Australian Government
Australian Reinsurance Pool Corporation

ARPC Annual Report 2022-23

Australian Government

Australian Reinsurance Pool Corporation

20 September 2023

The Hon Stephen Jones MP

Assistant Treasurer and Minister for Financial Services

Parliament House

CANBERRA ACT 2600

Dear Minister,

I am pleased to present the Annual Report of Australian Reinsurance Pool Corporation (ARPC) for the year ended 30 June 2023. The report has been prepared under section 46 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and in accordance with the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule).

Signed for and on behalf of the Members of the Board, as the Accountable Authority of ARPC and being responsible for preparing and giving the Annual Report to ARPC's responsible Minister in accordance with section 46 of the PGPA Act.

Yours sincerely

Julie-Anne Schafer
LL.B. Hons, FAICD
Chair

20 September 2023

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A copy of this document and other information appears on the ARPC's website www.arpc.gov.au

Australian Government
Australian Reinsurance Pool Corporation

Highlights

Our strategy as at 30 June 2023

Our Purpose

Protecting Australian communities with sustainable and effective reinsurance for terrorism and cyclone events

Our Vision

To support insurers to deliver affordable terrorism and cyclone insurance in Australia

Our Values

- Collaboration
- Delivering for our stakeholders
- Personal Leadership
- Integrity
- Wellbeing

Strategic priorities 'we will'

- Deliver reinsurance for eligible terrorism and cyclone losses
- Engage and understand our stakeholders with a focus on insurer customers to improve community outcomes

Key activities 'what we did'

Terrorism pool

- Encouraged the private market to participate in terrorism risk insurance
- Built on strong strategic partnerships and relationships with terrorism pool stakeholders
- Provided an effective response to terrorism incidents and support risk mitigation
- Led international collaboration on terrorism reinsurance
- Developed thought leadership content and expertise

Performance measures 'what we focused on'

- Gross Written Premium (GWP)
- Net assets
- Operating expenses to budget
- Delivery of strategic projects
- Completion of annual insurer survey
- Stakeholder performance targets

Performance targets 'how we know we succeeded'

- Achieved budget in each plan period
- Maintained sufficient net assets to support targets in ARPC Capital Management Policy
- Completed strategic projects to plan
- Published outcome of 2022 Insurer Customer Survey
- Developed interim targets for terrorism pool and will do so for cyclone pool once insurers have joined

Business functions 'our capabilities'

- Insurance and reinsurance
- Financial management
- Declared terrorism incident (DTI) response
- Declared cyclone event (DTE) response
- Stakeholder engagement
- Technology
- Operations

- Develop data and insights on terrorism, cyclone and insurance climate risk to support risk mitigation
- Enhance thought leadership to fulfil 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

Cyclone pool

- Operationalised the cyclone pool including event preparedness and implement the plan
- Supported insurance customers to transition into the cyclone pool
- Worked towards keeping reinsurance premiums as low as possible for communities in medium and high-risk cyclone areas, while maintaining similar premiums in low-risk cyclone areas
- Worked towards developing data and insights on cyclone risk and insurance climate risk to enhance insurance coverage and support risk mitigation
- Worked towards supporting cyclone impact mitigation incentives

Organisational

- Enhanced our values, collaboration and change management capabilities
- Evolved our employee value proposition to attract and retain talent
- Developed our preparedness, capability, and organisational agility to respond to major concurrent events
- Delivered enabling technology and systems to achieve pool goals.
- Enhanced our vigilance on security, including information, personnel, physical and cyber
- Undertook strong fiscal management to deliver financial sustainability

- Development of relevant and accurate datasets
- Publication of thought leadership artefacts
- Employee engagement
- Completion of cyclone pool workstreams and transition to business operations
- Event response preparedness

- Collected, collated and cleansed data
- Published research and information papers
- Employee engagement survey results were consistent with industry practice in both government and insurance sectors
- Completed all cyclone pool workstreams. Conducted one desktop discussion exercise and one full desktop simulation exercise for both a DTI and a DCE

Delivered Strategic Projects

Our people 'who work for us or with us'

- Board Members
- Employees
- Contractors

Stakeholders 'with whom we engage'

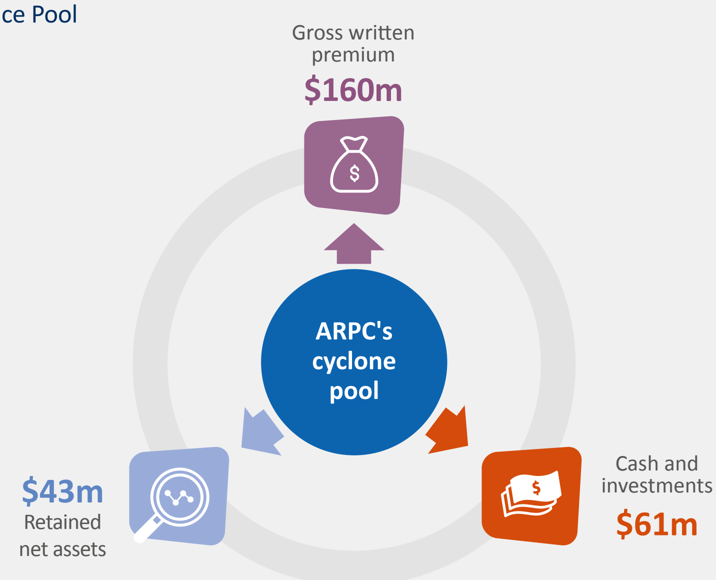
- Insurer customers
- Government and government agencies
- Industry associations
- Community and consumers
- Global reinsurers
- Catastrophe modellers

About us

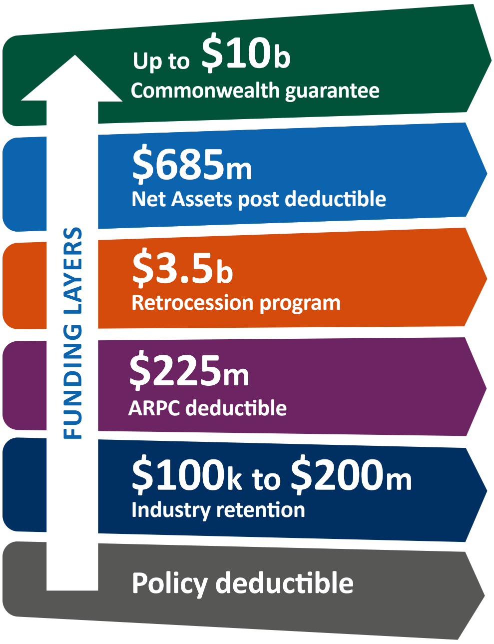
ARPC is a public financial corporation established in 2003 to administer the Terrorism Reinsurance Pool (terrorism pool). Since 1 July 2022, ARPC has also managed the Cyclone Reinsurance Pool (cyclone pool) covering cyclones and cyclone-related flood damage. ARPC operates under the *Terrorism and Cyclone Insurance Act 2003*.

Terrorism Reinsurance Pool

Cyclone Reinsurance Pool



2023 Terrorism pool structure



Commonwealth guarantee: This is a solvency guarantee for ARPC, which is limited to $10 billion as per the TI Act.

Net assets post deductible: The net asset position available for claims after the $225 million deductible is paid.

Retrocession program: This layer of funding is sourced from the commercial reinsurance market. It is mostly placed as multi-year covers.

ARPC deductible: This is funded from ARPC net assets.

Industry retention: This is the aggregate of the treaty retentions of all insurers involved in a calendar year.

Policy deductible: This is the excess or deductible in the underlying insurance policies.

Performance summary

ARPC met all targets in the 2022-26 Corporate Plan

Measure 1	Gross Written Premium (GWP)	Met	✓
Measure 2	Net assets	Met	✓
Measure 3	Operating expenses to budget	Met	✓
Measure 4	Delivery of strategic projects	Met	✓
Measure 5	Annual insurer customer survey	Met	✓
Measure 6	Stakeholder performance targets	Met for terrorism pool	✓
Measure 7	Develop relevant and accurate datasets	Met	✓
Measure 8	Publish thought leadership artefacts	Met	✓
Measure 9	Employee engagement	Met	✓
Measure 10	Completion of cyclone pool workstreams	Met	✓
Measure 11	Event response preparedness	Met	✓

ARPC

2023 – ARPC pays its first cyclone pool claim for Cyclone Gabrielle

2022 – TCI Act passed. Cyclone pool commences

2021 – Government announces intention to establish a cyclone pool to be administered by ARPC

2020 – ARPC holds IFTRIP Presidency

2019 – ARPC designs geospatial catastrophe model with Risk Frontiers – providing modelling capability for all mainland locations

2018 – ARPC embarks on risk mitigation handbook for buildings project with Standards Australia. ARPC commissions OECD and Cambridge Centre for Risk Studies to research potential cyber terrorism scenarios and losses

2017 – Expanded terrorism pool to include high value residential and mixed-use commercial/residential buildings and biochemical attacks

2016 – ARPC hosts inaugural International Forum of Terrorism Risk Reinsurance Pools (IFTRIP) conference in Canberra

2015 – ARPC moves from Canberra to Sydney to be closer to stakeholders

2012 – ARPC starts paying the Federal Government fees and dividends

2009 – ARPC buys a retrocession program on global markets for the first time

2008 – ARPC begins designing 3D catastrophe models with Geoscience Australia (GA)

2003 – ARPC terrorism pool established under the TI Act

2001 – World Trade Centre terrorist attacks in New York City 'September 11'

Contents

Chair and CEO Reports

From the Chair

I am pleased and honoured to present the 2022-23 Chair Report for Australian Reinsurance Pool Corporation (ARPC). I am fortunate to have assumed the role of Chair at a time when ARPC is at strength, while also navigating significant change.

Julie-Anne Schafer | Chair

I would firstly like to acknowledge my predecessor, Ian Carson AM who chaired the ARPC Board for six years. During his tenure, Ian adeptly steered ARPC through a pandemic, a change in Government, as well as prepared, launched and implemented the Cyclone Reinsurance Pool (cyclone pool).Ian has left an admirable legacy.

During the 2022-23 reporting period, there was significant change to ARPC as an organisation. New part-time Members have been appointed to the Board, including Oscar Shub, Evelyn Horton, Eilis Hurley, and Fran Raymond, for a three-year term, commencing 23 April 2023. Since the end of the reporting period, from 7 July Greg Nucifora and Rod Whithear were appointed part-time Members for a three-year term.

The Board's role is to govern ARPC and includes setting the strategic direction and financial objectives, risk oversight and monitoring and implementation of the 2022-26 Corporate Plan. The Members bring a diverse mix of skills and experience across insurance, finance, investment, actuarial, strategy, and risk oversight across the public and private sectors.

Chairing the Board of an organisation at a time of significant change and growth is a challenge and a privilege which has made for an exciting start to my tenure. I am grateful for the opportunity to steer ARPC to new heights in the coming years.

Departing Members

I would like to recognise all Members and Board Observers who departed ARPC in 2022-23: Robin Low, Maria Fernandez, David Foster, and Helen Rowell (a Board Observer) and thank them for their service to ARPC.

Maria Fernandez and Robin Low's terms as Board Members ended on 22 April 2023, and David Foster's term ended on 23 April 2023. Helen Rowell's tenure ended with her last Board meeting on 20 June 2023. Each Member brought a unique and diverse skillset, and they will be missed.

2022-23 Board meetings

The Board convened five times during 2022-23, comprising four meetings for general business, and a strategic planning meeting. There were four out of session circular resolutions issued during the period. Chapter 5 Governance lists the number of meetings attended by each Member during the reporting period.

> "Chairing the Board of an organisation at a time of significant change and growth is a challenge and a privilege, which has made for an exciting start to my tenure."

ARPC wins Gold in annual report awards

ARPC received its third successive Gold Australasian Reporting Award (ARA) for its 2021-22 Annual Report. According to the ARA, 'to receive a Gold Award, a report must demonstrate overall excellence in annual reporting. It should provide high quality coverage of most aspects of the ARA criteria and full disclosure of key aspects of the organisation's core business. A Gold Award report is a model report for similar organisations to follow'. ARPC will continue to participate in the awards and use feedback for continuous improvement.

Refreshed vision and values

In August 2023, the Board approved a new strategy to meet ARPC's functions under the *Terrorism and Cyclone Insurance Act 2003* (TCI Act) and further enhance operational excellence. ARPC is strongly positioned to deliver on ARPC's Purpose, 'protecting Australian communities with sustainable and effective reinsurance for terrorism and cyclone events' and our Vision, 'a future where the Australian communities we serve are more resilient to disasters through access to affordable insurance for terrorism and cyclone events'. These are underpinned by ARPC's Values.

Julie-Anne Schafer | Chair
20 September 2023

> ARPC is strongly positioned to deliver on its Purpose, 'protecting Australian communities with sustainable and effective reinsurance for terrorism and cyclone events'...

From the CEO

Reflecting on the past year, I am proud of how hard the ARPC team has worked together to deliver on our strategic objectives, while maintaining the terrorism pool, successfully operationalising the cyclone pool and processing our first claims as a result of Tropical Cyclone Gabrielle.

Dr Christopher Wallace | CEO

Our team has worked diligently to operationalise the cyclone pool, while continuing to maintain the integrity of the terrorism pool at a time of great change both politically, with a new government being elected, and operationally, with four cyclones impacting Australian communities.

ARPC continued to report excellent financial and operational results in 2022-23. During the reporting period, ARPC had 228 terrorism insurer customers which have sums insured of approximately $4 trillion nation-wide for commercial property and business interruption.

As at 30 June 2023, nine insurers had joined the cyclone pool with the balance of large insurers expected to join by 31 December 2023.

The terrorism pool had $14.4 billion available for claims arising from a Declared Terrorism Incident (DTI). Funding includes:

- a $10 billion Commonwealth guarantee
- $3.5 billion retrocession reinsurance program purchased from 67 private sector reinsurers
- over $910 million in net assets.

ARPC continued to observe increases in commercial insurance premiums in the private insurance sector, while global capacity for terrorism risk reinsurance also changed. The war in Ukraine led to widespread market uncertainty while changes in the global and domestic terrorism landscape, prompted price increases in the reinsurance and retrocession markets. As a result, ARPC decided to roll over the retrocession program from 2022.

Australia's threat landscape

During the reporting period, Australia's general terrorism threat level was lowered from PROBABLE to POSSIBLE. This decision was made at a time when individuals and small groups remain an active threat that is constant, challenging, and changing.

In his 2022 annual threat assessment, Mike Burgess, Director General, Australian Security Intelligence Organisation said "...it remained entirely plausible there would be a terrorist attack in Australia within 12 months, and our biggest concern is individuals and small groups who could move to violence without warning, using weapons such as guns". This came to pass only a few weeks later, with the December 2022 ambush in Wieambilla labelled as Australia's first "Christian terrorist attack"[1].

Of that incident, Burgess said "the horrific Wieambilla case demonstrates how, even with a lower threat level, the counter-terrorism mission remains challenging, and the operational tempo is not diminishing. Significant challenges and changes in the onshore security environment are adding to its complexity".

"Our team has worked diligently to operationalise the cyclone pool, while continuing to maintain the integrity of the terrorism pool operations at a time of great change..."

[1] QLD Deputy Commissioner Tracy Linford

While threats continue from abroad, it is clear the primary domestic terrorist threat in Australia continues to stem from extremist groups' online efforts to radicalise individuals in the country and lone perpetrators who aim to carry out small scale random attacks on members of the public and police officers[2].

Engaging the private reinsurance market in the terrorism pool

Many major countries have terrorism pools to provide commercial insurers with efficient, cost-effective terrorism reinsurance. ARPC is highly regarded among international reinsurers due to its expertise in blast and plume catastrophe modelling and strategic use of retrocession in which ARPC purchases reinsurance cover from Australian and global markets.

An objective of the TCI Act is to help ARPC to grow private insurer involvement. During 2022-23, ARPC held meetings with key stakeholders to confirm and explain the 2023 retrocession reinsurance program rollover.

Value for money

The average price of ARPC's terrorism cover for insurers in 2022-23 was 4.9 per cent of the premium, and 4.9 per cent last year. ARPC tier rates remain unchanged at 16 per cent of original policy base premium for Tier A, 5.3 per cent for Tier B and 2.6 per cent for Tier C. This has generated over $350 million terrorism reinsurance premium income for the 2022-23 period. The annual aggregate retentions (the deductible or excess) held by insurers ranged from $100,000 to $12.5 million, which are low compared to natural catastrophe reinsurance retentions in the private market that substantially increased during 2023. Insurers covered by ARPC also benefit from liability capping under the TCI Act. This limits the insurers' liability through a legislated reduction percentage for a loss exceeding ARPC's capacity, but only if the insurer has elected to purchase terrorism reinsurance from ARPC.

Cyclone pool

ARPC commenced operating the cyclone pool from 1 July 2022.

In the 2022-23 reporting period, ARPC dedicated specific funding to implement the cyclone pool and spent $12.1 million. ARPC established a dedicated project team and work streams, with executive sponsorship, to implement the cyclone pool. The stream was supported by subject matter experts and project managers to ensure deliverables were met.

Over the reporting period ARPC:

- onboarded nine insurer customers
- declared four cyclone events under the TCI Act, two were declared after we had insurer customers on board
- paid one insurer customer claim in accordance with the Reinsurance Agreement
- launched PACE (Protecting Australians for Catastrophic Events), ARPC's insurer customer information management system
- undertook additional consultation, and subsequently released updated premium rates on 30 September 2022.

"ARPC is highly regarded among international reinsurers due to its expertise in blast and plume catastrophe modelling and strategic use of retrocession in which ARPC purchases reinsurance cover from Australian and global markets."

[2] Control Risks, a specialist global risk consultancy

The first cyclone season

ARPC declared four events over the 2022-23 cyclone season.

Figure 1: 2022-23 cyclone events

Cyclone Name	Declaration period	Comment
Darian	18 December 2022 17:00 AEST to 1 January 2023 22:00 AEST	Event period was prior to 31 December 2023 when ARPC had no insurer customers on risk
Ellie	22 December 2022 19:00 AEST to 25 December 2022 10:00 AEST	Event period was prior to 31 December 2023 when ARPC had no insurer customers on risk
Gabrielle	9 February 2023 11:00 AEST to 14 February 2023 03:00 AEST	Losses incurred on Norfolk Island
Ilsa	11 April 2023 16:00 AEST to 16 April 2023 21:00 AEST	No losses incurred

All legislative obligations for the declaration of cyclone events were met by ARPC.

A claim payment relating to Tropical Cyclone Gabrielle was a first for the cyclone pool and ARPC met payment terms as per the reinsurance contract.

Thought leadership

ARPC continued to participate in key international forums on terrorism and other systemic risk — managed by the Organisation for Economic Co-Operation and Development (OECD) and the International Forum of Terrorism Risk (Re) Insurance Pools (IFTRIP) respectively.

ARPC's co-funded thought leadership paper with University of Queensland (UQ) won the Publication Award under the Australian Institute of Professional Intelligence Officers' (AIPIO) Annual Awards scheme. The award for the nominated paper, 'Terrorism and Violent Protests: where do these disruptive events meet?' was presented at Intelligence International, AIPIO's National Conference, on 26 October 2022. The AIPIO Publication Award recognised a distinguished contribution to the intelligence profession in Australia. This paper was also published in the peer reviewed AIPIO Journal.

During the reporting period, ARPC completed a Cyber Exclusion Review to understand the evolving threat landscape and update our thought leadership on the issue. The review included scoping out the problem statement, a cyber scenario which maps out the impact of a cyber terrorist attack and estimated losses, an international peer analysis of cyber pools, and a stakeholder engagement map to understand which stakeholders to engage with on the cyber terrorism exclusion gap.

Finally, ARPC has extended its UQ partnership to the end of 2023 to include the cyclone pool.

Building solid key stakeholder relationships

ARPC's regular engagements with the Responsible Minister, government agencies, insurers, reinsurers, and key industry stakeholders, helps deliver insights on current areas of interest and opportunities for the year ahead. According to ARPC's 2022 annual survey of insurer customers by ORIMA Research, ARPC:

- continues to deliver on its vision
- is a valued partner
- is a trusted expert
- communicates and engages well with stakeholders.

With the establishment of the cyclone pool, ARPC has become much more externally visible, with communities across northern Australia and the policymakers that represent them. ARPC attends Senate Estimates Committee hearings to respond to questions from Senators as to how ARPC is operating. During the reporting period, this has included providing information on the progress made with onboarding insurers to the cyclone pool. In addition, ARPC appeared before the Joint Select Committee on Northern Australia, as part of their inquiry on the cyclone pool. While a new experience for ARPC, such appearances before Parliamentary Committees are a normal part of the work of most government agencies.

During 2022-23, ARPC continued to support and participate in the OECD High Level Advisory Board for the Financial Management of Large-scale Catastrophes and the IFTRIP. These engagements strengthen ARPC's links with its global counterparts and reinsurers.

During the reporting period, ARPC attended as an observer at the World Forum of Catastrophe Programmes which is an informal platform for the voluntary exchange of ideas, expertise and practices among government created or government sponsored natural catastrophe insurance schemes.

Expanding the team

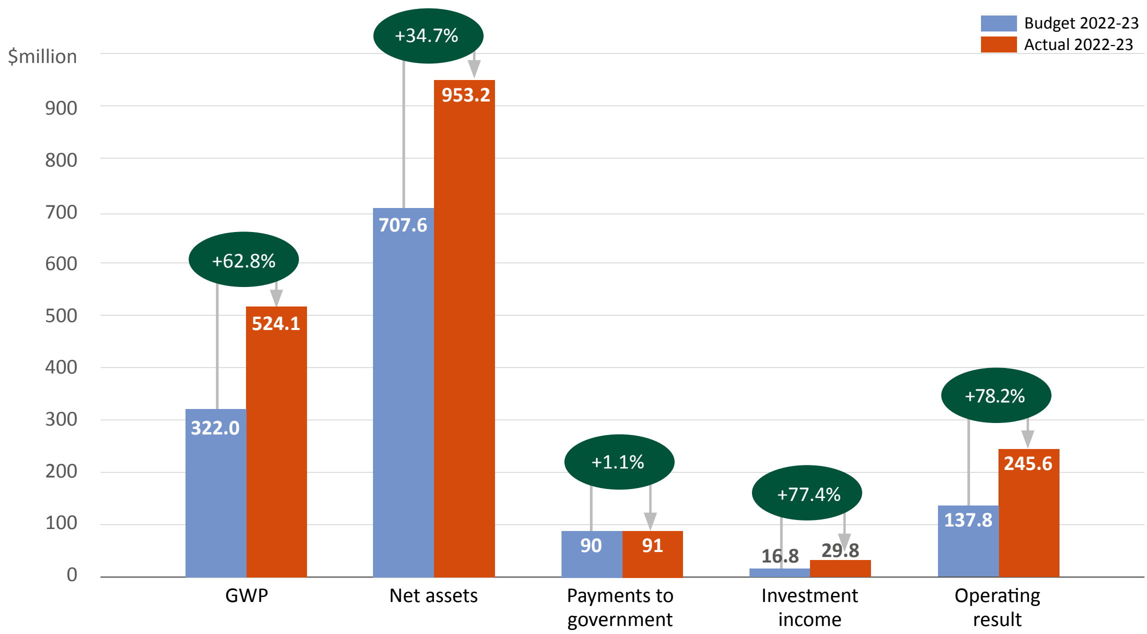
As at 30 June 2023, ARPC had 59 employees, an increase of 66 per cent from 35 employees in the previous reporting period to support the operationalisation of the cyclone pool.

ARPC continues to guide new and existing employees through development activities to ensure they are aligned with ARPC's purpose, vision, values, and strategic objectives to drive team-wide connections and engagement.

All employees actively contributed to organisational goals, through development and implementation of actions and activities aimed at lifting organisational performance and culture. ARPC's dedication to wellbeing continued throughout 2022-23; the Wellbeing Committee organised team activities, celebrated national and international observances, and held social events for all employees. We strived to keep employees focused on the objectives, projects, and initiatives outlined in our 2022-26 Corporate Plan.

I continue to be grateful to our employees for their support during a sustained period of significant change for ARPC.

Figure 2: Summary of key financial metrics 2022-23 (in millions)



Financial and operational performance

This year's strong financial performance was supported by rate rises in underlying commercial insurance policies (on which terrorism pool premiums are based) and insurers joining the cyclone pool. The operating result for the year ended 30 June 2023 was $245.6 million. Figure 2 presents a summary of key financial metrics. **Chapter 7 Financial Statements** has more detail on ARPC's financial performance.

ARPC's financial performance exceeded budget this year with higher than expected premiums resulting in an operating profit and net assets higher than forecast. We made good progress on strategic projects which positions ARPC well to deliver on our commitment to customers and stakeholders and to respond to DTIs and DCEs.

I would like to conclude by thanking ARPC's employees, the senior executive team (pictured below) and the Board for their contributions and support this year.

There is still much to do, and I look forward to achieving and exceeding stakeholder expectations over the coming year.

Figure 3: ARPC Senior Executive Team

From left: Samantha Lawrence, Chief Risk and Governance Officer; Jason Flanagan, Chief Claims and Customer Officer; Dr Chris Wallace, Chief Executive; Victoria Simpson, Chief Operating Officer; Scott Unterrheiner, Chief Financial Officer and Mike Pennell PSM, Chief Underwriting Officer

Dr Christopher Wallace
BEc (Hons) PhD (Econ) AMP (INSEAD) ANZIIF (Fellow) CIP GAICD
Chief Executive

Report of operations declaration

The Board Members of ARPC are pleased to present their Annual Report on the operations of the Corporation for the financial year ended 30 June 2023. This report is made in accordance with a resolution of the Members.

The Members are responsible under section 46 of the PGPA Act for the preparation and content of this report in accordance with the PGPA Rule.

Signed for and on behalf of Members in accordance with the resolution of the Members.

Julie-Anne Schafer
LL.B. Hons, FAICD
Chair

20 September 2023

Jan van der Schalk
BA, MPhil
Member and Chair of the Audit, Risk and Compliance Committee (ARC Committee)

20 September 2023

Australian Government
Australian Reinsurance Pool Corporation

1 ARPC's Strategy


Barangaroo, Sydney

Background

ARPC is a public financial corporation, originally established under the TI Act 2003, to provide insurance cover for eligible terrorism losses following the 11 September 2001 attacks in the United States (US). This event saw global withdrawal of terrorism insurance cover, leaving Australia's commercial property uninsured against terrorist attacks and reduced access to project funding and commercial refinancing, financially threatening sectors of the Australian economy.

ARPC was established by the Australian Government with the support of stakeholders in the property, banking, insurance, and reinsurance sectors.

On 5 May 2021, the Australian Government announced the intention to establish a reinsurance pool to cover cyclone and cyclone-related flood damage. The *Treasury Laws Amendment (Cyclone and Flood Damage Reinsurance Pool) Act 2022* was passed by the Parliament and assented to on 31 March 2022. This Act amended the TI Act, by establishing a cyclone reinsurance pool. The TI Act was renamed the *Terrorism and Cyclone Reinsurance Act 2003* (TCI Act) and the TCI Act commenced on 31 March 2022. The TCI Act also prescribed that the operation of the cyclone pool commence from 1 July 2022, operated by ARPC.

ARPC's functions under section 10 of the TCI Act are now:

- to provide insurance cover for eligible terrorism losses (whether by entering contracts or by other means)
- to operate a cyclone and related flood damage reinsurance pool by entering contracts of reinsurance as reinsurer in accordance with Part 2A, and
- any other functions that are prescribed by the regulations.

To align with ARPC's extended functions, ARPC's Board approved a new strategy to accommodate the terrorism pool and cyclone pool.

ARPC is a corporate Commonwealth entity established under the PGPA Act and is subject to the PGPA Act's financial and non-financial reporting requirements.

Purpose, Vision and Values

This annual report reports on ARPC's activities and deliverables against the 2022-26 Corporate Plan published on ARPC's website and in Figure 1.1.

During this reporting period, the executive team, in consultation with the Board, reviewed ARPC's Vision, Purpose, and Values, so that they align with the activities of both the cyclone and terrorism pools. The changes are reflected in the forward looking 2023-27 Corporate Plan.

Figure 1.1: ARPC's strategy

ARPC's expanded role to operate the cyclone pool allows the corporation to create great value for stakeholders of both pools through increased efficiencies and capabilities.

To deliver on the Vision and Purpose, ARPC strived to create a collaborative and high-achieving culture through the Values of Collaboration, Delivering for our Stakeholders, Personal Leadership, Integrity and Wellbeing. These Values support ARPC's strategy and Code of Conduct and are fundamental to its success.

Strategic context: Terrorism risk

Addressing terrorism insurance market failure

ARPC continues to address market failure in the Australian commercial property terrorism insurance market, through risk sharing and mitigation.

In the 2021 Triennial Review[1], it was agreed that a partial market failure remains and recommended the TI Act and terrorism pool remain in place. The estimated global commercial market capacity available for Australian terrorism reinsurance is considered short of the level required to cover against large, but possible, terrorism incidents. Furthermore, industry stakeholders, including reinsurers and brokers, indicated they would find it difficult to participate in the Australian terrorism insurance market without a mechanism like ARPC.

International threat environment

The international threat environment for terrorist events continues to evolve. In his February 2023 threat assessment, the Australian Security Intelligence Organisation (ASIO) Director-General of Security Mike Burgess addressed the 2022 downgrading of the national domestic terrorism threat level, from PROBABLE to POSSIBLE. Of the decision, he stated "...this decision was not taken lightly or made casually".

He went on to say "ASIO assesses that Australia remains a potential terrorist target, but there are fewer extremists with the intention to conduct an attack onshore than there were when we raised the threat level in 2014. This does not mean the threat is extinguished".

The primary point of concern for ASIO remains "individuals and small groups who could move to violence without warning, using weapons such as guns".


Brisbane cityscape

[1] The TCI Act is reviewed every three years by Treasury to assess the level of market failure and the need for ARPC to continue operating. The 2021 Triennial Review stated that further reviews would now take place every five years.

Australian threat context

As Director General Burgess said in his 2023 threat assessment address, “Australia’s security environment is complex, challenging, and changing... with terrorism still a significant threat in some parts of the world, developments overseas could resonate here in Australia”. Violent extremists continue to plan and conduct attacks close to our borders, with effects being felt in Australia.

Australia is still experiencing extreme “ideologically motivated” activity across the region, but of greater concern is the marked uptick in Australians being targeted for “espionage and foreign interference than at any time in Australia’s history”, he said. Such actions target individuals who influence decision making, which has serious impacts on institutions and potentially the commercial property that ARPC’s terrorism pool covers.

The National Terrorism Threat Advisory System (NTTAS), launched by the Australian Government on 26 November 2015, to inform the public about the likelihood of an act of terrorism occurring in Australia, shows our 2021-22 NTTAS threat level as Possible, reflecting the intelligence assessment by the National Threat Assessment Centre. NTTAS has five levels to indicate the national threat level as shown in Figure 1.2. 'Possible' means that while Australia remains a potential terrorist target, there are fewer extremists with the intention to conduct an attack onshore than there were when the threat was raised in 2014.

For more information on the NTTAS and the current level of alert, please visit: nationalsecurity.gov.au/national- threat-level/threat-advisory-system

Figure 1.2: National terrorism threat advisory system

Certain	Red is the highest level and means that a terrorist action is certain.
Expected	Orange means a terrorist action is expected.
Probable	Yellow indicates that a terrorist action is probable.
Possible	Blue indicates that a terrorist action is possible. This is the current threat level in Australia.
Not expected	Green is the lowest category of threat and means a terrorist action is not expected.

