



Australian Government
Australian Reinsurance Pool Corporation

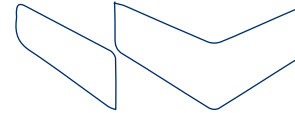
ARPC Corporate Plan

2024 - 2028

Acknowledgment of Country

Australian Reinsurance Pool Corporation (ARPC) acknowledges the traditional owners and custodians of country throughout Australia and their continuing connection to land, water, and community. We pay our respects to the people, cultures and the elders past, present, and emerging.

The ARPC office is located on the land of the Gadigal people of the Eora Nation.



CONTENTS

1	CHAIR'S FOREWORD	5
2	WHY WE EXIST	7
3	OUR OPERATING CONTEXT	11
	Environment	11
	Terrorism Pool	11
	Cyclone Pool	13
	Capability	14
	Governance	18
	Risk Management	20
	Cooperation	23
4	OUR PERFORMANCE	25
5	APPENDIX	26

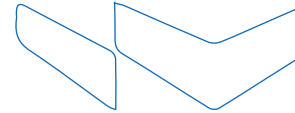
© Australian Reinsurance Pool Corporation

This publication is available for your use under a Creative Commons Attribution 3.0 Australia licence, except for the Commonwealth Coat of Arms, the Australian Reinsurance Pool Corporation logo and where otherwise stated [graphics and photos]. The full licence terms are available from <http://creativecommons.org/licenses/by/3.0/au/legalcode>
Use of the Australian Reinsurance Pool Corporation material under a Creative Commons Attribution 3.0 Australia licence requires you to attribute the work (but not in any way that suggests that the Australian Reinsurance Pool Corporation endorses you or your use of the work).



“ARPC continues to look for opportunities to further refine the efficiency and effectiveness of how it operates the cyclone pool and terrorism pool.”

JULIE-ANNE SCHAFER
CHAIR, ARPC



01 CHAIR'S FOREWORD

I am pleased to present the Australian Reinsurance Pool Corporation (ARPC) Corporate Plan for the four reporting periods from 2024-25 to 2027-28 on behalf of the Board, ARPC's accountable authority, as required under paragraph 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

This is our primary planning document and has been prepared in accordance with the requirements of the PGPA Act.

ARPC is the Australian Government reinsurer for eligible policies for declared terrorism and cyclone events.

This Corporate Plan explains our purpose and focus on delivering on our strategic priorities. It also includes an overview of ARPC's operating environment, activities, risks, capabilities and how we will measure our performance.

The Cyclone Reinsurance Pool (cyclone pool) commenced operations on 1 July 2022 and is operating as designed. The cyclone pool achieved a significant milestone with all large general insurers joining as was required by legislation by 31 December 2023. Most small insurers have also now joined the cyclone pool with the few remaining to join the pool by 31 December 2024. ARPC continues to look for opportunities to further refine the efficiency and effectiveness of how it operates the cyclone pool and Terrorism Reinsurance Pool (terrorism pool). This is in part the focus for this corporate plan.

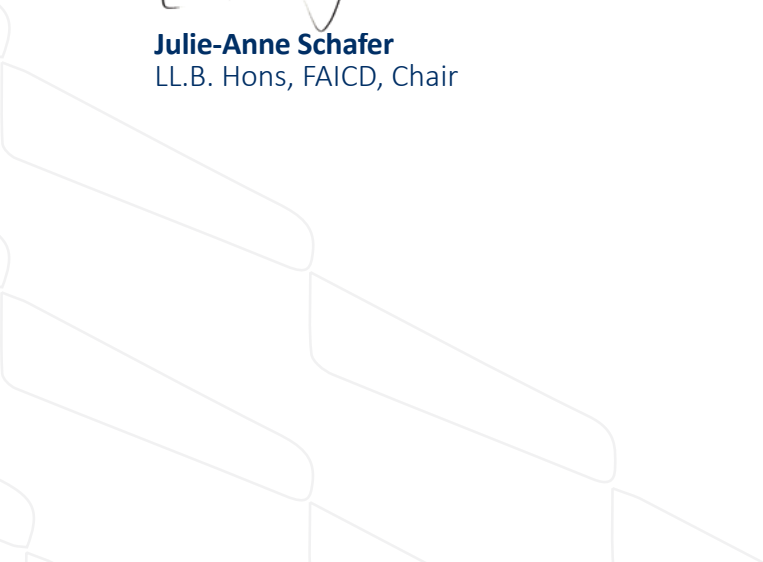
With the cyclone pool now covering most of the northern Australian market, ARPC will continue to:

- enhance the efficiency and effectiveness of both the terrorism pool and the cyclone pool
- engage with stakeholders across the government, insurance industry and cyclone-affected communities
- invest in our people and their well-being, including a focus on leadership development across the organisation.

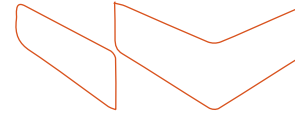
I look forward to reporting on our progress in delivering this corporate plan in the annual performance statement of ARPC's 2024-25 Annual Report.

Yours sincerely

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







02 WHY WE EXIST

ARPC’s purpose is to provide the Australian community, through reinsurance, accessible and affordable insurance for terrorism and cyclone.

ARPC’s role is to administer the terrorism and cyclone reinsurance pools as set out in the legislation under the *Terrorism and Cyclone Insurance Act 2003* (TCI Act).

ARPC does this through efficient and effective administration of two reinsurance pools that provide insurance coverage in defined catastrophic circumstances – Declared Terrorism Incidents (DTI) and Declared Cyclone Events (DCE).

Our legislative responsibilities

ARPC is a corporate Commonwealth entity and a public financial corporation within the Treasury portfolio.

ARPC operates under the TCI Act. ARPC’s statutory functions and powers under section 10 of the TCI Act are:

- to provide insurance cover for eligible terrorism losses (whether by entering contracts or by o accordance with Part 2A, and
- any other functions that are prescribed by the regulations

As a public financial corporation, ARPC also operates in accordance with its duties and obligations under the Public Governance, Performance and Accountability Act 2013 (PGPA Act).

