

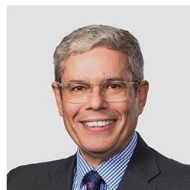


Under the Cover

October 2023

IN THIS ISSUE

- 01 From the CEO
- 02 ARPC publishes 2023-27 Corporate Plan
- 03 ARPC turns 20
- 04 Mike Pennell PSM celebrates 20 years
- 05 UQ research paper on protests
- 06 Volt Typhoon cyber update
- 07 2023-24 Tropical cyclone outlook
- 08 ARPC prepares for cyclone season
- 09 Cyclone pool update
- 10 National Terrorism Threat level
- 11 Update on the terrorism pool
- 12 Terrorism FAQs



Message from the CEO

Welcome to the Spring edition of our newsletter.

Heading into Spring we had onboarded new insurer customers to the Cyclone Reinsurance Pool (cyclone pool) and published our 2023-27 Corporate Plan (August) and our 2022-23 Annual Report. We are also readying ourselves for 2023-24 cyclone season which starts in November.

We recently celebrated the 20-year service anniversary both of ARPC and of Mike Pennell PSM, our Chief Underwriting Officer. During his tenure, Mike has seen the business grow from three team members to more than 60. We are grateful for the knowledge and expertise he brings to ARPC and congratulate Mike on this milestone. Mike's milestone mirrors that of ARPC which is 20 years old too.

In September, the Bureau of Meteorology (BoM) issued its 2023-24 tropical cyclone season outlook. The BoM said this cyclone season, which runs from November 2023 to April 2024, will likely produce a "below average" number of cyclones due to the current El Niño weather pattern in Australia.

In this edition, terrorism insurer customers will find information on the National Terrorism Threat Level, Annual GWP Declarations, and premium submission due dates.

Please contact us at enquiries@arpc.gov.au with any questions regarding submissions.

Dr Christopher Wallace | Chief Executive Officer

ARPC Published the 2023-27 Corporate Plan



ARPC's 2023-27 Corporate Plan, published in August, focuses on fulfilling its purpose which is 'protecting Australian communities with sustainable and effective reinsurance for terrorism and cyclone events'.

The updated plan looks forward, providing an overview of ARPC's operating environment, key priorities, activities and risks, capabilities, and how it will measure performance.

The previous year was a pivotal period in ARPC's development prompted by the launch of the Cyclone Reinsurance Pool (cyclone pool) which commenced operations from 1 July 2022. Going forward ARPC will continue to:

- develop and strengthen the terrorism reinsurance pool
- refine the cyclone pool's operations across multiple functions
- welcome new insurer customers to the cyclone pool
- engage stakeholders across the government, insurance industry and cyclone-affected communities and
- develop the team to ensure the right skills and capabilities exist to serve insurer customers and stakeholders.

Visit the full Corporate Plan [here](#).

ARPC's 2022-23 Annual Report published



ARPC's 2022-23 Annual Report was published in October and focused on the financial year just past.

"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 completing our first claims payments from Tropical Cyclone Gabrielle," said Dr Christopher Wallace, ARPC CEO.

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.

"We expect to be covering 94 percent of cyclone pool eligible policies by the commencement of the 2023-24 cyclone season," Dr Wallace said.

For the terrorism pool, ARPC had 228 insurer customers and the terrorism pool had \$14.4 billion available for claims arising from a Declared Terrorism Incident. ARPC progressed strategic projects including an updated geospatial terrorism catastrophe model and systems, processes, and people for the cyclone pool.

In 2022-23, ARPC received \$524.1 million gross written premium in total, delivered an operating result of \$245.6 million, and managed net assets of \$953.2 million.

Read the full report [here](#).

University of Queensland publishes research on violent protests

The University of Queensland (UQ) has published a research paper on violent and disruptive protests. *'Is the Social Legitimacy of Protest in Australia in Flux?'* is the latest paper in a series of ARPC co-funded thought leadership papers by UQ.



The right to protest peacefully is one of the defining features of a liberal democracy. Protest allows civil society to come together and broaden political impact, particularly to voice the concerns of minority or less powerful

individuals and groups.

How protest or disruptive protests are perceived by the majority has crucial implications for law making, businesses, insurance, and civil society and its ability to voice dissent.

The research findings draw on interviews with stakeholders from law enforcement, government, activists, civil society groups, academics, and businesses.

The paper makes five recommendations for society, policy makers, businesses, and insurers. Three of which are:

1. Disruptive protests that gain traction in moderate counter-narrative need to be heeded as an indicator of social change.
2. Engage with the affected stakeholders in making laws around protest activities to avoid rapid legislation that appears heavy-handed and invites pushback.
3. Reserve legislation that criminalises protest causes and activities for containing the most extreme ideologies, such as those that incite hate and violence.

[Read more.](#) ARPC funds and publishes academic research on terrorism to deliver risk insurance insights.

Critical Infrastructure an ongoing cyber target – Volt Typhoon

ARPC posted a [website](#) update on the Volt Typhoon cyber attack. The event showed the scale and sophistication of evolving cyber threats, including potential for cyber terrorism, on critical infrastructure and property assets. Cyber experts say the threat is often misunderstood and underestimated.

Ransomware attacks have taken centre stage in media coverage of large-scale cyber-attacks. The recent discovery of cyber-attacks by Microsoft linked to the hostile cyber actor Volt Typhoon on critical infrastructure, is a reminder that while ransomware is prolific, other cyber-attacks of critical infrastructure also remains a concern.

