although still very young, Kate is an inveterate traveller. She lived in London for five months in 2007 and then spent some time travelling extensively in Europe before returning home. Trip highlights include France, Germany, Austria, Italy Croatia and the Greek Islands. Since Kate joined ARPC she has had a trip to Fiji and spent a week as a Jillaroo on a property in north-west NSW.

Kate enjoys keeping fit and has a fitness program that includes running and swimming. In her spare time, Kate takes pleasure in spending time with family and friends.

## Thought for the day

*The secret of joy in work is contained in one word – excellence. To know how to do something well is to enjoy it.*

Perl S Buck