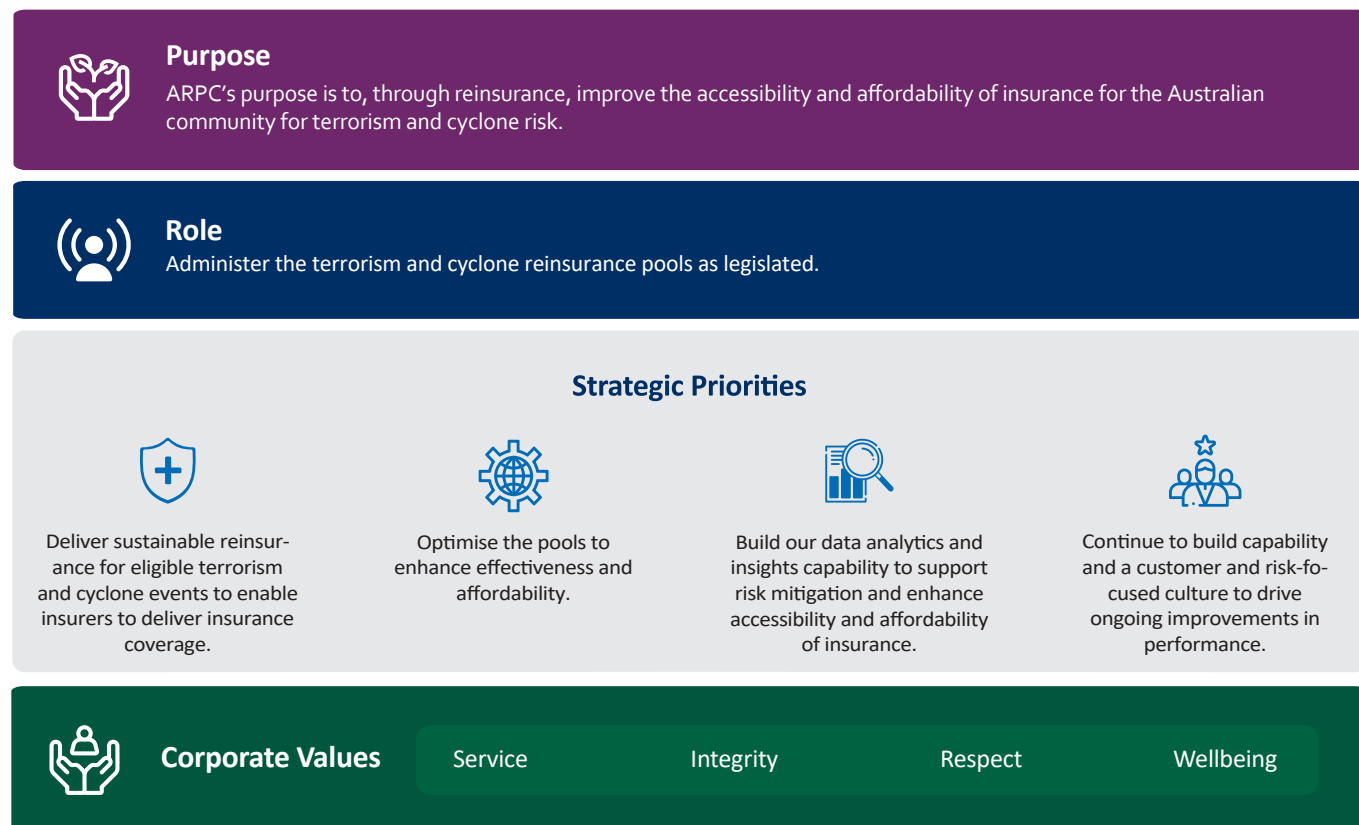
ARPC has a general duty under the PGPA Act to deliver on its legislative obligations in an efficient and effective manner with care and diligence for the

proper use and management of public resources, promote the achievement of its purpose and encouraging cooperation with others to achieve common objectives.

Our Board is the Accountable Authority and is responsible for determining strategy, defining risk appetite, and making financing decisions, and ensuring the proper, efficient and effective performance of ARPC’s functions. The Chief Executive (CEO) reports to the Board and is responsible for the day-to-day management of the organisation.

Our vision sets a defined direction for the planning and execution of ARPC’s strategic priorities. ARPC’s purpose, vision, strategic priorities, and values are shown in **Figure 2.1**.

Figure 2.1: Purpose, Vision, and Strategic Priorities



About the reinsurance pools

The **Terrorism Reinsurance Pool** (terrorism pool), established in 2003, provides insurers with reinsurance for commercial property and associated business interruption losses arising from Declared Terrorism Incidents (DTIs).

As of 30 June 2024, the terrorism pool protects more than 790,000 eligible insured property assets valued at \$4.4 trillion sums insured nationwide. It has \$14.7 billion in funding (excluding insurance industry retentions) available for claims arising from a DTI.

The available claims funding includes a \$10 billion Commonwealth guarantee, a \$3.5 billion retrocession reinsurance program with private sector reinsurers, and the terrorism pool's net assets of over \$1.2 billion.

The **Cyclone Reinsurance Pool** (cyclone pool) provides insurers with reinsurance for household, strata and small business property insurance for losses arising from cyclone and cyclone-related flooding for Declared Cyclone Events (DCEs). This includes wind, rain, rainwater, rainwater run-off, storm surge, and riverine flood damage caused by a DCE.

The cover period is for the length of the DCE and a period of 48 hours after the end of the cyclone. The cyclone pool is backed by a separate \$10 billion annually reinstated and adjustable Commonwealth guarantee.

Large insurers, those with \$300 million or more gross written premiums per annum in householders' insurance, were required to join the cyclone pool by 31 December 2023. Small insurers, those less than \$300 million gross written premiums in householders' insurance, have until 31 December 2024 to join the cyclone pool.

Our Strategic Priorities and Key Activities

ARPC has four strategic priorities to ensure we fulfil our purpose and role. They address ARPC's operating context and capabilities delivering the terrorism and cyclone reinsurance pools. Our strategic priorities also reference the unique data and insights created through our work, and how we can share these to benefit stakeholders and the community.

The first two strategic priorities focus on our core role to administer the two pools. The third strategic priority centres on how ARPC will create additional value for stakeholders. This includes leveraging our data analytics capabilities to share insights. The fourth strategic priority aims to strengthen internal capabilities including our customer and risk-focused culture.

Over the four-year term of this plan, ARPC will undertake key activities to deliver on these priorities.

