



UNDER the COVER

October 2022

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Message from the CEO

Welcome to the Spring edition of our newsletter.

ARPC has published revised premium rates for the Cyclone Reinsurance Pool (cyclone pool), after a consultation period on the initial rates was extended.

As a result of additional information provided by insurers, \$776 million in annual premiums will now be collected by the cyclone pool – a 10 per cent, or \$91 million reduction in projected premiums, from \$867 million. Thanks to all those who contributed to the process.

We have published the results of our 2021 Insurer Customer Survey which found that ARPC is considered an expert on terrorism reinsurance and easy to deal with. Going forward, ARPC will continue its stakeholder engagement activities, including in-person meetings, and international meetings with key stakeholders in person and expand our multilateral briefings on the cyclone pool to more stakeholders during the transition stage of insurers joining the cyclone pool.

ARPC published its 2022-26 Corporate Plan in August which outlines key activities, performance measures and assessment criteria to drive the delivery of our strategic priorities. This plan includes the Terrorism Reinsurance Pool and the cyclone pool.

We are pleased to announce the appointment of Scott Unterrheiner as Chief Financial Officer, commencing in November 2022. Scott joins ARPC from Gen Re, where he is currently CFO and Company Secretary for Australia and New Zealand for property and casualty reinsurance and life reinsurance

In this edition, insurer customers will also find retention information and premiums due to ARPC. Please contact us at enquiries@arpc.gov.au with any questions regarding submissions to the RiSe platform.



Dr Christopher Wallace | Chief Executive Officer

Revised cyclone pool premium rates

ARPC has published revised premium rates for the Cyclone Reinsurance Pool (cyclone pool), which commenced operations on 1 July 2022.

The cyclone premium rates insurers will pay to the pool were revised after a consultation period on the initial rates was extended, with new rates to be effective as of **1 October 2022**.

As a result of additional information being provided by insurers, \$776 million in annual premiums will now be collected by the cyclone pool – a 10 per cent, or \$91 million reduction in projected premiums, from \$867 million.

The \$91 million reduction in premiums is comprised of the following:

Revised risk assessment for Western Australia	– \$45 m
Revised risk assessment for strata buildings	– \$17 m
Increase to non-insurance assumption in high wind risk regions	– \$29 m
Total:	– \$91 m

Lower premiums paid by insurers to the reinsurance pool will ultimately result in lower projected premiums for consumers.

Savings are expected to be higher in Northern Australia than in other areas, consistent with the policy intent behind the cyclone pool and the way premium rates have been designed. In addition, policyholders currently paying the highest premiums should also see the greatest savings.

The pricing formula means ARPC, and the pool remain committed to:

- being cost neutral to government over the longer term

- not charging a profit margin, thereby increasing savings available to policyholders and insurers
- lowering the reinsurance cost for most policies with medium-to-high exposure to cyclone risk
- maintaining incentives for risk reduction and offer discounts for properties that undertake mitigation and
- encouraging policyholders to engage in strategies to mitigate cyclone and related flooding risks, while discounts improve affordability and sustainability of property insurance over time.

The revised rates will come into effect for larger insurers that write home, strata, or SME insurance in cyclone-prone regions no later than **31 December 2023**, and for smaller insurers no later than **31 December 2024**.

Consumers should see premium savings after that, as they renew their insurance.

The responsibility for setting insurance premiums stays with insurers and they are responsible for commercial decisions on how they set them.

More information on the revised premium rates can be found <https://arpc.gov.au/what-we-do/the-cyclone-pool/premium-pricing/>

2021 insurer customer survey results

ARPC is a trusted expert on terrorism reinsurance and easy to deal with, according to ARPC's second insurer customer survey (2021) conducted by ORIMA Research.



Key survey findings included that:

- 97 per cent of respondents overall (Australia and overseas) believe ARPC is an effective provider of terrorism risk insurance.
- Respondents continued to rate ARPC's publications, website, and digital business-to-business communications strongly, particularly Australian respondents, but recorded slightly lower scores for in-person meetings.
- 75 per cent overall found the ARPC insurer customer review process very or somewhat useful, a slight decline on the previous year (80 per cent).

When asked to describe ARPC in two key words, positive words such as 'professional', 'reliable', 'effective' and 'accommodating' stood out most prominently.