Strategic context: Cyclone risk

Addressing cyclone insurance affordability

Before establishing the cyclone pool, the Australian Government conducted reviews to identify measures required to address insurance affordability in northern Australia including:

- *Natural Disaster Insurance Review* (2011): commissioned by the Australian Government Treasury following widespread storms, floods, and cyclones affecting Queensland and Victoria in late 2010 and early 2011. The review considered the availability and affordability of flood risk insurance. The review recommended a system of premium discounts for flood insurance coverage funded by a Commonwealth guarantee and reimbursed by impacted States or Territories.
- *Northern Australia Insurance Premiums Taskforce* (2015): commissioned by the Australian Government Treasury to explore the feasibility of using the Commonwealth balance sheet to reduce home, contents, and strata insurance premiums in those regions of northern Australia experiencing insurance affordability concerns due to cyclone risk.
- *Northern Australia insurance inquiry* (2020): commissioned by Australian Competition Consumer Commission (ACCC) after a three-year inquiry commencing in 2017 to help address concerns about insurance affordability and availability in northern Australia and consider how to promote more informed and competitive insurance market.

The cyclone pool was established to address these affordability and availability concerns.

Cyclone weather outlook

On average, 11 tropical cyclones form in the waters surrounding Australia every year, with four making landfall equally split between the eastern and western regions and one in five being severe. Climate scientists predict a small number of cyclones, but a higher proportion of those classified as severe, with category four or five events making landfall on the Western coast with increased frequency.

The Australian tropical cyclone season runs from 1 November to 30 April and the Bureau of Meteorology (BoM) issues seasonal outlooks each October.

Tropical cyclone damage

Figure 1.3: Actual versus expected cyclone activity impacting Australia

Season	Bureau of Meteorology tropical cyclone forecast	Actual	Severe
2022-23	above average	7	5
2021-22	average, with a slightly above-average risk of severe tropical cyclones	10	4
2020-21	above average, with an increased risk of severe tropical cyclones	11	5
2019-20	average, with a slightly below-average risk of severe tropical cyclones	7	2

Source: BoM tropical cyclone database

Figure 1.3 shows actual cyclones in Australia over the last four years.

The BoM has not yet released its official prediction for the 2023-24 tropical cyclone season in Australia.

Australian tropical cyclone activity is influenced by the El Niño Southern Oscillation (ENSO) and the Indian Ocean Dipole (IOD). During El Niño events, Australian tropical cyclone activity tends to be suppressed or weakened, while during La Niña events activity is often enhanced. La Niña conditions may reduce vertical wind shear and promote greater atmospheric instability, providing a more conducive environment for tropical cyclone formation and intensification. The IOD can influence tropical cyclone activity in the Indian Ocean Region. A negative IOD means warmer water near Australia and provides a more conducive environment for tropical cyclone formation and intensification. Positive phases of the IOD tend to occur during El Niño events and negative phases of the IOD in La Niña events.

The BoM's recently released El Niño 'alert' indicated a 70 per cent chance the ENSO cycle will be in an El Niño phase in 2023, which would normally translate into decreased cyclone activity, if all other variables stay the same. On available data from 1967 onwards, of cyclones declared as a catastrophe by the Insurance Council of Australia (ICA), tropical cyclone frequency in El Niño years has been approximately three times lower than the cyclone frequency in Neutral or La Niña years.

Figure 1.4 summarises the average number of cyclonic catastrophe events declared by the ICA per ENSO cycle phase. The ICA declares catastrophes when the event is expected to have a material impact on insured assets.

Figure 1.4: ENSO cycle impact on catastrophic tropical cyclone frequency

ENSO cycle phase	ICA-declared cyclone catastrophe events per year
El Niño	0.6
Neutral	1.6
La Niña	1.7

Source: ICA Historical Catastrophe List

Sea surface temperatures are an important factor in the development of tropical cyclones. The BoM has forecasted above average sea surface temperatures during the 2023-24 season, which may impact tropical cyclone activity despite the forecasted El Niño conditions.

Strategic priorities

ARPC's 2022-26 Corporate Plan set out six strategic priorities:

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

ARPC made progress against the six strategic priorities outlined in the 2022-26 Corporate Plan. **Chapter 4, Annual Performance Statement** details ARPC's performance against the measures and targets set in the corporate plan to deliver on our strategic priorities.

Working with ARPC stakeholders

During 2022-23, ARPC remained committed to developing and sustaining key stakeholder relationships through timely, open communication, understanding needs and expectations, and delivering value. ARPC engages regularly with insurers, major commercial property owners, relevant state and Australian Government agencies, and industry associations. ARPC has also advised new and existing insurer customers about Reinsurance Agreements and insurer premium submissions.

Knowledge sharing

ARPC believes that sharing knowledge with stakeholders enhances existing relationships and helps to develop a better understanding of ARPC, the TCI Act, and the environment in which ARPC operates.

During 2022-23, ARPC's representatives shared information and ideas at various industry forums both as delegates and presenters.

Various retrocession renewal discussions allowed ARPC to present the latest information on Australia's terrorism risk and results from the portfolio risk analysis, including outcomes from blast and plume catastrophe modelling.

ARPC's insurer customer review program is integral to its stakeholder engagement efforts. ARPC collaborates and educates insurer customers about the terrorism pool's requirements and function and seeks to drive compliance. ARPC also shares insights into the contemporary terrorism landscape and strategic projects updates.

During 2022-23, the team combined remote and on-site reviews, forming a new way of working following the COVID-19 Pandemic.

Communications and publications

ARPC's quarterly digital newsletter, *Under the Cover,* for insurer customers and other subscribers, provides information relating to reinsurance cover with ARPC. This newsletter includes postcode updates for reporting exposures and other information regarding Reinsurance Agreement obligations.

ARPC informs insurer customers about changes to the terrorism and cyclone pools, deadlines for returns or submissions, and any other relevant information by providing email updates.

ARPC's LinkedIn page shares announcements, event coverage and other news.

The website is a repository for information about the terrorism and cyclone pools and how they operate, and for annual publications, quarterly newsletters, research papers, media releases, events, and Q&As. During the 2022-23 reporting period, ARPC undertook an extensive review of the existing website to validate its efficacy. As ARPC continues to grow with the addition of the cyclone pool, it was determined that a new site was required to adequately cover the growing areas of responsibility. As a result, in November 2022, ARPC launched a new look website, which enables a streamlined user experience, and provides context for the community and consumers.

Industry involvement

ARPC engages with the Australian and international reinsurance industries through industry events to raise stakeholder awareness of the terrorism pool and cyclone pool and to keep stakeholders informed on global developments.

During 2022-23, ARPC attended industry conferences and events including:

- Reinsurance Discussion Group Event
- Catastrophe and Reinsurance Symposium
- Australian Institute of Company Director (AICD) Australian Governance Summit
- Welcome Reception for Lloyd's Chairman Mr Bruce Carnegie-Brown
- Australian and New Zealand Institute of Insurance and Finance (ANZIIF) Reinsurance Rendezvous
- Cyclone pool presentation to Bermuda reinsurers, Asian reinsurers, London reinsurances and Europe reinsurers
- Renaissance Re Industry Event
- Scor Re Industry Event
- ICA Annual dinner
- OECD Roundtable
- AICD Climate Governance Forum
- Reinsurance Study Course Presentation
- Cyclone pool briefing to the Council of Queensland Insurance Brokers
- Pottinger Industry Event
- DXC Insurance Industry Event
- Women in Public Service Conference
- Strata Insurance Forum.

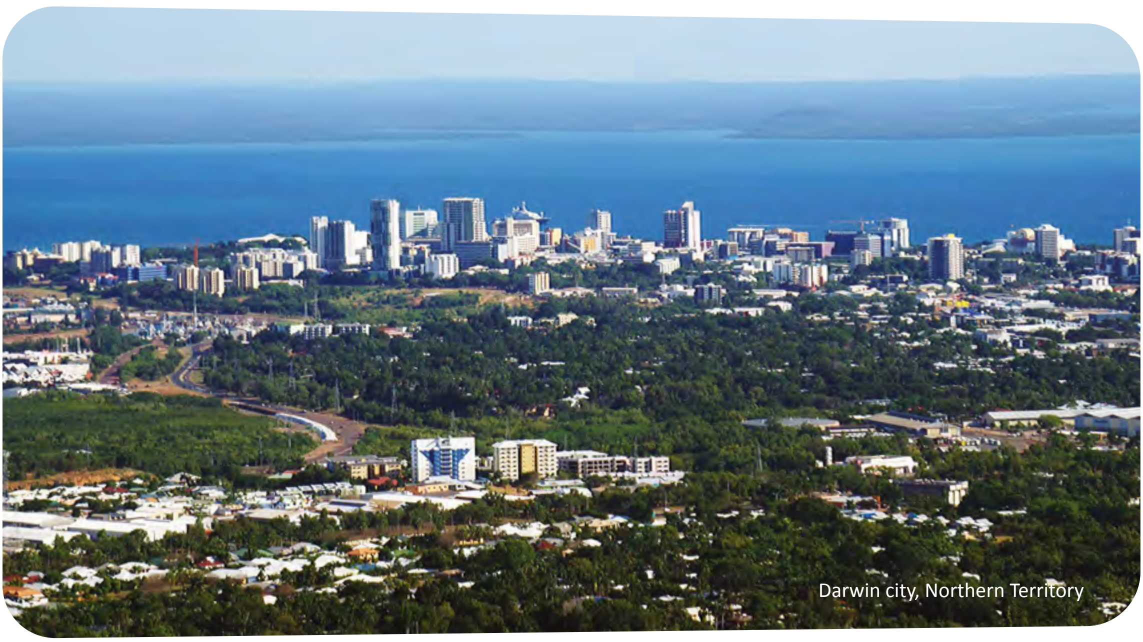
City of Adelaide

ARPC engages with industry and government

IFTRIP is the key organisation of international terrorism pools which ARPC engages with to share knowledge and experience. IFTRIP was formally ratified at the ARPC-OECD Global Terrorism Risk Insurance Conference in Canberra in 2016. Subsequent IFTRIP annual conferences have been held in Paris (2017), Moscow (2018) and Brussels (2019) and online during the COVID-19 pandemic. During the reporting period, ARPC continued to participate in this organisation, through various seminars and attending key events.

With the establishment of the cyclone pool, there is greater community interest in ARPC's activities and the impact the pool will have on northern Australia. ARPC attended Senate Estimates Committee hearings, to brief Senators on various matters, including the progress of onboarding insurers to the cyclone pool. In addition, ARPC appeared before the Joint Select Committee on Northern Australia, as part of its inquiry on the cyclone pool.

> With the establishment of the cyclone pool, there is greater community interest in ARPC's activities and the impact the pool will have on northern Australia.


Darwin city, Northern Territory

Survey finds ARPC remains a 'trusted, valued partner'

Results for the ARPC Insurer Customer Survey, conducted by ORIMA Research during November-December 2022, remain strong. Consistent with previous years, most respondents continue to see ARPC as a trusted expert on terrorism reinsurance (86 per cent), easy to deal with (86 per cent) and transparent (85 per cent).

As with the previous results, respondents continue to strongly believe ARPC is delivering on three aspects of the organisation's vision, at least to a moderate extent. Views were largely similar across Australia and overseas as shown in Figure 1.5.

Figure 1.5: Vision indicators of ARPC

Vision indicators	Definition	Overall	Aust.	Overseas
To what extent do you feel that ARPC is **an effective provider of terrorism risk insurance?** Q1	Large + Moderate extent	97% ▲	100% ▲	91% ▲
What impact do you think that ARPC has on **private sector terrorism reinsurance participation?** Q2	Sustainability + Somewhat facilitates	73% ▼	75% ▼	85% ▲
To what extent do you believe that **ARPC provides sustainable and effective reinsurance for terrorism events?** Q3	Large + Moderate extent	98%	100%	94%

The **Terrorism Pool Stakeholder Perceptions Index (T-SPI)** achieved 75 per cent, which is a favourable perception of ARPC overall, although slightly lower than the previous year (80 per cent). The T-SPI was derived from three questions: To what extent do you feel ARPC is an effective provider of terrorism risk insurance? To what extent do you believe ARPC supports your organisation's financial strength? To what extent do you feel ARPC is a valued partner to your organisation?

Figure 1.6: Perception indicators of ARPC

T-SPI index score		Overall	Aust.	Overseas
Q1.	*To what extent do you feel that ARPC is an effective provider of terrorism risk insurance?*	75% ▼	76% ▼	67% ▼
Q4.	*To what extent do you believe ARPC supports your organisation's financial strength?*			
Q6.	*To what extent do you feel that ARPC is a valued partner to your organisation?*			

Respondents continued to rate ARPC's website, digital business-to-business communications, publications and annual Terrorism Risk and Insurance Seminar strongly, with 99 per cent of respondents overall (Australia and overseas) rating them as very good or valuable.

Eighty per cent overall found the ARPC terrorism insurer customer review process very or somewhat useful as shown in Figure 1.7.

Figure 1.7: Perceptions of ARPC's insurer customer review process

How useful has your organisation found the ARPC Insurer Customer review process	Overall	Aust.	Overseas
Very useful	22%	20%	17%
Somewhat useful	59%	60%	79%
Very + Somewhat useful	**80%**	**80%**	**97%**
Not very useful	18%	20%	—
Not at all useful	2%	—	3%

When asked to describe ARPC in two key words, both Australian and Overseas respondents used positive words such as "effective" and "accommodating", closely followed by "partner" and "reliable".

Figure 1.8: Two words used to describe ARPC

A much lower proportion (38 per cent) of terrorism insurer customers felt that ARPC supported their organisation's financial strength to a large or moderate extent (down from 67 per cent in 2021).

Some of the other findings include:

- 100 per cent of Australian and 96 per cent of overseas respondents rated digital business to business communications as very good or good.
- When asked to describe ARPC in a couple of words, our insurer customers used 'professional', 'reliable', 'effective', 'trustworthy' and 'valuable'.
- 75 per cent of Australian and 85 per cent of overseas respondents respectively saw ARPC as a valued partner.
- ARPC's publications and digital business-to-business communications remain most strongly rated.

Cyclone pool

On the new cyclone pool, 88 per cent of respondents (Australia only) felt information proactively provided by ARPC was very good or good.

Context

In the 2020-24 Corporate Plan, ARPC committed to developing and launching an annual insurer customer survey to set a baseline for measuring stakeholder engagement effectiveness and improve stakeholder outcomes. In 2022, ARPC ran its third annual survey.

Methodology

The survey was conducted by ORIMA Research in November and December 2022. A short online survey was sent to the primary contact for ARPC's 230 insurer customers, 57 of which are based in Australia and 173 based overseas.

Responses were received from 41 insurer customers overall (18 per cent response rate, compared to 22 per cent last year). Responses were received from 8 out of 57 Australian insurer customers (14 per cent response rate, compared to 25 per cent last year) and 33 out of 173 overseas insurer customers (19 per cent response rate, compared to 21 per cent last year). ORIMA Research noted that the response rates for the survey are within the typical range for surveys like this and that the general pattern of results are a reasonable indicator of the views of insurer customers.

Areas for improvement

The response rate for the survey is in gradual decline. The overall response rate for the 2022 survey was 18 per cent compared to 22 per cent in 2021 and 28 per cent in 2020. In 2023, the survey will be adjusted to include additional focus on the cyclone pool and include short in-person interviews aimed at increasing survey participation.

In response to the survey results, ARPC Chief Executive Dr Christopher Wallace said: "ARPC remains committed to its annual insurer customer survey to collect feedback and learn how we can better serve our insurer customers. This will be particularly important as the cyclone pool grows by 31 December 2023".

The Queensland towns of Innisfail, Mission Beach, Tully and Cardwell were hit hardest by Cyclone Yasi (2011)

Melbourne city

Australian Government
Australian Reinsurance Pool Corporation

2 The Terrorism Reinsurance Pool

How the terrorism pool operates

The terrorism pool was established on 1 July 2003. When a Declared Terrorist Incident (DTI) happens, eligible insurance contracts receive terrorism cover. Eligible insurance contracts are defined in the TCI Act.

To determine whether a terrorist incident has occurred the responsible Minister, in consultation with the Attorney-General, applies the Australian Government's legislated definition of terrorism and the Criminal Code.

DTIs must be announced under section 6 of the TCI Act, after which relevant sections of the Act become effective, including that any exclusion clauses in eligible terrorism insurance contracts become invalid.

Under the TCI Act, insurers have three options for DTI insurance coverage:

1. carry the underwritten risk of terrorism losses following a DTI
2. reinsure the risk through the commercial reinsurance market, by entering a reinsurance contract and paying terrorism reinsurance premiums
3. reinsure the risk with ARPC by entering a Reinsurance Agreement and paying ARPC terrorism reinsurance premiums.

Insurers deciding to reinsure the risk of claims arising from a DTI with ARPC must enter into a Reinsurance Agreement and pay ARPC's reinsurance premiums.

Similar arrangements exist in most major economies, with some government involvement through terrorism pools.

If there is a DTI, all insurers must ignore terrorism exclusion clauses in eligible policies and pay policyholders their eligible losses, as per their policy's terms and conditions. Terrorism pool coverage excludes inter alia:

- loss or liability arising from the hazardous properties of nuclear fuel, material or waste
- residential property not identified as eligible property. (Farms holding business interruption insurance can get cover).

Insurers are responsible for the first portion of any loss. Claims against the terrorism pool can only be met once insurer and industry retentions (deductibles or excesses) are exhausted.

ARPC uses retained earnings to pay claims up to the agreed private retrocession[1] deductible ($225 million for the 2023 calendar year). Above this point, an additional $3.5 billion of claims are funded by the retrocession program with global reinsurers.

Once retrocession is exhausted, claims are paid by ARPC's net capital and the Commonwealth guarantee. A reduction percentage may be applied if this layer exceeds the $10 billion limit of the Commonwealth guarantee in the TCI Act. Insurance companies not reinsured with ARPC are liable for the cost of DTI claims on all eligible policies up to their pre-existing policy limits with no reduction percentage.

As at 30 June 2023, the funding capacity (total value) of the terrorism pool was $14.4 billion. At 1 January 2023 ARPC elected to 'roll forward' the 2022 retrocession program due to market uncertainty caused by recent claims experience, inflationary effects and losses related to the war in Ukraine. This uncertainty saw price increases throughout the reinsurance and retrocession markets both globally, and in Australia.

Benefits of the terrorism pool include efficient pooling of risk for terrorism catastrophe, particularly when capacity is limited and prices are high, as occurred following the 9/11 terrorist attacks in the US. Since then, ARPC has used the retrocession program to transfer risk back to the global reinsurance market, reducing reliance on the Commonwealth to cover DTIs.

In 2021, ARPC reduced the retrocession program deductible by a further $25 million to $225 million. This was maintained for the 2022 and 2023 reporting period due to the roll forward, providing ARPC with more capital to reinstate the terrorism pool in the event of a DTI.

[1] Retrocession is when a reinsurer transfers reinsurance risks to another reinsurer.

Performance dashboard

Figure 2.1: Premium, risk and sum insured split by pricing tiers

	Premium Revenue ($'000)		Number of Risks	Aggregate Sum Insured ($b)
	2021-22	2022-23	2021-22	2021-22
Tier A	60,319	70,998	13,900	458.7
Tier B	178,352	213,040	392,225	2,175.6
Tier C	61,759	75,219	380,221	1,359.4
Total	**300,430**	**359,257**	**786,346**	**3,993.7**

Note: Premium Revenue is on a cash basis and differs from the financial results which is on an accruals basis. 2022-2023 data on Number of Risks and Aggregate Sum Insured is not yet available.

Figure 2.2: Premium, risk, and sum insured split by State

	Premium Revenue		Number of Risks	Aggregate Sum Insured
	2021-22	2022-23	2021-22	2021-22
NSW	32%	31%	28%	32%
VIC	25%	25%	26%	22%
QLD	21%	21%	21%	20%
WA	12%	12%	10%	15%
SA	7%	7%	8%	6%
NT	1%	1%	1%	1%
TAS	1%	1%	3%	2%
ACT	2%	2%	1%	2%

Note: Premium figures as at 30 July 2023 and are anticipated to increase as all insurer customers complete their quarterly submissions.

Terrorism pool background

After the 9/11 terrorist attacks there were significant commercial and financial market impacts, with insurance and reinsurance companies withdrawing capacity (coverage) for terrorism risk. This meant significant assets were uninsured for terrorism events, and financiers and investors faced uncertainty which:

- had potentially adverse economic impacts,
- delayed investment projects, and
- altered portfolio management decisions.

The Australian Government's response was to create the terrorism pool through the TCI Act, which had bipartisan support.

In July 2003, the then *Terrorism Insurance Act 2003 (TI Act)* called for funding to be allocated for terrorism cover on eligible insurance contracts (the terrorism pool). It would be administered by ARPC.

ARPC supports the functions of corporation for the terrorism pool by:

- maintaining private sector involvement as far as possible
- appropriately pricing and compensating the Australian Government for any risk transferred to it
- allowing for the re-emergence of commercial markets for terrorism risk cover
- responding to global solutions.

Terrorism pool coverage

Insurance contracts covered by the terrorism pool cover:

- loss of, or damage to, eligible property owned by the insured
- business interruption and consequential loss arising from:
  - loss of, or damage to, eligible property that is owned or occupied by the insured, or
  - inability to use eligible property, or part of eligible property, that is owned or occupied by the insured, and
- public liability of the insured that arises out of the insured being the owner or occupier of eligible property.

Eligible property means property in Australia comprising:

- buildings (including fixtures) or other structures or works on, in or under land (for example, roads, tunnels, dams and pipelines)
- tangible property located in, or on, such property, and
- property prescribed by regulation.

Among the terrorism pool's exclusions are:

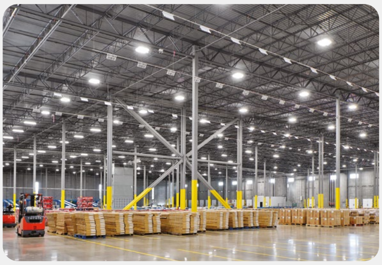
- loss or liability arising from the hazardous properties of nuclear fuel, material, or waste
- residential property or the contents of residential property where the building, or a group of buildings on a single strata policy, has a sum insured of less than $50 million
- farms, unless they hold business interruption insurance
- contracts of marine insurance within the meaning of section 7 of the *Marine Insurance Act 1909*
- life insurance policies that fall within the meaning of section 9 of the *Life Insurance Act 1995*
- contracts of insurance to the extent that they provide cover for loss arising from any computer or cyber-related crime.

Figure 2.3: Property types covered by the terrorism pool

Commercial

Construction

High value residential



Industrial

Farms with business interruption coverage

Exclusions from the pool

Radiological

Nuclear

Cyber

Government property

Residential property

Marine

Machinery breakdown

Workers' compensation

The funding capacity of the terrorism pool

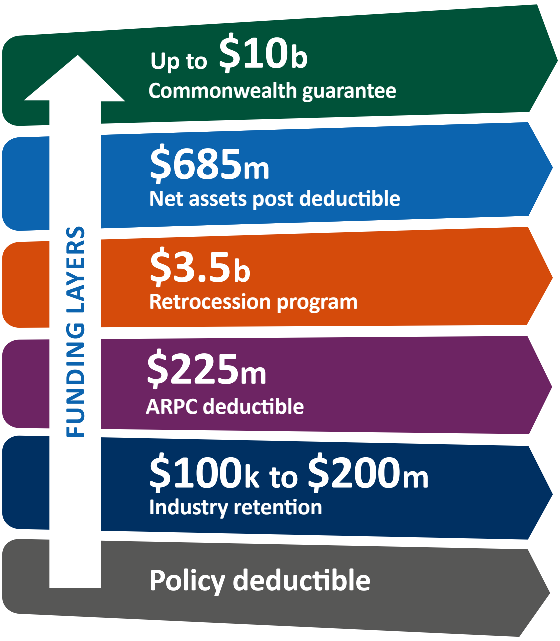
As at 30 June 2023, ARPC provided insurers with an annual claims funding capacity of $14.4 billion in reinsurance. It included:

- funding of ARPC's retrocession deductible
- the retrocession program
- the Commonwealth guarantee.

In 2021-22 and 2022-23, ARPC simplified the retrocession program from several hundred contracts to 67 – covering all layers.

From 1 January 2022, 100 per cent of the retrocession program placement was completed on a three-year contract that contains the option for ARPC to cancel and replace the program each year. For the 2023 calendar year, ARPC elected to roll forward to the second year of a three-year option, essentially maintaining all terms and conditions of that cover from the prior year.

Figure 2.4: ARPC funding layers for terrorism claims from all sources as at 30 June 2023



Commonwealth guarantee: This is a solvency guarantee for ARPC, which is limited to $10 billion as per the TI Act.

Net assets post deductible: The net asset position available for claims after the $225 million deductible is paid.

Retrocession program: This layer of funding is sourced from the commercial reinsurance market. It is mostly placed as multi-year covers.

ARPC deductible: This is funded from ARPC net assets.

Industry retention: This is the aggregate of the treaty retentions of all insurers involved in a calendar year.

Policy deductible: This is the excess or deductible in the underlying insurance policies.

Terrorism claims against the terrorism pool are funded in a layered order:

1. the policyholder deductible (excess or the underlying policy's retention)
2. the insurer customers' retention as stated in ARPC's Reinsurance Agreement up to a maximum industry retention (total retention from all insurer customers involved in one calendar year)
3. $225 million ARPC's retrocession deductible
4. $3.5 billion retrocession program capacity
5. Remaining terrorism pool assets
6. $10 billion maximum Commonwealth guarantee.

Reduction percentage

A reduction percentage must be specified if the responsible Minister considers that without it, total amounts paid or payable by the Australian Government under section 35 of the TCI Act (including amounts not related to the act or acts specified in the declaration) are over $10 billion. The reduction percentage can only be made smaller and may be varied more than once. Notice of all changes must appear in the Australian Government Gazette.

Once applied, insurer customers covered by ARPC have no liability for any costs above their retention (regardless of sums insured) and eligible policyholders receive a reduced claim payment from them. After the reduction percentage figure announcement, the Australian Government can decide to revise this figure (only to decrease it) which would result in less of a reduction to the claim payments to policyholders.

If an insurer is not reinsured with ARPC, they are liable for the full costs of a DTI claim. They are not protected by the reduction percentage and must pay claims to the limit of the sum insured, subject to the policy's terms and conditions.

> A reduction percentage must be specified if the responsible Minister considers that without it, total amounts paid or payable by the Australian Government are over $10 billion.

Parliament House, Canberra ACT

How the terrorism pool is administered

Premiums

ARPC's premium and investment income is used to:

- fund its operations and build a reserve to meet future claims
- pay retrocession premiums
- pay any fees and dividends to the Australian Government for the provision of the Commonwealth guarantee.

The premium charged by ARPC for reinsurance is determined by Ministerial Direction (see Figure 2.5).

Figure 2.5: Tier rates

Premium tier	Current rate
Tier A	16% of gross base premium
Tier B	5.3% of gross base premium
Tier C	2.6% of gross base premium

Premium tiers are set by a postcode's population density.

Figure 2.6 shows the breakdown of the three premium tiers and their related broad geographical location.

Figure 2.6: Tier and broad geographical location

Premium tier	Geographical location
Tier A	Major CBD areas of Australian cities (Sydney, Melbourne, Brisbane, Perth and Adelaide)
Tier B	Urban areas of all Australian state and territory cities with a population usually exceeding 100,000 (Sydney, Melbourne, Brisbane, Perth, Adelaide, Gold Coast, Canberra, Newcastle, central coast of New South Wales, Wollongong, Hobart, Geelong, sunshine coast of Queensland, Townsville, Darwin, Cairns, and Toowoomba)
Tier C	Australian postcodes not allocated to either tier A or B and representing a physical address, as well as any property not on mainland Australia or Tasmania, but within the coastal sea of Australia

The amount that an insurer pays to ARPC for reinsurance is calculated as a percentage of the premiums processed by that insurer for eligible insurance contracts. The terrorism pool provides for tier rates to be adjusted following a claim so ARPC can meet its outstanding claims liabilities and rebuild the claims reserve in a timely way.

Retrocession placement

ARPC's retrocession program renews on 1 January each year and covers a calendar year. It continues to provide the following benefits:

- increases overall terrorism pool capacity
- helps distance the Commonwealth from the risk of terrorism losses under the terrorism pool
- reduces the likelihood that a reduction percentage will be required
- facilitates inflow of foreign funds to rebuild Australian assets following a terrorism incident
- encourages the return of the commercial terrorism insurance and reinsurance market for Australian risks.

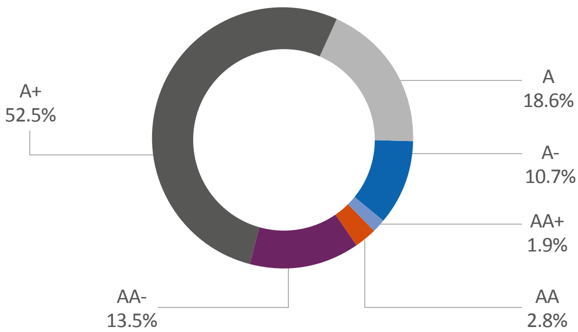
For 2023, ARPC continued the cost-effective reinsurance rates negotiated in 2022, as part of a rolling three-year agreement. This is the second year that ARPC has utilised a cancel and replace structure aimed at reducing pricing volatility for ARPC and its retrocessionaires.

Figure 2.7: Retrocession program detail

$13.7b	
$3.7b	Government guarantee $10b
$3.35b	$350m xs $3.35b
$1.5b	$1.85b xs $1.5b
$500m	$1b xs $500m
$250m	$250m xs $250m
$225m	$25m xs $225m
0	ARPC Retrocession Retention ($225m)
Insurance Industry Retention up to a maximum of $200m. Individual Insurer Retention of 5% of GWP with a minimum of $100,000 and a maximum of $12.5m.	

The retrocession program has 70 participants from the Australian market, Lloyds, European, Bermudian, US and Asian markets. Figure 2.8 splits retrocessionaires by their Standard & Poor's and/or Best credit rating.

Figure 2.8: Retrocession program counterparty credit rating for the 2023 calendar year



For the 2023 calendar year the $3.5 billion retrocession program was placed in five layers, for losses greater than $225 million. The Commonwealth guarantee covers losses exceeding the program and ARPC's available net assets.

The net retrocession premium expense incurred for the 12 months ended 30 June 2023 was $65.6 million gross (2022: $65.6 million). Except for a one per cent increase in the aggregate exposure amount, there was almost no change between the two years.

Franklin Wharf and Constitution Dock, Hobart

Modelling capabilities

ARPC commissioned and specified the development of world-class geospatial claims catastrophe modelling through its collaboration with both Geoscience Australia (GA), Australia's public-sector science organisation, and Risk Frontiers.

3D blast model

GA and ARPC worked together on a 3D blast and plume model. It is intended to accurately analyse pressure waves and resulting damage from blasts in Tier A locations (see Figure 2.6) including the most built-up CBD areas of Sydney, Melbourne, Brisbane, Adelaide, Perth, Gold Coast and Hobart. Multi-location analysis reviewed expected losses from different sized explosive charges in these areas and in 2023 was expanded to CBD areas – Ultimo (Sydney), Docklands (Melbourne), South Bank (Brisbane) and East Perth (Perth).

The model uses data from ARPC's insurer customers, such as their sum insured aggregate figures and building sum insured surveys.

Plume model

GA and the Department of Defence forms an integral part of ARPC's blast and plume analytical capability. The collaboration means ARPC can analyse exposure and potential damage from the release of a biological or chemical agent in Sydney and Melbourne CBDs.

This capability draws on the expertise of several government agencies including GA, the BoM, Defence Science and Technology Group, the Australian Federal Police and external consultants.

ARPC regularly analyses various plume scenarios including mobile drone delivery systems of selected agents in Sydney and Melbourne.

ARPC entered a three-year maintenance and development program for 2021-24 to keep both models current and to expand the models' capability to include stochastic analysis in cities.

Geospatial model

ARPC continued to develop the 'Geospatial 2D blast model' with Risk Frontiers. It covers all Australia's mainland locations and can estimate building damage and interruption to businesses from police exclusion zones at attack sites.

The geospatial claims catastrophe model with exclusion zones was commissioned in 2020 and is based on the original 2D blast model developed by Risk Frontiers in 2007.

Exposure risk management

When a DTI happens, the Australian Government expects ARPC to advise the responsible Minister of the estimated reinsured claims losses (under the terrorism pool). This estimate informs the Minister the calculation of an appropriate reduction percentage, if required.