Strategic Priority 1

Deliver sustainable reinsurance for eligible terrorism and cyclone events to enable insurers to deliver insurance coverage.

The core statutory role of ARPC is to administer the terrorism and cyclone pools.

Doing this well means we effectively deliver on our core statutory role and legislative obligations.

Key Activities:

- Efficient and effective collection of premiums, payment of claims, and management of pool net assets
- Build further capability in cyclone related claims processes to improve operational efficiency and effectiveness.
- Purchase of reinsurance (retrocession) coverage to protect the terrorism pool net assets.
- Maintain and develop ARPCs terrorism catastrophe modelling for use in response to a DTI.

Strategic Priority 2

Optimise the pools to enhance effectiveness and affordability.

Doing this well means we optimise the performance of the two pools for the benefit of the Australian community.

Key Activities:

- Monitor effectiveness of cyclone pool pricing, management of net assets and the risks affecting the reinsurance pools.
- Publishing the Financial Outlook Report and other data insights and taking action to improve performance.
- Work with insurer customers to ensure compliance with the legislation, regulations and reinsurance agreement.
- Negotiate and place the terrorism retrocession program.

Strategic Priority 3

Build our data analytics and insights capability to support risk mitigation and enhance accessibility and affordability of insurance.

Doing this well means ARPC will make valuable contributions through data sharing, insights and research to better understand terrorism and cyclone risk to support disaster risk mitigation initiatives undertaken by other government agencies, industry and community, improving Australia's resilience to these catastrophic events and hazards as well as reduce claim costs.

Key Activities:

- Share de-identified and aggregated data and risk insights with government agencies to support disaster risk mitigation activities and to support government policy development.
- Continue to develop ARPC's modelling and data analytic capabilities to generate insights to assess the impact and future enhancements of the pools.
- Publish statistics on pool performance and impact.
- Deliver ARPC led research and work with research partners to develop terrorism and cyclone risk insights. This includes a hosting an annual terrorism risk and cyclone risk seminar where research is presented.

Strategic Priority 4

Continue to build capability and a customer and risk-focused culture to drive ongoing improvements in performance.

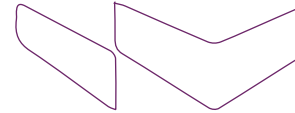
ARPC has an ongoing focus on developing internal capabilities to sustain and strengthen our customer and risk-focussed culture.

Doing this well means that we are efficient and effective in operating the pools through investment in our people, processes, and systems.

Key Activities:

- Optimise processes and systems to efficiently and effectively manage the pools.
- Continue to invest in our people and their well-being, including a focus on leadership development across the organisation.
- Continue to build risk capabilities and mature our risk management framework.





03 OUR OPERATING CONTEXT

Environment

ARPC operates in a complex environment, connecting the insurance industry with the public sector. Our operating environment is shaped by ongoing changes in the Australian economy, insurance and reinsurance industry, global and local terrorism threats, and cyclone events.

Terrorism pool

Australian Threat Level

Australia's current National Terrorism Threat Level is PROBABLE. This is because there is a greater than fifty per cent chance of an onshore attack or attack planning in the next twelve months*.

In its February 2024 Annual Threat Assessment, the Australian Security Intelligence Organisation (ASIO) Director General Mike Burgess says nationalist and racist violent extremism persists and that ASIO remains concerned about "lone actors using readily available weapons to carry out an act of terrorism".

Reinsurance and Insurance Market

The global reinsurance market has undergone significant structural change in the last four years. The changes are a response to the increasing frequency and severity of catastrophe losses, declining investment returns and increasing claims inflation.

In response, underwriting changes by reinsurers include declines in risk appetite, significant premium increases, coverage restrictions and a shift of risk exposures back to insurers. In turn, insurers have passed on accelerated cost increases to consumer and small business policyholders.

The reinsurance market remains in a hardening pricing phase but there are early signs that the reinsurance market is beginning to stabilise.

Our Retrocession Program

Each year, ARPC places an annual retrocession (private market reinsurance) program to provide a valuable funding source for rebuilding Australian commercial infrastructure in the event of a major terrorist incident. In addition, the program protects ARPC net assets and reduces the risk that ARPC will need to draw on the \$10 billion Commonwealth guarantee for the terrorism pool.

In the year ended 30 June 2024, the \$3.457 billion retrocession reinsurance program, plus the terrorism pool's net assets and the \$10 billion Commonwealth guarantee, provides scheme funding capacity in the event of a DTI against eligible property assets, of approximately \$14.7 billion. Insurers who have reinsurance cover with ARPC insure over \$4.4 trillion in Australian-based commercial property sector assets.

In 2024-25, the current retrocession program will expire and is up for renegotiation. The structure of the retrocession program will be reviewed following the end of a long-term three-year program to consider portfolio exposure and risk, and ARPC net assets. The goal of the 2025 renewal will be to purchase a program that provides adequate protection at a cost that is economically efficient.

*https://www.nationalsecurity.gov.au/national-threat-level/current-national-terrorism-threat-*level

Terrorism Insurance Premiums

The TCI Act states that ARPC has the power to do everything necessary or convenient to be done for, or in connection with, the performance of its functions, including:

- the power to charge premiums in respect of contracts of insurance for which it is the insurer, and
- the power to charge fees for services that it provides in connection with the performance of its functions.

The premiums are community-rated as fixed percentages of the underlying premium charged by insurers based on postcode tiers. ARPC's pricing is based on population density and is split into tiers for city, suburban and other regional areas. Tier rates are based on the applicable postcode of each commercial property.

Terrorism premium income received by ARPC from insurer customers is proportional to the risk-based property insurance premiums set by insurers, which themselves are affected by commercial property insurance market factors.

Cyclone pool

Incidence of Cyclone Events

The Bureau of Meteorology (the Bureau) advises that on average, there are 11 tropical cyclones which form in the Australian region each season, with four crossing the Australian coast.

The cyclone season typically runs from November to April, but cyclones can occur at other times as well. In 2022-23 ARPC declared four cyclone events and in 2023-24, ARPC declared five events (crossing the Australian coast).

Premiums

The cyclone pool is funded by charging reinsurance premiums to insurers consistent with modelled annual average claims losses and expected operating expenses for the pool.

The pricing formula uses property-level data such as geography, building characteristics, and risk mitigations.

