



## Message from the CEO

Welcome to the Autumn edition of Under The Cover.

ARPC entered a new phase in 2013 with the appointment of Joan Fitzpatrick as Chair. We are delighted to have somebody of Joan's standing and broad connection with the Industry in the role of chair.

ARPC made a rare appearance in the media spotlight during March as a potential provider of dividends to fund flood mitigation. In 2012 ARPC set aside funds to meet \$400 million of dividends announced in the Commonwealth's May 2012 Budget. We await

the announcement of the May 2013 Budget to see if ARPC will be required to provide further dividends to fund flood mitigation. ARPC currently holds a \$3 billion retrocession program and can fund the deductible under this program from its reserves. At this stage ARPC has a mandate to place retrocession until the next triennial review in 2015.

The retrocession program will cover the probable maximum loss (PML) from an event at almost any location on Australian soil and if called would provide significant capital from offshore. In contrast the scheme without retrocession operates as a pre and post funding model where a loss would in the short term impact consolidated revenue. In the longer term a loss would most likely be met by policy holders through the provision to increase premiums up to three times current levels.

Current levels of income provide ARPC with two options if additional dividends are announced: forego building the pool or forego retrocession and continue building the pool.

ARPC will be in a position to advise retrocessionaires about the prospect of renewing the retrocession toward the end of the third quarter of the current program.

David Matcham  
CEO

## In this issue

- *Reminder – changes to annual aggregate reporting*
- *GWP reminder – aggregated market exposure and claims reports*
- *Premium submissions due*
- *A moment with Alison*

## Contact Details

### Canberra Office

Level 3, 14 Childers Street,  
Canberra ACT 2600  
GPO Box 3024, Canberra ACT 2601  
Phone: +61 2 6279 2100  
Fax: +61 2 6279 2111

### Sydney Office

Level 23, 56 Pitt Street,  
Sydney NSW 2000  
PO Box R1798,  
Royal Exchange NSW 1225  
Phone: +61 2 8223 6777  
Fax: +61 2 9241 1887

Email: [enquiries@arpc.gov.au](mailto:enquiries@arpc.gov.au)  
Website: [www.arpc.gov.au](http://www.arpc.gov.au)

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## Reminder – changes to the annual aggregate report

In the previous edition of 'Under the Cover' we informed cedants of upcoming changes to the annual aggregate report. From 1 July 2014 ARPC will require additional information to current reporting of postcodes.

In addition to current reporting, ARPC will also require street address information for major postcodes within tier A locations.

These are:

- 2000 in Sydney
- 3000 in Melbourne
- 4000 in Brisbane
- 5000 in Adelaide
- 6000 in Perth

Sums insured for business interruption and contents will also be required, whether or not there is a sum insured on a building for that postcode. Currently cedants can only report contents and business interruption sums insured if there is also a sum insured for a building in that postcode.

Following initial feedback ARPC is endeavouring to contact the major brokers to ensure they are aware of this requirement and to seek their assistance.

The street address and postcode data will be used in the continued development of our terrorism loss estimation models and the renewal of our retrocession program.

ARPC's report templates will be changed to capture this additional information. We appreciate these changes will require new reporting capabilities from our cedants, so we have provided notice as early as possible to allow an appropriate lead time. Cedants should start collecting this information from 1 July 2013 in order to be able to report by street address on an annual basis from 1 July 2014.

Please contact Mike Pennell in our Sydney office by phoning (+61) 2 8223 6777, or email [michael.pennell@arpc.gov.au](mailto:michael.pennell@arpc.gov.au) if you have any questions regarding this change or check the ARPC website, [www.arpc.gov.au](http://www.arpc.gov.au), for the latest updates on this initiative.

## Premium submissions due

Premium submissions for the period ending 31 March 2013 are due by 30 April 2013. To submit your premiums please log into <https://rise.arpc.gov.au> and click on 'download templates'.

For full 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 Michael Stallworthy by phoning (+61) 2 8223 6777, or [michael.stallworthy@arpc.gov.au](mailto:michael.stallworthy@arpc.gov.au)

Please note: all submissions, including nil submissions, must be lodged through RISE.



## GWP reminder – aggregated market exposure and claims reports

ARPC would like to remind all cedants that, under clause 5 of ARPC's Reinsurance Agreement, the Reinsured's Retention for each Retention Period, commencing 1 July, is set at a Default Figure of \$10 million unless the Reinsured submits their total Australian Fire and ISR Gross Written Premium (GWP) figures and supporting documentation to ARPC in accordance with clause 5(b) (ii) of the Agreement. The GWP figure should include both eligible and non-eligible policies.

ARPC requests that all cedants who report to APRA submit their GWP information and corresponding Retention by 30 September each year in order to avoid the \$10 million Default Figure that would otherwise be retained by the cedant in the event of a claim under the Agreement. Non-APRA reporting cedants should submit their audited GWP financial information by 30 August each year. ARPC will then respond with an appropriate equivalent Retention figure by 30 September.

Please contact Mike Pennell on (+61)2 8223 6777 or email [michael.pennell@arpc.gov.au](mailto:michael.pennell@arpc.gov.au) if you have any questions.

## Postcode update

There are no postcode updates to report for this quarter.

## A moment with Alison

### Name

Alison Kelly

### Title

Manager Corporate Governance

### Area

Corporate Governance Team

### Interests

Bush and beach walking, and walking her Beagle, Sam, every morning.

Alison joined ARPC in December 2012 as Manager Corporate Governance. After spending all of her career as a public servant in very large departments, she finds working in a smaller organisation a refreshing change.



Alison is responsible to ensure ARPC has high quality processes in place for all corporate governance practices including; risk management, business continuity, assurance services and compliance with all policy and legislative requirements. She is also our Board Secretary, providing support to the Board and to the Audit and Compliance Committee.

One of Alison's current projects is overseeing the update of ARPC's declared terrorist incident (DTI) response plan in preparation for scenario testing. Alison says she is thoroughly enjoying the steep learning curve of the reinsurance industry and the ability to lead improvements in corporate governance.

