



The quarterly newsletter from ARPC

UNDER THE COVER

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Message from the CEO

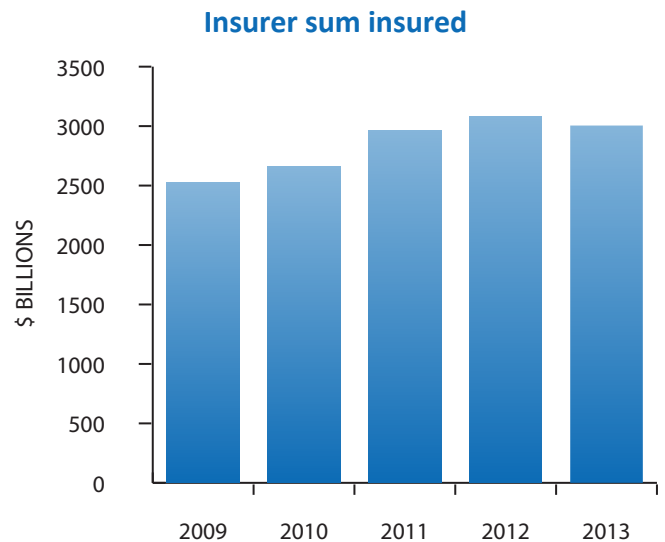


ARPC plays an important role in protecting Australia from economic losses caused by terrorism catastrophe. We collect premium and annual aggregate information quarterly from all insurers of property in Australia eligible for terrorism insurance,

who choose to reinsure with ARPC. The information submitted by insurer customers assists us to understand our exposure.

Currently our insurer customers cover \$3 trillion in sums insured and collect \$3.7 billion in gross written premium. In 2013, ARPC collected \$132.1 million in premium from insurers.

The insurer customer sum insured graph to the right shows a steady increase from 2009-2012. This shows economic growth plus some new insurers reinsuring with ARPC.



In 2013 insurers reported \$3 trillion in sums insured of eligible risks

The movement in insurer gross written premium (on the next page) demonstrates the recovery post global financial crisis and the firming market after major catastrophes in Queensland, Christchurch and Japan.

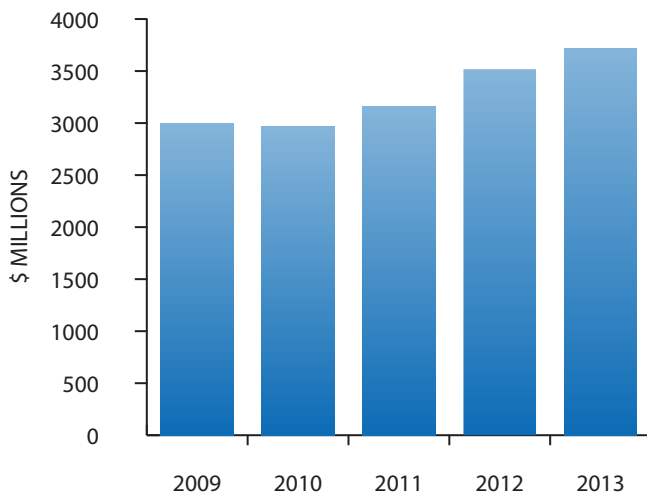
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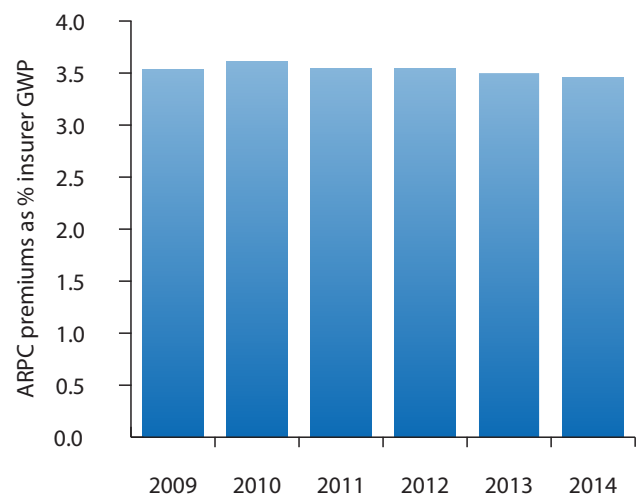
Insurer gross written premium



Through collected premium and aggregate data, ARPC can also gain a better idea of the size of the market and trends in the market in each of our coverage tiers.

In 2013, insurer reported \$3.7 billion in gross written premium

ARPC premiums as % insurer GWP



The premiums ARPC received in 2013 were approximately \$130 million and this represents 3.5% of insurers gross written premiums.

New reporting requirement for GWP returns

Currently under ARPC's Reinsurance Agreement for Terrorism Risks, insurers are required to report to ARPC their gross Fire and ISR premium for the previous financial year ending 30 June. This reported premium amount includes all Fire and ISR premium, not just ARPC eligible premium. In addition, for Australian registered insurers, the figure must reconcile to the Fire and ISR premium reported to APRA for the same period. This figure is used by ARPC to set the reinsured's retention which is 4% of the amount. If insurers do not report a figure to ARPC then their retention is set at a default figure of \$10 million.