The setting of cyclone pool reinsurance premiums by ARPC must comply with the requirements of the TCI Act, which are:

- To ensure that, over the longer term, premiums are sufficient to cover or offset claims and expenses including any payments made under the Commonwealth guarantee.
- In medium to high cyclone risk areas, to keep the premiums as low as possible while maintaining incentives to reduce and mitigate risk; and

- In lower cyclone risk areas, to keep premiums at levels comparable to what would be charged by other reinsurers.

Participation

All large insurers (as previously defined) joined the cyclone pool by the deadline of 31 December 2023. The remaining small insurers have until 31 December 2024 to join the pool. A list of all insurers that have joined the cyclone pool can be found on our website.



Capability

Our people, financial, and information technology capabilities are key enablers that assist ARPC to deliver on its purpose and support its functions.

Continued development has been made over 2023-24 in resources, industry guidance and support materials, systems, and processes to enable the cyclone pool to be fully operational, while continuing to operate the terrorism pool.

Financial

Table 3.1: ARPC financial capability forecast (budget)

Financial capability	Terrorism Pool 2024-2025	Cyclone Pool 2024-25	Consolidated 2024-25
Total funding available for claims	\$14.9 billion	\$10.1 billion*	\$25.0 billion*
Premium income p.a. (Gross Written Premium)	\$399 million	\$672 million	\$1,071 million
Payments to Government p.a.	\$90 million	Nil	\$90 million
Commonwealth guarantee	\$10 billion	\$10 billion*	\$20 billion*
Reinsurance sector funding for claims (retrocession program)	\$3.5 billion	Nil	\$3.5 billion
Net assets	\$1,417.7 million	\$88.0 million	\$1,505.7 million
Operating expenses	\$13.0 million	\$18.0 million	\$31.0 million

* Annually reinstated and adjustable by the Minister if not sufficient to cover obligations of the Cyclone Pool.

ARPC's funding sources for claims are a combination of premium income and investments, and for the terrorism pool the retrocession reinsurance program and the Commonwealth guarantees. Our terrorism premium income is subject to market movements in commercial insurance premiums as terrorism reinsurance premiums are a percentage of commercial property premiums.

ARPC's Capital Management Policy sets available net asset thresholds for the terrorism pool and cyclone pool. The thresholds are based upon the following considerations.

Terrorism pool:

- the financial position of the terrorism pool
- ARPC's risk appetite and tolerances for its financial, operational, and strategic risks.
- The terrorism pool provides insurance capacity in response to insurance market failure for providing cover for terrorism.

Cyclone pool:

- the financial position of the cyclone pool
- legislative obligations in determining premiums
- modelling of expected cyclone catastrophe events
- claims experience, and
- financial outlook and risks.

Detailed performance measures for the financial capabilities for each period of the plan are provided in section 5 – Our Performance.

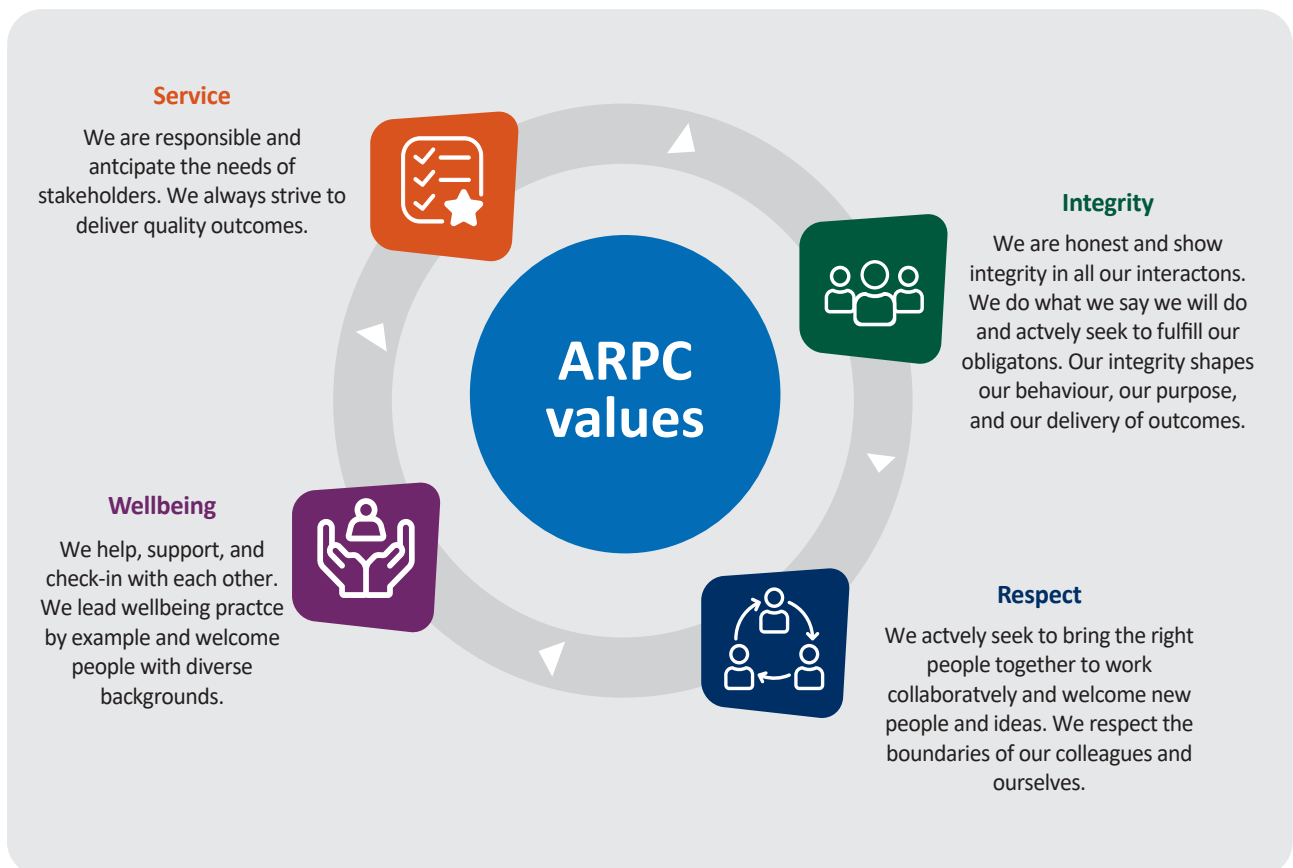


People

ARPC's success is dependent on the skills, experience, and contributions of its employees and service providers to deliver on ARPC's purpose and strategic priorities. We are committed to developing our people to ensure we deliver on our priorities.