To do this, ARPC has capability to:

- analyse aggregate sum insured information
- estimate probable losses from a DTI
- provide evidence-based advice to the Minister on an appropriate reduction percentage.

Global terrorism reinsurance pools

Many foreign governments and insurance markets have introduced insurance pools with government participation. Some were created following the 9/11 attacks, others in response to domestic terrorism or threats of war. These pools are the global standard approach to providing cost effective reinsurance for terrorism catastrophe, with 23 countries offering similar arrangements (see Figure 2.9).

Figure 2.9: Global terrorism reinsurance pools

Country	Terrorism pool
Australia	Australian Reinsurance Pool Corporation (ARPC)
Austria	Österreichischer Versicherungspool zur Deckung von Terrorrisiken (The Austrian Terror Pool)
Bahrain	The Arab War Risks Insurance Syndicate (AWRIS)
Belgium	Terrorism Reinsurance & Insurance Pool (TRIP)
Denmark	Danish Terrorism Insurance Scheme
Finland	Finnish Terrorism Pool
France	Gestion de l'Assurance et de la Réassurance des risques Attentats et actes de Terrorisme (GAREAT)
Germany	Extremus Versicherungs-AG
Hong Kong, China	The Motor Insurance Bureau (MIB)
India	The General Insurance Corporation of India
Indonesia	Indonesian Terrorism Insurance Pool
Israel	Terrorism (Intifada Risks) – The Victims of Hostile Actions
Namibia	Namibia Special Risks Insurance Association (NASRIA)
Netherlands	De Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden (NHT)
Northern Ireland	Criminal Damage Compensation Scheme Northern Ireland
Russia	Russian Anti-Terrorism Insurance Pool (RATIP)
South Africa	South African Special Risks Insurance Association (SASRIA)
Spain	Consorcio de Compensaciónde Seguros (CCS)
Sri Lanka	SRCC/Terrorism Fund-Government
Switzerland	Terrorism Reinsurance Facility
Taiwan	Taiwan Terrorism Insurance Pool
United Kingdom	Pool Reinsurance Company Limited (Pool Re)
United States	Terrorism Risk Insurance Program Reauthorization Act of 2020 (TRIPRA)

Source: IFTRIP

Insurer customer review program

ARPC regularly reviews insurer customers to verify they are complying with the ARPC's Reinsurance Agreement obligations. Figure 2.10 details reviews conducted in the last four years:

Figure 2.10: Number of ARPC insurer customer reviews

Type of review	2022-23	2021-22	2020-21	2019-20
Full review	55[1]	13	12	37[2]
Proportion of GWP covered	69.4%	29%	62%	24%

[1] During the review year 2022-23, ARPC reviewed 29 Singapore captives, 15 Lloyd's syndicates and 11 Australian insurer customers.

[2] Included reviews on Singapore-based captive insurers.

Insurer customer review trends

ARPC found most insurer customers have high compliance levels and appropriate processes and controls to ensure accurate premium returns. However, some issues were observed this year:

- use of out-of-date postcode tables
- terrorism exclusion clauses that are ambiguous or could have unintended consequences
- incorrectly considering insurance contracts with a terrorism sub-limit as ineligible under the TCI Act
- ceding ineligible insurance policies or risks, for example: risks with government ownership, incorrect calculation of a premium that contains broker commission — potential for over or under payment of a premium
- incorrect calculation of a premium that contains withholding tax resulting in over or under payment of a premium
- staff turnover within the insurer customer, leading to a lack of understanding of ARPC's processes and errors in ARPC submissions.

ARPC is committed to working with insurer customers to reduce the incidence of these issues.

Performance dashboard
Active Reinsurance Agreements

ARPC's active Reinsurance Agreements (or treaties) with insurer customers decreased to 228 in 2022-23, from 233 in 2021-22.

Figure 2.11 illustrates the percentage split by insurer category.

The premium revenue trend reported by insurer customers is measured by:

- insurer customer type
- premium by tier
- premium by state
- premium by business class.

Figure 2.11: Active insurer customer reinsurance agreements as at 30 June 2023

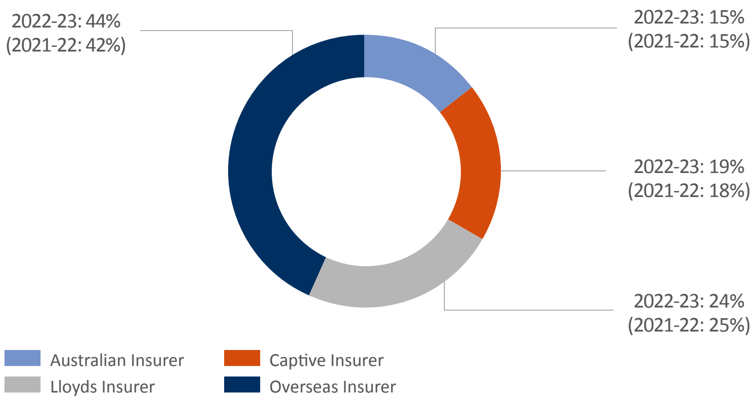
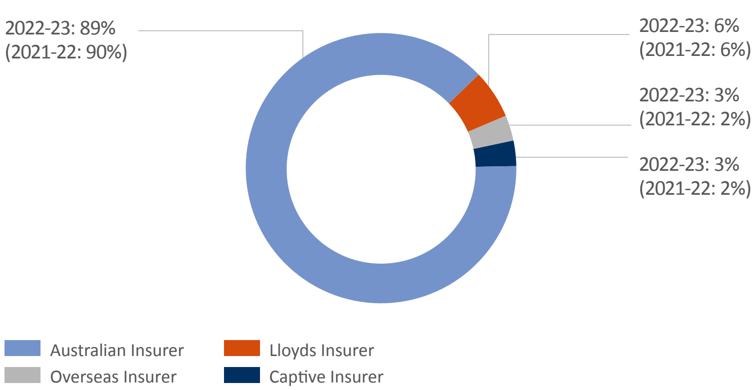


Figure 2.12: ARPC's premium revenue by insurer customer type for 2022-23



Insurance premium report (underwriting year premium returns)

The information in this section is based on the quarterly premium returns that insurers calculate and report as **expecting** to be paid to ARPC for the underwriting year.

Figures 2.13, 2.14 and 2.15 show that ARPC's premium revenue breakdown by tier, state, and business class (between 2018 and 2023) were stable when compared to prior years. Most of the premium revenue was generated by Tier B risks across NSW and VIC.

Figure 2.13: ARPC's premium revenue split by underwriting year and tier as at 30 June 2023

Actual	2022-23	2021-22	2020-21	2019-20	2018-19
Tier A	20%	21%	21%	21%	20%
Tier B	59%	59%	59%	59%	59%
Tier C	21%	20%	20%	20%	21%
Total premium revenue $'000	359,257	300,035	258,701	233,882	201,879

Terrorism pool premium revenue has increased by 20 per cent compared to 2021-22 due to the increased gross base premium charged by insurers. However, the geographic spread between states appears consistent with prior years.

Figure 2.14: ARPC's premium revenue split by underwriting year and state as at 30 June 2023

State	2022-23	2021-22	2020-21	2019-20	2018-19
NSW	31%	32%	31%	31%	31%
VIC	25%	25%	25%	25%	25%
QLD	21%	21%	21%	21%	21%
WA	12%	12%	12%	12%	12%
SA	7%	7%	7%	7%	7%
TAS	1%	1%	1%	1%	1%
NT	1%	1%	1%	1%	1%
ACT	2%	2%	2%	1%	1%
Total premium revenue $'000	359,257	300,035	258,701	233,882	201,879

Figure 2.15: ARPC's premium revenue split by underwriting year and business class as at 30 June 2023 (report date as at 1 August 2023)

	Premium Revenue Split by Business Class & Underwriting Year				
Actual	2022-23	2021-22	2020-21	2019-20	2018-19
Fire/Industrial/Special risks/ Business interruption	87.2%	88%	88%	88%	86%
Contract works	6.4%	6%	6%	6%	7%
Burglary	3.4%	2%	1%	1%	3%
Miscellaneous accident	1%	1%	0%	0%	1%
Mobile plant	1.6%	3%	4%	4%	2%
Glass	0.4%	1%	1%	1%	1%
Farm	0.2%	0%	0%	0%	0%
Total premium revenue $'000	**359,257**	**300,035**	**258,701**	**233,882**	**201,879**

As Figure 2.14 shows, the annual change in ARPC's premium revenue is directly related to changes in insurer customer premium rates. The premium revenue is also impacted by changes in aggregate sum insured and the increase of sum insured assets in some premium tiers.

The overall growth reflects market change in premiums for commercial risks each year.

Figure 2.16: Premium revenue and insurance risk report by underwriting year (report date as at 1 August 2023)

Underwriting year	ARPC's premium revenue ($ million)	Insurer customer sum insured ($ million)	Insurer customer (insurer customer) premium revenue ($ million)	ARPC's premium as % of insurer customer premium
2018-19	202.2	3,711,900	4,142.4	4.9%
2019-20	233.9	3,882,379	4,744.8	4.9%
2020-21	258.7	3,981,433	5,230.0	4.9%
2021-22	300.0	3,993,673	6,104.9	4.9%
2022-23	359.3	n/a[1]	7,358.6	4.8%

[1] The 2022-23 risk reports are submitted into the Reinsurance Information System (RISe) from July 2023 until September 2023. As at 30 June 2023, the information in the system was still being reported and thus incomplete. For this reason, 2022-23 aggregate values have not been included.

Figure 2.17 shows the breakdown of premium revenue by rating tier. It indicates that ARPC's exposure is mostly located within Tier B. This is consistent with ARPC's portfolio being mainly 'business package' risks located in suburban areas, followed by ISR policies covering major infrastructure in rural areas.

Figure 2.17: Premium revenue by rating tier as at 30 June 2023 (report date as at August 2023)

Rating tier	ARPC's premium revenue ($ million)	Insurer customer premium revenue ($ million)	ARPC's premium as % of insurer premium revenue
Tier A	71.0	443.7	16.0%
Tier B	213.0	4,020.4	5.3%
Tier C	75.2	2,894.5	2.6%
Total	**359.2**	**7,358.6**	**4.9%**

Figure 2.18 shows that most of ARPC's premium income is derived from NSW, followed by VIC.

Figure 2.18: ARPC premium revenue and customer premium revenue split by state as at 30 June 2023 (report date as at 1 August 2023)

State	ARPC's premium revenue ($ million)	Insurer customer GWP ($ million)	ARPC's premium as % of customer GWP
NSW	111.7	2,143.6	5.2%
VIC	88.5	1,658.8	5.3%
QLD	77.2	1,700.5	4.3%
WA	42.9	1,006.2	4.2%
SA	23.8	457.3	5.2%
TAS	4.8	138.0	3.3%
NT	4.8	145.0	3.5%
ACT	5.5	109.3	5.0%
Aggregate	**359.2**	**7358.6**	**4.9%**

Aggregate sum insured reports

ARPC's Reinsurance Agreements require each insurer customer to provide an annual aggregate sum insured report by 31 August each year. This report summarises the aggregate sum insured at postcode level for all postcodes and at street address level for CBD Tier A locations as at 30 June.

The information is uploaded by insurer customers directly into ARPC's RISe system, so that Australia's aggregate exposure risk can be analysed. This includes reporting aggregate sum insured exposure.

See Figures 2.17 and 2.18 for an overview of ARPC's total exposure based on rating tier and location information as at 30 June 2023 based on the reports received by 31 August 2023.

Figure 2.19: Aggregate sum insured amounts split by underwriting year and rating tier for the 2017-22 period.

Tier	2021-22[1] ($ trillion)	2020-21 ($ trillion)	2019-20 ($ trillion)	2018-19 ($ trillion)	2017-18 ($ trillion)
Tier A	0.5	0.5	0.5	0.5	0.4
Tier B	2.1	2.1	2.1	2.0	1.9
Tier C	1.4	1.4	1.3	1.2	1.2
Aggregate sum insured	**4.0**	**4.0**	**3.9**	**3.7**	**3.5**

[1] The 2022-23 risk reports are submitted into RISe from July 2023 until September 2023. As at 30 June 2023, the information in the system was still being reported and thus incomplete. For this reason, 2022-23 aggregate values have not been included.

Figure 2.18 indicates that the vast majority of ARPC's exposure is in NSW, VIC and QLD. This supports information in Figure 2.16 – explaining why much of ARPC's premium income is derived from NSW, followed by VIC.

Figure 2.20: Aggregate sum insured amounts split by state and underwriting year for the 2018–22 period.

State	Aggregate Sum Insured (2021-22)[1] ($ million)	Aggregate Sum Insured (2020-21) ($ million)	Aggregate Sum Insured (2019-20) ($ million)	Aggregate Sum Insured (2018-19) ($ million)	Aggregate Sum Insured (2017-18) ($ million)
NSW	1,284,031	1,284,726	1,285,086	1,229,249	1,132,639
VIC	868,364	907,767	877,445	784,913	726,593
QLD	793,697	815,909	766,964	806,702	745,110
WA	605,041	552,182	525,630	502,638	467,586
SA	234,770	226,650	228,616	212,107	216,029
TAS	85,738	53,742	56,461	52,089	47,805
NT	49,144	74,206	79,089	67,453	68,935
ACT	72,886	66,251	63,087	56,749	60,037
Aggregate	**3,993,631**	**3,981,433**	**3,882,379**	**3,711,900**	**3,464,734**

[1] The 2022-23 risk reports are submitted into RISe from July 2023 until September 2023. As at 30 June 2023, the information in the system was still being reported and thus incomplete. For this reason, 2022-23 aggregate values have not been reported. The exposure report by state allows ARPC to identify the correlation between state exposures and collected premiums and the relative size of assets within each state.

Review of Act

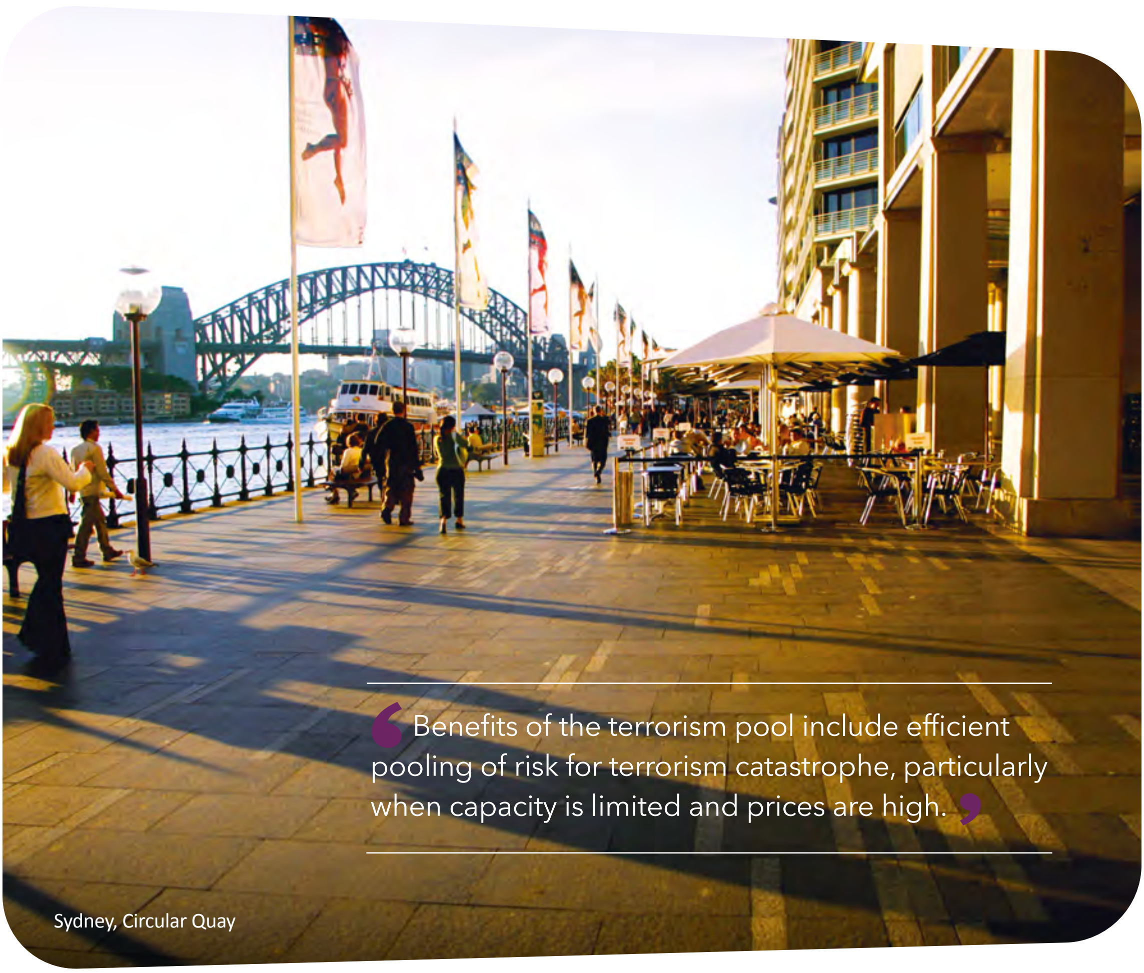
Every three years, Treasury has undertaken a review of the TCI Act to inform decisions about whether ARPC's terrorism pool should continue.

Treasury's most recent report was in 2021 and recommended that ARPC continue to provide terrorism reinsurance cover for Australian commercial and high value residential property. Past reviews in 2006, 2009, 2012, 2015 and 2018 also found that there was insufficient terrorism insurance available commercially on reasonable terms and so the TCI Act and ARPC should remain.

ARPC noted Treasury's recommendation to again exclude cyber terrorism from the terrorism pool, as it did in 2018.

The 2021 report recommended that ARPC review its governance arrangements to accommodate the cyclone pool, which is now in place, and expand the Board. The Board was expanded in 2022-23 following the legislative changes and now consists of a Chair and six to eight Members.

The 2021 report also recommended that Treasury's Triennial Review move to a five-yearly cycle. The next review will be held in mid-2025, then every five years thereafter.



> Benefits of the terrorism pool include efficient pooling of risk for terrorism catastrophe, particularly when capacity is limited and prices are high.

Sydney, Circular Quay


Southbank, Brisbane

Australian Government
Australian Reinsurance Pool Corporation

3 The Cyclone Reinsurance Pool

How the cyclone pool operates

The cyclone pool legislation was passed on 31 March 2022 and started operating on 1 July 2022. It applies Australia wide with premium reductions targeted in cyclone-prone areas – mainly northern Australia.

Who must join

Participation is mandatory for Australian general insurers with eligible cyclone pool insurance contracts as per the TCI Act allowing for the following exemptions and thresholds:

- Insurers with less than $10 million cyclone pool eligible GWP for the most recent financial year
- Lloyd's underwriters under the Insurance Act 1973 (Cth) and
- Unauthorised foreign insurers under the Insurance Regulations 2002 (Cth).

Insurers join the cyclone pool by entering into a reinsurance agreement with ARPC.

When they must join

Insurers with GWP of $300 million or more in the householders' class of direct business (as defined in Australia Prudential Regulation Authority (APRA) GPS001) must join the cyclone pool before the 2024 calendar year, while those with less than $300 million GWP in householders' insurance must join before the 2025 calendar year. Exempt general insurers, Lloyd's underwriters and unauthorised foreign insurers may join the cyclone pool at any time.

What is covered

The cyclone pool covers cyclone related wind, storm surge, and flood following cyclone up to 48 hours post the declared end of the cyclone. The cyclone pool covers:

- **Residential home and contents,** including landlord insurance and farm residential buildings
- **Commercial property** policies with maximum sum insured of $5 million or less across risks covered by the cyclone pool (property, contents, and business interruption) and
- **Residential strata**, including long and short-term strata rental and mixed-use strata schemes, where 50 per cent or more of floor space is used mainly for residential purposes.

What is not covered?

- Buildings owned and managed by government entities
- Contracts of reinsurance (the pool only covers insurance)
- Farm insurance (other than the home or contents of a farm building), including production of and products derived from crops and livestock
- State based insurance not extending beyond the limits of the State concerned.

Performance dashboard

Figure 3.1 and 3.2 summarise the key financial and risk metrics of the cyclone pool for the financial year ended 30 June 2023.

Figure 3.1: Cyclone pool snapshot

Number of Insurers	4
Count of properties with cyclone risk	1,699,968
GWP ($m)	160.9
Total annual cyclone pool premium ($m)*	214.7
Average annual cyclone pool premium ($)	126

Figure 3.2: Exposure metrics for the cyclone pool

Exposure metric	30 June 2023
Buildings sum insured ($m)	485,689
Contents sum insured ($m)	79,945
Average buildings sum insured ($)	518,528
Average contents sum insured ($)	75,905

Note: All metrics exclude properties which have nil cyclone risk (as defined by ARPC's premium formula).

* This is the equivalent total annual premium for policies which have joined the pool. GWP shown is lower, as many risks joined part way through the risk coverage period.

Figure 3.3: Cyclone pool coverage and eligible policies

The cyclone pool will cover losses caused by...

Cyclonic winds

Cyclone-related flooding

Storm surge

All eligible insurance policies Australia wide are covered by the cyclone pool, provided the insurer is in the scheme.

The number of eligible policies in Northern Australia[1] is estimated as follows:

3,300,000
Residential homes for building and contents

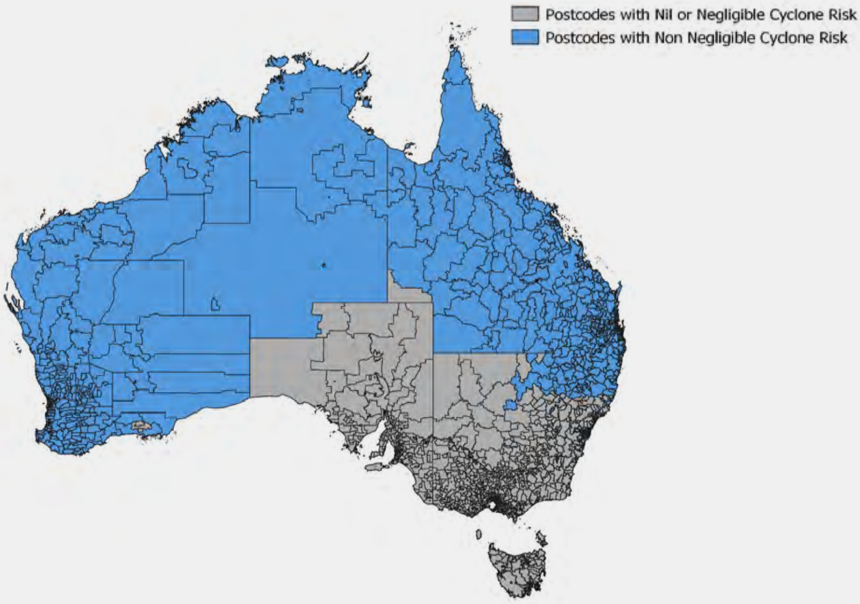
220,000
Small businesses for building, contents and business interruption

140,000
Residential strata and small commercial strata

[1] Estimated number of policies in CRESTAs 1 to 24, and 47 to 49. CRESTA is a geographic risk zone aggregation.
Source: 2022 Cyclone pool: Summary of the Actuarial Premium Rate Assessment.

ARPC used catastrophe modelling and event analysis to determine how premium rates vary by geography. Postcodes determined to have nil or negligible risk are charged zero cyclone pool reinsurance premium. Over time, these postcodes can change and are notified on ARPC's website. Figure 3.4 shows the postcode map of Australia split between regions which have reinsurance premiums charged.

Figure 3.4: Postcodes deemed to have nil or negligible cyclone and cyclone-related flood risk were determined by ARPC via notifiable instrument under subsection 8A(7) of the *Terrorism and Insurance Act 2003*.



Declaration of a cyclone event

ARPC confirms the start and end of a DCE by publishing a declaration on its website. The following process occurs:

- The BoM notifies ARPC within 24 hours of a cyclone's observation with the relevant date and time of a start, re-intensification, and end of a named cyclone likely to impact Australia.
- On receipt of the BoM notification, and within 24 hours, ARPC must declare, via Notifiable Instrument, the start, re-intensification and/or end of a cyclone on its website. The DCE must include:
  - relevant start and end times,
  - the claims period start and end times for the cyclone, noting the claims period for eligible losses is within 48 hours after the cyclone's declared end time.
- Insurers continue to pay cyclone-related claims as per their Product Disclosure Statements and seek reimbursement from ARPC as a reinsurance recovery in accordance with the Reinsurance Agreement.

The funding capacity of the cyclone pool

The cyclone pool is funded by reinsurance premiums paid by insurer customers, consistent with expected claims and operating expenses. These reinsurance premiums are determined by ARPC and reviewed by the Australian Government appointed reviewing actuary.

The cyclone pool is supported by an annually reinstated $10 billion Commonwealth guarantee, which covers any shortfalls from ARPC. If the guarantee is likely to be exceeded by a single cyclone event, or series of cyclone events within a single year, the Commonwealth will increase funding to meet its obligations.

Implementing and operating the cyclone pool

To implement the cyclone pool, ARPC established:

- a Reinsurance Agreement for engaging insurers
- the approach for setting premium rates and formulas
- a new ARPC website to accommodate the inclusion of the cyclone pool with information about onboarding, premium rates, Frequently Asked Questions and DCEs
- a new reinsurance technology platform (PACE) so insurer customers can submit data files for paying premiums and ARPC can pay claims
- processes to declare a cyclone via notifiable instrument and publish a cyclone event in accordance with the legislation and in conjunction with the BoM
- policies, processes and procedures to administer the cyclone pool
- 32 new staff to deliver and operate the cyclone pool
- extra floor space in ARPC's office to accommodate this growth.

ARPC worked closely with these government agencies to implement the cyclone pool:

- ACCC
- Australian Government Actuary (AGA)
- Australian Government Solicitor
- APRA
- BoM.

ARPC commenced operating the cyclone pool from 1 July 2022, including these key administrative activities:

- additional consultation in relation to premium rates – released by 30 September 2022
- onboarding insurer customers including:
  - signing Reinsurance Agreements with three insurers that commenced on 1 January 2023
  - signing a further eight Reinsurance Agreements that commenced, on or before, 1 July 2023
  - extensively preparing to sign a further two Reinsurance Agreements before November 2023
  - identifying insurers that are required to join the cyclone pool before the end of calendar 2024, engaging proactively with them and providing them information so they understand how to join the pool.
- declaring four cyclone events in accordance with the legislation
- paying claims in accordance with the reinsurance agreement.

How the cyclone pool is administered

Premiums

ARPC published initial premium rates and the Reinsurance Agreement ahead of the cyclone pool commencing operations on 1 July 2022. After additional consultation, premium rates were finalised on 30 September 2022. ARPC's pricing principles and considerations are summarised in Figure 3.5.

Figure 3.5 ARPC's pricing principles and objectives

Pricing principles and objectives	Approach
Deliver a long-term cost neutral outcome to Government.	Premium rates were set to cover expected annual average claim costs and the cyclone pool's operating expenses. There is no profit margin or margin for uncertainty in the premium rates.
Keep premiums for medium to high cyclone risk policyholders as low as possible.	Margin savings were directed toward properties with higher cyclone exposure.
Keep premiums for lower risk policyholders at levels comparable to what would be charged by other reinsurers.	Lower risk policyholders were charged premiums consistent with expected market rates.
Maintain incentives to reduce and mitigate cyclone risk.	Discounts offered for properties that have undertaken risk mitigation initiatives.
Minimal disruption to insurer pricing practices.	Pricing formula has balanced the need to provide a risk signal that incentivises risk mitigation while not requesting information that is not material.
Stable long-term premiums.	Reinsurance premiums are protected from international market cycles and short-term market pressures, so they're more stable.

The pricing formula is applied at the individual risk level for each insurance policy. ARPC designed the formula to set reinsurance premiums using property-level data including:

- geography
- building value
- mitigation initiatives
- construction information.

Damage from Cyclone Marcus, Darwin (2018)

Pricing approach

ARPC's approach to determining the cyclone pool premium rates combined insights from industry leading catastrophe models with risk factors that reflect good industry practice. Premium rates were tested against sample data from insurers to verify the pricing principles have been adequately met, with insights being used to inform the final rates.

Figure 3.6: Summarises the process followed to determine the cyclone pool premium rates.

Premium pool

Target premium pool estimated using industry standards catastrophe models

Geographic differences

- Wind risk assessed at a suburb level
- Storm surge assessed at an address level
- Geographical relativities based on catastrophe models

Risk factors and mitigation

Risk factors and mitigation allowed for using multiplicative risk relativity factors, with factors mirroring industry practice

Adjustments and testing

Premium tested against sample data provided by insurers

Review

The Reviewing Actuary reviews the premium rates

Determining target premium pool

The target premium pool represented the total annual premium ARPC needs to collect to cover modelled expected cyclone claims costs, ARPC operational costs, and applicable insurer customer claims handling expenses.

The key steps undertaken by ARPC to determine the target premium pool were:

- Develop an Australia-wide exposure dataset that covers all properties across Australia. This includes information on property value and construction characteristics (e.g. type of roof, year of construction).
- A range of market leading catastrophe models were licensed to model losses from cyclone and related floods. The following models were used by peril:
  - *Wind risk:* RMS, Risk Frontiers, COMBUS
  - *Fluvial flooding*: Aon CHIP, COMBUS, Finperils/JBA
  - *Storm surge:* Aon CHIP, COMBUS, Finperils.
- The catastrophe models were run over the exposure dataset and the model results were blended to estimate the expected annual claims costs.

ARPC's operational costs and customer claims handling expenses were estimated and added to the claims cost estimate to determine the required premium to fund them.

Allowing for geographic differences

The premium formula reflects geographic differences in risk while balancing pricing objectives of minimising premiums in medium and high-risk regions and keeping premiums comparable to premiums charged by other reinsurers in low-risk areas.

The geographic spread of risk from the catastrophe models was used to determine the relative risk by region. Margin savings from the cyclone pool were then allocated to medium and high-risk regions to determine the final geographic premium allocation. The granularity of the rates varies by peril:

- *Wind risk:* Rated at a suburb level reflecting the broader regions impacted by cyclonic wind and to introduce a level of community rating into the premium rates.
- *Flood and storm surge risk:* Rated at an individual address level reflecting the acute nature of the risk.

Risk factors and mitigation

Risk factors commonly used by the catastrophe models and the insurance industry were included in ARPC's pricing formula to capture the key drivers of cyclone and related flood risk (e.g. type of roof, year of construction). Industry and catastrophe model data was blended to determine the risk relativities for the selected risk factors.

ARPC included mitigation discounts for initiatives that homeowners have taken to make their property more resilient to cyclone and related flood damage in the premium formula to reflect the risk benefits of these initiatives and to promote further mitigation activity. Discounts are offered for roof replacements, roof tie-downs, window protection and reinforcing garage roller doors.

Adjustments and testing

Several insurers provided their premium data to support the premium setting process. ARPC tested its premium rates against the insurer data to analyse the effectiveness of the rates in meeting the objectives of the cyclone pool. Revisions were made to the premium rates seeking to best meet ARPC's target design.

