

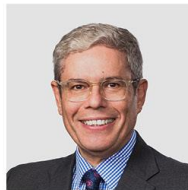


# Under the Cover

March 2023

## IN THIS ISSUE

- 01 From the CEO
- 02 ARPC at Supplementary Budget Estimates
- 02 2023 terrorism retro update
- 03 Declared cyclones
- 04 Sure Insurance joins ARPC
- 04 Allianz joins ARPC
- 04 Areas of Negligible Cyclone Risk Determination 2023
- 05 Cyclone Pool update and Q&A
- 06 Terrorism Premium Submissions due and Q&A



## Message from the CEO

Welcome to the Autumn edition of our newsletter.

Welcome to the first *Under the Cover* newsletter for 2023.

ARPC has finalised its terrorism retrocession reinsurance program for this year. The approximately \$3.5 billion terrorism retrocession program was renewed with a \$225 million excess for the same price as 2022.

We were pleased to welcome the Sure Insurance brand and Allianz Australia as our first insurer customers of the Cyclone Reinsurance Pool. We look forward to engaging with them so they can help cyclone-affected communities' access more affordable insurance.

So far this cyclone season, ARPC has made three cyclone declarations comprising Gabrielle, Ellie, and Darian. The details are in this issue. Some claims have been notified for Cyclone Gabrielle which we are managing.

In February, we appeared at Budget Estimates in Canberra. ARPC provided an update on the operations of the cyclone pool, as well as new insurer customers.

At the end of this month, we will hold our first 2023 ARPC Board meeting in Townsville, with an opportunity for the Board to connect with some local cyclone pool stakeholders there.

For terrorism pool stakeholders, we are planning our annual Terrorism Risk and Insurance Seminar.

We look forward to continuing our work to support insurers in the year ahead!

Dr Christopher Wallace | Chief Executive Officer

## ARPC at Supplementary Budget Estimates

ARPC CEO, Dr Christopher Wallace, appeared at Senate Economics Legislation Committee hearings, known as **Budget Estimates**, in Canberra in February.

The session was short but informative, with ARPC providing an update on the operations of the cyclone pool, as well as new insurer customers. Below is an excerpt from the ARPC opening statement:

“I am pleased to inform the Committee that Allianz Australia has joined the cyclone reinsurance pool for their home insurance portfolio, and Sure Insurance have joined for their home insurance and strata insurance portfolios, with both insurers commencing from 1 January 2023.

We now have 19 per cent of home insurance policies in northern Australia covered by the cyclone pool, covering 468,000 policies in Queensland, the Northern Territory and Western Australia. Consumers can now access the cyclone reinsurance pool through participating insurers.

We are in discussions with other insurers to transition to the cyclone pool and expect two major insurers to commence cover from 1 July 2023 and six by 31 December 2023.

We are ready to commence paying cyclone related claims and continue to work with insurers to make this an automated, efficient and effective scheme,” Dr Wallace said.

## 2023 terrorism retrocession program finalised

ARPC continued to purchase its retrocession program for the 2023 calendar year at the same terms and conditions as the 2022 program.

The retrocession, of approximately \$3.5 billion, plus ARPC’s net assets and the \$10 billion Commonwealth guarantee, provides over \$14 billion in pool capacity in response to a declared terrorism incident affecting commercial and other eligible property assets.

ARPC’s net assets which fund the \$225 million program deductible, plus the approximately \$3.5 billion retrocession program, comprise the first levels of funding for claims in response to a declared terrorism incident.

Michael Pennell PSM, ARPC Chief Underwriting Officer, met with more than 50 reinsurers in person or online in key global markets to arrange the 2023 program.

## Cyclone Gabrielle

As advised by the Bureau of Meteorology (Bureau), on 12 February 2023 at 3:48pm (AEDT), ARPC wishes to advise that the following cyclone event has **ended** as a declared cyclone event for the purposes of the *Terrorism and Cyclone Insurance Act 2003*. A copy of the declaration is available [here](#).

Please refer to the End date and time of the cyclone, as notified to ARPC by the Bureau. Please note that the Claims Period for Eligible Losses will end 48 hours after the declared Cyclone End date, as noted below.

Event Name	Cyclone Began	Cyclone End	ARPC Event Code
Tropical Cyclone Gabrielle	09/02/2023 – 11:00am (AEST)	12/02/2023 – 03:00am (AEST)	20230209- Gabrielle

## Cyclone Ellie

As advised by the Bureau of Meteorology (Bureau), ARPC wishes to advise that the following cyclone event has **ended** as a declared cyclone event for the purposes of the *Terrorism and Cyclone Insurance Act 2003*. A copy of the declaration is available [here](#).

Please refer to the Cyclone End date and time of the Cyclone, as notified to ARPC by the Bureau. Please note that the Claims Period for Eligible Losses will end 48 hours after the declared Cyclone End date, as noted below.

Event Name	Cyclone Began	Cyclone End	ARPC Event Code
Tropical Cyclone Ellie	22/12/2022 – 19:00 (AEST)	23/12/2022 – 10:00 (AEST)	20221222- Ellie

## Cyclone Darian

As advised by the Bureau of Meteorology (Bureau), on 1 January 2023 at 12:22 (AEDT), ARPC wishes to advise that the following cyclone event has **ended** as a declared cyclone event for the purposes of the *Terrorism and Cyclone Insurance Act 2003*. A copy of the declaration is available [here](#).

Please refer to the Cyclone End date and time of the Cyclone, as notified to ARPC by the Bureau. Please note that the Claims Period for Eligible Losses will end 48 hours after the declared Cyclone End date, as noted below.