ARPC's workplace culture embodies our organisation's values, shown in **Figure 3.2**. This values-led approach underpins our commitment to our purpose and role.

Figure 3.2: ARPC Values



Our functional structure, as shown in **Figure 3.3**, ensures ARPC has the workforce capabilities to deliver on our purpose and role.

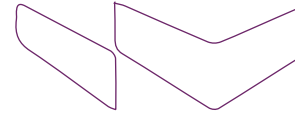
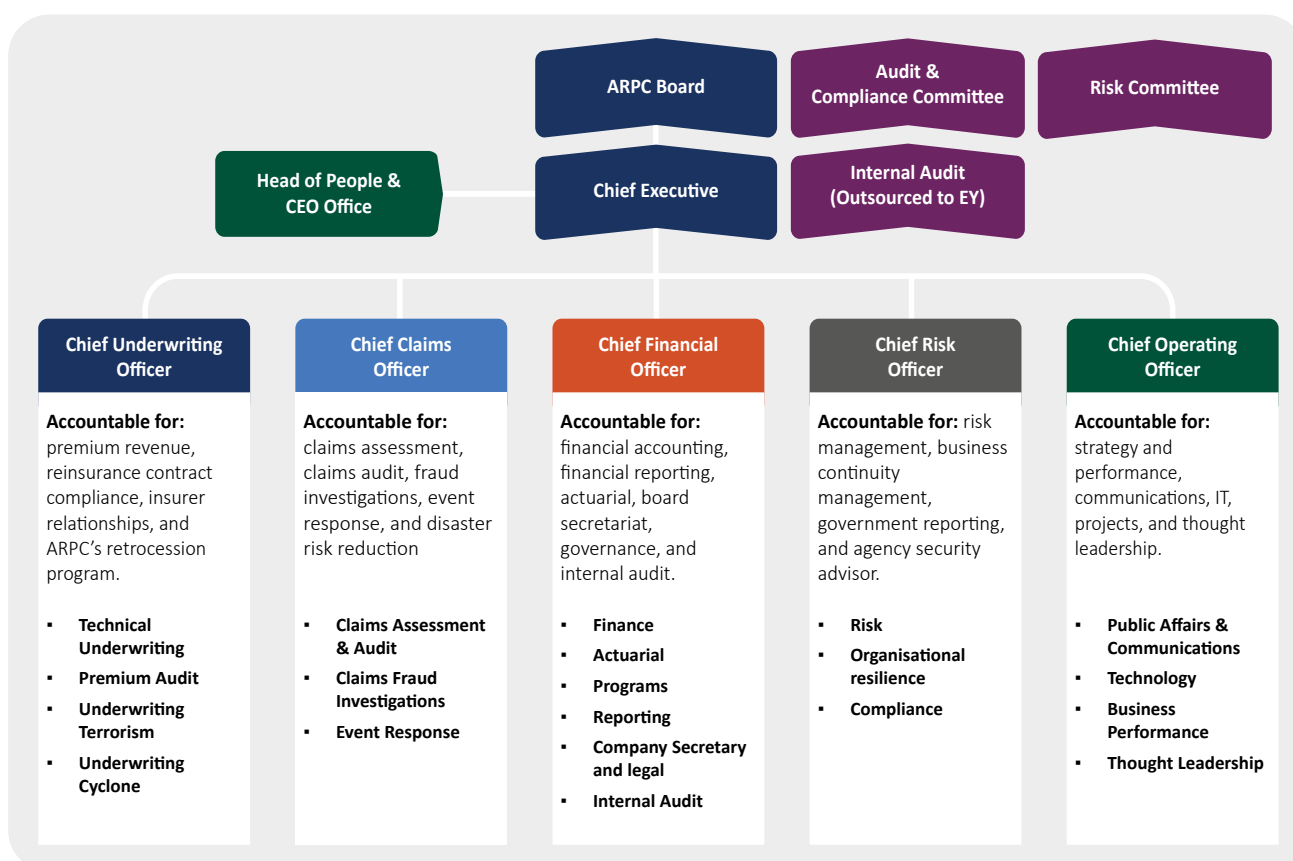


Figure 3.3: ARPC organisational chart

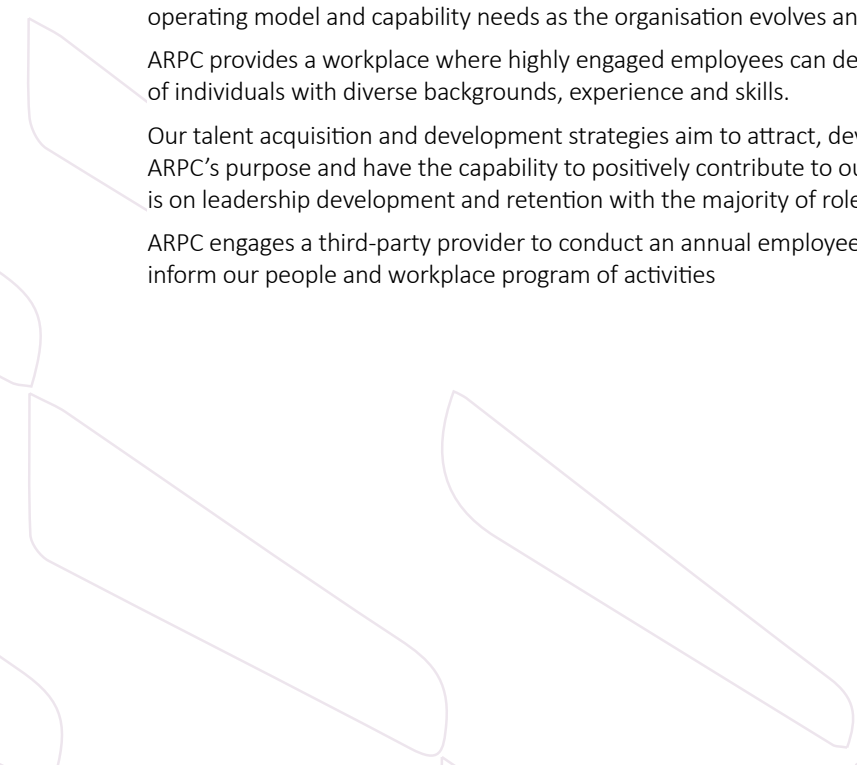


ARPC employees support all the organisational functions. ARPC engages with co-sourced and outsourced service providers to leverage supplementary technical expertise needed to deliver our functional obligations. ARPC will continue to review its operating model and capability needs as the organisation evolves and matures.