Review cyclone

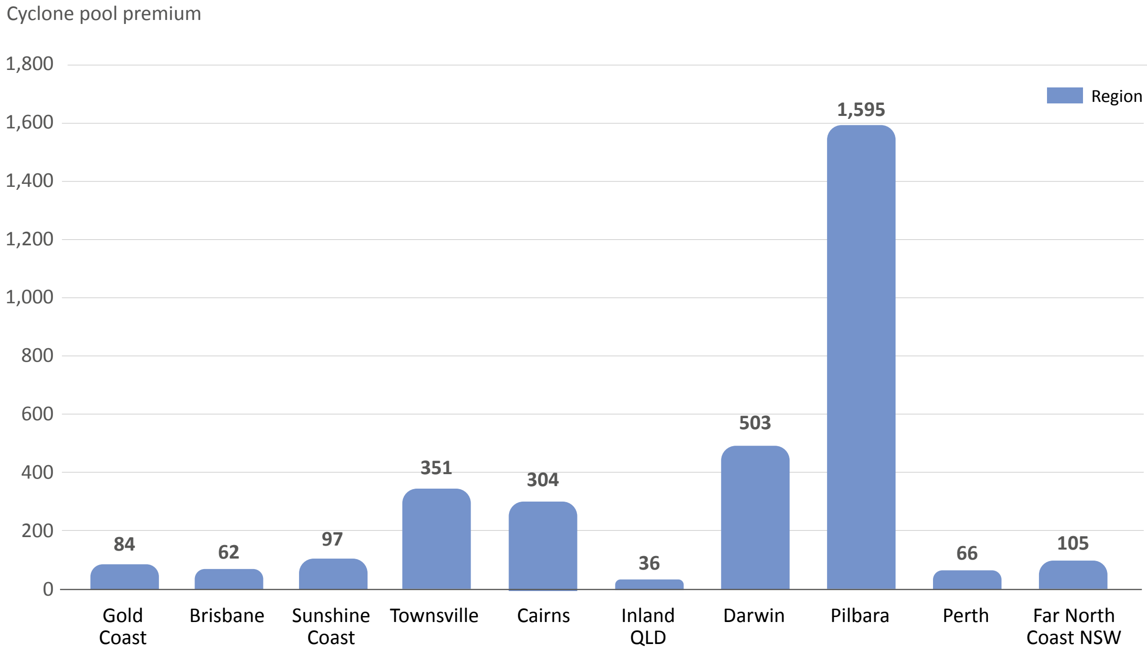
The Reviewing Actuary reviewed the premium rates and supporting analytics and information and provides a report to ARPC's Board. Management presented the rates to the Board for approval prior to their publication on the ARPC website.

ARPC intends to review premium rates annually to assess the adequacy of premiums given changes to the cyclone pool's exposure, the ongoing suitability of the rating structure and relativities, and whether the rates continue to satisfy the pricing objectives.

Estimated cyclone pool premiums

For homeowners' properties, applying the ARPC pricing formula generates the following average annual cyclone pool premiums by region using insurer customer data as at 30 June 2023.

Figure 3.7: Estimated average home cyclone pool premiums



Note: the average cyclone pool premium reflects the mix of property values and construction characteristics of the properties in that region.

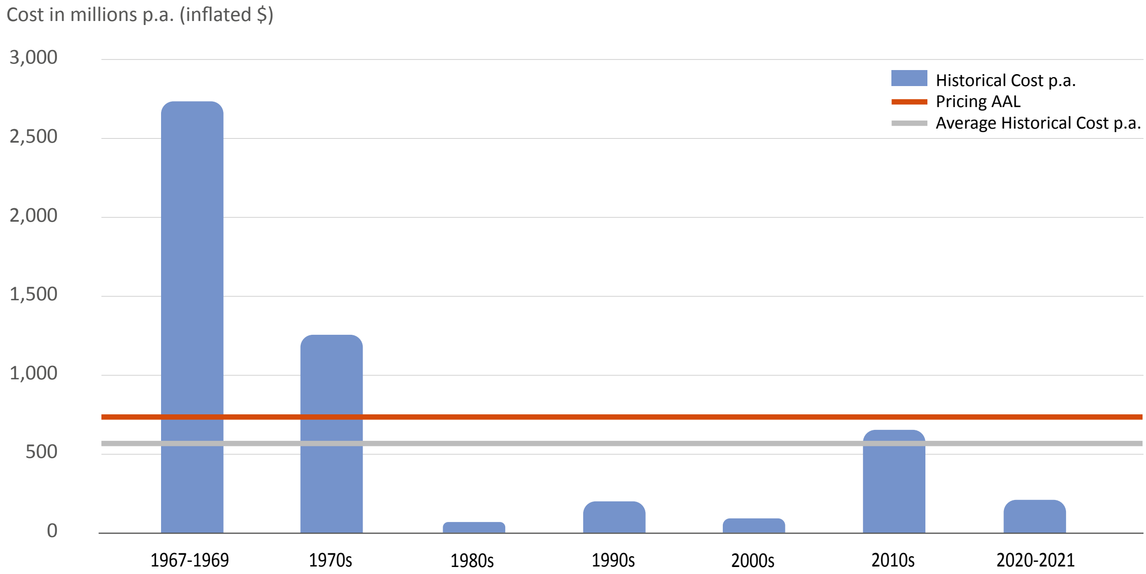
Average premiums reflect geographic risk, with the lowest premiums in south-east QLD, Perth, and northern NSW. The premiums charged by ARPC in the high cyclone risk regions of far-north QLD and in north-west WA are set to be as low as possible, while balancing the requirements to be long-term cost neutral to the Government and for lower risk policyholders to be charged premiums comparable to what they would be charged by other reinsurers.

Cyclone pool premium compared to historical cyclone experience

Modelling completed on an estimated cyclone pool insured exposure projected an assessed Average Annual Loss (AAL) of $742 million from data available 1 July 2022.

Figure 3.8 compares the pricing AAL to the historical cost of cyclones in Australia based on data compiled by the ICA.

Figure 3.8: AAL vs historical cost of cyclones in Australia



Source: ARPC pricing information and ICA Historical Catastrophe List

Damage from Cyclone Seroja, Kalbarri, Western Australia (2021)

Cyclone losses from the ICA data have been adjusted for price inflation, changes in exposure and inflated to 2022 values to allow comparison with the pricing AAL. A small allowance has been made for events not included in the data and losses from exposures not covered by the cyclone pool have been excluded.

The pricing AAL is 29 per cent higher than the adjusted average annual historical cost of cyclones from 1967 to 2022. This is an expected outcome as the pricing AAL includes an allowance for the full distribution of potential cyclone losses that are plausible, but due to the volatile nature of cyclone activity, have not occurred in the 55-year history of available data (e.g. a severe tropical cyclone impacting a high population centre such as Brisbane or Perth).

Cyclone event modelling

As well as using catastrophe models to develop the cyclone pool premium rates, ARPC uses cyclone event modelling to support its claims reserving and claims management activities.

Claims reserving: Catastrophe models are used to provide an initial loss estimate on DCEs. ARPC selects a set of events from the cyclone catastrophe models it licenses with characteristics most like the DCE in terms of central pressure, cyclone track and forward speed. Overlaying the damage from this event set on ARPC's exposure gives an early estimate of the expected claims cost to the cyclone pool. As insurer claim data becomes available, a credibility weighted approach is used to combine the initial loss estimate with the insurer claims data to determine the actuarial claims reserve.

For the 2023-24 cyclone season, ARPC is partnering with Risk Frontiers to develop a geospatial tool that will model the specific characteristics of each DCE. ARPC expects this will result in greater accuracy in determining the initial loss estimate.

Claims management: ARPC uses geospatial analysis of DCE's to support its claims management function by overlaying the event's wind and flood damage regions against the location of claims it receives from insurers. Where claims are significantly outside the expected damage regions, ARPC's claims function will further investigate these claims with its insurer customers.

Flooding from Cyclone Debbie, Queensland (2017)

Development of internal catastrophe modelling capability

ARPC currently licenses commercial catastrophe models to understand its cyclone and related flood exposures. Over the next 3-5 years, ARPC intends to partner with GA and other stakeholders to develop an internal catastrophe modelling capability to supplement the commercial models. The internal model will leverage the hazard and weather expertise of GA and the BoM, and couple this with the comprehensive exposure and claims database the ARPC will develop.

Commercial catastrophe models are typically built from a climate science and engineering foundation with limited access to insurance claims data. ARPC has the unique opportunity to build a model that uses its comprehensive datasets to build a high-quality model that will improve its understanding of cyclone and related-flood risk and that can be leveraged to better deploy resources towards risk mitigation initiatives.

This project is expected to take several years and is currently in the initial scoping and planning phase.

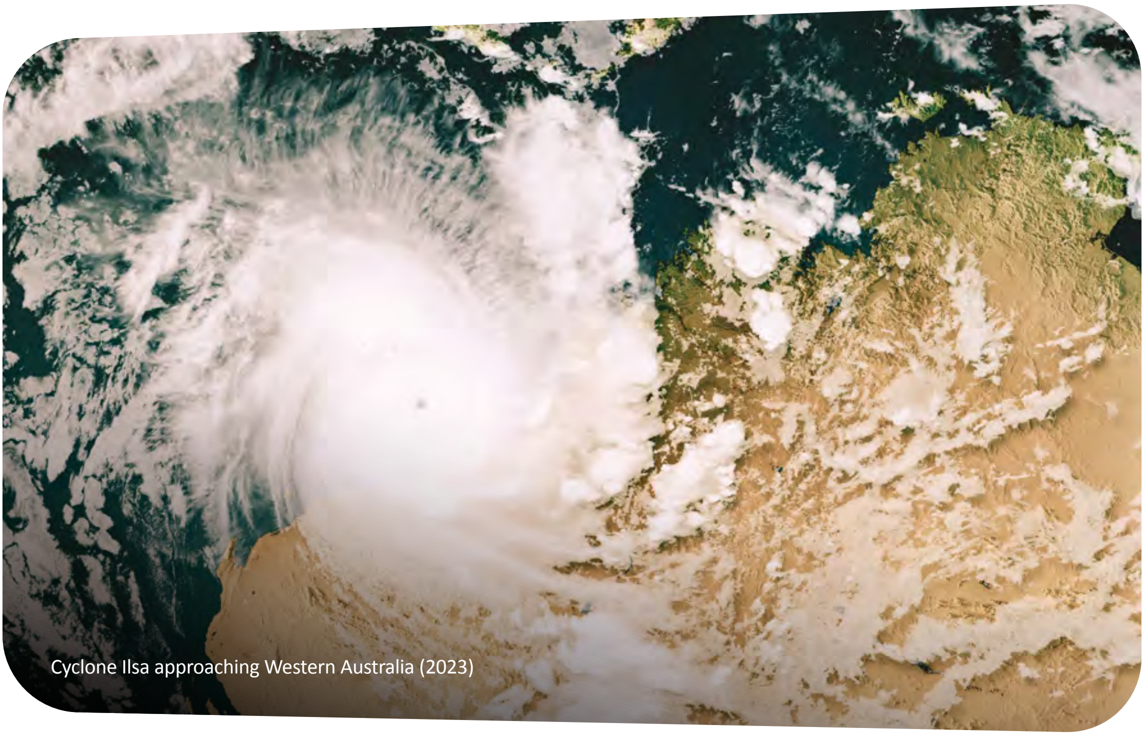
Research into mitigating cyclone property damage

To support ARPC's strategic priority of developing insights into cyclone risk to support risk mitigation, ARPC has partnered with the Cyclone Testing Station (CTS) at James Cook University (JCU). The CTS is part of the Engineering School at JCU and was established after Cyclone Debbie hit in 2017. The aim of the CTS is to minimise the loss and suffering caused by cyclones and other high wind events through engineering research into property damage. They perform research that aims to assist in the development of effective building practices, improve safety in high wind events, and mitigate risks and reduce costs from cyclones.

ARPC partners with CTS on the following projects:

- *Development of premium rates:* CTS engineers specialising in understanding the vulnerability of different construction types advised ARPC on appropriate risk relativities and discounts for mitigation initiatives in the cyclone pool premium formula. The advice provided to ARPC was based on previous research performed by the CTS, which assessed the damage to property from real and simulated wind events.
- *Mitigation initiatives for strata and small business:* CTS is consolidating for ARPC available research on loss mitigation strategies for residential strata and small business properties. This will include analysis from existing cyclone damage surveys, resilience assessments, and literature reviews. Output from the research will inform future mitigation premium discounts for strata and small business.
- *Water ingress research:* Over the next 18 months, CTS will investigate the drivers of wind-driven rain damage. Previous research by the CTS indicates that windows built to the Australian Standard may not perform adequately during cyclones, which leads to an increase in building damage and claims costs. Drivers of damage due to water ingress are less well understood than wind damage, particularly for strata and small business, and it is thought that this cost component is not fully accounted for in existing catastrophe models. CTS will investigate wind-driven rain damage by performing experiments, analysing claims, and surveying occupants, to assess the relative vulnerability of different structures to water ingress.
- The aim of the engagement is to provide guidelines that could form the basis for an Australian Standard for windows and doors to increase resilience to wind-driven rain. The project will deliver a resilience rating system for windows and doors that could be adopted by industry, over and above the minimum benchmark of the Australian Standard. The intention is for cyclone pool to offer discounts for buildings with higher resilience ratings once the rating system is established or incorporate other findings from the research into the premium structure. Additionally, the cyclone pool may introduce incentives for insurers to offer increased coverage, including repairing buildings to a higher, more resilient standard after damage has occurred.

ARPC expects to continue to leverage the expertise of the CTS over the coming years for further research into mitigation and resilience.


Cyclone Ilsa approaching Western Australia (2023)

The first cyclone season

In the cyclone pool's first year of operation (the 2022-23 cyclone season) ARPC declared four events (see Figure 3.9).

Figure 3.9: Declared cyclones for the 2022-23 cyclone season

Cyclone Name	Declaration period	Comment
Darian	18 December 2022 17:00 AEST to 1 January 2023 22:00 AEST	Event period was prior to 31 December 2023 when ARPC had no insurer customers on risk
Ellie	22 December 2022 19:00 AEST to 25 December 2022 10:00 AEST	Event period was prior to 31 December 2023 when ARPC had no insurer customers on risk
Gabrielle	9 February 2023 11:00 AEST to 14 February 2023 03:00 AEST	Losses incurred on Norfolk Island
Ilsa	11 April 2023 16:00 AEST to 16 April 2023 21:00 AEST	No losses incurred

ARPC meet all legislative obligations for the declaration of cyclone events.

The claim payment for Tropical Cyclone Gabrielle was the cyclone pool's first.

Australian Government
Australian Reinsurance Pool Corporation

4 Annual Performance Statement


Sydney CBD

Annual Performance Statement

This annual performance statement for the 2022-23 reporting period is provided as required under section 39(1)(a) of the PGPA Act and other applicable legislation.

It is based on properly maintained records and so accurately presents ARPC's financial performance in accordance with section 39(2) of the PGPA Act.

Under the PGPA Act, ARPC must remain financially sustainable in pursuing its purpose by efficiently, effectively, and ethically managing its public resources.

Performance criteria

ARPC measures its annual performance against the 2022-26 Corporate Plan's six key performance areas (strategic priorities):

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

Performance statement summary

ARPC met all performance criteria for the 2022-23 reporting period. Figure 4.2 summarises ARPC's achievements against measures and targets in the 2022-26 Corporate Plan.

Financial snapshot

Figure 4.1a: Terrorism pool as at 30 June 2023

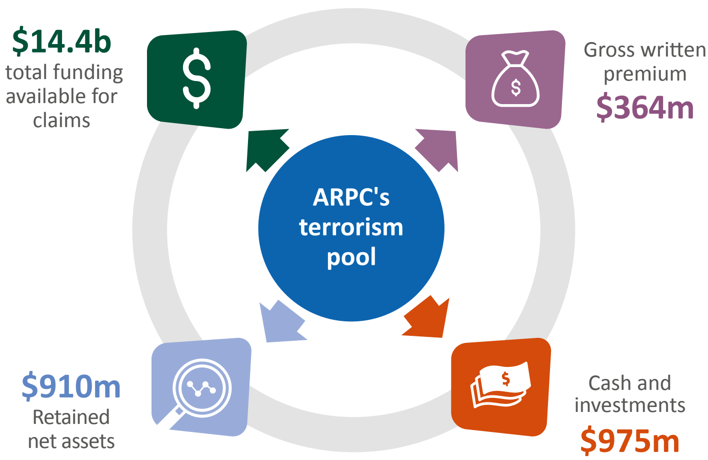


Figure 4.1b: Cyclone pool as at 30 June 2023

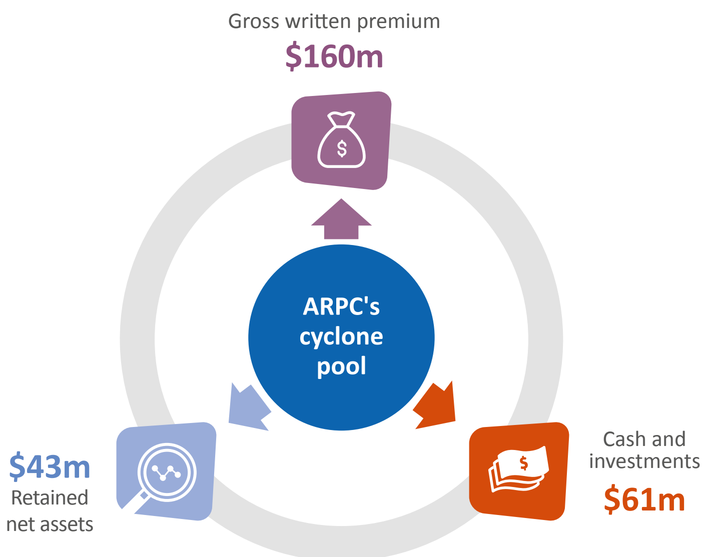


Figure 4.2: Achievements against 2022-26 Corporate Plan objectives[1]

Key performance area (Strategic Priority)	Measure	Result against performance criterion
1. Deliver reinsurance for eligible terrorism and cyclone losses.	Measure 1 **GWP** To achieve budget in each plan period.	**Met** GWP during the 2022-23 financial year was $524.1 million (m), the budget was $322m.
	Measure 2 **Net assets** To maintain sufficient net assets to support targets in ARPC's Capital Management Policy.	**Met** Available net assets as at 30 June 2023 were $953m against target of $845m
	Measure 3 **Operating expenses to budget** To achieve budget in each plan period.	**Met** Operating expenses of $22.8m against budget of $27.7m.
	Measure 4 **Delivery of strategic projects** To complete strategic projects to plan.	**Met**[2] Major projects were either completed or are on track to be delivered on time and on budget.
2. Engage and understand our stakeholders with a focus on insurer customers to improve community outcomes.	Measure 5 **Complete annual insurer customer survey** To publish outcome of 2022 Insurer customer survey.	**Met** Stakeholder engagement activity published.
	Measure 6 **Stakeholder performance targets** To develop interim targets for terrorism and cyclone pool and measure for 24 months. In Year three set actual measures and targets.	**Met for the terrorism pool** Cyclone pool measure to be established once large insurers join the pool (required by December 2023).
3. Develop data insights on insurance risk to support mitigation.	Measure 7 **Develop relevant and accurate datasets** To collect, collate and cleanse data.	**Met** ARPC has received, validated, and stored insurance data from its insurance customers. Agreements to share this data with government agencies for the purpose of risk mitigation insights are being established.
4. Enhance thought leadership to fulfil our role as a trusted advisor.	Measure 8 **Publication of thought leadership artefacts** To publish research and information papers and hold industry forums.	**Met** Research paper/s published, and ongoing research planned.
5. Be a high performing, inclusive, customer-centred and risk focused culture.	Measure 9 **Employee engagement** To generate annual employee survey results consistent with industry practice in both government and insurance sectors.	**Met** In the reporting period, ARPC completed an employee survey to measure employee engagement.
6. Establish the cyclone pool, enhance operational effectiveness and event preparedness.	Measure 10 **Completion of cyclone pool workstreams** and transition to business operations.	**Met** The workstreams have delivered the cyclone pool to an operational position with insurers successfully onboarded during the reporting period.
	Measure 11 **Event response preparedness** To conduct one desktop discussion exercise and one full desktop simulation exercise annually for both DTI and DCE.	**Met** Both DTI and DCE exercises were completed during the reporting period.

[1] The sources for these 11 measures is the ARPC 2022-26 Corporate Plan pp 20-32

[2] The planned reinsurance system transition for the terrorism pool was reprioritised due to the establishment of the cyclone pool and its reinsurance system requirements. This has resulted in the terrorism pool not meeting the planned timeline of 2023 with a new delivery timeframe of the first half of 2024 within the planned budget.

Performance statement detail

1. Deliver reinsurance for eligible terrorism and cyclone losses.

Measure 1

Income – GWP

Source: Measure 1, Performance Assessment, ARPC 2022-26 Corporate Plan, page 23

Target

To achieve budget in each plan period.

Result – Met

Description

Measure 1 is ARPC's functional obligation as prescribed by section 10 of the TCI Act.

Success for this activity is measured by ARPC's total GWP meeting the financial budget over the period covered by the Corporate Plan.

ARPC receives premium income through reinsurance contracts with insurer customers, which are determined through the following:

- Terrorism pool premiums are derived by applying the applicable terrorism tier rate with the underlying commercial property insurance policy premium. ARPC met its budgeted GWP due to higher-than-expected growth in commercial property insurance premiums over the reporting period. It is voluntary for insurers to participate in the terrorism pool, but mandatory for insurers to pay claims in the case of a DTI.

  Terrorism pool GWP for the reporting period was $364 million against a budget of $322 million.

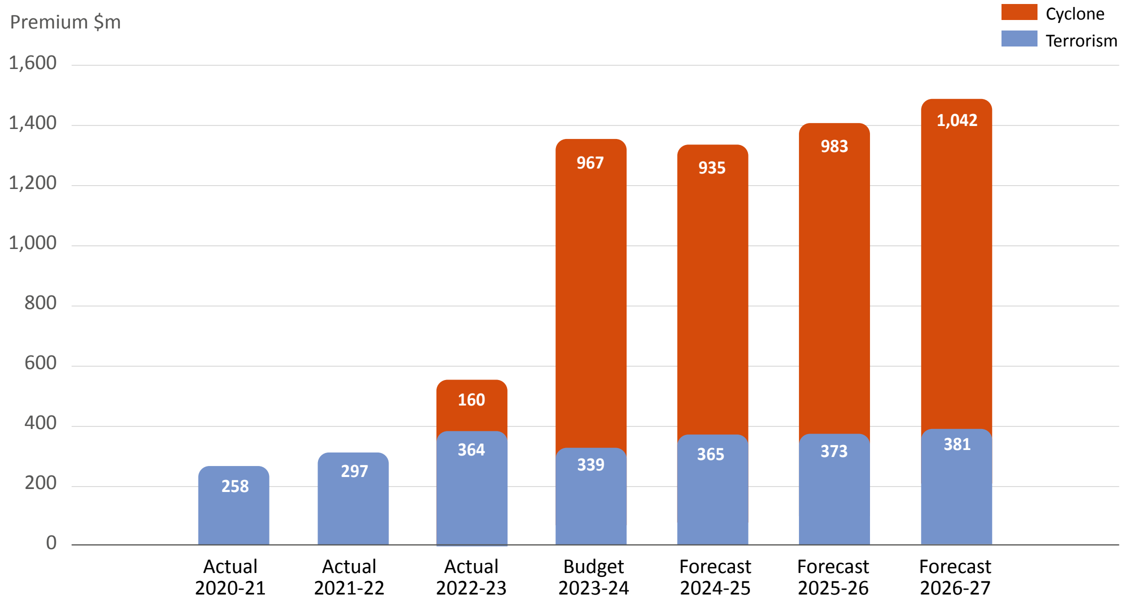
- Cyclone pool premiums were set to achieve a premium volume, which meets the expected AAL modelled across expected eligible cyclone pool policies over the long term. Legislation provides a transition period for insurers to join the cyclone pool, with larger insurers required to join by 31 December 2023 and small insurers by 31 December 2024.

  In addition to ongoing premiums, where insurers transfer policies already written into the pool on transition, an additional "unexpired risk transfer" premium is due to the pool. This is based on the portion of time remaining on the underlying insurance policy at the time of joining, applied against the cyclone premium rates.

- Cyclone pool GWP for the reporting period was $160 million, and none was originally budgeted for.

In total, ARPC's GWP for the reporting period was $524 million, exceeding the budgeted amount of $322 million.

Figure 4.3: GWP



Measure 2

Net assets

Source: Measure 2, Performance Assessment, ARPC 2022-26 Corporate Plan, page 24

Target

Maintain sufficient net assets to support targets in ARPC's Capital Management Policy.

Result – Met

Description

ARPC revised its Capital Management Policy during 2022-23 incorporating the introduction of the cyclone pool. The policy is principles based and designed so that:

- ARPC maintains adequate assets in an efficient manner to meet its objectives, which it achieves by establishing simplified thresholds for available assets at a minimum level (short-term working capital) and target level (a longer-term target).
- ARPC reduces the probability of drawing on the Commonwealth guarantee. While the financial performance and assets of both pools are managed and measured separately, all assets held by ARPC will be used to fund obligations prior to calling on the Commonwealth guarantee.
- Asset management is aligned with ARPC's risk appetite and tolerances for its financial, operational, and strategic risks.

For the **terrorism pool**, ARPC's capital management applies available asset thresholds based on expected asset utilisation.

For the **cyclone pool**, the thresholds are set with regard to both the expected asset utilisation (available asset minimum) and an appropriate probability of sufficiency (set to 95 per cent, equivalent to **one** in 20 years), being the likelihood of falling below a set capital balance based on the cyclone pool's risk exposure (available asset target).

The following table summarises the thresholds and how they were derived.

Figure 4.4: Capital management – available asset thresholds

	Terrorism		Cyclone	
	Available assets		Available assets	
Available asset minimum	ARPC's retrocession program retention plus an operational margin.	$250m	To fund modest claim payments for three months and allow time for management actions.	25% of forecast premium
Available asset target	Currently two and a half years of retrocession program retention, with allowances for future increases in retrocession premiums.	$700m	Covers a 1 in 20-year level of losses over the next year, equivalent to a 95% probability of sufficiency.	400% of forecast premium

Figure 4.5: Net assets – terrorism pool

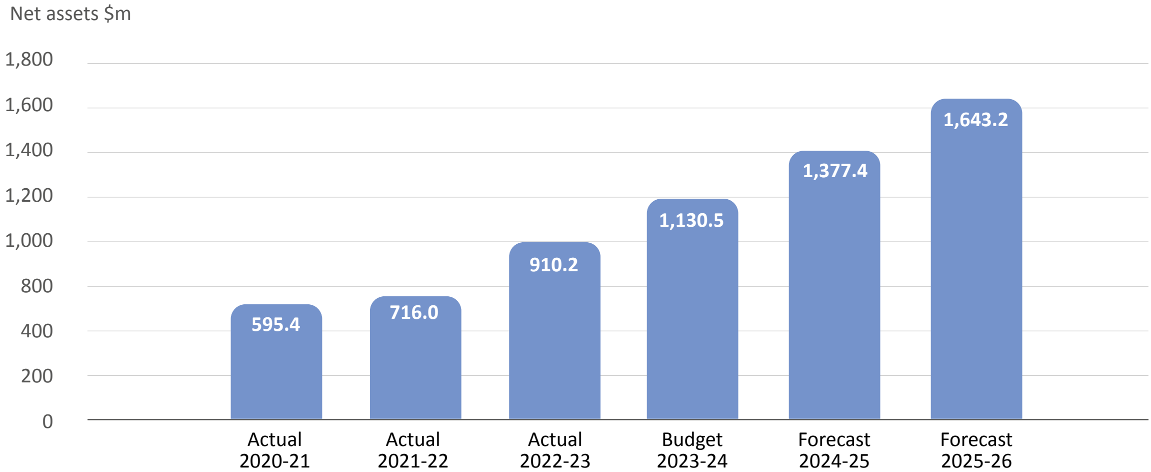
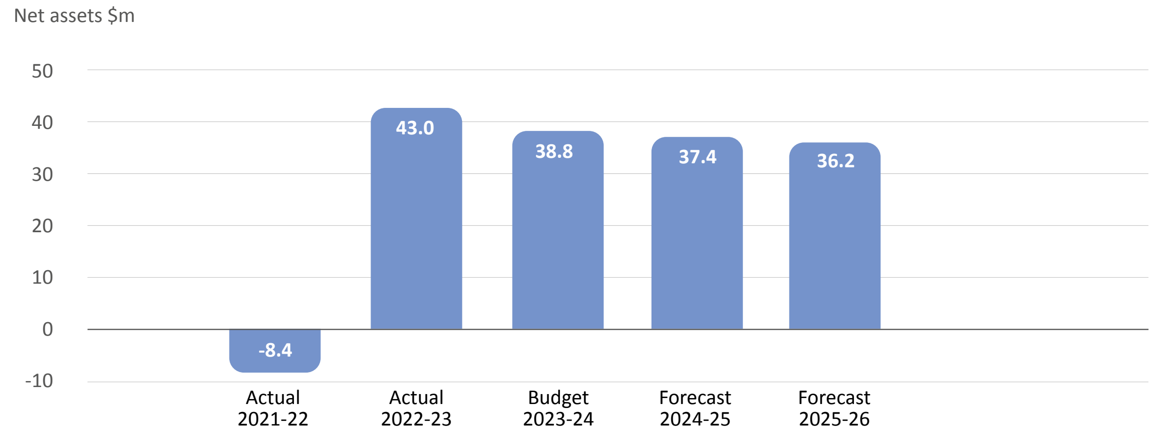


Figure 4.6: Net assets – cyclone pool



Measure 3

Operating expenditure to budget

Source: Measure 3,
Performance Assessment, ARPC
2022-26 Corporate Plan, page 26

Target

Achieve budget in each plan period.

Result – Met

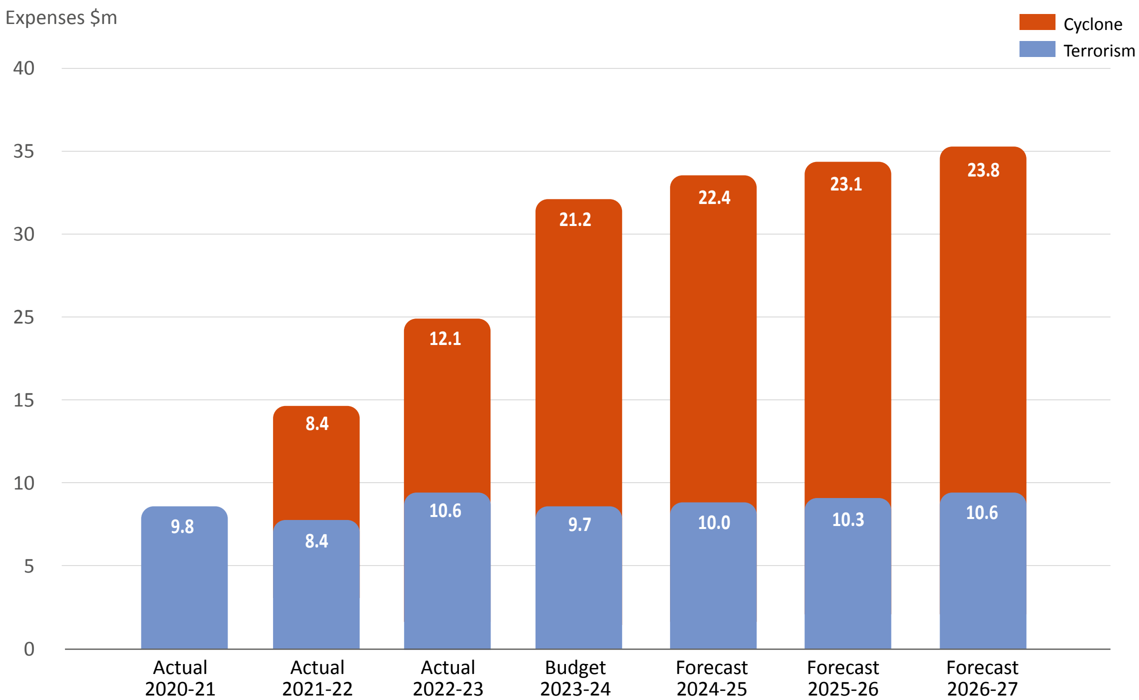
Description

Operating expenses for ARPC are managed at a pool level, and by function so that the objective of each pool is met, and budget setting and operating expenses align with senior executive accountabilities and financial delegations.

Operating expenses are also monitored against pricing assumptions particularly for the cyclone pool where pricing is set with consideration of covering the modelled AAL and the forecasted operating expenses of the pool.

For the 2022-23 financial year, the terrorism pools operating expenses were $10.6 million against a budget of $10.2 million. The cyclone pool's operating expenses were $12.1 million against a budget of $17.5 million. In total, ARPC's operating expenses were $22.8 million against a budget of $27.7 million.