In the past insurers have not been required to breakdown the Fire and ISR premium reported into ARPC eligible and ineligible components and ARPC is aware that some insurers have only been reporting eligible premium, which has the effect of reducing their retention figure.

From July 2014, ARPC requires that the annual gross Fire and ISR premium reported must separate ARPC eligible and ineligible components to enable reconciliation with quarterly reinsurance premium

returns to ARPC and an accurate calculation of the reinsured's retention figure.

In accordance with clause 5(b)(ii) of the Agreement APRA regulated insurers are to submit to ARPC information matching to their APRA return, by 30 September each year for the prior 12 month period ending 30 June.

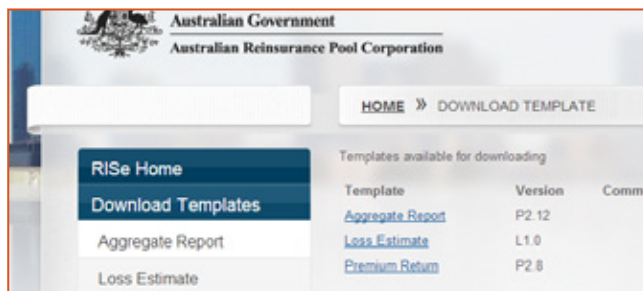
Non-APRA regulated insurers are to provide equivalent financial information to ARPC by 30 August each year and ARPC will advise them of their retention by 30 September.

From July 1, 2014 ARPC's RISE system, where insurers report annual Fire and ISR premium and set retentions, will require both eligible and ineligible premium to be submitted and a new retention set for that retention period.

ARPC asks all insurers to ensure that they submit accurate eligible and ineligible premium information onto the RISE system by either by 30 September for APRA registered insurers or 30 August for non APRA registered insurers.

Submissions overdue

Premium submissions for the period ending 31 March 2014 were due by 30 April 2014. If you have not yet submitted these please do so by logging into RISE <https://rise.arpc.gov.au> and select 'Download Templates'.



Incorrect coding

ARPC's cedant review program recently found some terrorism reinsurance premiums submitted for residential strata buildings. Under ARPC's Reinsurance Agreement this class of business is not eligible. This error has occurred due to incorrect coding of risk by our insurer customer.

ARPC urges all insurer customers to ensure that all policy data is comprehensively checked at the input stage to try and eliminate, or at least greatly reduce, any errors.

Postcode update

The latest postcode review has found one new postcode. The postcode has been added to the [RISe system](#) and the [postcode section of ARPC's website](#).

| Postcode | Tier | State | Reason |
|----------|------|-------|--------------|
| 0873 | C | NT | New postcode |

Please note: this postcode appears as a post office box code on the Australia Post website however this is a post air bag drop zone for Aboriginal communities.

National Security Threat Level

The National Terrorism Public Alert System is a range of four levels that communicate an assessed risk of terrorist threat to Australia. The four levels are low — terrorist attack is not expected, medium — terrorist attack could occur, high — terrorist attack is likely and extreme — terrorist attack is imminent or has occurred.

The National Terrorism Public Alert System guides national preparation and planning. It also dictates levels of precaution and vigilance to minimise the risk of a terrorist incident occurring.

For more information on the National Terrorism Public Alert System and the current level please visit: <http://www.nationalsecurity.gov.au/Securityandyourcommunity/Pages/NationalTerrorismPublicAlertSystem.aspx>

Visit from Pool Re

Representatives from Pool Re, the UK terrorism insurance pool, recently visited Australia for meetings with ARPC and other Government agencies. The aim of their visit was to learn how Australia's scheme works and to share their own experiences and knowledge.

Pool Re also presented to ARPC staff on the topic of 'Perceived terrorism risk in the UK and how Pool RE offer cover for such events.' It was invaluable for us to learn from another scheme which offers terrorism reinsurance and their experience in paying claims.

Blast model

ARPC has developed a three-dimensional blast model for the tier A locations and the ability to analyse potential damage from a biological or chemical attack.

The blast model project focussed on Sydney and Melbourne central business districts and will be extended to Brisbane and Adelaide over the next 12 months.

ARPC's modelling demonstrates that if a loss was to occur in the Sydney or Melbourne central business districts from a large blast, ARPC's pool of funds plus the retrocession program would cover almost all probable events.

ARPC has modelled potential losses from an attack on regional infrastructure such as power stations, mines, gas plants and regional shopping centres, including damage at the site plus the upstream and downstream interruption. The report showed that, whilst some loss scenarios are significant, none exceeded the expected large losses from tier A locations.

The three-dimensional blast model positions ARPC as a thought leader of central business districts blast modelling and enables ARPC to test the adequacy of the scheme to cater for probable losses. It also actively enables us to negotiate the best terms for our retrocession program, advise the Commonwealth Government in the event of a terrorism event and have meaningful discussions with the reinsurance industry on potential loss scenarios.

ARPC talks to Asia Insurance Review

ARPC's CEO recently spoke to Asia Insurance Review about ARPC's scheme, its retrocession program and the blast model. 'Are you reinsured for terrorism losses in Australia?' is a must read in the April edition of the Asia Insurance Review magazine.



To access the article please click on the following link:
<http://www.asiainsurancereview.com/Magazine/ReadMagazineArticle/aid/34911/Are-you-reinsured-for-terrorism-losses-in-Australia->

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