ARPC provides a workplace where highly engaged employees can develop and fulfill their potential. Our team is comprised of individuals with diverse backgrounds, experience and skills.

Our talent acquisition and development strategies aim to attract, develop, and retain individuals who share a passion for ARPC's purpose and have the capability to positively contribute to our strategic program of work. ARPC's focus for this plan is on leadership development and retention with the majority of roles now filled over the past 18 months.

ARPC engages a third-party provider to conduct an annual employee engagement survey. The insights from the survey help inform our people and workplace program of activities



Information Technology

ARPC operates in a cloud-based technology environment. This enables ARPC to manage its systems and data with greater flexibility, efficiency, and security.

ARPC continues to invest in modern and secure information and communications technology to support employees in a hybrid office/remote environment.

ARPC has enhanced its core reinsurance platform by hosting the cyclone and terrorism pools on a cloud-based platform called PACE. This significantly improves the experience for our insurer customers by enabling them to manage their premium and claims processing across both the pools on a single platform. Insurer customers who are covered by ARPC for the terrorism pool will have until 31 January 2025 to transition to the new PACE terrorism pool system.

Data governance is a key priority, with enabling information management architecture, data management and record keeping an ongoing focus area as ARPC continues to build its platform for data sharing, reporting and data insights.

ARPC has established a comprehensive cybersecurity program and deployed systems governed by policies, standards, procedures, and guidelines to effectively manage and maintain a high security posture. ARPC aligns with Australian Signals Directorate's Information Security Manual and Essential Eight compliance framework.

ARPC partners with the Australian Cyber Security Centre (ACSC) for a range of cyber services and follows guidance on cyber capability uplift as outlined in the Australian Government 2023 – 2030 Cyber Security Strategy.

Governance

ARPC is governed by its Accountable Authority (which is the Board), which consists of six to eight part-time Members and a part time Chair, who are appointed by the Responsible Minister. The Treasurer is presently the Responsible Minister for governance and policy-related matters, and the Assistant Treasurer is the Responsible Minister for all other matters. ARPC's Board appoints the Chief Executive who is responsible for day-to-day management of ARPC and manages the affairs of ARPC subject to the direction of and policies set by the Board.

In 2024-25 ARPC is separating its previous Audit, Risk, and Compliance Committee into a Board Audit and Compliance Committee and a newly established Board Risk Committee.

These Board committees provide oversight and review of ARPC assurance as well as risk management and compliance and policies and internal controls. The Board committee's purposes align with section 17 of the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule). This enables the Board to ensure oversight of its risk management responsibilities in response to ARPC's role as administrator of both the terrorism pool and cyclone pool.

The Chief Executive and senior executive team are also supported by an executive risk management committee.

Following the 2021 Statutory Review of the TCI Act by Treasury, and subsequent amendments to the TCI Act, the pools are now subject to a review of the TCI Act by the Minister and undertaken by Treasury as soon as practicable after 1 July 2025 and at least once every five years after that date to test the need for the TCI Act to continue.

Accountabilities

The Board is the accountable authority of the Corporation, and its duties are set out in the relevant legislation. Responsibilities are also outlined in policies approved by the Board, which include the Board and its Committee Charters, risk management, delegations and capital management policies.

ARPC's financial statements are audited annually by the Australian National Audit Office and published in the ARPC Annual Report. Each employee's position description outlines the individual responsibilities and accountabilities of their role.





Risk Management

ARPC is committed to a comprehensive and systematic approach to risk management which is critical to ARPC's decisions.

Our approach to risk management involves supporting a culture where risk is managed and communicated, enabling all employees to recognise and respond to risk events, identify opportunities, and appropriately address potential weaknesses.

ARPC's risk appetite statement delineates the target risk positions of the organisation, while ARPC's risk management policy sets out the principles and accountabilities for how ARPC's risks are managed within the organisation while delivering on our purpose and strategic priorities. These form an important part of ARPC's risk management framework that seeks to:

- manage risks which may prevent ARPC from achieving its objectives, in a timely and effective manner, and
- encourage ARPC's people to continue to adopt positive risk behaviours.

ARPC is supported by an organisational structure that assigns accountability for identifying and mitigating risks to accountable owners across ARPC, with the Chief Risk Officer accountable for the design and delivery of the overall risk management framework.

Risk Management Policy

Under section 16 of the Public Governance, Performance and Accountability Act 2013 (PGPA Act), as a Corporate Commonwealth entity, ARPC must establish and maintain appropriate systems of risk oversight, management, and internal control.

ARPC's Risk Management Policy outlines the commitment of the Board and senior management to promote a

supportive and continually improving risk-aware culture, provide training and resources for risk management activities, and manage, monitor and report risk information. ARPC's risk management principles and policy objectives are consistent with the Commonwealth Risk Management Policy. A substantial review of ARPC's enterprise risk register was completed during 2023-24. Reviews enable ARPC to continue to meet the evolving needs of the organisation and achieve its strategic outcomes, while managing risk appropriately.

ARPC undertakes a Fraud Risk Assessment at least every two years. This requirement complies with ARPC's Fraud and Corruption Control Policy, which also documents the internal controls established within the organisation to mitigate fraud occurrence. ARPC is bound by the Fraud and Corruption Control Rule that commenced on 1 July 2024. Our risk management program of work for the next period includes reviewing the fraud and corruption assessment process and undertaking a further assessment of fraud and corruption risk to ensure controls are appropriate.

Risk Appetite

ARPC's Risk Appetite reflects the level of risk which ARPC takes to administer the pools and meet legislative objectives.

ARPC faces a broad range of risks that reflect its responsibilities as a Public Financial Corporation administering reinsurance pools.

A summary of the key risks we are required to manage, and the approach we take to mitigate them, is shown below in Figure 2.4. These risks are often ones ARPC monitors to manage any changes that could impact ARPC's ability to deliver against its purpose and priorities.