Figure 4.7: Operating expenses



Measure 4

Delivery of strategic projects

Source: Measure 4,
Performance Assessment, ARPC
2022-26 Corporate Plan, page 27

Target

Completion of strategic projects to plan.

Result – Met

Figure 4.8: Strategic Project Delivery 2022-23

Project	Commentary	Comment
Geospatial 2D terrorism catastrophe modelling	Risk Frontiers geospatial blast model has been updated with 2022 aggregate data as part of its continued development.	Updated models available for use in ARPC's response to a DTI, in providing advice to government of potential losses from blast.
Implement a new core insurance system	ARPC has continued is partnership with Axe Group as a provider of reinsurance software and is currently supporting the cyclone pool on their platform. 2022-23 has seen continued enhancement of the system with efforts focused on user experience and processing improvements.	A new core reinsurance system was implemented for the cyclone pool (known as PACE). This system receives and validates reinsurer data files, supporting administration of the cyclone pool and insurer customers. The start date for the transition of the terrorism pool onto PACE was deferred in favour of the cyclone pool. This has resulted in the terrorism pool not meeting the planned timeline of 2023 with a new delivery timeframe of 2024.
University Research Collaborations	ARPC worked with research partner UQ to deliver in depth academic research. The paper *Terrorism and Violent Protests: Where do these disruptive events meet?* was published May 2022 and in October 2022 won the AIPIO Publication Award. As part of this award, the paper was published in the peer reviewed AIPIO Journal. ARPC has continued working with UQ to deliver in-depth academic research. In May 2023, UQ delivered another academic paper, this time investigating how protest, including disruptive protests, are perceived by the majority of the population, and the implications for law making, businesses, insurance and society. The paper was called *Is the Social Legitimacy of Protest in Australia in flux?* and promoted as a media release on the ARPC website and LinkedIn. Additionally, a third paper on the topic of 'sovereign citizens' is under development.	Publication of papers to provide thought leadership in terrorism insurance risk.

> The Terrorism Risk Insurance Seminar is ARPC's annual event providing valuable insights on current and emerging terrorism threats and mitigation measures from experts in terrorism and insurance.

Project	Commentary	Comment
Terrorism Risk Insurance Seminar	ARPC's annual event providing valuable insights on current and emerging terrorism threats and mitigation measures from experts in terrorism and insurance. 2022 Seminar held in May included the launch of the above UQ paper.	The 2023 seminar is scheduled for November.
Social Engagement Project to reduce the risk of youth engaging in anti-social behaviours that could result in violent extremism	Commencing in 2021, ARPC has continued its partnership with ReachOut and will continue into 2024. This ongoing relationship will allow ReachOut to continue to research in identifying high risk youth and develop programs and services to connect disengaged youth to the wider community.	Funding provided to Reach Out, enabled ReachOut to undertake research that resulted in market segmentation which identified the most high-risk youth in order to inform targeted programs of work.
Premises and strategy implementation	ARPC is increasing its office footprint to meet the needs of a larger organisation required to support the cyclone pool. The strategic approach to this seeks to minimize capital and operating costs and reuse as much current premises infrastructure where possible.	Implementation of strategy to expand the current facility is ongoing with completion due early 2024.
Development of proprietary cyclone catastrophe model by GA	This development is expected to be a three to five year project that will be managed by ARPC with specialist input from GA for hazard and vulnerability modelling. The result will seek to leverage ARPC's high quality exposure and claims datasets when available to build an industry leading cyclone and related flood catastrophe model.	Project is ongoing with activities undertaken to develop scope and approach. Outputs will assist risk mitigation, various reporting to government, and cyclone reinsurance pricing.
Cyclone off-the shelf pre-event and catastrophe model	This model will be delivered in 2 phases; Phase one is the delivery of catastrophe reports developed by Risk Frontiers delivered to ARPC, and phase two with ARPC able to generate catastrophe reports as required.	Phase two is scheduled for completion prior to the 2023-24 cyclone season.
Revision of cyclone premium rates	Final rates were released 30 September 2022 to the market that resulted in a 10 per cent or AUD $91 million reduction in projected premiums.	Rates are in effect and an annual premium rate review cycle is being set up.

2. Engage and understand our stakeholders with a focus on insurer customers to improve community outcomes.

Measure 5

Complete annual insurer customer survey

Source: Measure 5,
Performance Assessment, ARPC
2022-26 Corporate Plan, page 29

Target

Publish outcome of 2022 Insurer Customer Survey.

Result – Met

Description

ARPC committed to running an independent annual survey of its insurer customers to inform future engagement and to publish the outcome of the 2022 Insurer Customer Survey.

Consistent with previous years, most respondents continue to see ARPC as a trusted expert on terrorism reinsurance (86 per cent), easy to deal with (86 per cent) and transparent (85 per cent).

The T-SPI achieved 75 per cent, which is a favourable perception of ARPC overall, although slightly lower than the previous year (80 per cent). The T-SPI was derived from three questions: To what extent do you feel ARPC is an effective provider of terrorism risk insurance? To what extent do you believe ARPC supports your organisation's financial strength? To what extent do you feel ARPC is a valued partner to your organisation?

Respondents continued to rate ARPC's website, digital business-to-business communications, publications and annual Terrorism Risk and Insurance Seminar strongly, with 99 per cent of respondents overall (Australia and overseas) rating them as very good or valuable.

Eighty per cent overall found the ARPC terrorism insurer customer review process very or somewhat useful.

A much lower proportion (38 per cent) of terrorism insurer customers felt that ARPC supported their organisation's financial strength to a large or moderate extent (down from 67 per cent in 2021).

Cyclone pool

On the new cyclone pool, 88 per cent of respondents (Australia only) felt information proactively provided by ARPC was very good or good.

Measure 6

Stakeholder performance targets

Source: Measure 6,
Performance Assessment, ARPC
2022-26 Corporate Plan, page 30

Target

Develop interim targets for terrorism pool and cyclone pool and measure for 24 months. In year three, set actual measures and targets.

Result – Met (for the terrorism pool)

Description

ARPC has begun developing meaningful and achievable stakeholder performance metrics using a baseline of historical terrorism pool performance.

This will set an aspirational interim target for the cyclone pool, which will be adjusted using data over a three-year period as more cyclone survey data is captured. Actual metrics will then be confirmed.

In 2022-23 the target was met for the terrorism pool with the development of the T-SPI (see Measure 5).

The cyclone pool measure will be established once large Insurers join the pool by December 2023.

3. Develop data insights on insurance risk to support mitigation.

Measure 7

Development of relevant and accurate data sets

Source: Measure 7,
Performance Assessment, ARPC
2022-26 Corporate Plan, page 30

Target

Collection, collation and cleansing of data.

Result – Met

Description

ARPC has collected exposure, premium and claims data at a risk level for all policies that have transferred into the cyclone pool. This data has been validated, processed, and stored in ARPC's data warehouse to be used for management reporting and publication of regular statistics. Agreements are being established for sharing aggregated, de-identified data with other government agencies to support research into disaster risk mitigation.

4. Enhance thought leadership to fulfil our role as a trusted advisor.

Measure 8

Publication of thought leadership artefacts

Source: Measure 8,
Performance Assessment, ARPC
2022-26 Corporate Plan, page 30

Target

Publish research and information papers. Hold Industry forums.

Result – Met (for the terrorism pool)

Description

ARPC has continued to use its partnerships with universities, the development of catastrophe models, and hosting of industry forums to share research on terrorism and more recently on cyclone.

ARPC's thought leadership won the AIPIO publication award in October 2022 for the academic paper produced by The UQ earlier in the year, *Terrorism and Violent Protests – where do these disruptive events meet?*. As part of the award, the paper was published in AIPIO's peer reviewed *The AIPIO Journal*.

ARPC worked with the UQ to produce an in-depth academic paper *Is the Social Legitimacy of Protest in Australia in Flux?,* this was published in May 2023 and promoted on the ARPC website and LinkedIn.

Internally produced, ARPC also wrote a cyber terrorism update on the Volt Typhoon cyber-attack on critical infrastructure called *Volt Typhoon: Critical Infrastructure an Ongoing Cyber Target*. This was published on the ARPC website and promoted on LinkedIn.

The Terrorism Risk Insurance seminar is scheduled for November 2023.

5. Be a high performing, inclusive, customer-centred and risk focused culture.

Measure 9

Employee engagement

Source: Measure 9,
Performance Assessment, ARPC
2022-26 Corporate Plan, page 31

Target

Annual employee engagement survey results consistent with industry practice in both government and insurance sectors.

Result – Met

Description

ARPC is a small organisation with an efficient organisational structure which has experienced significant growth.

Employee engagement refers to how satisfied, committed and engaged an employee is to their organisation, their role, their manager, and their co-workers.

The survey results in an overall score out of 100. During 2022-23, there was an ARPC Employee Engagement Score of 84 per cent, compared to a public sector benchmark score of 70 per cent.

This year, for the first time, ARPC used ORIMA to measure employee engagement. Staff satisfaction was 88 and commitment and loyalty 84. Overall employee engagement was 84 – approximately 14 points higher than the Australian Public Service (APS) average.

6. Establish the cyclone pool, enhance operational effectiveness and event preparedness.

Measure 10

Completion of cyclone pool workstreams and transition to business operations

Source: Measure 10, Performance Assessment, ARPC 2022-26 Corporate Plan, page 31

Target

Complete all cyclone pool workstreams.

Result – Met

Description

ARPC continued the cyclone pool workstreams as noted below to complete the program of work to establish the pool:

- Reinsurance agreement
- Customer and claims
- IT systems
- People
- Premises
- Communications
- Pricing
- Public affairs
- Risk management

ARPC was ready to accept new insurers to the cyclone pool on 1 July 2022 with a Reinsurance Contract, interim premium rates, and declare a cyclone event.

In 2022-23, the cyclone pool workstreams transitioned to business-as-usual operations with a functional operating model serving insurer customers. This includes issuing final rates, declaring four cyclone events, onboarding nine new customers and payment of claims.

Measure 11

Event response preparedness

Source: Measure 11, Performance Assessment, ARPC 2022-26 Corporate Plan, page 32

Target

Conduct one desktop discussion exercise and one full desktop simulation exercise for both DTI and DCE.

Result – Met

Description

ARPC has conducted desktop discussions and desktop simulations to rehearse and prepare for DTI and DCE responses.

ARPC conducted a DCE exercise in October 2022, and DTI exercises in December 2022 and April 2023.

During the 2022-23 cyclone season, ARPC declared four cyclone events in accordance with the legislation.


Adelaide city

Australian Government
Australian Reinsurance Pool Corporation

5 Governance

Governance framework

ARPC is governed by the TCI Act and is a corporate Commonwealth entity for the purposes of both the PGPA Act Act and the PGPA Rule.

ARPC is a body corporate under section 12 of the TCI Act. A Chair and six to eight Members are the Accountable Authority — referred to as Board Members. They are appointed on a part-time basis by the responsible Minister. Between 1 July 2022 and 30 June 2023, the responsible Minister for operational matters was the Hon Stephen Jones MP, Assistant Treasurer and Minister for Financial Services. The Hon Dr Jim Chalmers MP, Treasurer was responsible for governance and Board appointments.

The responsible Minister can give written directions about ARPC's functions and the exercise of its powers and these are published on ARPC's website. One Ministerial direction was given during 2022-23.

As per the TCI Act, the Board, as Accountable Authority, appoints the Chief Executive (CEO). The CEO manages the affairs of ARPC subject to Board directions delegations, and policies.

The Board is also the Accountable Authority for the purposes of the PGPA Act. Under section 45 of this Act, ARPC must have an audit committee with at least three Board Members. The Board has established an ARC Committee.

Under section 22 of the PGPA Act, the Finance Minister can make a Government Policy Order (GPO) specifying that a policy of the government applies in relation to one or more corporate Commonwealth entities. During the reporting period, no GPOs made were applicable to ARPC.

In line with section 35 of the PGPA Act, ARPC prepares a Corporate Plan on a rolling four-year basis and provides it to both the responsible Minister and Finance Minister by 31 August each year, also publishing the plan on its website. The 2022-26 Corporate Plan details strategic priorities, performance measures and planned key activities. See Chapter 4 for ARPC's progress against these.

Both the Board and ARPC's executive leadership team are committed to best practice corporate governance standards that are fit-for-purpose for ARPC's sustainable operations. ARPC continues to monitor governance trends in both the public and private sectors.

Board

During 2022-23, the Board consisted of a Chair and six to eight part-time (non-executive) Members. There were significant changes to the Board's composition over the reporting period. Maria Fernandez and Robin Low's terms ended on 22 April 2023. David Foster's term ended on 23 April 2023. Ian Carson's term as Chair ended on 30 June 2023.

Mr Oscar Shub, Ms Evelyn Horton, Ms Eilis Hurley and Ms Fran Raymond were appointed as part-time Members for a three-year term, commencing on 23 April 2023.

Julie-Anne Schafer was appointed as Acting Chair from 1 July and appointed Chair from 7 July 2023. Mr Greg Nucifora and Mr Rod Whithear were appointed as part-time Members for a three-year term, also commencing on 7 July 2023.

Board Members

Ian Carson AM | Chair

BEc PGDip Professional Accounting, Fellow of the Australian Institute of Company Directors (FAICD)

Term:

1 July 2017 – 30 June 2020
1 July 2020 – 30 June 2023

Ian Carson AM was reappointed Chair of the Board on 23 April 2020, his three-year term concluding on 30 June 2023.

Ian is Executive Chair at Tanarra Restructuring Partners. Previously he was Chairman of Markets at PwC and prior to this Chair of PPB Advisory, a professional advisory firm where he was a founding partner. Ian co-founded SecondBite, an organisation that rescues nutritious food destined for landfill. He is President of the Victorian Arts Centre Trust and Trustee of The Melbourne Cricket Ground. In 2017, Ian received an Order of Australia for his work in food rescue and business. In 2018, he and his wife Simone were appointed 'Melbournian of the Year'.

Julie-Anne Schafer | Chair

LL.B. Hons, FAICD

Term:

14 September 2021 – 1 July 2023 Board Member, Appointed Chair – 7 July 2023, Member of the Audit, Risk and Compliance (ARC) Committee from 23 April 2023 to 1 July 2023.

Julie-Anne Schafer was first appointed to the Board as a part-time Member for a three-year term, commencing 14 September 2021 and was a Member of the ARC Committee between April and July 2023. Julie-Anne was appointed by the Government as Chair for a period of three years commencing on 7 July 2023. Prior to that, she was appointed as Acting Chair by the Responsible Minister from 1 July to 6 July 2023.

Julie-Anne is a Brisbane-based director and qualified lawyer with experience in diverse and regulated sectors including insurance, financial services, energy, water, transport, health, and Member services. She is currently a non-executive Director at Urban Utilities, Icon Water and ActewAGL. Julie-Anne is also a non-executive Member of the Office of the National Rail Safety Regulator and part-time President of the National Competition Council.

Her career includes experience in retail consumer insurance and cyclone risk through past roles as President, Royal Automobile Club of Queensland (RACQ), Chair of RACQ Insurance and non-executive Director of the Territory Insurance Office.

Julie-Anne holds a Bachelor of Laws with Honours from the UQ and is a Fellow of the AICD where she facilitates in governance, risk, and strategy. Julie-Anne is also a Member of the ANZIIF.

Elaine Collins | Member

BSc (Hons), MEc, Fellow of the Institute of Actuaries of Australia (FIAA), FAICD

Term:

1 July 2015 – 30 June 2018
1 July 2018 – 30 June 2021
1 July 2021 – 30 June 2024
Member, ARC Committee

Elaine Collins was first appointed to the Board as a part-time Member on 1 July 2015, then reappointed for two further three-year terms. She is a Member of the ARC Committee.

Elaine is a non-executive director, actuary and professor, with a career spanning more than 25 years in the insurance industry. Her experience includes carrying out Appointed Actuary roles for more than ten years as a Director of KPMG, then as a Deloitte Partner. Elaine has key expertise in strategic risk management, policy formulation and capital efficiency.

She has been a non-executive Board director for 10 years and currently sits on the Board of ANZ LMI, Ivory Insurance and RACV.

Elaine also holds an academic role as a Professor of Practice with the Business School, University of New South Wales. She is a Fellow of the Actuaries Institute, a Fellow of the AICD and a former Member of the Actuaries Institute's Professional Standards Committee.

Evelyn Horton | Member

BEc, MSSc (Econs), FAICD

Term:

23 April 2023 – 22 April 2026

Evelyn Horton was appointed as a part-time Member for a three-year term from 23 April 2023.

Evelyn is a company director with extensive expertise in financial services, governance and risk management. Evelyn spent over a decade working at the Commonwealth Treasury, Canberra and a further 15 years in different investment banking roles. She is Commissioner of Superannuation in Tasmania, a director of Anglicare and Chair of the Glebe Administration Board.

Evelyn holds a Bachelor of Economics degree from the Australian National University, a Master of Social Sciences in Economics from the National University of Singapore and is a Fellow of the AICD.

Eilis Hurley | Member

BEng, FIA, FIAA, FAICD

Term:

23 April 2023 – 22 April 2026

Eilis Hurley was appointed as a part-time Member for a three-year term from 23 April 2023.

Eilis has worked in insurance for many years, both in Australia and the UK. She has held roles as diverse as strategy, risk, finance, and reinsurance; as well as more traditional actuarial roles spanning life and general insurance. Eilis is a non-executive director of Integrity Life and serves on several risk and audit committees across the not-for-profit sector. She holds a Bachelor of Engineering degree from University College Cork (Ireland) and is a Fellow of the Actuaries Institute and AICD.

Fran Raymond | Member

Fellow Chartered Accountant (FCA), FAICD, BCom, MBA, Grad Dip in Public Policy

Term:

23 April 2023 – 22 April 2026

Fran Raymond was appointed as a part-time Member for a three-year term from 23 April 2023.

Fran has had considerable experience as a senior executive in government, particularly in Chief Financial Officer and Chief Operating Officer (COO) roles, including COO of ARPC. She was previously a director of Defence Bank for 12 years and Chair for six of them. Fran is currently a Director of Annecto and holds audit and risk committee appointments with the Australian National University and the National Health and Medical Research Council. She holds a Bachelor of Commerce from the University of New South Wales, a Master of Business Administration (MBA) from Charles Sturt University, and a Graduate Diploma in Public Policy from Flinders University. Fran is also a Fellow of both Chartered Accountants Australia and New Zealand, and the AICD.

Jan van der Schalk | Member

BA, MPhil

Term:

1 July 2021 – 30 June 2024
Chair, ARC Committee, from 23 April 2023
Member, ARC Committee from 1 July 2022 – 22 April 2023

Jan van der Schalk was appointed as a part-time Member for a three-year term from 1 July 2021.

Jan has extensive experience in reinsurance and investment management. He was an environmental and social governance (ESG) investment specialist and worked as a fund manager for Ausbil and Hong Kong-based investment group CLSA in equities analyst roles.

Earlier in his career, Jan was part of a team which founded and built property catastrophe specialist, ACE Tempest Reinsurance where he was Chief Underwriting Officer (International). He also served as CEO of Asset Management and Reinsurance at Insurance Australia Group (IAG) for seven years.

As an entrepreneur, Jan founded Just-Ezi, an internet-based car insurance comparison site.

Oscar Shub | Member

BCom, LLB

Term:

23 April 2023 – 22 April 2026

Oscar Shub was appointed as a part-time Member for a three-year term from 23 April 2023.

Oscar is a part-time consultant with the global law firm Clyde & Co and founded their Australian legal practice as a partner. He is also a senior Member of the New South Wales Civil and Administrative Tribunal in the Occupational Division, presiding over disciplinary complaints against health practitioners for breaches of their respective codes of conduct.

Oscar also chairs the Insurance Brokers Code Compliance Committee, an independent body that monitors compliance with the Insurance Brokers Code of Practice. Previously, he spent over 25 years as a partner at Allen Arthur Robinson (now known as Allens) and has also sat on the boards of Munich Re and OzHarvest. Oscar chaired the Australian Insurance Law Association and LEADR (renamed to the Resolution Institute). He holds Bachelor of Commerce and Bachelor of Laws degrees from the University of the Witwatersrand, in South Africa.

Maria Fernandez | Member

PSM, GAICD

Term:

23 April 2020 – 22 April 2023

Maria Fernandez was appointed as a part-time Member for a three-year term from 23 April 2020, concluding on 22 April 2023.

Maria had a distinguished career in the public sector and since 2019 has run her own company providing strategy advice and independent assurance services. From 2015 to 2019, she was a Deputy Secretary with the Department of Home Affairs. Prior to that, Maria was the first female head of an Australian intelligence agency as Director and CEO of the Australian Geospatial Intelligence Organisation.

Maria's experience also includes being Chief of Staff to the federal Ministers for Defence and Education and Deputy Director of the Australian Signals Directorate.

Maria was awarded a Public Service Medal (PSM) for outstanding public service in advancing Australia's interests. She is a Graduate of the Australian Institute of Company Directors (GAICD) and the Harvard Business School Advanced Management Program.

David Foster | Member

BAppSc, MBA, FAIM, GAICD

Term:

16 December 2021 – 23 April 2023

David Foster was appointed as a part-time Member for a three-year term from 16 December 2021, concluding on 23 April 2023.

David is a Brisbane-based non-executive director with a diverse portfolio of directorships and advisory roles. David's last senior executive role was CEO of Suncorp Bank where he served for five and a half years. He was Group Executive, Strategy during the acquisition of Promina – one of Australia's largest financial services transactions. Before Suncorp, David worked at Westpac for 14 years in several senior roles in Sydney and Queensland.

He is currently Chairman of Youi Insurance, non-executive director of Bendigo and Adelaide Bank; and Chairman of Motorcycle Holdings Ltd and G8 Education Ltd. Previously David was a Director at Genworth Mortgage Insurance Australia Limited.

David holds a Bachelor of Applied Science from the University of Southern Queensland and an MBA from Southern Cross University. He is a GAICD, a FAIM and has attended courses at Wharton, International Institute for Management Development, Massachusetts Institute of Technology (MIT) and Institut Européen d'Administration des Affaires.

Robin Low | Member

BCom FCA GAICD

Term:

5 October 2016 – 4 October 2019
23 April 2020 – 22 April 2023
Chair, ARC Committee (1 July 2022 – 22 April 2023)

Robin Low was appointed on 5 October 2016 and reappointed on 23 April 2020 for a further three-year term. She became Chair of the ARC Committee on 1 July 2021, continuing in that role until her term as Board Member concluded on 22 April 2023.

Robin is a non-executive director on the boards of four Australian Stock Exchange listed companies: Appen Limited, AUB Group Limited, IPH Limited and Marley Spoon AG. She is also on the boards of Guide Dogs NSW/ACT and the Sax Institute. Previously she was a partner at PwC, where she specialised in audit and risk. She is a past Deputy Chair of the Australian Auditing and Assurance Standards Board.

Board meetings

The Board convened five meetings during 2022-23, comprising four meetings for general business and a strategic planning meeting. There were four out-of-session circular resolutions issued during the period. The total number of hours spent in meetings during the reporting period was 26 hours and 55 minutes.

This does not include meeting preparation or associated travel time. Figure 5.1 lists the number of meetings attended by each Member during the reporting period.

Figure 5.1: Number of meetings attended by each Board Member in 2022-23

Name	Number of meetings entitled to attend	Number of meetings attended	Further information
Ian Carson (Chair)	5	5	Chair term ceased 30 June 2023
Elaine Collins	5	4	
Maria Fernandez	4	1	Board Member term ceased 22 April 2023
David Foster	4	1	On approved leave from 1 January 2023 to 23 April 2023. Board Member term ceased 23 April 2023.
Evelyn Horton	1	1	Board Member term commenced 23 April 2023
Eilis Hurley	1	1	Board Member term commenced 23 April 2023
Robin Low	4	4	Board Member term ceased 22 April 2023
Fran Raymond	1	1	Board Member term commenced 23 April 2023
Julie-Anne Schafer	5	4	Chair term commenced 1 July 2023
Jan van der Schalk	5	5	
Oscar Shub	1	1	Board Member term commenced 23 April 2023

Board remuneration

The Australian Government's Remuneration Tribunal, as outlined in the *Remuneration and Allowances for Holders of Part-time Public Office Determination 2022* (the Remuneration Determination) and the *Remuneration Tribunal (Official Travel) Determination 2022* determines Board Member payments.

Board Members receive an annual base fee and individual meeting fees that cover all activities in performing their duties, including part day meetings of less than five hours, travel, committee work, teleconferences, and representational activities. The Board has been assigned Travel Tier 1.

For the Chair and Members to receive the meeting fee, meetings must be a minimum of five hours including both the meeting and a Member's travel time.

Figure 5.2: Board Member remuneration for 2022-23

Remuneration basis under Table 6A of the Remuneration Determination	
Chair annual fee	$28,510
Chair meeting fee	$1,199
Member annual fee	$14,260
Member meeting fee	$1,079

Audit, Risk and Compliance Committee

In accordance with section 45 of the PGPA Act, the Board established an ARC Committee. The ARC Committee supports the Board in overseeing ARPC's administration and governance. Section 17 of the PGPA Rule says the ARC Committee must have at least three appropriately qualified and skilled Members. In the reporting period, the ARC Committee always had three Members.

The functions of the ARC Committee are set out in its Charter and include reviewing the appropriateness of ARPC's:

- financial reporting
- performance reporting
- system of risk oversight and management
- system of internal controls.

The ARC Committee also monitors ARPC's compliance with statutory obligations, oversees the work of internal and external auditors and is responsible for ARPC's governance framework. It provides a general forum for communication between Members, ARPC's senior executive team and internal and external auditors.

During the reporting period, the ARC Committee reviewed all reports received from ARPC's internal auditors, Ernst & Young (EY) and external auditors, the Australian National Audit Office (ANAO). It monitored the implementation of internal audit recommendations and reviewed financial statements to assist the Board with its statutory declarations pursuant to subsections 41(2) and 42(2) of the PGPA Act, which cover ARPC's accounts, records, and annual financial statements.

During 2022-23, four ARC Committee meetings and a workshop were held.

Figure 5.3 outlines the meetings attended by each Committee Member. The total number of hours spent in meetings during the reporting period was nine hours and 15 minutes. This does not include meeting preparation or associated travel time.

Figure 5.3: Meetings attended by each ARC Committee Member during 2022-23

Name	Number of meetings entitled to attend	Number of meetings attended	Further information
Robin Low (Chair)	3	3	Chair of ARC Committee from 1 July 2022 to 22 April 2023 Board Member term ceased 22 April 2023
Jan van der Schalk (Chair)	4	4	Chair of ARC Committee from 23 April 2023
Elaine Collins	4	4	
Julie-Anne Schafer	1	1	ARC Committee Member commenced 23 April 2023

ARC Committee remuneration

ARC Committee Members do not receive additional remuneration or allowances for committee work. Their annual Board Member fee covers this. Figure 5.4 sets out remuneration for each ARC Committee Member over the reporting period.

Figure 5.4: ARC Committee Member remuneration during 2022-23

For the period from 1 July 2022 to 30 June 2023, remuneration for each ARC Committee Member was:

Remuneration under Table 6A of the Remuneration Determination	
Committee Chair annual allowance	$0
Committee Chair meeting allowance	$0
Committee Member annual allowance	$0
Committee Member meeting allowance	$0

Board observers

The TCI Act enables the Minister to appoint two observers to the Board. During 2022-23 they were:

- Ms Helen Rowell – one-year term for the period from 27 July 2022 to 30 June 2023.
- Mr Guy Thorburn – two-year term for the period from 26 July 2022 to 25 July 2024.

Figure 5.5: ARPC Board observers 2022-23

Name	Number of meetings entitled to attend	Number of meetings attended	Further information
Helen Rowell	5	5	Term ceased 30 June 2023
Guy Thorburn	5	5	

Reviewing Actuary

The Board nominated the Australian Government Actuary as ARPC's Reviewing Actuary from 1 April 2021. This role was set for a minimum of three years, with services provided on commercial terms under the Government's procurement panel for actuarial advice.

“Members bring a diverse mix of skills and experience in insurance, finance, investment, actuarial, strategy and risk across the public and private sectors.”

Organisational and governance structures

Figure 5.6 sets out ARPC's organisational framework.

Figure 5.6: Organisational chart

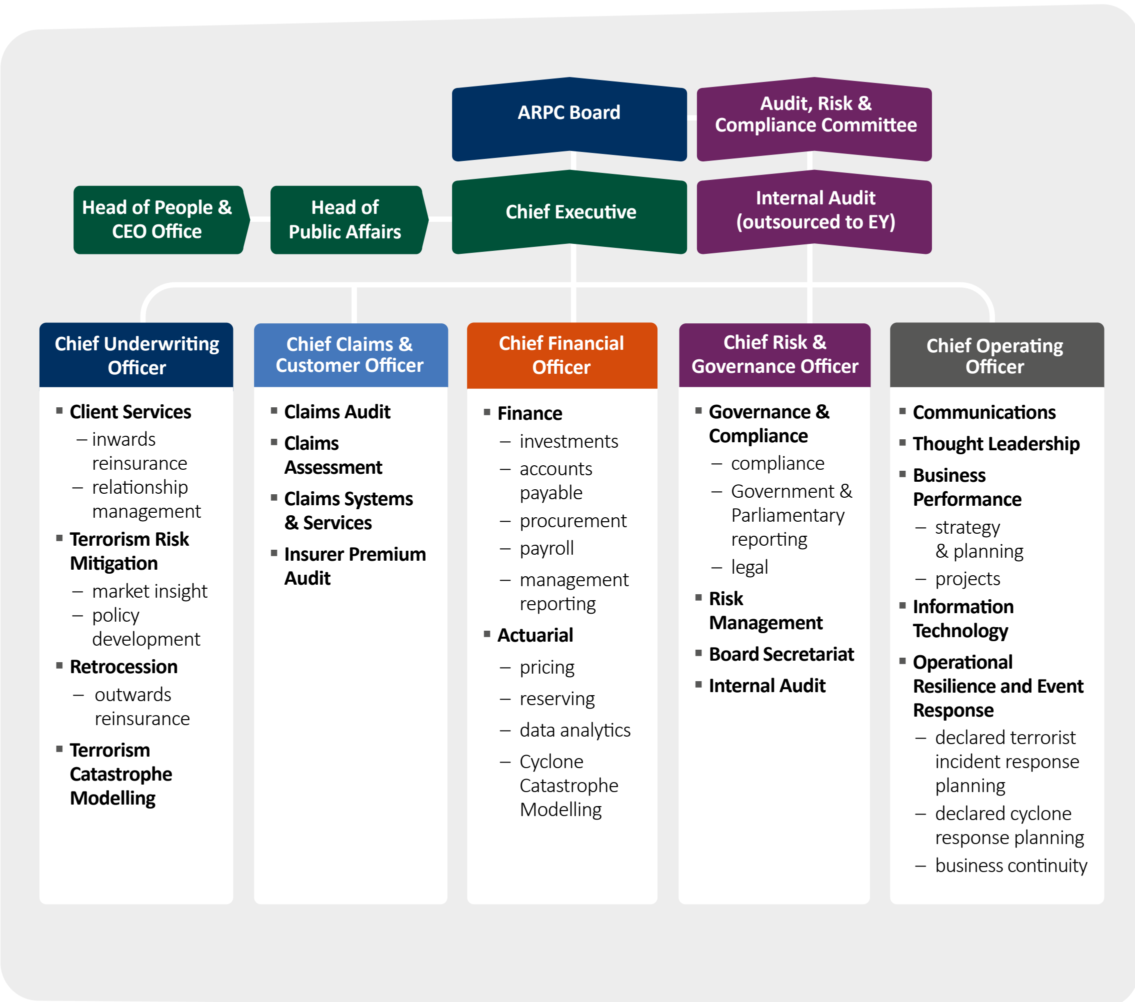
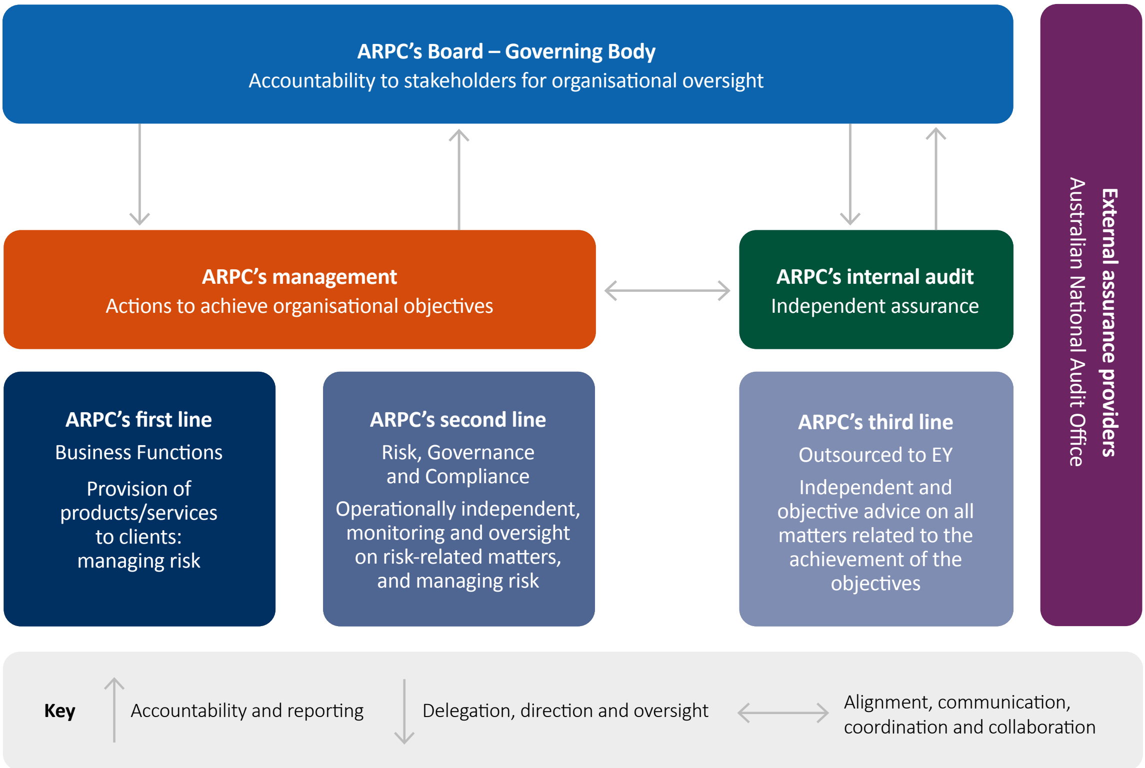


Figure 5.7: The organisational structure supports three lines of accountability



ARPC's corporate governance is structured within a statutory framework and underpinned by the Board's Charter, the ARC Committee Charter and a wide range of policies and procedures. These include:

- risk management
- financial management
- privacy
- fraud control
- conflict of interest
- public interest disclosure
- security management
- business continuity
- data governance.