Areas for improvement

The score related to transparency fell from 92 per cent to 76 per cent and, combined with a decline in perception of value (89 per cent to 76 per cent), ARPC will be acting to:

- continue our stakeholder engagement activities, including in-person meetings, and international meetings with key stakeholders in person and

- expand our multilateral briefings on the cyclone pool to more stakeholders during the transition stage of insurers joining the cyclone pool.

ARPC CEO Dr Christopher Wallace said: "ARPC is committed to the annual insurer customer survey so we can seek feedback and continue to make improvements that benefit customers." "This becomes more important as ARPC transitions to operating a cyclone pool and a terrorism pool."

Methodology

A short online survey was sent to ARPC's 235 insurer customers comprised of 36 in Australia and 199 internationally in December 2021. The response rate for the 2021 survey was 22 per cent (28 per cent in 2020). Fifty-two responses were received: 9 from Australian insurers, and 43 from international insurer customers.

The full survey report is available on the ARPC website [here](#)

2022-26 Corporate Plan

ARPC has published its 2022-26 Corporate Plan which has been revised to include the Cyclone Reinsurance Pool (cyclone pool) which commenced



operations on 1 July 2022.

ARPC's new purpose statement is to protect Australian communities with sustainable and effective reinsurance for terrorism and cyclone events.

ARPC's vision is to support insurers to deliver affordable terrorism and cyclone insurance in Australia. The vision sets a defined direction for the planning and execution of ARPC's strategic priorities.

ARPC's 2022-26 Corporate Plan set performance measures and targets across its six strategic priorities:

- Deliver reinsurance for eligible terrorism and cyclone losses
- Engage and understand our stakeholders, with a focus on insurer customers to improve community outcomes
- Develop data and insights on terrorism, cyclone and insurance climate risk to support risk mitigation
- Enhance thought leadership to fulfill our role as a trusted advisor
- Be a high performing, inclusive, customer centred, and risk focused culture
- Establish the cyclone pool, enhance operational effectiveness, and event preparedness

The full 2022-26 Corporate Plan is published on the ARPC website [here](#)

ARPC appoints CFO Scott Unterrheiner

ARPC is pleased to announce the appointment of Scott Unterrheiner as Chief Financial Officer, commencing in **November 2022**.

Scott joins ARPC from Gen Re, where he is currently CFO and Company Secretary for Australia and New Zealand for property and casualty reinsurance, and life reinsurance. Having spent almost 10 years at Gen Re, Scott has a strong understanding of the Australian and international reinsurance sector and catastrophe reinsurance and brings strong financial and actuarial leadership to ARPC.

Previous roles in Scott's early career spanned chartered accountancy, financial control and capital management in professional services and financial services firms. He holds a Bachelor of Commerce in Accounting from Macquarie University and a Graduate Diploma in Chartered Accountancy from the Institute of Chartered Accountants.

ARPC CEO Dr Christopher Wallace said: "I am delighted that Scott is joining ARPC, as he will strengthen ARPC's catastrophe reinsurance capability while insurers transition to the cyclone reinsurance pool, which for large insurers is by 31 December 2023. He will be a key contributor to both our continued work in terrorism reinsurance as well as building our cyclone reinsurance capability. The whole ARPC team looks forward to welcoming Scott to the team".

Peter Matruglio, ARPC's Interim CFO, will continue in the role until handing over to Scott in November 2022. Peter is an experienced non-executive director and interim executive with deep experience in the insurance and finance sectors in assurance and risk advisory in professional services firms.

Premium submissions due

Premium submissions are due by **31 October** for the first quarter (1 July – 30 September) of the 2022-23 Financial Year. All premium submissions including nil submissions, must be lodged. The premium return template is available in RISE and must be used to submit all premium returns. If you have any questions, please contact enquiries@arpc.gov.au or phone +61 2 8223- 6777.

Login to RISE [here](#).



Q. What is the difference between Premium Returns, Aggregate Returns and the GWP declarations?

A: The Aggregate Return is due once a year, by 31 August, and is a snapshot

of your risk exposure by postcode and state as of 30 June of that year. Premium Returns are due quarterly and are used to calculate how much premium is payable to the ARPC by business class, tier and state. The gross written premium declaration is due once a year, by 30 September and is the sum of your annual gross written premium for the fire/ISR Class of business (less any Fire Service Levy) and is used to calculate your annual retention figure for the coming financial year.



Mailing address
PO Box Q1432
Queen Victoria Building NSW 1230

Phone +61 2 8223 6777
Email enquiries@arpc.gov.au
Web www.arpc.gov.au