Event Name	Cyclone Began	Cyclone End	ARPC Event Code
Tropical Cyclone Darian	18/12/2022 – 17:00 (AEST)	30/12/2022 – 22:00 (AEST)	20221812- Darian

## Sure Insurance joins cyclone pool

ARPC is pleased to announce that effective 1 January 2023, the Sure Insurance brand has joined the Cyclone Reinsurance Pool (cyclone pool) as an insurer customer through their product issuers Liberty Mutual Insurance Company, Australia Branch, trading as Liberty Specialty Markets, and Pacific International Insurance Pty Ltd.

“ARPC warmly welcomes the Sure Insurance brand as a customer of the cyclone pool. We look forward to working with Sure Insurance to deliver the benefits the pool will provide for cyclone-impacted consumers,” says Dr Christopher Wallace, ARPC Chief Executive.

Sure Insurance is a managing general agency underwriting policies on behalf of their product issuers Liberty Mutual Insurance Company, Australia Branch, trading as Liberty Specialty Markets, and Pacific International Insurance Pty Ltd.

## Allianz joins cyclone pool

On 13 January, ARPC announced that Allianz Australia Insurance Ltd (ABN 15 000 122 850) had joined the Cyclone Reinsurance Pool (cyclone pool) as an insurer customer.

Allianz joined the cyclone pool for their Home Insurance business including Buildings, Contents, Landlord Buildings, Landlord Contents, and the private dwelling of Farm Pack business, effective from 1 January 2023. The cyclone pool covers all eligible Allianz branded products as well as brands underwritten by Allianz, including the Territory Insurance Office.

“ARPC warmly welcomes Allianz as the inaugural customer of the cyclone pool. We look forward to working with Allianz to help lower insurance premiums and increase

insurance affordability for cyclone impacted consumers.” says Dr Chris Wallace, ARPC CEO.

## Areas of Negligible Cyclone Risk Determination 2023

ARPC confirms that under S8A(5) of the [Terrorism and Cyclone Insurance Act 2003](#), insurers whose eligible Gross Written Premium (GWP) for the most recent financial year is less than the prescribed threshold (currently \$10 million), may elect not to join the Cyclone Reinsurance Pool (cyclone pool).

Under S8A (7), ARPC may, by notifiable instrument, determine areas where, in its opinion, the risk of eligible cyclone losses arising is so small as to be negligible.

ARPC has made that determination in the **Terrorism and Cyclone Insurance (Areas of Negligible Cyclone Risk) Determination 2023**. Click [here](#) to view the Notifiable Instrument.

### Explanatory note

For the purposes of applying the exception to joining the cyclone pool, an insurer should calculate the total GWP for all pool insurance contracts, for example eligible home, small business, and strata insurance policies.

This notifiable instrument contains postcodes, as determined by ARPC, where, in its opinion, the risk of eligible cyclone losses arising is so small as to be negligible. Policies located at the postcodes in the here should be **excluded** from an insurer’s GWP estimation.

If you intend to apply the exception, or you need more information, please contact [enquiries@arpc.gov.au](mailto:enquiries@arpc.gov.au) and insert **ARPC Underwriting Team** in the email subject heading.



## Cyclone Pool insurer customer update

ARPC has received notifications of a small number of claims from cyclone Gabrielle and we are standing by to reimburse our insurer customers.

Regular meetings are held with insurers, answering questions on the reinsurance agreement and the quarterly movement report.

We invite all insurers to engage with ARPC at an early stage to go through the onboarding process. The Reinsurance Agreement should be signed as soon as possible to facilitate ARPC's technical guidance.



**Q:** Who can join the cyclone pool?

**A:** All insurers can join. Participation is mandatory for Australian insurers

where the total eligible cyclone premium exceeds the \$10m threshold.

Insurers with Householders GWP > \$300m must join by 31 December 2023 and those with Homeowners GWP < \$300m by 31 December 2024.

**Q:** How does an insurer join?

**A:** By signing the Reinsurance Agreement. Please note this is a generic agreement applicable to all pool insurers.

**Q:** Which classes can be ceded to the pool?

**A:** Residential home and contents, residential strata and commercial property policies (< \$5m total sum insured.)

[View Onboarding guidelines here.](#)

**Q:** How is data shared with the pool?

**A:** Via PACE, ARPC's secure online system used for pricing and reporting of premium, claims and exposure. ARPC will provide training once a Reinsurance Agreement has been signed. If you are interested in joining the cyclone pool, we would be pleased to meet with your team to discuss the joining process, the Reinsurance Agreement and your eligible brands and classes.



## Terrorism Pool insurer customer update

Premium submissions for the third quarter (1 January – 31 March) of the 2022-23 Financial Year are due by **30 April 2023**. All premium submissions, including nil submissions, must be lodged.

To submit a premium please log into <http://rise.arpc.gov.au> and select 'download templates'. For further instructions, please refer to page 27 of the RISE Cedant User Manual [here](#).

If you have any questions, please contact [enquiries@arpc.gov.au](mailto:enquiries@arpc.gov.au), or call +61 2 8223 6777.



**Q:** Is a contract of reinsurance covered by the *Terrorism and Cyclone Insurance Act 2003*?

**A:** No, as per section 7 of the Act, contracts of reinsurance are not considered to be eligible insurance contracts under any circumstances.

**Q:** Can overseas based insurers or Captive Insurers join ARPC's Terrorism Pool?

**A:** Yes, they can, provided the risks underwritten are eligible risks per the *Terrorism and Cyclone Insurance Act 2003* and are located on Australian soil.

### Contact ARPC

**Phone** +61 2 8223 6777

**Email** [enquiries@arpc.gov.au](mailto:enquiries@arpc.gov.au)

**Web** [www.arpc.gov.au](http://www.arpc.gov.au)

**Mailing address**

PO Box Q1432

Queen Victoria Building NSW 1230