Board oversight of risk

ARPC is committed to a comprehensive, co-ordinated, and systematic approach to risk management. Effective risk management has a critical role in all ARPC's organisational decisions. Section 16 of the PGPA Act provides that the Board 'has a duty to establish and maintain systems relating to risk and control'.

The Board fulfilled this during the reporting period by overseeing ARPC's risk management functions, the Risk Management Policy and delegating risk related responsibilities to the ARC Committee to review:

- ARPC's risk appetite
- risk culture
- risk register and controls
- risk incidents.

The Board held its annual strategic workshop which includes consideration of current and emerging risks. The ARC Committee monitored ongoing risk management, did ARPC's annual review of the Risk Appetite Statement (RAS) and associated metrics, and oversaw related policy actions.

ARPC uses a risk matrix to estimate the likelihood and severity of its risks. ARPC assesses its risks regularly and updates as necessary for continued relevance. New emerging risks are also identified, discussed, and evaluated or if any significant change in risk levels occur.

ARPC continues to refine its control environment to address any emerging risks and meet the changing environment and organisation. This will continue as a priority into the new financial year.

Risk culture

A positive risk culture enables ARPC to better administer both its terrorism and cyclone pools.

ARPC believes a positive risk culture is a working environment where risks are considered and managed proactively, and appropriately as part of day-to-day work. This type of risk culture enables transparency and open discussion about uncertainties and opportunities, encourages employees to raise issues or concerns, and provides processes to facilitate the escalation of concerns to appropriate levels that would support a proportionate response.

Through its risk management practices, ARPC seeks to further enhance its risk culture to act in a way that reflects its values.

ARPC has developed the following statements to continue enhancing its positive risk culture:

- Our leaders understand and demonstrate good risk behaviours.
- We lead by example, taking ownership and responsibility where required.
- We maintain a robust and clear control environment to manage risks.
- We are accountable for risk management and understand our roles.
- We speak up and feel confident to raise issues.
- We encourage the simplification of information and transparency of communication.
- We recognise the importance of attracting and engaging the right talent.

Figure 5.8 illustrates relationships between ARPC's leadership and employees within its risk culture framework.

Figure 5.8: Overview of ARPC's risk culture framework

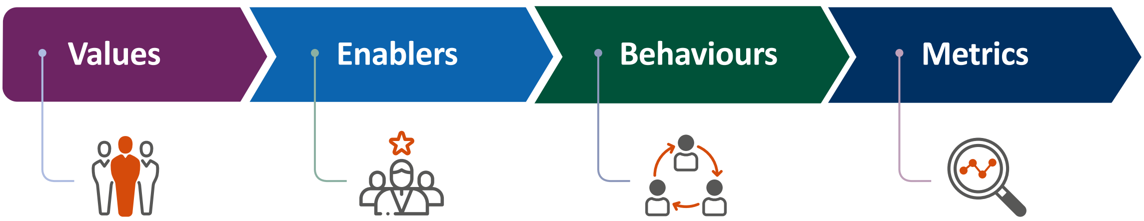
Enabler definitions

1. **Leadership** – Board and executive Members to drive a positive risk culture.
2. **Organisational structure** – risk governance and operating model support the delivery of ARPC behaviours and enable strong accountability.
3. **Robust control environment** – accurate identification of risks, their controls and ownership. Understanding of risk management's function as an independent oversight function.
4. **Communication** – lessons are learnt and root causes addressed. Leadership is focused on building trust with employees and seen to address risk concerns quickly and effectively.
5. **Positive behaviour recognition** – recognise and reinforce positive risk behaviours.

Figure 5.9: Key components and activities of the risk culture enablers

Leadership	Organisational structure	Robust control mechanisms	Environments used to communicate positive behaviour	Recognition
▪ Board ▪ ARC Committee ▪ CEO ▪ Senior executive team ▪ Board Risk Appetite Statement ▪ Board approved policies ▪ ARPC's Values ▪ Code of Conduct ▪ Risk reports to every Board meeting	▪ ARPC's purpose and role ▪ Clear lines of accountability and position descriptions	▪ Risk registers and linked controls ▪ Procedures and process documentation ▪ Internal Audit Plan (IAP) ▪ Safetrac compliance training ▪ KnowBe4 cyber awareness training ▪ Employee workshops ▪ DTI exercises and training ▪ Two-yearly fraud assessments ▪ Employee attestations ▪ Risk reporting documentation	▪ Board inductions ▪ Employee inductions ▪ All employee meetings ▪ Collaboration tools ▪ Employee engagement surveys and action plans	▪ Employee objectives and recognition

Figure 5.10: Overview of ARPC's risk culture maturity framework



Values: The fundamental beliefs and principles that ARPC stands for. Values aim to inspire and guide individuals at ARPC to support decision-making, collaboration and performance achievement.

Enablers: The way we achieve the desired risk culture through:

- people's skills, capabilities and knowledge
- frameworks and methodologies
- technology and data.

Behaviours: The expected and observed conduct and actions of individuals and groups in their roles at ARPC.

Metrics: The system of Risk Appetite Metrics and standards of measurement relevant to ARPC's positive risk culture.

ARPC conducted a new risk culture survey in September 2023, which followed the previous survey conducted in August 2021.

ARPC’s risk management framework

Figure 5.11 illustrates ARPC’s risk management framework including ARPC’s vision and strategy. The Board has oversight of ARPC’s corporate governance arrangements and is responsible for oversight and monitoring ARPC’s risk management framework in accordance with the PGPA Act. The Board is responsible for setting ARPC’s risk appetite and reviews the RAS annually. The senior executive team are responsible for the operation of the risk framework, including the review of any risks, controls, and the identification of emerging risks. Oversight and reporting of risk management is provided by the Risk management team to the ARC Committee and Board approximately each quarter, has been through a Risk report. The ARC Committee have been delegated risk-related responsibilities, including the ongoing monitoring of risk management, review of the RAS and associated risk appetite metrics, and the risk management policy.

ARPC’s approach to enterprise risk management aligns the risk management framework with the organisation’s six strategic priorities. Each strategic priority detailed in the RAS has associated qualitative risk appetite statements and metrics. Underlying the framework are the risk and control registers, which outline financial and non-financial risks facing ARPC, as well as the controls and strategies in place to mitigate these risks. Reporting on risks, controls, risk appetite, and the associated risk metrics is provided at ARC Committee meetings.

The performance against RAS and the Risk Register are reviewed regularly during the reporting period. In addition, the risk management framework is supported by risk and control assessments and regular risk review meetings held with the senior leadership team, as well as compliance testing performed over key processes and business activities at ARPC.

Figure 5.11: Overview of ARPC’s risk management framework

Managing risk and uncertainties

In summary, ARPC's broad risk categories are:

- strategic risk
- financial risk
- insurance risk
- operational risk.

Some initiatives to manage risk this year included:

- A substantial refresh of the RAS occurred this year to better align it to ARPC's strategic priorities and associated metrics. A significant review of the Risk Register was also undertaken to reflect the changed risk profile created by the commencement of the cyclone pool.
- Refining risk management procedure documents and risk reporting and establishing the Executive Risk Management Committee, a forum where senior executives meet to monitor organisational risks and report to both the ARC Committee and Board as required.
- Focusing on cyclone pool related risks, in particular identifying risks associated with processing and paying claims, as well as on implementing a new reinsurance system.
- Reviewing the Business Continuity Policy (and Procedures) reviewed, updated and approved by the Board in March 2023. Employees accessed and tested an alternative site during the reporting period – most recently in October 2022. If there is disruption and remote work is required, all employees will have the necessary tools.
- Undertaking a program of security works to drive specific and detailed actions and projects to uplift existing controls and measures for protecting ARPC information assets and systems.
- Maintaining a deed of indemnity with each Board Member. In 2022-23, ARPC maintained and paid premiums for insurance that covered Members and senior executives against legal costs and other expenses that may be incurred in the performance of their duties. In compliance with section 23 of the PGPA Rule, ARPC does not insure any of its officials against liabilities relating to breach of duty under the PGPA Act. The amount paid for Directors' and Officers' Indemnity Insurance during 2022-23 was $89,892 (2021-22: $56,932).
- Maintaining confidentiality by requiring all ARPC's employees and Board Members to sign an agreement upon commencement, outlining their obligations regarding confidential information. Maintaining conflict of interest disclosures and attestations.

Internal audit

ARPC's internal audit function is overseen by the ARC Committee. ARPC outsources its internal audit function and EY was the internal auditor for 2022-23. During 2022-23, the five-year rolling Internal Audit Plan, which is closely aligned to the Risk register and RAS, was approved by both the ARC Committee and the Board and was included in the 2022-23 IAP.

The new plan includes an assurance map that is expected to guide future audit and compliance activities.

EY works closely with the ARC Committee, CEO, and the senior leadership team to identify and analyse business risks. The ARC Committee regularly meets with EY, its internal auditor, and works independently of management periodically. Audit findings are reported to the ARC Committee. Any required actions or improvements identified for management to implement resulting from audits must be agreed with the accountable senior executive, approved by the ARC Committee, and tracked to completion on the Internal Audit Issue Register. The internal auditor has routine discussions with the external auditor to avoid any duplication of work and the external auditor has full access to all the internal auditor's work.

2022-23 IAP

The IAP for 2022-23 was updated to reflect the changes to the organisation resulting from the implementation of the cyclone pool, with all management actions or improvement opportunities accepted, recorded, and tracked on the Internal Audit Issues Register. The annual program also has flexibility to accommodate Board or Management requests for ad hoc audits and management-initiated reviews. There were two internal audits (see Figure 5.11) and one management-initiated review completed during the reporting period. Three internal audits and reviews were commenced for the 2023-24 financial year:

- insurer customer engagement and onboarding audit
- cybersecurity audit risk management framework review
- risk management framework review.

Internal audit reviews

The following internal audits were completed during 2022-23 in accordance with the IAP (see Figure 5.10).

Figure 5.12: Internal audits completed during 2022-23

Audit	Audit type	Rating	Number of audit findings	Items still open/closed as at 30 June 2023
DCE response	Review	Generally effective	3	Closed
Privacy	Review	Generally effective	3	Closed

Management-initiated reviews

The core system implementation management-initiated review was also finalised by EY in the reporting period. As this is not defined as an internal audit, no formal effective rating was given.

The findings were provided to the ARC Committee and all findings and observations then considered by management and actioned as business improvement activities. These were all completed.

Core system implementation concurrent fraud control

Every two years, ARPC reviews and updates its Fraud Control Policy and underlying fraud risk assessments – this review occurred during the 2022-23 reporting period. The Fraud Control Policy allocates responsibilities for fraud risk management and control among the ARC Committee, the CEO, ARPC's senior executives and employees. The Policy outlines legislative and governance requirements and is framed around key fraud control strategies:

- prevention
- detection
- response
- monitoring
- evaluation
- reporting.

The Fraud Control Policy meets the requirements outlined in section 10 of the PGPA Rule, which provides minimum standards for managing risk and incidents of fraud by the Board. ARPC's employees receive training in compliance with both the Fraud Control Policy and the PGPA Rule.

Compliance plan and testing

During the reporting period, ARPC continued to review and improve both its compliance plan and program of compliance testing.

Regulatory compliance was also supported by a program of mandatory training for employees on legislation and policies critical to their work functions. Routine information sessions were provided on topics relevant to employees' positions alongside six-monthly attestations by all senior managers covering key legislation, including:

- TCI Act
- PGPA Act
- PGPA Rule
- *Privacy Act 1988*
- *Public Interest Disclosure Act 2013* (PID Act).

Under section 40 of the TCI Act, the Board may delegate all or any of its powers or functions to the CEO or any person employed under the TCI Act. These delegations are documented and reviewed at least once every three years. ARPC's delegations were updated to reflect administration of the cyclone pool.

ARPC's Annual Report is prepared and provided to the responsible Minister by 15 October each year in compliance with section 46 of the PGPA Act. The financial statements (see Chapter 7) must be prepared in accordance with accounting standards prescribed by the PGPA rules and audited by the Auditor-General as soon as possible.

Under section 39 of the PGPA Act, ARPC prepares an Annual Performance Statement where progress against strategic priorities outlined in the Corporate Plan is reported (see Chapter 4).

Project management governance

A strong governance structure enables ARPC's approach to project delivery. The senior executive team provides project sponsorship to support delivery and a contemporary online project management toolset provides transparent updates on project progress and reporting in real time.

ARPC's Chief Operating Officer (COO) is responsible for the Project Management Office (PMO). The PMO provide project status reports at each Board meeting and regular consolidated reports to the entire organisation. The PMO also mentors employees to develop skills in this discipline. The PMO makes improvements throughout the year so ARPC's program/project methodology stays fit-for-purpose.

Strategic projects for the next reporting period are discussed and agreed upon at the Board's March strategy session each year.

Public Interest Disclosures

The PID Act promotes integrity and accountability in the Commonwealth public sector by encouraging the disclosure of information about suspected wrongdoing. It also protects people who make disclosures and requires the respective agencies to investigate or take other appropriate actions.

In accordance with the PID Act, ARPC has its Public Interest Disclosure Policy/Procedure available on its website. During the reporting period, ARPC received no Public Interest Disclosures.

Information publication scheme statement

In accordance with the *Freedom of Information Act 1982* and the Information Publication Scheme (IPS), ARPC publishes a range of information on its website. This includes ARPC's organisational structure, functions, appointments, Annual Reports, consultation arrangements, submissions to Parliament, routinely requested information, and details of the freedom of information officer. Further details are available on ARPC's IPS webpage.

Judicial and administrative decisions

In 2022-23, there were no known judicial decisions or decisions of administrative tribunals that could significantly affect ARPC's business operations.

Consultation arrangements

ARPC's employees regularly meet with insurers, industry bodies and other interested parties outside the Australian Government to discuss different matters. See **Chapter 1** and **Chapter 4** for a summary of stakeholder engagement.


Brisbane City

Consultancies

ARPC engages consultants to provide specialist skills to assist with key projects and tasks.

During 2022-23, consultants were engaged (following processes outlined in ARPC's Board-approved Procurement Policy) to assist in the following areas:

- strategic planning and stakeholder engagement facilitation
- specialist technical projects and maintenance – for example, catastrophe modelling, actuarial services, cyclone system design and implementation
- research projects – for example, financial responses to terrorism risk and systemic risk in Australia
- retrocession advice
- independent review/advice on legal and accounting issues
- employee development and training
- risk management
- work health and safety
- organisational structure design, change management and recruitment.

Ecologically sustainable development

ARPC continues to pursue initiatives designed to minimise waste, conserve energy and minimise water usage in the office. Measures include using electronic meeting papers, double-sided printing and scanning, and energy efficient lighting. ARPC's premises has a National Australian Built Environment Rating System (NABERS) five-star energy and five-star water rating (out of six stars).

The Australian Government has introduced policy for the APS to be net zero by 2030. The 2030 target will initially not apply to entities such as ARPC, however they are encouraged to reduce emissions.

ARPC is currently reviewing its strategy in this area and will provide further updates in future publications.

Figure 5.12 lists the strategies used by both the building owners and ARPC to help reduce its environmental footprint.

Figure 5.13: Environmental footprint strategies

Theme	Sydney office
Energy efficiency	The Sydney office has a NABERS 5-star energy rating. A new elevator allocation system increases energy efficiency. Use of sensor lighting throughout. Shutting down computers outside of working hours. Purchasing and using carbon neutral paper.
Waste	Using double-sided printing or scanning to reduce paper volumes. Implementation of best practice recycling stations, as follows: ▪ organic recycling (for example – food, coffee grounds, tea bags) ▪ mixed recycling (for example – glass and plastic bottles, cans, tins) ▪ paper and cardboard recycling (clean paper, cardboard, newspapers, brochures) ▪ Simply Cups (takeaway coffee cups only, excluding lids) ▪ landfill (all other rubbish which is not organic or recyclable) ▪ removal of individual rubbish bins to encourage waste reduction.
Water	The building has been accredited with a NABERS 5-star water rating.
Investments	30.09% of term deposit investments are in 'green deposits' (2021-22: 32.71%).

Australian Government

Australian Reinsurance Pool Corporation

6 ARPC's People

ARPC's people

ARPC's people are critical to all the organisation does. They deliver for ARPC's insurer customers.

ARPC continued to invest in capability building in 2022-23 and remains committed to a safe, diverse, and inclusive workplace where all individuals feel engaged and able to achieve their best. ARPC acknowledges and thanks our people for their ongoing dedication, commitment, effort, and loyalty.

A small organisation, ARPC carries out its functions within an efficient and cost-effective structure. In preparation for operating the cyclone pool, employee numbers went from 35 to 59 over the reporting period.

New or expanded supporting capabilities include:

- claims and customer support
- project management
- information technology
- actuarial skills
- communications
- public affairs
- operational resilience and event response
- risk management.

ARPC's people manage core functions and source specialist legal and retrocession reinsurance purchase advice.

Senior executive team

Appointed under the TCI Act, the Chief Executive Officer (CEO) leads ARPC's senior executive team.

Dr Christopher Wallace | CEO

BEc (Hons), PhD (Econ), Advanced Management Program (INSEAD), ANZIIF Fellow, CIP, GAICD

Chris Wallace is an insurance executive with experience in general insurance, workers compensation, health insurance, medical indemnity and reinsurance. He has worked extensively in insurance leadership roles within insurers and as a consultant to the insurance industry.

Chris has leadership experience in most aspects of the insurance sector including small, specialised and large insurers.

Chris is also a non-executive Director and Chair of MIPS Insurance Pty Ltd, a medical indemnity insurer. As head of ARPC, Chris is a Member of the OECD High Level Advisory Board for the Financial Management of Large-scale Catastrophes Risks.

Previous professional roles include General Manager Workers Compensation at GIO, Executive Director at EY and General Manager Benefits Management at HCF.

Chris is President of the IFTRIP, where ARPC is a Member.

He has a Doctor of Philosophy in Economics, specialising in general insurance pricing and strategy. Chris is a Fellow of the ANZIIF, a Certified Insurance Professional (CIP) and a GAICD.

Scott Unterrheiner | Chief Financial Officer (CFO)

BCom (Accounting/Finance), GradDip CA

Scott Unterrheiner joined ARPC in November 2022. He spent over 10 years at Gen Re in various roles, including CFO and Chief Risk Officer for Asia Pacific, spanning both property and casualty and life reinsurance. Scott has a robust understanding of the Australian and international reinsurance sector 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 and financial services firms, in both Australia and the United Kingdom. He holds a Bachelor of Commerce in Accounting from Macquarie University and a Graduate Diploma in Chartered Accountancy from the Institute of Chartered Accountants.

Peter Matruglio | Interim CFO

BA (Accounting), FCA, CPA, GAICD

Peter (Pete) Matruglio was interim CFO from April 2022 to November 2022. During this time, ARPC ran an advertised executive search process.

Pete has extensive experience in the insurance sector and worked with a range of insurers and reinsurers locally and internationally during his career, as a partner with EY and Deloitte. Pete held several leadership positions at these firms including as Deloitte Australia's Insurance Sector Leader and as Member of Deloitte's Global Insurance Leadership Team. He was EY's Financial Services Risk Markets Leader, Europe, Middle East, India, and Africa.

Pete holds a BA in Accounting from the University of Canberra, is a FFCA Australia and New Zealand, a Certified Practising Accountant (CPA) and a GAICD. He is also an Adjunct Professor with the University of Canberra Facility of Business, Government and Law; and a Member of both the Heart Foundation's Risk, Audit and Governance Committee and the NSW Chartered Accountants Advisory Group.

Victoria Simpson | Chief Operating Officer (COO)

MSc, FIAA, GAICD

Victoria Simpson joined ARPC in January 2023 and has over 20 years' experience in financial services. She joined ARPC from her role as COO at Avant Law – a commercial law firm and subsidiary of Avant Mutual, Australia's largest medical defence organisation which provides indemnity insurance, business insurance and legal services to doctors. Previously, Victoria was Head of Group Strategy and Portfolio Management Office at Avant Mutual.

Victoria's career also includes 14 years at AMP where she held several prominent roles, most recently as Head of Insurance Proposition. Before that she was Head of Strategic Marketing – Wealth and Insurance and Head of Group Insurance Product and Pricing Actuary.

Victoria began her career as an actuary at Canada Life in County Dublin, Ireland. She holds a Master of Science in Computer Science and Applications from Queen's University in Belfast. She is a Fellow of the Institute of Actuaries in Australia and the United Kingdom and a GAICD.

Helen Williams | COO

BA (Hons), University of Adelaide

Helen Williams joined ARPC in October 2019. She has extensive multi-disciplinary experience in strategy, technology operations and defence.

Helen came from strategy consulting firm Strategy& (part of the PwC network) where she worked as a strategy consultant from 2014. Prior to that, Helen spent over 12 years in technology operations leadership with Lucent Technologies, Alcatel, and Nokia Siemens Networks. Her career also includes service as a Commissioned Officer with the Australian Army.

Helen departed ARPC in August 2022.

Michael Pennell PSM | Chief Underwriting Officer

BE, Advanced Management Program (Wharton), ANZIIF Fellow and CIP, GAICD

Michael Pennell has almost 30 years' industry experience, having held reinsurance management roles with Swiss Re and General Re prior to his role at ARPC. He started his career as a civil engineer.

Michael assists insurers and brokers to understand the terrorism pool and is responsible for negotiating and implementing ARPC's annual retrocession program. Michael also leads various projects that enable ARPC to develop and enhance its catastrophe modelling capabilities.

Michael is the Chair of the Reinsurance Faculty Advisory Board of ANZIIF and teaches reinsurance at the Institute's annual Reinsurance Study Course Seminar. He holds a Bachelor of Engineering from University of Technology, Sydney; has completed the Advanced Management Program at the University of Pennsylvania (Wharton School); is a Fellow and CIP with ANZIIF; and a GICD.

Michael was awarded the Public Service Medal (PSM) as part of the 2017 Australia Day Honours List for outstanding public service, after developing the terrorism pool.

Samantha Lawrence | Chief Risk and Governance Officer (CRGO)

BA (Hons), MBA

Samantha Lawrence joined ARPC on 1 March 2021 and has more than 15 years' experience in governance and Board secretary roles in the public sector, financial services, and insurance industries. Prior to joining ARPC, Samantha was Chief of Staff at Insurance and Care NSW (icare). She was their Executive Sponsor for diversity and inclusion and previously General Manager, Inclusion and Diversity. Samantha was icare's Company Secretary from its inception until 2017.

Samantha's role at ARPC includes accountability for the Board, risk management, compliance, and internal audit.

Samantha has Board secretary experience with a range of NSW Government organisations, including the former WorkCover NSW's Workers Compensation Insurance Fund; and Safety, Return to Work and Support.

Samantha has a Bachelor of Arts (Hons) in Archaeology and a MBA from the University of Southampton, United Kingdom. She has completed the AICD course.

Jason Flanagan | Chief Claims and Customer Officer (CCCO)

BCom (Accounting), GAICD

Jason Flanagan became ARPC's CCCO on 7 February 2022. His role covers both the terrorism and cyclone pools.

Jason has substantial experience across general insurance claims, transformation and customer functional areas within the insurance and financial services industries. His previous roles include Head of General Insurance Claims and Head of Customer Care and Regulatory Change at Westpac. He had an earlier role with BT Financial Group as Head of both Contact Centres and Customer Relations.

Jason has direct experience with natural disaster insurance claims management in northern Australia, gained through his role as Head of General Insurance Claims at Westpac. Jason was also on the ground during the Townsville floods in 2019, where he saw firsthand how such events impact local communities, and the important role general insurance plays.

Jason holds a Bachelor of Commerce (Accounting) from the University of New South Wales. He is a Chartered Accountant and GAICD.

Human resources

Human Resources (HR) provides people-related advice and support to ARPC's leaders and employees. It develops and implements HR strategic plans and policies including:

- strategic workforce planning
- remuneration and benefits
- engagement and enablement
- performance planning, management and review
- workplace relations
- diversity and inclusion
- learning and development
- safety and wellbeing
- payroll services.

Composition of ARPC's workforce

As at 30 June 2023, ARPC had 59 employees, an increase of 66 per cent from the previous reporting period. Employee numbers grew to meet the increased resourcing demands of preparing for and administering the cyclone pool. All employees are Sydney based – 56 full time and three part time. Fifty per cent are women, and the average age of employees is 42 years.

As at 30 June 2023, there were nine vacant positions, which is the balance of approved positions to administer both the terrorism and cyclone pools.

ARPC's recruitment processes and ongoing operational activities strive to create a diverse workplace providing equal opportunity employment. People can work in person and remotely, on an 'office-first' basis and within extended hours.

As at 30 June 2023, ARPC had one indigenous employee and one vacant indigenous intern role. These roles mean ARPC meets the Australian Government's indigenous employment target of three per cent, set after the Forrest Review. ARPC has proudly supported the Career Trackers indigenous internship program for five consecutive years.

Figure 6.1 shows ARPC's workforce composition by organisational level (classification) and gender, as at 30 June 2023.

Figure 6.1: Number of permanent employees by organisational level (classification) and gender, as at 30 June 2023

	Man/Male			Woman/Female			Non-binary	Preferred not to answer	Used a different term	Combined total
	Full time	Part time	Total	Full time	Part time	Total				Total
ARPC Level 2	–	–	–	–	–	–	–	–	–	–
ARPC Level 3	–	–	–		–	–	–	–	–	–
ARPC Level 4	2	–	2	–	–	–	–	–	–	2
ARPC Level 5	–	–	–	1	–	1	–	–	–	1
ARPC Level 6	5	–	5	9	1	10	–	–	–	15
EL[1] 1	8	–	8	12	1	13	–	–	–	21
EL[1] 2	9	–	9	4	1	5	–	–	–	14
SES[2]	4	–	4	2	–	2	–	–	–	6
Total	28	–	28	28	3	31	–	–	–	59

[1] Executive Level

[2] Senior Executive Service

Strong employee performance

At the start of each financial year, employees establish their performance objectives in alignment with organisational strategic objectives. Frequent performance conversations are held over the year, with formal discussions midway and at the end of the performance year. The performance framework focuses on performance against objectives and provides timely, meaningful feedback on progress and paths for improvement, development, and growth. The framework places equal weighting on both outcomes and behaviours:

- achieving outcomes against specific role-based objectives
- actions appropriate to organisational level (classification) as per ARPC's Capability Framework (based on the Australian Public Service Integrated Leadership System) and its values.

With support from HR, end of year performance ratings are finalised during a collaborative leadership team discussion. Performance is evaluated on a rating scale from one – 'not meeting standard' to five – 'exceeds standard'. Salary advancement requires satisfactory performance.

In 2022-23, all employees met performance expectations with a substantial number achieving either 'meets standard to a high degree' or 'exceeds standard'.

Annual employee engagement survey

This year, for the first time, ARPC used ORIMA Research to measure employee engagement. Staff satisfaction was 88 and commitment and loyalty 84. Overall employee engagement was 84 – approximately 14 points higher than the APS average. The results show our employees feel connected to ARPC's purpose, feel intrinsically motivated to contribute, and share an intent to stay.

Key management personnel remuneration

Figure 6.2 shows this year's remuneration for key management (Board Members and senior executives). members of the senior executive service (SES) receive company super contributions at 10.5 per cent of base salary, in line with the Superannuation Guarantee Contribution (SGC). Bonuses were paid during the reporting period and are disclosed in Figure 6.2.

Figure 6.2: Remuneration for key management personnel

Name	Position	Short term benefits			Long term benefits		Termination benefits	Total remuneration
		Base salary	Bonuses	Other allowances	Superannuation contributions	Long service leave		
Carson, Ian	Chair	$28,528	–	$4,763	$2,999	–	–	$36,290
Collins, Elaine	Member	$14,269	–	$4,287	$1,500	–	–	$20,056
Low, Robin[1]	Member	$11,536	–	$3,237	$1,212	–	–	$15,985
Fernandez, Maria[1]	Member	$11,536	–	$1,050	$1,212	–	–	$13,798
Schafer, Julie-Anne	Chair	$14,269	–	$3,208	$1,500	–	–	$19,049
Van der Schalk, Jan	Member	$14,269	–	$4,287	$1,500	–	–	$20,056
Foster, David[1]	Member	$11,536	–	$1,050	$1,212	–	–	$13,798
Horton, Evelyn[2]	Member	$2,733	–	–	$287	–	–	$3,021
Hurley, Eilis[2]	Member	$2,733	–	–	$287	–	–	$3,021
Raymond, Fran[2]	Member	$2,733	–	–	$287	–	–	$3,021
Shub, Oscar[2]	Member	$2,733	–	–	$287	–	–	$3,021
Wallace, Christopher	CEO	$454,810	$33,124	$6,159	$47,903	$32,205	–	$574,201
Pennell, Michael	CUO	$333,758	$24,539	$212	$35,752	$23,411	–	$417,672
Lawrence, Samantha	CRGO	$322,596	$23,237	$53	$33,968	$8,216	–	$388,070
Flanagan, Jason	CCCO	$309,775	$10,502	$671	$32,855	$6,064	–	$359,867
Unterrheiner, Scott[3]	CFO	$227,702	–	–	$22,582	$2,983	–	$253,267
Simpson, Victoria[4]	COO	$165,146	–	–	$16,453	$2,004	–	$183,603
Park, John[1]	CFO	$46,789	–	$577	$7,665	–	$86,222	$141,252
Williams, Helen[1]	COO	$27,523	–	–	$2,930	–	–	$30,453
Matruglio, Peter[1]	Interim CFO	$244,416	–	$504	$21,799	–	–	$266,719
		$2,249,390	**$91,402**	**$30,058**	**$234,190**	**$74,883**	**$86,222**	**$2,766,145**

1 Ceased during the period
2 Joined 23 April 2023
3 Joined November 2022
4 Joined January 2023

Non-executive employees

ARPC's Enterprise Agreement 2023-24 (the Agreement) came into effect on 26 January 2023. It sets out terms and conditions for non-executive employees. Non-executive employees receive a 15.4 per cent super contribution on top of their base salary.

