



UNDER the COVER

MARCH 2019

In this issue

ARPC finalises its 2019 retrocession program

ARPC receives Commonwealth payments direction

ARPC supports indigenous internship program

Save the Date for the 2019 IFTRIP Congress

Cambridge visits Australia for cyber research project

ARPC updates postcode tier classifications

ARPC welcomes Janice Nand

Q&A



Message from the CEO

Welcome to the Autumn edition of our newsletter.

In December, the Treasury released its final report on the [2018 Terrorism Insurance Act Review](#), which recommended that ARPC continue to provide terrorism re/insurance covering the Australian commercial and high value residential property market.

In January, ARPC renewed its retrocession reinsurance program for the 2019 calendar year. The \$3.315 billion retrocession reinsurance program, plus ARPC's net assets and the \$10 billion Commonwealth guarantee, provides scheme capacity of more than \$13.7 billion in the event of a declared terrorism incident.

This month, Chris Yeates, a London-based Strategy and Communications Executive from Pool Re, the UK's terrorism reinsurance pool, will join ARPC on an exchange program. Chris will observe and learn from ARPC staff how the Australian terrorism pool operates. In February 2018, Jessie Khan, ARPC's Advisor Insurance Audit and Claims, visited Pool Re in London as part of the exchange program to learn more about how the UK terrorism pool works.

ARPC will hold its fourth Terrorism Risk Insurance Seminar on Thursday, August 29. Given the good feedback we received about NSW Parliament House as the venue, we will be hosting the Seminar here once again. Please 'Save the Date' and wait for seminar program highlights and registration details to emerge in the coming months.

ARPC extends its deepest sympathies to the people affected by the terrible events in Christchurch, New Zealand. Our thoughts are with the victims, their families and all New Zealanders.

Dr Christopher Wallace | Chief Executive Officer

ARPC's 2019 retrocession program helps cover Australian economy against terror attacks

ARPC has renewed its retrocession reinsurance program for the 2019 calendar year. The \$3.315 billion retrocession reinsurance program, plus ARPC's net assets and the \$10 billion Commonwealth guarantee provides \$13.7 billion scheme capacity in the event of a declared terrorism incident.

ARPC's retrocession program encourages the global insurance market to participate in providing terrorism cover for Australian-based property assets, which protects the Commonwealth (Australian Government) guarantee and Australian taxpayers.

ARPC achieved a slight reduction in pricing for the 2019 retrocession program. The price reduction, plus reinsurers' appetite to participate, prompted ARPC to purchase an additional top layer of \$250 million for 2019.

Read the full media release [here](#).

ARPC receives Commonwealth payments direction

ARPC has received a Terrorism Insurance (Payments) Direction 2019 from Assistant Treasurer, the Hon Stuart Robert.

Per the direction, ARPC will make the following payments to the Commonwealth on or before 31 March 2019:

- a) \$90 million, as a combined fee; and
- b) \$10 million, as a temporary dividend.

ARPC pays the Australian Government a fee of \$55 million for the use of the Commonwealth Guarantee and \$35 million to recognise the capital ARPC is holding to fund future claim payments. A \$10 million temporary dividend is payable for three years commencing 2018-19 as recommended by the 2018 Triennial Review.

ARPC supports indigenous internship program



CareerTrackers interns at 9th Gala Dinner, Australian Technology Park. Photo by Maria Boygadis

In January, several ARPC staff attended the CareerTrackers 9th Annual Gala Dinner at Australian Technology Park in Sydney to support the CareerTrackers indigenous internship program.

We were touched by the many inspiring stories we heard about interns' personal and educational journeys.

ARPC would like to congratulate all the interns and acknowledge the fantastic work CareerTrackers does to provide internship opportunities for Indigenous Australian university students, an initiative we proudly support. For more information, please visit the CareerTrackers website [here](#).

Save the Date for the 2019 IFTRIP Congress

The International Forum of Terrorism (Re)insurance Pools will host its 2019 Congress in Brussels, Belgium this October.

Please 'Save the Date' and email ARPC at events@arpc.gov.au or visit www.IFTRIP.org for details as they emerge.

IFTRIP was established after an endorsement at the inaugural ARPC Terrorism Risk Insurance Conference in Canberra, 2016.

IFTRIP exists to foster closer ties and collaboration between the world's terrorism reinsurance entities.