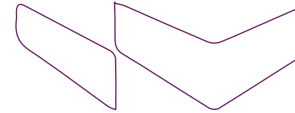


Table 3.2: Summary of ARPC’s key risks that may impact on our ability to deliver our purpose and priorities

Key risk	Risk mitigation
The cyclone pool is administered in a manner that does not meet legislative requirements	<ul style="list-style-type: none"> • Regular engagement and communication with stakeholders including Government, industry, and community groups in administering the cyclone pool. • Review of the premium adequacy of the cyclone pool through the annual pricing review cycle. • Regular review and updating of Board-approved policies. • Monitoring the external reinsurance/insurance environment and publishes a financial outlook report. • Seeking independent advice where necessary, including from the Reviewing Actuary. • Closely monitoring contractual arrangements with service providers. • Monitoring and reporting of business outcomes and financial position to the Board and Government as necessary. • Ongoing data and analytics insights into insurance conditions to focus ARPC’s activities.
ARPC does not effectively respond to the occurrence of a Declared Terrorism Incident (DTI) and/or Declared Cyclone Event (DCE).	<ul style="list-style-type: none"> • ARPC has plans and processes in place detailing the responsibilities and steps that ARPC will take in response to a DTI/DCE event. • ARPC regularly reviews and tests the response plans. This includes conducting simulation exercises to rehearse and prepare. • ARPC monitors terrorism threat level and weather events and liaises with relevant agencies.
Reputational risk. ARPC operates within a complex and evolving stakeholder environment, including Government entities, insurance and reinsurance industry participant.	<ul style="list-style-type: none"> • Regular dialogue through meetings, workshops and industry events to understand stakeholder needs and share information. • Regular engagement with relevant Commonwealth departments including Treasury and other departments and agencies. • Provide data and analytics insights and thought leadership to stimulate dialogue and informed discussion with the reinsurance market and government.
Failure of key systems and processes Inability to retain staff	<ul style="list-style-type: none"> • ARPC has implemented a new core reinsurance system. • Service provider agreements are in place, and monitoring of service standards for key systems and processes. • Focus on the promotion of a positive risk culture engage and develop employees. • Undertake targeted training and upskilling staff in both reinsurance skills and public sector skills.
Risk that a cyber intrusion event occurs that attempts to compromise ARPC’s resources or operational capability. Potential Fraudulent activity	<ul style="list-style-type: none"> • ARPC utilises recognised cyber security frameworks as a component of the operating approach. • All employees take part in regular mandatory information and cyber security and fraud and corruption training. • Continue to scan the risk environment and strengthen controls where possible. • Reviewing the risk that the pools could be inappropriately accessed or impacted by fraudulent behaviour. • Conducting Cyber Incidence response simulation exercises.

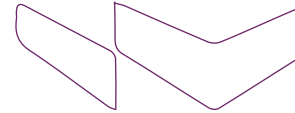
Risk culture statement

ARPC promotes a positive risk aware culture and it remains a strategic priority for the organisation.

ARPC views a positive risk culture as a working environment where we consider and manage risks proactively and appropriately as part of our 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 escalation of concerns to appropriate levels to support a proportionate response.

ARPC’s positive risk culture is enabled by visible leadership by the Board and senior executive team, organisational risk and governance structures, cross-functional communication and collaboration, and the recognition and encouragement of positive risk behaviours.





Cooperation

We co-operate with the following entities to deliver our purpose, role and strategic priorities.

Australian Government bodies

These include:

- Department of the Treasury
- Australian Government Actuary
- Australian Prudential Regulation Authority (APRA)
- Australian Office of Financial Management (AOFM)
- Australian Government Solicitor (AGS)
- Australian Competition and Consumer Commission (ACCC)
- Commonwealth Fraud Prevention Centre
- Australian Cyber Security Centre (ACSC)
- National Emergency Management Authority (NEMA)
- Bureau of Meteorology (the Bureau)
- Defence Science and Technology Group
- Department of Home Affairs
- Geoscience Australia
- Australian Bureau of Statistics
- Australian Climate Service

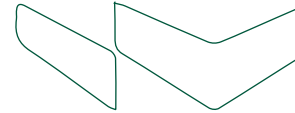
Commercial entities providing specialist support and services

These include:

- Aon Re, our reinsurance broker
- Axe Group, provider of our reinsurance platform PACE
- Risk Frontiers for modelling and research
- Taylor Fry for actuarial consulting support
- Finity Consulting for actuarial consulting support
- Insurer customers and global reinsurers

These agencies are important partners and assist ARPC to deliver on its purpose and role, and strategic priorities. It is through these relationships and cooperation that ARPC also contributes to the delivery of the Commonwealth Government's priorities and interests.





04 OUR PERFORMANCE

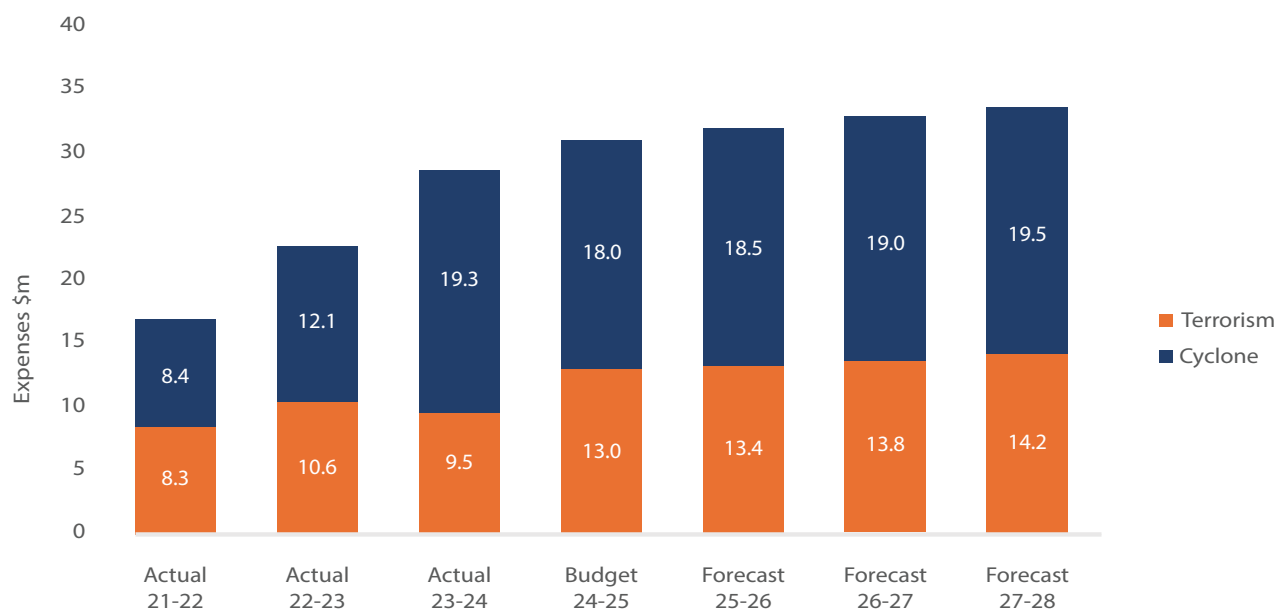
ARPC will achieve its purpose by delivering on its strategic priorities summarised in Table 4.1. Our performance framework has continued to evolve over the past two years as our responsibilities have expanded to include the cyclone pool. We will continue to mature our performance measures, as we collect data and refine our assessment methodologies.

