

# UNDER THE COVER



Australian Government  
Australian Reinsurance Pool Corporation



## Message from the CEO

Welcome to the spring 2010 edition of 'Under the Cover'. I am extremely pleased to introduce my first edition of Under the Cover as Chief Executive of ARPC.

ARPC is now seven years into its existence and I am fortunate to be taking the reins in the wake of the excellent leadership of Neil Weeks. Neil established ARPC from scratch and built a very professional operation with a small and dedicated team.

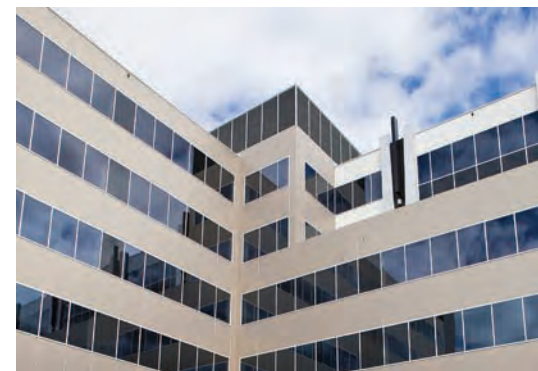
The withdrawal of terrorism insurance saw the establishment of similar schemes around the world and Neil has been instrumental in forming international alliances among them. Neil is currently leading a project to create an international platform on terrorism risk with support from the OECD.

I would like to take this opportunity to thank Neil for passing on an organisation which is in great shape and to thank Marianne Cavanagh for standing in whilst the Chief Executive position was vacant.

David Matcham  
Chief Executive Officer

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## Retrocession renewal presentation

ARPC seeks to encourage commercial reinsurers to offer terrorism cover in the Australian market. To achieve this we offer a retrocession program to local and overseas reinsurers. ARPC's national portfolio is seen as an attractive alternative to individual terrorism risk. Since 2008 ARPC has purchased over \$2 billion of retrocession cover each year. This has increased the capacity of the scheme to almost \$13 billion. ARPC currently purchases retrocession on an excess of loss basis from 59 reinsurers worldwide. Our program renews on 31 December each year.

A series of market presentations will commence this month to provide detailed underwriting information on exposures and updates on ARPC's progress in developing exposure models and market reports. The first market presentation was held in Sydney on 19 October. The presentations ensure the commercial market is familiar with terrorism risk within Australia.

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# Re Centre

Littlewoods Services is a chartered accounting firm located at the ReCentre in Sydney and has provided technical accounting support for ARPC since the commencement of our operations in 2003.

Littlewoods processes the premiums submitted by the ceding companies via RISE by state, class and tier, allocates the cash received and reports to ARPC on a monthly basis. Fortunately, to date there have been no claims to process.

ARPC is very well served by Littlewoods which also works on behalf of a number of international reinsurers carrying on business in Australia. The company has been in operation for almost 40 years and is able to provide access to a professional reinsurance administration and accounting system. There are 25 staff working in technical accounting and claims, finance, regulatory compliance, and administrative support.

The ARPC team at Littlewoods is headed up by Annmarie Tight and supported by Michelle Myers and Santius Teh with contract information processed by Cynthia Mateo. Financial reporting is provided by James Sequeira with systems support by Kevin Forder. Ross Littlewoods tells us the team operates so well, that 'he only needs to make the tea'.

## A moment with David Matcham



David Matcham is ARPC's new Chief Executive Officer and he began his new role with us on 5 October 2010. David has over 35 years of experience in the insurance industry. He began his employment at Gresham Life in London before moving to Prudential to learn about general insurance. David moved to Australia in 1977 and joined Lumley to work in various positions across the business. He was appointed Managing Director in 1999 and Chief Executive Officer in 2003, after Wesfarmers acquired the business. He held that position until his retirement in 2009.

David is currently the Chairman of the CREATE foundation, the peak body which advocates for children in care. He has also previously held a position on the Board of the Insurance Council of Australia. He is currently a director of Hollard Insurance Australia.

David is married and has 2 daughters. He is a keen cyclist and is a member of Audax Australia and Team Cyclops (a one eyed cycling fraternity). His cycling calendar includes a number of well known organised rides. David also likes to fish occasionally and enjoys nothing more than casting a lure or setting a bait. He has yet to fish for barramundi but rates fishing for snapper in the Spencer Gulf very highly. He recently jigged for kingfish off Terrigal, catching a couple of good fish.

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# Lloyd's review

ARPC representatives have recently conducted cedant reviews on a number of London based companies and Lloyd's syndicates. It is very pleasing to note that these organisations are complying with their obligations under the reinsurance agreement. However, some common themes have emerged from the reviews:

- unfamiliarity with Australian postcodes, states and ARPC tiers
- updating postcode tables
- followers on open market policies receiving inadequate asset values by location, postcode and tier
- the terrorism insurance charge (the terrorism premium charged to customers) is not always included in gross written premium (GWP) declared by Australian underwriting agencies to their Lloyd's syndicates. Subsequently this may lead to ARPC receiving incorrect GWP declarations
- reporting of GWP and aggregates in \$US rather than \$A.

ARPC was delighted with the reception reviewers received and the willingness of those visited to update their procedures to better comply with the reinsurance agreement. Our thanks to everyone involved.

## Mixed use buildings report

The 2009 review of the scheme recommended that ARPC examine the effects of extending the scheme to mixed use high rise buildings that are not predominantly for commercial use, having 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 was required to report to the Minister by 30 September 2010. ARPC has undertaken the review and its report is with the Minister.