In line with the Australian Public Service Commission Performance Bonus Guidance, published on 13 August 2021, ARPC removed discretionary performance bonuses from its remuneration arrangements for all employees effective from January 2023. Fixed remuneration for all classification levels were uplifted by 7.5 per cent in lieu of the 10 per cent performance bonus opportunity.

Figure 6.3: Remuneration for other highly paid non-executive employees

Remuneration band	Number of other highly paid staff	Short term benefits			Post-employment benefits	Other long term benefits		Termination benefits	Total remuneration
		Average base salary	Average bonuses	Average other benefits and allowances	Average superannuation contributions	Average long service leave	Average other long term benefits	Average termination benefits	Average total remuneration
$245,001 – $270,000	1	$245,795	–	$640	$34,432	$4,879	–	–	$285,746

A learning and development organisation

ARPC is committed to providing all employees with technical and professional development to expand their capability and knowledge. This is offered via a blend of on-the-job learning, exposure and experience, and formal learning.

This year, employees attended programs including:

- ACSC Ransomware exercise (JCSC Sydney)
- Security & Risk Management Summit (Gartner)
- CIO Summit (Gartner)
- Global InsurTech Summit (FinTech Global)
- RISC Reinsurance International Study Course – ANZIIF
- Writing for the Board – externally facilitated in-house training
- Australian Institute of Management Government Writing for Impact
- ANZIIF Diversity and Inclusion seminar
- Women in Public Sector Leadership summit
- ANZIIF Understand Reinsurance self-paced online unit of study
- National Institute of Dramatic Art (NIDA) Public Speaking Training: NIDA Presenting with Confidence
- HBDI Certification
- PRINCE 2 certification
- ANZIIF General Insurance Essentials self-paced online unit of study
- Prosci Change Management Training and Certification
- Fundamentals of Insurance and Reinsurance – externally facilitated in-house training
- Introduction to weather course: BoM
- Tropical Cyclone awareness: Early Warning Network.

Study assistance

Ongoing employees enrolled in education that supports ARPC's core business can access the study assistance program, which includes financial assistance and paid study days. This year assistance was provided for:

- Practising Certificate, Australian Human Resources Institute
- Graduate Diploma, Organisational Coaching and Leadership, Charles Sturt University
- Bachelor of Social Research and Policy, University of New South Wales.

Safety and Wellbeing

Every week, work, health, and safety (WHS) incidents and identified hazards are provided to the SES. The Board also receives regular reports. There were no significant incidents in 2022-23.

ARPC appoints, and formally trains, first aid representatives and emergency wardens. It also does the following to provide a safe working environment:

- uses strong, protective physical security, including air locks, alarms, and access controls
- ergonomic assessments and training
- takes appropriate precautions for preventing slips, trips and falls
- inspects and tags electronic devices
- inspects and tests fire mitigation systems and equipment
- hazard awareness training and promotion of a safety conscious culture
- an annual office inspection by employee representatives
- annual harassment, bullying and discrimination training
- emergency warden training and participation in building evacuation exercises.

In addition to trained First Aid Officers, ARPC introduced Mental Health First Aid Training in 2021-22 to support the broader ARPC team. ARPC will integrate this into the Safety and Wellbeing framework for all employees, as a standard optional annual training offer.

Wellbeing Committee

An employee-led Wellbeing Committee coordinates quarterly activities to support physical, emotional and mental wellbeing, and professional and personal development. With ARPC's expanded remit, the Wellbeing Committee focused on supporting employees to build internal relationships and helped foster a sense of belonging.

Activities included:

- team events, to recognise and celebrate the history, culture and achievements of Aboriginal and Torres Strait Islander peoples
- recognising and celebrating special days, including *International Women's Day, National Sorry Day, Reconciliation Week, Wear it Purple Day, R U OK? Day,* and *Jeans for Genes Day*
- wellbeing information communications (email/ Microsoft Teams messages)
- superannuation sessions to support financial wellbeing
- Australia's biggest morning tea
- table tennis competition
- employee picnic
- charity drives to support broader community social wellbeing.

Reconciliation Action Plan (RAP)

ARPC commenced the process to develop its first RAP. With guidance from Reconciliation Australia, ARPC is committed to developing a 'Reflect' RAP, which means scoping and developing relationships with Aboriginal and Torres Strait Islander stakeholders, deciding on ARPC's vision for reconciliation and exploring our sphere of influence. A RAP working group, consisting of indigenous and non-indigenous employees has been formed, with the CRGO as Executive sponsor.

Employee assistance program (EAP)

ARPC's Employee Assistance Program (EAP) offers confidential counselling and support services to all employees and immediate family members.

Lifestyle payment

Through the Agreement, non-executive employees can access an annual payment towards positive lifestyle expenses.

The lifestyle payment has 100 per cent participation and is often used by employees for fitness and wellbeing activities.

Resilience

ARPC focused on personal resilience during 2022-23, in line with its strategic priority to 'enhance and strengthen the resilience and preparedness of our people and organisation'.

The below activities support employees to reach their personal potential, and perform their role effectively if there is a DTI:

- providing and promoting ARPC's EAP
- actively promoting and encouraging general wellbeing
- conducting at least two thorough DTI scenario test scenarios in 2022-23
- conducting off-site sessions covering:
  - team building
  - self-actualisation
  - soft skills such as self-awareness, emotional intelligence, and communication.

Promoting an ethical working environment

ARPC continues to promote its Values and Code of Conduct.

Remote working

ARPC 's Remote Working Procedure and Extended Working Hours Procedure provide an 'office-first' hybrid working arrangement which sees employees working in person three days per week, which facilitates collaboration, learning and a positive contribution to the agency's culture. During the reporting period, ARPC did not have technical issues that negatively impacted an efficient working environment.

Australian Government
Australian Reinsurance Pool Corporation

7 Financial Statements


Sydney CBD

Contents

INDEPENDENT AUDITOR'S REPORT

To the Assistant Treasurer and Minister for Financial Services

Opinion

In my opinion, the financial statements of the Australian Reinsurance Pool Corporation (the Entity) for the year ended 30 June 2023:

(a) comply with Australian Accounting Standards – Simplified Disclosures and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and

(b) present fairly the financial position of the Entity as at 30 June 2023 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following as at 30 June 2023 and for the year then ended:

- Statement by the Accountable Authority, Chief Executive and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's responsibility for the financial statements

As the Accountable Authority of the Entity, the Board is responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Simplified Disclosures and the rules made under the Act. The Board is also responsible for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the ability of the Entity to continue as a going concern, taking into account whether the Entity's operations will cease as a result of an administrative restructure or for any other reason. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the assessment indicates that it is not appropriate.

GPO Box 707, Canberra ACT 2601
38 Sydney Avenue, Forrest ACT 2603
Phone (02) 6203 7300

Auditor's responsibilities for the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accountable Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office

Mark Vial
Executive Director

Delegate of the Auditor-General

Canberra

Sydney CBD

Statement by the Accountable Authority, Chief Executive and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2023 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Australian Reinsurance Pool Corporation will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the Members.

Signed for and on behalf of and in accordance with a resolution of the Members.

Ms Julie-Anne Schafer
Chair

20 September 2023

Dr Christopher Wallace
Chief Executive

20 September 2023

Mr Scott Unterrheiner
Chief Financial Officer

20 September 2023

Statement of Comprehensive Income

for the period ended 30 June 2023

	Notes	2023 $'000	2022 $'000
Premium revenue	1.1A	394,303	281,015
Outwards retrocession premium expense	1.1A	(65,643)	(65,617)
Commonwealth guarantee fee	1.1A	(55,000)	(55,000)
Net premium revenue		273,660	160,398
Claims expense	1.2A	(110)	–
Retrocession and other recoveries revenue	1.2A	–	–
Net claims expense		(110)	–
Management expenses	1.2B	(24,694)	(16,734)
Movement in deferred acquisition costs	2.1D(iii)	1,947	(57)
Underwriting result		250,803	143,607
Investment income	1.1B	29,791	3,618
Finance charges	1.2F	(6)	(9)
Operating result before capital holding fee		280,588	147,216
Capital holding fee		(35,000)	(35,000)
Operating result		245,588	112,216

The above statement should be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 30 June 2023

	Notes	2023 $'000	2022 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	2.1A	**5,598**	2,503
Trade and other receivables	2.1B	**188,186**	72,876
Investments	2.1C	**1,030,100**	774,200
Deferred insurance assets	2.1D	**35,968**	34,021
Total financial assets		**1,259,852**	883,600
Non-financial assets			
Leased premises	2.2A	**422**	1,403
Plant and equipment	2.2A	**234**	220
Intangibles	2.2A	**89**	132
Other non-financial assets	2.2B	**311**	299
Total non-financial assets		**1,056**	2,054
Total assets		**1,260,908**	885,654
LIABILITIES			
Insurance liabilities			
Unearned premium liability	2.3A	**270,500**	140,661
Gross outstanding claims	2.3B	**99**	–
Total insurance liabilities		**270,599**	140,661
Payables			
Suppliers	2.4A	**34,444**	34,011
Other payables	2.4B	**298**	157
Total payables		**34,742**	34,168
Provisions			
Employee provisions	3.1A	**1,076**	781
Other provisions	2.5A	**914**	1,132
Total provisions		**1,990**	1,913
Interest bearing liabilities			
Leases	2.6A	**343**	1,266
Total interest bearing liabilities		**343**	1,266
Total liabilities		**307,674**	178,008
Net assets		**953,234**	707,646
EQUITY			
Accumulated reserves		**–**	–
Asset revaluation reserve		**60**	60
Claims handling reserve		**67,200**	39,064
Reserve for claims		**885,974**	668,522
Total equity		**953,234**	707,646

The above statement should be read in conjunction with the accompanying notes.

Statement of Changes in Equity
for the period ended 30 June 2023

	Accumulated reserves		Asset revaluation reserve		Claims handling reserve		Reserve for claims		Total equity	
	2023 $'000	2022 $'000	**2023 $'000**	2022 $'000	**2023 $'000**	2022 $'000	**2023 $'000**	2022 $'000	**2023 $'000**	2022 $'000
Opening balance at 1 July	–	–	**60**	60	**39,064**	34,648	**668,522**	560,722	**707,646**	595,430
Income and expenses										
Net operating result	**245,588**	112,216	–	–	–	–	–	–	**245,588**	112,216
Total income and expenses	**245,588**	112,216	–	–	–	–	–	–	**245,588**	112,216
Asset revaluation reserve	–	–	–	–	–	–	–	–	–	–
Transfers between equity components										
Transfer to reserves	**(245,588)**	(112,216)	–	–	**28,136**	4,416	**217,452**	107,800	–	–
Transactions with owners										
Distributions to owners	–	–	–	–	–	–	–	–	–	–
Closing balance at 30 June	–	–	**60**	60	**67,200**	39,064	**885,974**	668,522	**953,234**	707,646

The above statement should be read in conjunction with the accompanying notes.

Accounting Policy

Transactions with Government as owners

Pursuant to section 38(3)(a) of the *Terrorism and Cyclone Insurance Act 2003* (TCI Act), the Minister may give written direction to require ARPC to make payments to the Commonwealth designed to ensure that sections 35 and 36 do not result in a competitive advantage for ARPC. Pursuant to section 38(3)(b) of the TCI Act, the Minister may give written direction to require ARPC to make payments to the Commonwealth in the nature of dividends. A direction was given by the Minister on 23 March 2023, to pay to the Commonwealth a sum of $90 million in the nature of a combined fee ($55 million Commonwealth guarantee fee and $35 million capital holding fee) (section 38(3)(a)). ARPC made these payments to the Commonwealth during 2023 totalled $90 million (2022: $90 million).

Reserves

The intention of the Government in establishing ARPC was that premiums would be used to accumulate reserves for future claims. The reserve for claims has been created to enable ARPC to build up the required pool.

Cash Flow Statement

for the period ended 30 June 2023

	Notes	2023 $'000	2022 $'000
OPERATING ACTIVITIES			
Cash received			
Premiums		451,736	315,698
Interest		17,863	2,423
Total cash received		469,599	318,121
Cash used			
Retrocession payments		67,265	67,421
Claim payments		12	–
Employees		9,640	5,605
Suppliers		13,138	9,617
Government		90,836	91,553
Net GST paid		28,598	23,308
Interest payments on lease liabilities		4	6
Total cash used		209,493	197,510
Net cash from operating activities		260,106	120,611
INVESTING ACTIVITIES			
Cash received			
Proceeds from maturities of term deposits		1,189,200	1,049,100
Total cash received		1,189,200	1,049,100
Cash used			
Placement of term deposits		1,445,100	1,168,600
Purchase of property, plant and equipment		189	195
Total cash used		1,445,289	1,168,795
Net cash used by investing activities		(256,089)	(119,695)
FINANCING ACTIVITIES			
Cash used			
Principal payments of lease liabilities		922	442
Total cash used		922	442
Net cash used by financing activities		(922)	(442)
Net increase in cash held		3,095	474
Cash and cash equivalents at the beginning of the reporting period		2,503	2,029
Cash and cash equivalents at the end of the reporting period	2.1A	5,598	2,503

The above statement should be read in conjunction with the accompanying notes.

Brisbane city

Overview

Objectives of Australian Reinsurance Pool Corporation

ARPC is a Commonwealth corporate entity established under the *Terrorism and Cyclone Insurance Act 2003* (TCI Act). It is wholly owned by the Commonwealth of Australia (Commonwealth). ARPC's vision is to be an effective provider of terrorism and cyclone risk reinsurance that facilitates private participation, supports national resilience and reduces losses arising from catastrophic events caused by terrorism and cyclone.

ARPC provides reinsurance for commercial property and associated business interruption losses arising from a Declared Terrorism Incident (DTI). The TCI Act renders terrorism exclusion clauses in eligible insurance contracts ineffective to the extent that the loss or liability is an eligible terrorism loss arising from a DTI.

ARPC also operates a reinsurance pool for cyclones and cyclone related flood damage under the TCI Act. The pool opened to insurers on 1 July 2022. The cyclone pool lowers insurance premiums for homes (including strata) and small businesses with high risk of damage arising from a Declared Cyclone Event (DCE), by reducing the cost of cyclone reinsurance, which is a significant cost component of premiums for these policies.

The ARPC Board is the accountable authority for the purposes of the PGPA Act. ARPC has the power to do all things necessary in connection with the performance of its functions. The continued existence of ARPC in its present form and with present scope is dependent upon Government policy.

The basis of preparation

The financial statements are general purpose financial statements and are required by section 42 of the PGPA Act 2013.

The financial statements have been prepared in accordance with:

a) *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR); and

b) the Australian Accounting Standards and Interpretations – including Simplified disclosures for Tier 2 entities under AASB1060, issued by the Australian Accounting Standards Board that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise stated.

The financial statements have been prepared on the basis that ARPC is a going concern.

New accounting standards

Consistent with Government policy, no accounting standard has been adopted earlier than the application date as stated in the standard. All new, revised, amending and/or interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have an impact on the entity's financial statements.

AASB 17 – Insurance Contracts

AASB 17 will replace AASB 4 Insurance Contracts, which currently permits a wide variety of insurance accounting practices. AASB 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

In July 2020, AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts deferred the AASB 17 effective date to 1 January 2023. In December 2022, AASB 2022-8 Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments further deferred the mandatory application date of AASB 17 for public sector entities to annual periods beginning on or after 1 July 2026.

ARPC will continue to apply AASB 4 and AASB 1023 General Insurance Contracts to annual periods beginning on or after 1 January 2023 but before 1 July 2026.

Taxation

ARPC is exempt from income tax by virtue of section 36 of the TCI Act. ARPC is subject to Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST). Revenues, expenses, and assets are recognised net of the amount of GST except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office; or
- for receivables and payables.

Insurance

ARPC has insured its operating risks with a number of leading insurers using the brokering services of Aon Risk Services Australia Limited. The insurance coverage includes Directors and Officers Liability, Public and Products Liability, Group Journey Injury Insurance, Corporate Travel Insurance, Cyber Liability Insurance and Business Package Insurance. Workers Compensation is insured through Comcare Australia.

Assets backing general insurance liabilities

With the exception of property, plant and equipment and intangibles, ARPC has determined that all assets are held to back general insurance liabilities.

Events after the reporting period

ARPC is not aware of any significant events that have occurred since reporting date which warrant disclosure in these financial statements.

Notes to the financial statements

1 Financial performance

This section analyses the financial performance of ARPC for the financial year ended 30 June 2023.

1.1 Revenue

1.1A: Net premium revenue	**2023 $'000**	2022 $'000
Gross written premium	**524,142**	297,001
Movement in unearned premium reserve	**(129,839)**	(15,986)
Total premium revenue	**394,303**	281,015
Outwards retrocession premium expense	**(65,643)**	(65,617)
Commonwealth guarantee fee	**(55,000)**	(55,000)
Net premium revenue	**273,660**	160,398

Accounting policy

1. Terrorism pool

Premium revenue

Premium revenue comprises amounts charged to insurers, excluding taxes collected on behalf of third parties. The earned portion of premiums received and receivable, including accrued premium, is recognised as revenue in the Statement of Comprehensive Income. Premiums are recognised as earned based on time from the date of attachment of risk. Premiums not received at reporting date and for the quarter ended 30 June 2023 are recognised as premiums receivable in the Statement of Financial Position. The proportion of premium received, or receivable not earned in the Statement of Comprehensive Income at the reporting date is recognised in the Statement of Financial Position as unearned premium.

Unearned premiums are determined using the one eighth method, a fractional method of calculation of the balance. This method is driven by the assumption that the risk attached to the revenue ceded expires evenly over each quarter of the financial year.

Premiums on unclosed business are brought to account using estimates based on the previous year's actual unclosed business with due allowance made for any changes in the pattern of new business and renewals.

Retrocession premium expense

Amounts paid to retrocessionaires are recorded as an outwards retrocession premium expense and are recognised in the Statement of Comprehensive Income from the attachment date over the contract indemnity period. This is in accordance with the expected pattern of the incidence of risk ceded.

Commonwealth guarantee fee

Pursuant to section 38(3)(a) of the TCI Act, the Minister may give written direction to require ARPC to make payments to the Commonwealth designed to ensure that sections 35 and 36 do not result in a competitive advantage for ARPC. A direction was given by the Minister on 23 March 2023, to pay to the Commonwealth a sum of $55 million in the nature of a Commonwealth guarantee fee for the terrorism pool. The guarantee is an unlimited solvency guarantee, but the reduction percentage mechanism is designed to limit the guarantee to $10 billion.

2. Cyclone pool

Premium revenue

Premium revenue is accounted for based on insurer returns received which are submitted a quarter in arrears. For periods not covered by insurer returns, ARPC estimates premium using provisional insurer data.

The release of the unearned premium reserve over the life of a reinsurance contract should relate to the pattern of risk transfer assumed from the cedant (client) to the reinsurer (ARPC). For the cyclone pool, the seasonal nature of cyclone risk means the earnings are more substantial through the November to April periods. To find the correct earning patterns, commensurate with risk transfer, ARPC reviewed historical frequency and severity of cyclone events and mirrored a monthly earning pattern.

Retrocession premium expense

ARPC does not have retrocession cover for the cyclone pool with claims to be funded via premium receipts. In the event that funds received do not cover the cost of claims, ARPC will use funds received from the terrorism pool and look to cover any further shortfall by calling on the government guarantee.

1.1B: Investment income	**2023 $'000**	2022 $'000
Cash at bank	1,885	2
Term deposits	27,906	3,616
Total investment income	29,791	3,618

Accounting policy

Interest revenue is recognised using the effective interest method.

1.2 Expenses

1.2A: Net claims expense	**2023 $'000**	2022 $'000
Gross claims paid	11	–
Movement in net discounted central estimate	68	–
Movement in risk margin	31	–
Total claims expense	110	–
Retrocession and other recoveries revenue	–	–
Recoveries revenue from Commonwealth guarantee	–	–
Net claims expense	110	–

Accounting policy

Net claims expense is the difference between the net outstanding claims liability (as described in note 2.3) at the beginning and the end of the financial year plus any claims payments made net of reinsurance and other recoveries received during the financial year.

There were four cyclone events declared for the purpose of the *Terrorism and Cyclone Insurance Act 2003* during the reporting period. $11K in claims were paid and $99K outstanding claims liability were taken up as at 30 June 2023 (as described in note 2.3).

There were no declared terrorist incidents during the reporting period.

1.2B: Management expenses	**Notes**	**2023 $'000**	2022 $'000
Employee benefits	1.2C	10,076	5,821
Suppliers	1.2D	13,341	10,092
Depreciation and amortisation	1.2E	1,183	819
Impairment loss on financial instruments		94	–
Losses from asset sales		–	2
Total management expenses		24,694	16,734

The establishment of the cyclone pool which became effective 1 July 2022 has resulted in increased permanent staff numbers and the use of external consultants in an advisory capacity.

1.2C: Employee benefits	**2023 $'000**	2022 $'000
Wages and salaries	7,867	4,685
Superannuation:		
Defined contribution plans	1,153	652
Defined benefit plans	4	3
Leave and other entitlements	888	437
Separation and redundancies	164	44
Total employee benefits	10,076	5,821

Accounting policy

Accounting policies for employee related expenses are contained in the People and Relationships section.

1.2D: Suppliers	**2023 $'000**	2022 $'000
Goods and services supplied or rendered		
Consultants	8,442	6,991
Reinsurance broker services	338	326
External audit service	115	105
Information and Communication Technology Services (ICT Services)	1,750	1,031
Shared services	83	127
Legal fees	343	371
Staff development and training	198	38
Travel	356	37
Other	1,693	1,048
Total goods and services supplied or rendered	13,318	10,074
Goods supplied	163	221
Services rendered	13,155	9,853
Total goods and services supplied or rendered	13,318	10,074
Other supplier expenses		
Workers compensation insurance	23	18
Total other supplier expenses	23	18
Total supplier expenses	13,341	10,092

1.2E: Depreciation and amortisation	**2023 $'000**	2022 $'000
Depreciation		
Leasehold improvements	182	159
Property, plant and equipment	159	97
Total depreciation	341	256
Amortisation		
Intangibles – computer software	43	43
Right-of-use asset – office lease	799	520
Total amortisation	842	563
Total depreciation and amortisation	1,183	819

Accounting policy

Accounting policies for depreciation and amortisation are contained in the non-financial assets section.

1.2F: Finance charges	**2023 $'000**	2022 $'000
Bank charges	2	3
Interest on lease liabilities	4	6
Total finance charges	6	9

Accounting policy

All finance charges are expensed as incurred.

2 Financial position

This section analyses ARPC's assets used to conduct its operations and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section.

2.1 Financial Assets

2.1A: Cash and cash equivalents	**2023 $'000**	2022 $'000
Cash at bank	**5,598**	2,503
Total cash and cash equivalents	**5,598**	2,503

Accounting policy

Cash and cash equivalents include notes and coins held and any deposits in bank accounts with an original maturity of three months or less and subject to insignificant risk of valuation changes. Cash is recognised at the nominal amount.

2.1B: Trade and other receivables	**2023 $'000**	2022 $'000
Premium receivable	**174,036**	70,576
Interest receivable	**14,101**	2,173
GST receivable from the Australian Taxation Office	**143**	127
Total trade and other receivables (gross)	**188,280**	72,876
Less expected credit loss allowance	**(94)**	–
Total trade and other receivables (net)	**188,186**	72,876

Credit terms are net 30 days (2022: 30 days). Trade debtors are non-interest bearing.

Interest receivable

Effective interest rates on cash and term deposits range from 0.25% to 5.52% (2022: 0.27% to 3.50%) and the frequency of payment is monthly for cash accounts and on maturity for term deposits.

Accounting policy

Amounts due from policyholders and intermediaries are initially recognised at fair value, being the amounts due. They are subsequently measured at fair value, which is approximated by taking the initially recognised amount and reducing it for impairment, as appropriate.

For premium receivable, a provision for impairment is established when there is objective evidence that ARPC will not be able to collect all amounts due according to the original terms of the receivables. The remainder of ARPC's receivables are assessed for impairment based on expected credit losses. Any increase or decrease in the provision for impairment is recognised in the Statement of Comprehensive Income.

2.1C: Investments	**2023 $'000**	2022 $'000
Fixed interest term deposits	**1,030,100**	774,200
Total investments	**1,030,100**	774,200

Term deposits at balance date are held with Authorised Deposit-Taking Institutions regulated by APRA. These deposits earned an effective rate of interest of 2.89% over the year (2022: 0.48%). Interest is payable on maturity for all term deposits. Terms are between 91 and 365 days (2022: 91 and 365 days).

Accounting policy

Fixed interest deposits are carried at the face value of the amounts deposited, which reflects the fair value. The interest due on maturity is accrued as a receivable.

2.1D: Deferred insurance assets	Notes	**2023 $'000**	2022 $'000
(i) Deferred insurance assets			
Deferred retrocession premium	2.1D(ii)	**33,091**	33,091
Deferred acquisition costs	2.1D(iii)	**2,877**	930
Total deferred insurance assets		**35,968**	34,021
(ii) Deferred retrocession premium			
Deferred retrocession premium as at 1 July		**33,091**	33,065
Retrocession premium deferred		**33,091**	33,091
Amortisation charged to expense		**(33,091)**	(33,065)
Deferred retrocession premium as at 30 June		**33,091**	33,091
(iii) Deferred acquisition costs			
Deferred acquisition costs as at 1 July		**930**	987
Capitalised acquisition costs		**7,675**	1,967
Amortisation charged to expense		**(4,168)**	(2,024)
Write-down of deferred acquisition costs		**(1,560)**	–
Deferred acquisition costs as at 30 June		**2,877**	930
Deferred acquisition costs at the end of the reporting period		**2,877**	930
Deferred acquisition costs at the beginning of the reporting period		**930**	987
Movement in deferred acquisition costs		**1,947**	(57)

Accounting policy

Deferred acquisition costs

Acquisition costs are incurred in obtaining and recording policies of insurance. They include legal, advertising, risk assessment and other administrative costs.

A portion of acquisition costs relating to unearned premium revenue is deferred in recognition in that it represents future benefits to ARPC, where they can be reliably measured and where it is probable that they will give rise to premium revenue that will be recognised in the Statement of Comprehensive Income in subsequent reporting periods. Deferred acquisition costs are measured at the lower of cost and recoverable amount. These costs are amortised on the same basis as the earning pattern of the corresponding premium revenue.

Deferred retrocession premium

Deferred retrocession premiums are recognised as part of deferred insurance assets. The amortisation of deferred retrocession premiums is in accordance with the pattern of retrocession benefit received. The amount deferred represents the future economic benefit to be received from the retrocession contracts.

2.2 Non-Financial Assets

2.2A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles

Reconciliation of the opening and closing balances of property, plant and equipment and intangibles for 2023

	Leased premises $'000	Plant and equipment $'000	Intangibles – computer software purchased $'000	Total $'000
As at 1 July 2022				
Gross book value	3,464	457	2,361	6,282
Accumulated depreciation, amortisation and impairment	(2,061)	(237)	(2,229)	(4,527)
Total as at 1 July 2022	**1,403**	**220**	**132**	**1,755**
Additions – By purchase	–	173	–	173
Depreciation and amortisation expense	(182)	(159)	(43)	(384)
Amortisation on right-of-use asset	(799)	–	–	(799)
Asset disposal	–	–	–	–
Accumulated depreciation on asset disposal	–	–	–	–
Other movements – transfer between classes	–	–	–	–
Total as at 30 June 2023	**422**	**234**	**89**	**745**
Total as at 30 June 2023				
Gross book value	3,464	630	2,361	6,455
Accumulated depreciation, amortisation and impairment	(3,042)	(396)	(2,272)	(5,710)
Total as at 30 June 2023	**422**	**234**	**89**	**745**
Carrying amount of right-of-use asset included in the total above	346	–	–	346

No indicators of impairment were found for property, plant and equipment and intangibles (2022: Nil). At the time of preparing the prior year financial statements, there were no plans to dispose any material assets within the next 12 months.

Accounting policy

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Assets acquired at no cost or for nominal consideration are initially recognised as assets and income at their fair value at the date of acquisition.

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than $2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is also relevant to make good provisions in property leases taken up by ARPC where there exists an obligation to restore the property back to its original condition. These costs are included in the value of ARPC's leasehold improvements with a corresponding provision for the make good recognised.

Lease Right of Use (ROU) Assets

Leased ROU assets are capitalised at the commencement date of the lease and comprise of the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentives received. These assets are accounted for by Commonwealth lessees as separate asset classes to corresponding assets owned outright but included in the same column as where the corresponding underlying assets would be presented if they were owned.

An impairment review is undertaken for any right of use lease asset that shows indicators of impairment and an impairment loss is recognised against any right of use lease asset that is impaired. Leased ROU assets continue to be measured at cost after initial recognition.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to ARPC using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2023 $'000	2022 $'000
Leasehold improvements	**Lease term**	Lease term
Plant and equipment	**3 to 8 years from purchase date**	3 to 8 years from purchase date

The depreciation rates for ROU assets are based on the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term.

Impairment

All assets were assessed for impairment at 30 June 2023. Where indications of impairment exist, the asset's recoverable amount is estimated, and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Intangibles

Software development expenditure that meets the criteria as an intangible asset is capitalised in the Statement of Financial Position and amortised over its expected useful life, subject to impairment testing. Costs incurred in researching and evaluating a project up to the point of formal project commitment are treated as research costs and are expensed as incurred.

ARPC's intangibles comprise purchased software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses. Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of ARPC's software assets are 4 to 5 years (2022: 4 to 5 years).

All software assets were assessed for indications of impairment as at 30 June 2023.

2.2B: Other non-financial assets	**2023 $'000**	2022 $'000
Prepayments	**311**	299
Total other non-financial assets	**311**	299

2.3 Insurance Liabilities

2.3A: Unearned premium liability	Notes	2023 $'000	2022 $'000
Unearned premium liability	2.3A(i)	270,500	140,661
Total unearned premium liability		270,500	140,661
(i) Unearned premium liability as at 1 July		140,661	124,675
Deferral of premiums on contracts written in the reporting period		270,500	140,661
Earning of premiums written in the previous reporting periods		(140,661)	(124,675)
Unearned premium liability as at 30 June		270,500	140,661

2.3B: Gross outstanding claims	2023 $'000	2022 $'000
Gross outstanding claims	99	–
Total gross outstanding claims	99	–
Gross discounted central estimate	68	–
Risk margin	31	–
Gross outstanding claims	99	–
Reinsurance and other recoveries on outstanding claims	–	–
Net outstanding claims	99	–

Accounting policy

Gross discounted central estimate of outstanding claims

The gross discounted central estimate is the present value of the expected future payments for claims incurred prior to the reporting date and includes estimated claims handling costs.

Expected future payments for claims incurred on the cyclone pool are based on loss modelling of DCE and actuarial development of reported claims. Claims handling costs for the cyclone pool are based on benchmark expense rates for comparable reinsurers and consistent with cyclone pool pricing assumptions.

The gross discounted central estimate of outstanding claims on the terrorism pool is nil based on the absence of declared terrorism events prior to the balance date.

Incurred claims

Expected future payments for claims incurred on the cyclone pool are based on loss modelling of declared cyclone incidents and actuarial development of reported claims. Actuarial development factors are set based on industry benchmarks and applied to claims incurred to date.