Cambridge Centre for Risk Studies visits Australia for cyber research project

Researchers from Cambridge Centre for Risk Studies visited Australia in mid-March to host a local workshop attended by IT, cyber and government experts, to develop catastrophic but plausible cyber terrorism scenarios.

The workshop formed part of ARPC's 12-month cyber research project with Cambridge and the OECD. As you may be aware, ARPC has commissioned research on the threat of cyber terrorism in Australia. This includes the nature and cost of physical damage to commercial property (including business interruption), which may be caused by acts of cyber terrorism.

The study, titled '*An insurance risk assessment of cyber terrorism in Australia*', will identify and explore current and prospective scenarios as well as the practicalities of extending insurance coverage to include cyber terrorism in Australia.

During the visit, Cambridge also gave a presentation to insurers about cyber terrorism trends and the implications.

ARPC's partner researchers, Cambridge and the OECD, have both visited Australia to talk to stakeholders and collect data for the project.

Premium Submissions due

Premium submissions for the third quarter (1 January – 31 March) of the 2018-19 Financial Year are due on 30 April 2019. All premium submissions, including nil submissions, must be lodged.

To submit a premium please log into <http://rise.arpc.gov.au> and select 'download templates'. For further instructions, please refer to page 27 of the RISE Cedant User Manual [here](#).

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

ARPC updates Postcode Tier Classifications effective 1 July 2019

ARPC has recently updated postcode tier classifications. These changes will come into effect on 1 July 2019 for all new and renewal eligible business.

The adjustments that will take effect are as follows:

- Newly classified major metropolitan/CBD areas – Pyrmont and Ultimo are now part of the Sydney CBD area due to a major development of high rise commercial and high value residential buildings. Pyrmont and Ultimo have been reclassified as Tier A from Tier B.
- New urban fringes – 16 postcodes at the borders of urban areas that are now undergoing substantial development have been reclassified as Tier B. The most notable changes include Heathcote, Engadine, Riverstone and Marsden Park in New South Wales; Greenvale in Victoria; and Port Kennedy, Secret Harbour, Golden Bay, Lakelands and Mandurah in Western Australia.

A spreadsheet outlining the changes to the postcode classifications can be accessed by selecting the 'Download Summary of Changes Effective 1 July 2019' link on the ARPC website in the Postcodes section [here](#).

Select 'Download Postcodes' on the same page to download a spreadsheet outlining all current Australian postcodes and their associated tiers.

The Ministerial Direction that legislates the changes can be found in The Act section of our website [here](#).

If you have any questions, please email enquiries@arpc.gov.au.

ARPC welcomes Janice Nand

ARPC has welcomed Janice Nand, newly appointed Senior Manager, Governance, Compliance and Board Secretariat. Janice is responsible for leading ARPC's governance and compliance function and for providing Board Secretary support to the ARPC Board and Audit and Compliance Committee.

Janice has come to ARPC from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry where she worked as Director Report, focusing on project management, and providing strategic advice and team leadership. She has also worked as a Partner with HWL Ebsworth Lawyers in Canberra and with Sparke Helmore and Moray & Agnew in Sydney.

Janice has a Bachelor of Arts (Hons), Bachelor of Laws (Hons), Master of Laws (Public Law) and a Graduate Diploma in Applied Corporate Governance from the Governance Institute of Australia.

Janice replaces Tracey Tai who is relocating to Hong Kong. ARPC would like to thank Tracey for her effort and dedication to the redesign of our governance and compliance framework, for simplifying our policies and procedures and for her Board secretariat responsibilities.



Q&A

Q How does a global terrorism policy affect eligibility?

A The existence of an overarching global terrorism policy does not affect the eligibility of a separate contract of insurance issued by another insurer, such as a local insurer.

If the policyholder has purchased eligible insurance even though they have a global policy that provides full cover for terrorism, the insurer that issued the eligible policy will still be required to pay ARPC the appropriate reinsurance premium if they have a treaty Agreement with ARPC. It is most likely that the terrorism reinsurance cost will be passed on to the policyholder.

Q Does a terrorism sub-limit render a policy ineligible?

A No, a sub-limit does not render a policy ineligible. Sub-limits fall under the definition of an 'exclusion or exception (however described)' within the meaning of s 8(2) of the TI Act.

Full terrorism reinsurance premium is still payable to ARPC by insurers who have a reinsurance Agreement with ARPC and issue policies that sub-limit cover for terrorism losses.



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