Australian Government
Australian Reinsurance Pool Corporation

The quarterly newsletter from ARPC

UNDER THE COVER

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Message from the CEO

Welcome to the first edition of our newsletter for the year.

We are saddened by the Sydney siege incident at the Lindt Café in Martin Place. Our thoughts remain with the families who have lost loved ones, the survivors and everyone who has been impacted by this tragic event. We also express our deepest condolences to those impacted by the tragic Paris attacks.

The Martin Place siege was declared a terrorist incident by the Treasurer on 15 January 2015 for the purposes of the *Terrorism Insurance Act 2003* (TI Act). Insurers should be aware that under the TI Act, any terrorism exclusions in policies should not be applied. ARPC is not aware of any insurance losses that might exceed insurer retentions under their agreements with ARPC. However, we ask insurers to notify ARPC of any losses paid through our online RISe system so that we can continue to advise the government of losses relating to this declared terrorist incident.

ARPC has worked closely with The Treasury since the Martin Place siege, and we have been liaising with insurers directly affected by the incident and the Insurance Council of Australia. Information has been published on our website about the incident http://arpc.gov.au/news-and-publications/media-releases/. If you require further information please visit our website www.arpc.gov.au, call us on +61 2 6279 2100 or email us at enquiries@arpc.gov.au.

Since our last newsletter, ARPC has renewed its retrocession reinsurance program, which is a significant undertaking, and we are grateful for the support provided to us by our global panel of reinsurers. We have also made several presentations on terrorism risk insurance to our clients (insurers), our reinsurers and to several significant conferences including the third OECD International Meeting on Terrorism Risk Insurance in Washington DC, the ANZIIF Reinsurance Rendezvous at the Hunter Valley in NSW and at the Institute of Actuaries General Insurance Seminar in Sydney. Please contact us if you would like to receive a copy of these presentations.

In 2015 we will be receiving the final report on the three year review (triennial review) of the terrorism insurance legislation and we look forward to working with all our stakeholders in communicating the outcomes of this report.

We continue to be prepared to support the economic resilience of our nation in the event of a terrorism catastrophe.

Please feel free to contact our office via email enquiries@arpc.gov.au if you would like to send us feedback on our newsletter; as well as ideas for topics you would like to see included in future editions. I encourage you to visit our website www.arpc.gov.au where we post information on a regular basis.

Dr Christopher Wallace
Chief Executive Officer

Retrocession renewal

ARPC's Chief Underwriting Officer and Chief Executive Officer met with reinsurers in key markets to negotiate the renewal terms of our retrocession program for the 2015 calendar year. The program was heavily supported again this year by almost 60 reinsurers, despite increasing our retention and reducing the size of the top layer. This was done to meet a reduced expenditure budget for 2015.

The new structure for 2015 will be a $2.9 billion program with an excess of $400 million and includes a component of co-reinsurance provided by the Commonwealth guarantee.

The retrocession program is a key component of ARPC's scheme. It reduces the loss exposure of the government by just over $2.6 billion in the event of a terrorist attack.

Annual report highlights

For the year ending 30 June 2014, ARPC was in a stronger financial position than the previous year with net assets increasing from $432.6 million to $573.1 million. Our operating result was $71.4 million and although it was 1.4 per cent less than last year, it was 2.9 per cent better than plan. Our premium revenue was $129.7 million, which is $2.4 million higher than last year.

ARPC is well positioned to respond to an event to protect Australia from economic losses in the event of a declared terrorist incident. We will continue to work with all our stakeholders to ensure we provide value for money.

To view the full report please visit: http://arpc.gov.au/news-and-publications/annual-reports/

Question time

Q: **What is the 'combined' column in the annual aggregate report submission?**

A: The 'combined' column was originally intended for those clients whose systems were unable to separate buildings contents exposure. This was an interim measure to give time for systems to be modified.

For the last couple of years, ARPC has required clients to submit their data separately and not use the 'combined' column. We have learned through our client (cedant) review visits that most companies receive this data separately (nearly all brokers are able to provide the data in the separated format). However, some clients combine the data again when inputting it into their IT systems.

If a client is unable to separate the data and needs to use the 'combined' column, please contact Michael Pennell via email at michael.pennell@arpc.gov.au or by calling +61 2 8223 6777.

Errors in premium returns

Through our client (cedant) review visits, ARPC is aware that errors can occur from time to time. While most errors are minor, some can have significant consequences. Clients will often let us know about an error, but others may correct an error by adjusting a subsequent premium return without informing us.

If a client believes there is an error which may significantly affect the calculation of premium to ARPC, please notify Michael Pennell via email at michael.pennell@arpc.gov.au or by calling +61 2 8223 6777.

Premium submissions due

Premium submissions for the second quarter (1 October–31 December) of the 2014–2015 financial year are due by 30 January 2015. **All premium submissions, including nil submissions, must be lodged by 30 January.**

To submit a premium please log into https://rise.arpc.gov.au and click on download templates. For further instructions 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.

Fire and ISR GWP declarations overdue

Any outstanding annual GWP declarations are now overdue. All GWP submissions for 2014, including nil submissions, **must be lodged immediately.**

Annual financial year gross written premium (GWP) declarations are used to calculate a reinsured's retention figure for the subsequent financial year retention period. For APRA registered insurers this information is due by 30 September each year. Non-APRA registered insurers must provide required information to ARPC by 30 August each year.

The fire and industrial special risks (ISR) GWP reporting is for all fire and ISR, and not just ARPC eligible fire and ISR which is already reporting through quarterly premium returns. For APRA registered insurers this figure will agree with that reported to APRA (GRF 310.1), which is also due by 30 September each year.

With the recent event in Sydney, clients are advised to ensure that their GWP declarations, as required by clause 5(b)(ii) of the Reinsurance Agreement, have been submitted to ARPC. This will ensure that your retention figure for the 2014-15 financial year retention period does not revert to the default figure of $10 million as shown in Item 3 of the Schedule (see clause 5(b)(i)) of the Agreement.

If you are experiencing difficulty using ARPC's RISe system please refer to ARPC's website for the online manual www.arpc.gov.au/reinsuring/rise/ or contact accounts@arpc.gov.au or call +61 2 6279 2100.

Postcode update

ARPC recently conducted a quarterly review of the Australian postcode listing for 2014 and would like to report that there are no new or obsolete postcodes.

Meet our team

Name: Fran Raymond

Position: Chief Operating Officer

Fran joined ARPC in February 2014 and holds the position of Chief Operating Officer. In this role she is responsible for finance, communications, human resources and information communication technology.

Fran brings to this role significant experience in the Australian Public Service and a strong network in government finance. Fran was a finalist in the Telstra Business Women of the Year Awards (ACT) 2013 and was one of Australia's 100 women of influence in 2012. Fran is involved in several professional and community organisations including the Australian Institute of Company Directors, The Institute of Chartered Accountants Australia and New Zealand and is a Board member of UN Women National Committee Australia.

Fran lives on a bush block of 17 hectares and shares this with many different types of wildlife. In her spare time Fran enjoys keeping fit and loves to travel. Last year she travelled with her husband to Antarctica where they went hiking and kayaking. She has been known to don her running gear for a quick sprint around the city at lunch time.

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