Reinsurance and other recoveries on outstanding claims

Reinsurance recoveries are also nil on the terrorism pool in the absence of any claims. There is no reinsurance agreement for the cyclone pool.

Risk margin

AASB 1023 *General Insurance Contracts* requires an entity to adopt a risk margin on outstanding claims liability that relates to the inherent uncertainty in the central estimate. Whilst having discretion on the level of sufficiency, ARPC has elected to include a risk margin on outstanding claims liability at 75% probability of sufficiency (PoS) for comparability with the PoS commonly used by private insurers for regulatory purposes. The risk margin on outstanding claims liability is calculated based on the distribution of simulated losses (from catastrophe risk models) for each declared cyclone incident.

Discount rate used to determine the outstanding claims liability

AASB 1023 *General Insurance Contracts* requires that the net central estimate is discounted to reflect the time value of money using risk-free rates. These rates are derived from market yields on government securities.

Liability adequacy test

AASB 1023 *General Insurance Contracts* requires the application of a liability adequacy test (LAT) upon unearned premiums. Where this test indicates that ARPC's unearned premiums are insufficient to cover the premium liability, being the valuation of future cash flows relating to claims under the policies associated with those premiums, the difference is recognised in the Statement of Comprehensive Income as an Unexpired Risk Liability. This test is performed at a portfolio of contracts level using contracts that are subject to broadly similar risks and managed together as a single portfolio, which means that the test is performed separately for the terrorism pool and the cyclone pool. Results of the LAT are shown in the table below.

	Cyclone pool ($000s)	Terrorism pool ($000s)	Total ($000s)
Premium liability	91,388,228	69,498,574	160,886,802
Risk margin on premium liability	3,229,251	13,899,715	17,128,966
Premium liability (plus risk margin)	94,617,479	83,398,289	178,015,767
Unearned premium	96,752,985	173,746,435	270,499,420
Less: Deferred acquisition costs (net of write-down)	**2,135,506**	**742,205**	2,877,712
Premium deficiency (unearned premium less deferred acquisition costs less premium liability (plus risk margin))	–	–	–
Unexpired risk liability	–	–	–

For purposes of the LAT, the premium liability (central estimate valuation of future cash flows) is calculated as the unearned premium multiplied by a loss ratio. The loss ratio assumptions for the cyclone pool are based on individual cedant experience whilst a loss ratio of 40% is used for the terrorism pool based on industry benchmarks for low frequency and high severity classes of business. The premium liability loss ratios have been set at a level which allows for discounting at risk free rates and include allowances for claims administration expenses and policy administration expenses.

ARPC has elected to use a risk margin set at a 65% level of sufficiency on the premium liabilities, to recognise the inherent uncertainty in the central estimate of premium liabilities. The selected level of sufficiency for the risk margin on premium liability reflects ARPC's appetite for the risk of a deficiency in premium, given the approach to pricing and access to a Commonwealth guarantee. This results in a risk margin of 3.5% for the cyclone pool (calculated based on the distribution of simulated losses from catastrophe loss models) and 20.0% for the terrorism pool (based on industry benchmarks of low frequency and high severity classes of business).

In accordance with the requirements of AASB 1023, ARPC have written down the deferred acquisition costs (DAC) on the cyclone pool by $1,560K, to prevent recognition of a premium deficiency which would otherwise apply.

The LAT results indicate that unearned premiums less DAC (net of write-downs where applicable) are sufficient to cover premium liabilities on unexpired policies at 30 June 2023 for both pools and as such, ARPC has an unexpired risk liability of nil.

2.4 Payables

2.4A: Supplier payables	2023 $'000	2022 $'000
Retrocession payable	32,821	32,820
Trade creditors	92	–
Accruals	1,531	1,191
Total supplier payables	34,444	34,011

Retrocession payable:

In accordance with ARPC's retrocession treaty expiring 31 December 2023, the retrocession premium is paid quarterly in advance. Settlement is made net 30 days.

Trade creditors:

Settlement is made net 30 days.

All of ARPC's liabilities are guaranteed by the Commonwealth by virtue of section 35 of the TCI Act.

Accounting policy

Financial liabilities are classified as financial liabilities measured at amortised cost. Financial liabilities are recognised and derecognised upon 'trade date'. They represent trade creditors, accruals and leases and are recognised at the amounts at which they are expected to be settled. Financial liabilities are recognised to the extent that the goods or services have been received (irrespective of having been invoiced).

All payables are unsecured and are paid within credit terms.

2.4B: Other payables	2023 $'000	2022 $'000
Salaries and wages	260	138
Superannuation	38	19
Total other payables	298	157

Accounting policy

Accounting policies for employee related payables are contained in the People and Relationships section.

2.5 Other Provisions

2.5A: Other provisions	Provision for restoration $'000	Other provisions $'000	Total $'000
Carrying amount as at 1 July 2021	122	1,268	1,390
Additional provisions made	59	–	59
Amounts used	–	(317)	(317)
Unwinding of discount	–	–	–
Amounts owing at 30 June 2022	181	951	1,132
Additional provisions made	–	–	–
Amounts used	–	(218)	(218)
Unwinding of discount	–	–	–
Amounts owing at 30 June 2023	181	733	914

Provisions noted in Other provisions relate to future premium refunds payable.

ARPC currently has three (2022: three) agreements for the leasing of premises which has a provision requiring ARPC to restore the premise to their original condition at the conclusion of the lease. ARPC has made a provision to reflect the present value of this obligation.

2.6 Interest Bearing Liabilities

2.6A: Leases	**2023 $'000**	2022 $'000
Lease liabilities		
Office lease	343	1,266
Total leases	343	1,266
Maturity analysis – contractual undiscounted cash flows		
Within 1 year	450	927
Between 1 to 5 years	–	343
More than 5 years	–	–
Total leases	450	1,270

Total cash outflows for leases for the year ended 30 June 2023 was $837,833 (2022: $447,375).

The above lease disclosures should be read in conjunction with the accompanying notes 2.2A and 2.6A.

Accounting policy

For all new contracts entered into, ARPC considers whether the contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

Once it has been determined that a contract is, or contains a lease, the lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease, if that rate is readily determinable, or the department's incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification to the lease. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset or profit and loss depending on the nature of the reassessment or modification.

3 People and Relationships

This section describes a range of employment and post-employment benefits provided to our people and our relationships with other key people.

3.1 Employee Provisions

3.1A: Employee provisions	**2023 $'000**	2022 $'000
Leave	1,076	781
Total employee provisions	1,076	781

Accounting policy

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave, as all sick leave is non-vesting and the average sick leave taken in future years by employees of ARPC is estimated to be less than the annual sick leave entitlement.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken. This includes ARPC's employer superannuation contribution rates and other employee benefits to the extent that the leave is likely to be taken during service, rather than being paid out on termination.

The liability for long service leave is the present value of employee entitlements based on the Australian Government shorthand method as per the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Superannuation

Superannuation guarantee contributions are made by ARPC for employees and Members.

The default superannuation scheme is AustralianSuper.

The liability for superannuation recognised as at 30 June 2023 represents the outstanding contributions for the final fortnight of the year.

3.2 Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of ARPC, directly or indirectly, including any director (whether executive or otherwise) of ARPC. ARPC has determined the key management personnel to be the Responsible Minister, ARPC's Board Members, the Chief Executive, the Chief Underwriting Officer, the Chief Claims and Customer Officer, the Chief Operating Officer, the Chief Financial Officer and the Chief Risk and Governance Officer.

Key management personnel remuneration is reported in the table below:

	2023 $	2022 $
Short-term employee benefits	**2,370,850**	1,901,326
Post-employment benefits	**234,190**	186,881
Other long-term employee benefits	**74,883**	80,374
Termination benefits	**86,222**	–
Total key management personnel remuneration expense	**2,766,145**	2,168,581

The total number of key management personnel that are included in the above table are 20 (2022: 14).

The above key management personnel remuneration excludes the remuneration and other benefits of the Responsible Minister. The Responsible Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by ARPC.

3.3 Related Party Disclosures

Members of ARPC at 30 June 2023 were:

Mr Ian Carson AM

Ms Elaine Collins

Ms Julie-Anne Schafer

Mr Jan van der Schalk

Ms Evelyn Horton

Ms Eilis Hurley

Ms Fran Raymond

Mr Oscar Shub

Changes in membership during the year:

- Ms Evelyn Horton was appointed effective 23 April 2023 for a 3-year term.
- Ms Eilis Hurley was appointed effective 23 April 2023 for a 3-year term.
- Ms Fran Raymond was appointed effective 23 April 2023 for a 3-year term.
- Ms Oscar Shub was appointed effective 23 April 2023 for a 3-year term.
- Ms Robin Low's term ended 22 April 2023.
- Ms Maria Fernandez's term ended 22 April 2023.
- Mr David Foster's term ended 23 April 2023.
- Mr Ian Carson AM's term ended 30 June 2023.

Other than where noted, Members held their positions for the full year.

Key management personnel employed by ARPC at 30 June 2023 were:

- Dr Christopher Wallace – Chief Executive.
- Mr Jason Flanagan – Chief Claims and Customer Officer.
- Ms Samantha Lawrence – Chief Risk and Governance Officer.
- Mr Michael Pennell PSM – Chief Underwriting Officer.
- Ms Victoria Simpson – Chief Operating Officer (appointed on 30 January 2023).
- Mr Scott Unterrheiner – Chief Financial Officer (appointed on 14 November 2022).

Related party relations:
ARPC is an Australian Government controlled entity established by section 9 of the TCI Act. ARPC is only authorised to transact business and carry out functions as provided in the TCI Act or as approved or directed by the Minister. ARPC's liabilities are guaranteed by the Commonwealth by virtue of section 35 of the TCI Act. Related parties to ARPC are the Members, Key Management Personnel including the Responsible Minister and Cabinet, and other Australian Government entities.

Transactions with related parties:
Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. These transactions are disclosed in the table below. Apart from the items disclosed in the table below and in note 3.2 relating to the remuneration and expenses of key management personnel during the year, there were no further related party transactions.

The following transactions with related parties occurred during the year. The prior year comparative was shown on a cash basis.

		2023 $	2022 $
Related Party – Owner	Purpose		
The Treasury	Commonwealth guarantee fee	**55,000,000**	55,000,000
The Treasury	Capital holding fee	**35,000,000**	35,000,000
The Treasury	Provision of corporate support services to ARPC	**102,813**	133,989
The Treasury	Provision of professional actuarial services to ARPC	**66,449**	9,461
Australian Government Solicitor	Provision of legal services	**261,340**	126,237
Comcare	Workers compensation insurance premiums	**23,465**	18,277
Artbank	Hire of artwork	**4,563**	–
Geoscience Australia	Maintenance of loss estimate model	**351,500**	575,000
Dept of Education, Skills and Employment	Onboarding consulting	**10,587**	9,755
Dept of Infrastructure Transport & Regional Development	Copyright fees	**–**	1,214
		90,820,717	90,873,933
Total Related Party Transactions		**90,820,717**	90,873,933

4 Managing uncertainties

This section analyses how ARPC manages risks within its operating environment.

4.1 Risk Management

ARPC's approach to managing risk is consistent with the Australian/New Zealand Standard for Risk Management (AS/NZS IS0 31000:2018) and aligns with the Commonwealth Risk Management Policy. The Board maintains a Risk Appetite Statement, and monitors performance reports against this statement provided by management at each Board meeting. The Board-approved Risk Management Policy outlines the commitment of the Board and senior management to promote a supportive risk culture, set risk objectives, provide training and resources for risk management activities, manage and report risk information, and monitor, review and continually improve. The Risk Management Policy describes the key risk types and the systems and controls to manage these.

ARPC's broad risk categories are:

- Strategic risk – risk exposures that relate to the adequacy of strategic planning and corporate plan design, external events that affect business strategy decisions, and other strategy factors that are critical to the growth and performance of the ARPC.
- Financial risk – risk exposures that relate to the financial capacity of the ARPC to continue its business operations.
- Insurance risk – risk exposures that relate to the lines of reinsurance business underwritten by the ARPC and the net financial impacts of the associated insurance business to the financial position and performance of the ARPC, including pricing, underwriting, retrocession protection, modelling and reserving. The credit risks associated with the retrocession program for the terrorism pool are considered under financial risk.
- Operational risk – risks exposures that relate to failures in business practices of the ARPC, including ongoing business-as-usual arrangements and the management of projects as they arise from time-to-time.

Within each of these categories, risks are assessed and managed such that these are within risk appetite.

ARPC is exposed to financial risks such as capital risk, market risk, credit risk, and liquidity risk. It seeks to minimise potential adverse effects on its financial performance through its risk management framework. The key objectives are capital stability, accessibility, and rate of return.

Capital risk

ARPC's capital structure to cover claims from Declared Terrorist Incidents (DTIs) and declared cyclone incidents are outlined below:

- ARPC has access to its reserve for claims in cash and investments of $953 million (2022: $708 million);
- In the event of a DTI, ARPC would be required to pay $225 million (2022: $225 million) before claiming on its retrocession program;
- In the event of a DTI, ARPC has access to a $3.475 billion retrocession program in excess of the $225 million retention (2022: $3.475 billion retrocession program, in excess of $225 million); and
- ARPC has access to a Commonwealth guarantee for the due payment of money that may become payable by ARPC to any person other than the Commonwealth. If a DTI occurs, the Minister must specify a pro rata (percentage) reduction in claims to be paid out by insurers if, in the absence of such a reduction percentage, the total amounts payable by the Commonwealth might exceed $10 billion (2022: $10 billion).

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factors. Market risk comprises two types of risk:

- interest rate risk (owing to fluctuations in market interest rates); and
- pricing risk (owing to fluctuations in market prices).

Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial instruments with floating rate interest expose ARPC to cash flow interest rate risk, whereas fixed interest rate instruments expose ARPC to fair value interest rate risk.

The policy notes ARPC must comply with the requirements of the PGPA Act. Section 59(1)(b) of the PGPA Act provides that a corporate Commonwealth entity may invest surplus money:

(i) on deposit with a bank, including a deposit evidenced by a certificate of deposit; or

(ii) in securities of, or securities guaranteed by, the Commonwealth, a State or a Territory; or

(iii) in any other form of investment authorised by the Finance Minister in writing; or

(iv) in any other form of investment prescribed by the rules; or

(v) for a government business enterprise – in any other form of investment that is consistent with sound commercial practice.

ARPC actively manages portfolio duration. The maturity profile of ARPC's interest bearing financial assets, the exposure to interest rate risk and the effective weighted average interest rate is listed below.

	Notes	Floating interest rate	Fixed interest rate maturing in			Total
		1 year or less	1 year or less	1 to 5 years	> 5 years	
		2023 $'000	**2023 $'000**	**2023 $'000**	**2023 $'000**	**2023 $'000**
Interest bearing financial assets						
Cash and cash equivalents	2.1A	**5,598**	**–**	**–**	**–**	**5,598**
Fixed term deposits	2.1C	**–**	**1,030,100**	**–**	**–**	**1,030,100**
Total		**5,598**	**1,030,100**	**–**	**–**	**1,035,698**
Weighted average interest rate		**0.00%**	**4.66%**	**–**	**–**	**4.66%**

	Notes	Floating interest rate	Fixed interest rate maturing in			Total
		1 year or less	1 year or less	1 to 5 years	> 5 years	
		2022 $'000	2022 $'000	2022 $'000	2022 $'000	2022 $'000
Interest bearing financial assets						
Cash and cash equivalents	2.1A	2,503	–	–	–	2,503
Fixed term deposits	2.1C	–	774,200	–	–	774,200
Total		2,503	774,200	–	–	776,703
Weighted average interest rate		0.00%	1.13%	–	–	1.13%

For sensitivity assessments, the Department of Finance deemed a 104-basis point change to be reasonably possible and ARPC has considered the implied financial impact of the deemed 104 basis point change (2022: 79-basis point change). The table below details the interest rate sensitivity analysis of ARPC's financial assets at the reporting date, holding all other variables constant.

	Movement in variable		Financial impact			
			Profit/Loss		Equity	
	2023 %	2022 %	**2023 $'000**	2022 $'000	**2023 $'000**	2022 $'000
Interest rate movement						
– Interest bearing	**+1.04**	+0.79	**10,771**	6,136	**10,771**	6,136
Financial assets	**-1.04**	-0.79	**(10,771)**	(6,136)	**(10,771)**	(6,136)

Pricing risk

Pricing risk is the risk that the fair value of a financial instrument's future cash flows will fluctuate because of market price changes, other than those arising from interest rate or currency risk. These changes can be caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar, financial instruments traded on the market.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge a financial obligation. The following policies and procedures are in place to mitigate ARPC's credit risk:

- premium debtors in respect of credit risk are monitored monthly; and
- an approved investment management policy document. Compliance with the policy is monitored and reported monthly.

The following table provides information regarding the aggregate credit risk exposure to ARPC in respect of financial assets. The table classifies the assets according to Standard & Poor's counterparty credit ratings.

		Credit rating					
		AAA	**AA-**	**A+**	**A**	**Unrated**	**Total**
	Notes	**2023 $'000**	**2023 $'000**	**2023 $'000**	**2023 $'000**	**2023 $'000**	**2023 $'000**
ARPC							
Cash and cash equivalents	2.1A	5,598	–	–	–	–	5,598
Receivables	2.1B	–	–	–	–	188,186	188,186
Fixed term deposits	2.1C	–	773,100	181,000	76,000	–	1,030,100
Total		5,598	773,100	181,000	76,000	188,186	1,223,884

		Credit rating					
		AAA	**AA-**	**A+**	**A**	**Unrated**	**Total**
	Notes	2022 $'000	2022 $'000	2022 $'000	2022 $'000	2022 $'000	2022 $'000
ARPC							
Cash and cash equivalents	2.1A	2,503	–	–	–	–	2,503
Receivables	2.1B	–	–	–	–	72,876	72,876
Fixed term deposits	2.1C	–	503,400	227,000	43,800	–	774,200
Total		2,503	503,400	227,000	43,800	72,876	849,579

The carrying amount of the relevant asset classes in the Statement of Financial Position represents the maximum amount of credit exposure.

The following table provides information regarding the carrying value of ARPC's financial assets that have been impaired and the ageing of those that are past due but not impaired at the balance date.

	Notes	Not past due or impaired		Past due		Total	
		2023 $'000	2022 $'000	**2023 $'000**	2022 $'000	**2023 $'000**	2022 $'000
Financial assets							
Premium receivables	2.1B	**173,136**	70,428	**806**	148	**173,942**	70,576
Interest receivable	2.1B	**14,101**	2,173	**–**	–	**14,101**	2,173
Net GST receivable	2.1B	**143**	127	**–**	–	**143**	127
Total		**187,380**	72,728	**806**	148	**188,186**	72,876

	Notes	Ageing of financial assets past due				
		0 to 30 days	**31 to 60 days**	**61 to 90 days**	**90+ days**	**Total**
		2023 $'000	**2023 $'000**	**2023 $'000**	**2023 $'000**	**2023 $'000**
Financial assets						
Premium receivables	2.1B	1	–	547	259	806
Total		1	–	547	259	806

	Notes	Ageing of financial assets past due				
		0 to 30 days	**31 to 60 days**	**61 to 90 days**	**90+ days**	**Total**
		2022 $'000	2022 $'000	2022 $'000	2022 $'000	2022 $'000
Financial assets						
Premium receivables	2.1B	25	–	–	59	84
Total		25	–	–	59	84

Retrocession counterparty risk

ARPC purchases retrocession to encourage commercial market reinsurance capacity to return to the terrorism insurance market, control exposure to DTI losses, and protect capital. ARPC's strategy for retrocession selection, approval and monitoring is addressed by:

- placing treaty retrocession in accordance with ARPC's retrocession management strategy requirements;
- regularly reassessing retrocession arrangements based on current exposure information; and
- actively monitoring the credit quality of retrocessionaires.

Counterparty exposures and limits are reviewed by management on a regular basis. Retrocession is only placed with counterparties that have a Standard & Poor's credit rating of A minus and above and concentration risk is managed through counterparty limits. In the event of a DTI, ARPC will receive recognised collateral from non-APRA authorised participants in the program.

Liquidity risk

ARPC's financial liabilities are payables. Liquidity risk is the risk of encountering difficulty in meeting obligations associated with financial liabilities. ARPC has the internal policies and procedures in place such that there are sufficient resources to meet its financial obligations. ARPC's liquidity risk is also mitigated through the strategy of short-term investments that provides for ready access to assets.

The table below summaries the maturity profile of ARPC's financial liabilities. All liabilities are measured on an undiscounted cash flow basis given their short-term maturity.

		1 year or less		From 1-5 years		Total	
	Notes	**2023 $'000**	2022 $'000	**2023 $'000**	2022 $'000	**2023 $'000**	2022 $'000
Financial liabilities							
Payables	2.4A	**34,444**	34,011	**–**	–	**34,444**	34,011
Total		**34,444**	34,011	**–**	–	**34,444**	34,011

4.2 Contingent Assets and Liabilities

Quantifiable contingencies

As at 30 June 2023 ARPC had no quantifiable contingencies (2022: Nil).

Unquantifiable contingencies

As at 30 June 2023 ARPC had no unquantifiable contingencies (2022: Nil).

Accounting policy

Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the Statement of Financial Position but are reported in the relevant notes. They may arise from uncertainty as to the existence of a liability or asset or represent an existing liability or asset in respect of which settlement is not probable or the amount cannot be reliably measured.

Contingent assets are reported when settlement is probable, but not virtually certain, and contingent liabilities are recognised when settlement is greater than remote.

5 Other Information

5.1 Current/non-current Distinction for Assets and Liabilities

	2023 $'000	2022 $'000
Assets expected to be recovered in:		
No more than 12 months		
Cash and cash equivalents	5,598	2,503
Trade and other receivables	188,186	72,876
Investments	1,030,100	774,200
Deferred insurance assets	35,968	34,021
Other non-financial assets	311	299
No more than 12 months	1,260,163	883,899
More than 12 months		
Property, plant and equipment	656	1,623
Intangibles	89	132
No more than 12 months	745	1,755
Total assets	1,260,908	885,654
Liabilities expected to be settled in:		
No more than 12 months		
Unearned premium liability	270,500	140,661
Gross outstanding claims	99	–
Suppliers	34,444	34,011
Other payables	298	157
Employee provisions	782	566
Other provisions	914	951
Leases	343	339
No more than 12 months	307,380	176,685
More than 12 months		
Employee provisions	294	215
Other provisions	–	181
Leases	–	927
No more than 12 months	294	1,323
Total liabilities	**307,674**	178,008

5.2 Reporting of ARPC Terrorism and cyclone pool

	2023 Terrorism $'000	2023 Cyclone $'000	**2023 Total $'000**	2022 Terrorism $'000	2022 Cyclone $'000	**2022 Total $'000**
Premium revenue	331,185	63,118	**394,303**	281,015	–	**281,015**
Outwards retrocession premium expense	(65,643)	–	**(65,643)**	(65,617)	–	**(65,617)**
Commonwealth guarantee fee	(55,000)	–	**(55,000)**	(55,000)	–	**(55,000)**
Net premium revenue	210,542	63,118	**273,660**	160,398	–	**160,398**
Claims expense	–	(110)	**(110)**	–	–	**–**
Retrocession and other recoveries revenue	–	–	**–**	–	–	**–**
Net claims expense	–	(110)	**(110)**	–	–	**–**
Management expenses	(10,437)	(14,257)	**(24,694)**	(8,372)	(8,362)	**(16,734)**
Movement in deferred acquisition costs	(188)	2,135	**1,947**	(57)	–	**(57)**
Underwriting result	199,917	50,886	**250,803**	151,969	(8,362)	**143,607**
Investment income	29,305	486	**29,791**	3,618	–	**3,618**
Finance charges	(3)	(3)	**(6)**	(9)	–	**(9)**
Operating result before capital holding fee	229,219	51,369	**280,588**	155,578	(8,362)	**147,216**
Capital holding fee	(35,000)	–	**(35,000)**	(35,000)	–	**(35,000)**
Operating result	194,219	51,369	**245,588**	120,578	(8,362)	**112,216**

Australian Government
Australian Reinsurance Pool Corporation

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Acronyms and abbreviations

Name	Position
AASB	Australian Accounting Standards Board
AGA	Australian Government Actuary
ANAO	Australian National Audit Office
ANZIIF	Australian and New Zealand Institute of Insurance and Finance
APRA	Australia Prudential Regulation Authority
APSC	Australian Public Service Commission
ARPC	Australian Reinsurance Pool Corporation
CBD	Central Business District
CEO	Chief Executive Officer
CCCO	Chief Claims and Customer Officer
CFO	Chief Financial Officer
COO	Chief Operating Officer
CRGO	Chief Risk and Governance Officer
CUO	Chief Underwriting Officer
DCE	Declared Cyclone Event
DTI	Declared Terrorist Incident
GA	Geoscience Australia
GST	Goods and Services Tax
GWP	Gross Written Premium
HR	Human Resources
IPS	Information Publication Scheme
OECD	Organisation for Economic Co-operation and Development
PACE	ARPC's reinsurance system
PGPA Act	*Public Governance, Performance and Accountability Act 2013*
PID	*Public Interest Disclosure Act 2013*
PMS	Performance Management System
RISe	ARPC's reinsurance system for terrorism
S&P	Standard & Poor's
SES	Senior Executive Service (senior executive)
TCI Act	*Terrorism and Cyclone Insurance Act 2003*
WHS	Work, Health and Safety

Glossary

Name	Position
Aggregate sums insured	The total of all a cedant's property sums in a reporting zone, such as ARPC's tiers.
Calendar year	Refers to 1 January to 31 December of a particular year.
Capacity	The ability of an insurer, reinsurer, syndicate, or market to absorb risk.
Captive insurer	An insurance company that is wholly owned by one or more entities (parent organisations) and whose main purpose is insuring the parent company's risks.
Cedant	Insurer customer.
Deductible	The loss the reinsured assumes for its own account in non-proportional reinsurance.
Financial year	Refers to 1 July to 30 June of a particular year.
Insurer customer	An insurer that transfers all or part of a risk to a ceding reinsurer.
Reinsurance	Reinsurance is insurance that is purchased by an insurance company from one or other insurance companies (the reinsurer) directly or through a broker as a means of risk management.
Retention	The amount retained by a reinsured after placing reinsurance.
Retrocession	Reinsurance purchased by reinsurance companies as a means of risk management.
Retrocessionaire	A reinsurer that accepts retrocession business, reinsuring reinsurers.
Triennial Review	A review which examines the need for the TCI Act to continue to operate. After 2021's review this will take place every five years and will occur every three years.
Underwriting year	An underwriting year includes all premiums for all policies commencing within the financial year.

List of figures

List of requirements – Corporate Commonwealth Entities

Below is the table set out in Schedule 2A of the PGPA Rule. Section 17BE(u) requires this table to be included in entities' annual reports.

PGPA Rule Reference	Part of Annual Report	Description	Requirement
17BE	Contents p9		
17BE(a)	Background p21	Details of the legislation establishing the body	Mandatory
17BE(b)(i)	Entity Functions p21	A summary of the objects and functions of the entity as set out in the legislation	Mandatory
17BE(b)(ii)	Background p21-22	The purposes of the entity as included in the entity's corporate plan for the reporting period	Mandatory
17BE(c)	Governance Framework p86	The names of the persons holding the position of responsible Minister or responsible Ministers during the reporting period and the titles of those Responsible Ministers	Mandatory
17BE(d)	Compensating the Government p86 Transactions with the Government as owners p147	Directions given to the entity by the Minister under an Act or instrument during the reporting period	If applicable, mandatory
17BE(e)	Governance Framework Confirms no GPOs p86	Any government policy order (GPO) that applied in relation to the entity during the reporting period under section 22 of the Act	If applicable, mandatory
17BE(f)	NA	Particulars of non-compliance with: 1. a direction given to the entity by the Minister under an Act or instrument during the reporting period; or 2. a government policy order that applied in relation to the entity during the reporting period under section 22 of the Act	If applicable, mandatory
17BE(g)	Annual Performance Statement p69-83	Annual performance statements in accordance with 39(1)(b) of the Act and section 16F of the rule	Mandatory
17BE(h), 17BE(i)	NA	A statement of significant issues reported to the Minister under paragraph 19(1)(e) of the Act that relates to non- compliance with finance law and action taken to remedy non-compliance	If applicable, mandatory
17BE(j)	Board Members p88-92	Information on the accountable authority or each member of the accountable authority, of the entity during the reporting period	Mandatory

PGPA Rule Reference	Part of Annual Report	Description	Requirement
17BE(k)	Organisational Chart p96	Outline of the organisational structure of the entity (Including any subsidiaries of the entity)	Mandatory
17BE(ka)	ARPC's People p108-118	Statistics on the entity's employees on an ongoing and non-ongoing basis, including the following: 1. statistics on full-time employees; 2. statistics on part-time employees; 3. statistics on gender; 4. statistics on staff location	Mandatory
17BE(l)	ARPC's story p8 and APRC's people p113	Outline of the location (whether or not in Australia) of major activities or facilities of the entity	Mandatory
17BE(m)	Governance p85-106	Information relating to the main corporate governance practices used by the entity during the reporting period	Mandatory
17BE(n), 17BE(o)	Financial Statements p119-155	For transactions with a related Commonwealth entity or related company where the value of the transaction, or if there is more than one transaction, the aggregate of those transactions is more than $10,000 (inclusive of GST): a) the decision-making process undertaken by the accountable authority to approve the entity paying for a good or service from, or providing a grant to, the related Commonwealth entity or related company; and b) the value of the transaction, or if there is more than one transaction, the number of transactions and the aggregate value of the transactions	If applicable, mandatory
17BE(p)	The Cyclone Reinsurance Pool p55-68	Any significant activities and changes that affected the operation and structure of the entity during the reporting period	If applicable, mandatory
17BE(q)	NA	Particulars of judicial decisions or decisions of administrative tribunals that may have a significant effect on the operations of an entity	If applicable, mandatory
17BE(r)	NA	Particulars of any reports on the entity given by: a) the Auditor General (other than a report under section 43 of the Act); or b) a Parliamentary Committee; or c) the Commonwealth Ombudsman; or d) the Office of the Australian Information Commissioner	If applicable, mandatory
17BE(s)	NA	An explanation of information not obtained from a subsidiary of the entity and the effect of not having the information on the annual report	If applicable, mandatory

PGPA Rule Reference	Part of Annual Report	Description	Requirement
17BE(t)	Board oversight of risk p102	Details of any indemnity that applied during the reporting period to the accountable authority, any member of the accountable authority or officer of the entity against a liability (including premiums paid, or agreed to be paid, for insurance against the authority, member or officer's liability for legal costs)	If applicable, mandatory
17BE(taa)	Governance p94-95 p87	The following information about the audit committee for the entity: a) a direct electronic address of the charter determining the functions of the audit committee b) the name of each member of the audit committee c) the qualifications, knowledge, skills or experience of each member of the audit committee d) information about each member's attendance at meetings of the audit committee e) the remuneration of each member of the audit committee	Mandatory
17BE(ta)	Key management personnel remuneration p115	Information about executive remuneration	Mandatory
17BF	Disclosure requirements for government business enterprises	N/A	
17BF(1)(a)(i)	N/A	An assessment of significant changes in the entity's overall financial structure and financial conditions	If applicable, mandatory
17BF(1)(a)(ii)	N/A	An assessment of any events or risks that could cause financial information that is reported not to be indicative of future operations or financial conditions	If applicable, mandatory
17BF(1)(b)	N/A	Details of any community service obligations the government business enterprise has including: a) an outline of actions taken to fulfil those obligations; and b) an assessment of the cost of fulfilling those obligations	If applicable, mandatory
17BF(1)(c)	N/A	Information on dividends paid or recommended	If applicable, mandatory
17BF(2)	N/A	A statement regarding the exclusion of information on the grounds that the information is commercially sensitive and would be likely to result in unreasonable commercial prejudice to the government business enterprise	If applicable, mandatory

Australian Government

Australian Reinsurance Pool Corporation