A recent [joint cyber security advisory](#) issued by key international cybersecurity agencies on Volt Typhoon's alleged cyber-attack on critical infrastructure in the Pacific, is a reminder that critical infrastructure is a key target of hostile cyber actors.

Microsoft states that Volt Typhoon is a state-sponsored actor that typically focuses on cyber disruption and information gathering. Microsoft assessed with moderate confidence that Volt Typhoon is seeking to develop capabilities that could disrupt communications infrastructure in the Pacific. Other experts have joined Microsoft in evaluating that Volt Typhoon is a particularly stealthy operator and that its intelligence gathering could shift to digital sabotage.

[Read more.](#)

2023-24 Tropical Cyclone outlook benign

The Bureau of Meteorology (BoM) has published its [Tropical Cyclone Season long range forecast](#). This season, the BoM said there is an 80 per cent chance of a lower-than-average number of cyclones, and any cyclones that do form are expected later in the season.

The tropical cyclone season outlook follows the BoM's official declaration of an El Niño weather pattern after conditions were established in the tropical Pacific in September 2023.

The BoM is responsible for declaring and ending cyclones for the purpose of ARPC cyclone pool coverage.

ARPC is prepared for cyclone season

Following a Declaration by the BoM, ARPC will publish details of a Declared Cyclone Event (DCE) including the start, end, and claim period on our [website](#).

ARPC will also send an edm (email) to cyclone insurer customers and publish a post on LinkedIn.

On our website, you can find more information about the cyclone pool and ARPC's processes:

- [The Cyclone Pool](#)
- [Cyclone Pool FAQs](#)
- [Declarations](#)
- [Declarations FAQs](#)

Update for cyclone pool insurer customers

One large insurer is due to join by calendar year end. Other insurers are being contacted by ARPC to determine if they are mandated to join in 2024.

The proportion of Australian home insurance policies covered by the cyclone pool by the following dates are estimated to be:

- From 1 July 2023 – 65 per cent of home insurance policies
- From 1 November 2023 – 95 per cent of home insurance policies

It is mandatory for general insurers that wish to write home, strata, and SME insurance in northern Australia to join the cyclone pool. Large insurers have until 31 December 2023 to transition, with remaining insurers due by 31 December 2024.

The cyclone pool onboarding team are assisting the 1 July cohort of insurer customers prepare their first Quarterly Movement Reports, which are due by 30 October.

ARPC continues to publish new cyclone pool insurer customer details on the website [here](#).



Q: How do insurers join the cyclone pool?

A: To join the cyclone pool, insurers must sign a Reinsurance Agreement with ARPC. This is a generic agreement, required for consistency across the industry, and cannot be amended by insurers. Insurer customers can also read more about joining the cyclone pool [here](#).

ARPC turns 20!



ARPC turned 20 this year in August. ARPC was established in 2003 by the *Terrorism Insurance Act 2003*, to provide reinsurance cover for

eligible terrorism losses, involving commercial property, associated business interruption losses, and public liability.

The Australian Parliament passed this legislation following the September 11, 2001, terrorist attacks in the United States, after which terrorism cover was excluded from commercial and industrial property policies around the world and in Australia. In July 2022, under the *Terrorism and Cyclone Insurance Act 2003*, ARPC commenced operating a cyclone pool too.

Mike Pennell celebrates 20 years at ARPC



From left: Mike with Chris Wallace, ARPC CEO

Mike Pennell PSM, ARPC Chief Underwriting Officer, has celebrated 20 years of service with ARPC. Mike (pictured) was a part of the original team of three when he joined ARPC on 25 August 2003. We are grateful for Mike's knowledge and expertise that he continues to bring to ARPC and the team every day.

National Terrorism Threat Level

Australia's current National Terrorism Threat Level remains POSSIBLE.



The National Terrorism Threat Level is a five-level scale that informs the public of the likelihood of a terrorism incident. It reflects the current security environment in Australia, provides advice on the nature of the threat, and advises on what measures can be taken to protect people.

The Australian Security Intelligence Organisation (ASIO) independently determines the threat level.

It allows government agencies to respond appropriately with national threat preparedness and response planning.

[Read more.](#)

Update for terrorism pool customers

Premium submissions due 30 October 2023.

Terrorism pool premium submissions and payments for the fourth quarter (1 July – 30 September) of the 2023-24 Financial Year are due on **30 October 2023**.

All terrorism pool premium submissions, including nil submissions, must be lodged by that date. To submit a terrorism pool premium, please log into the [RISe platform here](#), and select 'download templates'.

For further instructions, please refer to page 27 of the [RISe cedant user manual](#).

Annual GWP Declarations

Annual Gross Written Premium (GWP) declarations for the period of 1 July – 30 June for APRA

Authorised organisations are due 30 September, with non-APRA-Authorised organisations due 31 August. If you have any questions, please contact enquiries@arpc.gov.au or call +61 2 8223 6777.



Q: Can terrorism insurer customers submit quarterly premiums in more than one separate transaction? *e.g., for accounts handled by different branches within the customer's organisation.*

A: No. Quarterly premiums need to be consolidated and reported as one submission each quarter which includes all eligible insurance contracts processed by the cedant (insurer) during the quarter.

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