



Message from the CEO

Welcome to the spring edition of Under The Cover.

It has been an interesting period at ARPC with a number of significant developments taking place. As at 30 June 2012 ARPC made provision to pay the Commonwealth dividends of \$400m over the next four years with a subsequent reduction in the pool of this amount. The impact on the size of the scheme is less than three per cent.

Of more significance has been the completion of a three year exercise to fully understand the potential losses that the scheme might face in a terrorist attack. This work has included a focus on financial hubs and regional infrastructure, employing a range of threats including bomb blast and plume or 'dirty' bombs. The work has been significant involving expert collaboration. Contributions were provided by Geoscience Australia, the Australian Federal Police Bomb Data Centre, the Australian Chemical Biological Radiological and Nuclear Data Centre, Defence Science and Technology, the Bureau of Meteorology, Australian Nuclear Science and Technology, and Attorney Generals (Critical Infrastructure Program for Modelling and Analysis). In determining the impact on the scheme we have relied upon ARPC's extensive data base of building sums insured collected from the industry, surveys of city buildings to establish vulnerability and input from Dr Allan Manning in regard to business interruption. The project has provided some new insights into the range and size of potential events and the results will be used in a future review of the scheme.

When the scheme was designed in 2003 it was designed to cover commercial buildings and infrastructure only. Whilst this remains the focus of the scheme, the Government is currently consulting on the possibility of a limited expansion of the scheme to cover large residential and mixed use buildings where terrorism cover is not readily available through reinsurance treaties.

This month we experienced the end of an era with Marianne Cavanagh's retirement, fittingly on 11 September. Marianne joined ARPC in its first year and has played a major role since then, retiring as Manager Corporate Governance.

Our first chair, Joe Gersh, ends his appointment after nine and a half years on 31 December 2012 and he will be succeeded by Joan Fitzpatrick, CEO of ANZIIF, who joined ARPC in September 2012. We are delighted to announce both Joan's appointment and the appointment of Melinda Howes, CEO of the Institute of Actuaries of Australia, who will join ARPC as a member on 1 January 2013. ARPC will then have a board made up of five females and two males, possibly setting a record of sorts.

David Matcham

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Correction – postcode update

As advised in the Winter 2012 newsletter, there was a misprint in the Autumn 2012 newsletter relating to postcode 2109. The table below summarises the correction made.

Correction

Postcode	Tier	State	Location	Misprint
2109	B	NSW	Macquarie University	Previously printed as a Tier C in Error

Premium submissions due

Premium submissions for the first quarter (1 July – 30 September) are due by 31 October 2012. All submissions including nil submissions must be lodged.

Please note that you will need to download a new template for the 2012 – 2013 year.

To submit your premiums please log into <https://rise.arpc.gov.au> and click on download templates. For instructions on how to submit your premium please refer to page 27 of the RISE Cedant User Manual.

If you have any questions please contact accounts@arpc.gov.au or call +61 2 6279 2100.



Mandatory reporting

Thank you to everyone who has submitted their gross written premiums and aggregate sums insured reports on time. This is a very important part of the reinsurance agreement and any organisations that have not yet uploaded these reports into RISE, are requested do so as soon as possible. Please note that nil submissions must also be lodged.

Annual aggregate returns were due on 31 August.
Annual gross written premium declarations, due 30 September.

For more information, please refer to the RISE Cedant Manual on the ARPC website or contact Michael Pennell on +61 2 8223 6777.

If you experience any technical issues please contact enquiries@arpc.gov.au or call +61 2 6279 2100.

Postcode update

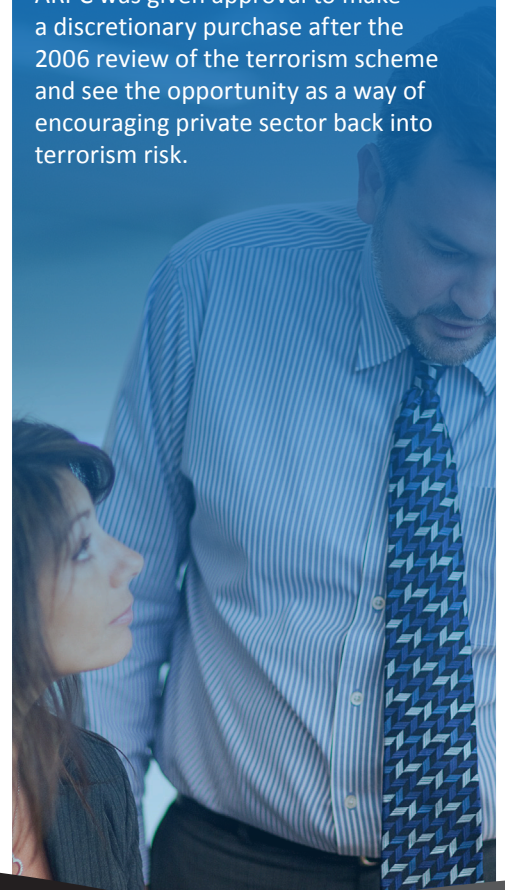
ARPC has undertaken the third postcode review for 2012. There have been no amendments to the location postcodes (no new postcodes and no deletions) since the previous review in Winter 2012.

Retrocession program trip

ARPC takes to the road late in October to present details of the retrocession renewal to existing and prospective reinsurers. The trip takes us to Singapore, Stockholm, London, Bermuda and the USA and paves the way for intensive renewal negotiations leading up to the 1 January 2013 renewal date.

The 2012 retrocession program provides a band of cover of \$2.76 billion above ARPC's deductible of \$375m; and ARPC is hoping to increase the cover within the current spend. This objective may become challenging as reinsurers look for rate increases to balance poorly performing investment portfolios, not to mention losses closer to home.

ARPC was given approval to make a discretionary purchase after the 2006 review of the terrorism scheme and see the opportunity as a way of encouraging private sector back into terrorism risk.



Grossing up of premiums

We have recently come across instances of insurers incorrectly calculating the terrorism premium when they have broker's commissions to gross up as well. As a reminder, the correct method is illustrated below:

Grossed Up with 15% Commission and Tier A rate of 12%	
Tier A premium	\$10,000.00
Gross up multiple $(1 - 0.15) / 1 - (0.12 + 0.15) = 1.164384$	X 1.164384
Gross Base Premium	\$11,643.84
Less ARPC reinsurance premium @12% of gross base premium	\$1,397.26
Less Brokerage / Commission @15% of gross base premium	\$1,746.58
Balance for cedant	\$8,500.00

A moment with Garry



Garry recently joined ARPC as the Corporate Secretariat Manager based in our Canberra office. He manages a small team that is responsible for: administration of the ARPC Board and committees, managing ARPC's risk, continuity and compliance processes and internal and external communication.

Garry has worked in both the private and public sector. He has a number of years' experience in external and internal audit, protective and IT Security, risk management, business continuity and disaster recovery. Garry is a qualified Certified Information System Auditor (CISA), Certified Information Systems Security Professional (CISSP) and a Microsoft Certified Professional.

He enjoys the variety of his role at ARPC and likes working in a smaller organisation where he has the opportunity to interact with all staff.

Garry collects retro video games and is a keen motorbike rider.

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Annual report

ARPC's annual report will be presented to the Minister by 15 October 2012 and tabled in Parliament on 29 October. It will then be published on our website.