For this corporate plan, the ARPC measures and targets for each strategic priority are outlined below:

Table 4.1: Performance measures

Performance Measure	Assessment criteria	Target
Measure 1 Cyclone pool premium effectiveness and affordability	Assessing the impact of the cyclone pool through the annual Financial Outlook Report	Publication of annual Financial Outlook Report and closure of management actions within targeted timelines.
Measure 2 Share data and insights	Engagement with stakeholders in government and the insurance industry	Publish one or more statistical publications on the ARPC website on cyclone risk to share ARPC insights and research on affordability and accessibility of insurance and host an industry seminar.
Measure 3 Financial resilience	Adequate liquidity of assets	Meet all financial obligations per reinsurance contracts over the period from ARPC assets or Commonwealth Guarantee.
Measure 4 Operational efficiency	Operating expenses within budget	Manage operating expenses within board approved budget of \$31m for 2024-25. See figure 4.1.
Measure 5 Insurer customer satisfaction	Annual survey of insurer customers to inform future engagement	Terrorism: Terrorism Stakeholder Perception Index score greater than 70%. Insights from survey considered and appropriate program of activities identified and implemented within targeted timelines. Cyclone: Cyclone Stakeholder Perception Index score greater than 70%. Insights from survey considered and appropriate program of activities identified and implemented within targeted timelines.

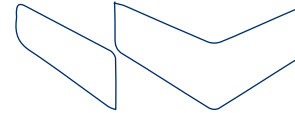
Figure 4.1: General Operating Expenses – Measure 3 further detail



APPENDIX A:

REINSURANCE GLOSSARY

Capacity	The ability of an insurer, reinsurer, syndicate, or market to absorb risk
Ceding	Passing a portion or all of the risk associated with an insurance policy to another insurer
GWP or Gross Written Premium	Gross written premiums are the total revenue from a contract expected to be received by an (re) insurer before deductions for reinsurance or ceding commissions
Insurer Customer	An insurer that transfers (or “cedes”) all or part of a risk to a reinsurer
Reinsurance	Reinsurance is insurance that is purchased by an insurance company from one or many reinsurance 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	Retrocession is the reinsuring of a risk by a reinsurer. Reinsurance companies cede risks under retrocession agreements to other reinsurers, for reasons similar to those that cause primary insurers to purchase reinsurance



APPENDIX B:

COOPERATION WITH OTHER ENTITIES

Aon Re	Aon is ARPC's reinsurance broker. ARPC uses Aon to access global reinsurance markets for its terrorism retrocession program.
Australian Bureau of Statistics (ABS)	The ABS is Australia's national statistical agency providing input to ARPC's analytical activities.
Australian Climate Service	The Australian Climate Service (ACS) has been established to provide improved data, intelligence and expert advice on climate risks and impacts to support and inform decision-making
Australian Competition and Consumer Commission (ACCC)	The ACCC has been directed to monitor insurance prices, costs and profits before and after the introduction of the cyclone reinsurance pool.
Australian Cyber Security Centre (ACSC)	ARPC has worked closely in partnership with ACSC, leveraging their expertise and cyber security frameworks.
Australian Government Actuary	In 2022, as required by the TCI Act, the ARPC Board appointed the Australian Government Actuary (AGA) as ARPC's Reviewing Actuary. The AGA also performs a role as Board Observer appointed by ARPC's Responsible Minister.
Australian National Audit Office (ANAO)	The ANAO is a specialist public sector practice providing a range of audit and assurance services to the Parliament and Commonwealth entities.
Australian Office of Financial Management (AOFM)	AOFM would raise funds in the event of a DTI or DCE that would require a call on the respective \$10 billion Commonwealth guarantees.
Australian Government Solicitor	The Australian Government Solicitor provides ARPC with specialist legal advice on regulatory frameworks, policy objectives and key programs.
Australian Prudential Regulation Authority (APRA)	While ARPC is not regulated by APRA, it has worked closely with APRA during the implementation of the Cyclone Pool.
Axe Group	Axe group is the technology partner for ARPC's reinsurance platform known as PACE.
Bureau of Meteorology (the Bureau)	The Bureau, Australia's weather agency, will observe when a cyclone begins and ends. If the Bureau observes that a cyclone exists and is likely to affect any part of Australia, it must notify ARPC regarding the cyclone within 24 hours. If a cyclone re-intensifies and/or ends, a similar process must be followed with the Bureau.
Commonwealth Fraud Prevention Centre	The Commonwealth Fraud Prevention Centre within the Attorney-General's Department was established in July 2019 to strengthen the counter-fraud capability of Australian Government entities.
Defence Science and Technology Group (DSTG)	The terrorism biochemical catastrophe model utilises inputs from the Federal Government's Defence Science and Technology Group.
Early Warning Network (EWN)	ARPC engages EWN to provide data and insights on cyclone activity and on the impact of the weather event on the built environment to assist in the claims process.
Ernst and Young (EY)	EY provides internal audit services to ARPC
Finity Actuarial Consultants	ARPC uses external actuarial consultants Finity for actuarial advice on catastrophe modelling, pricing, capital modelling, and claims estimations. ARPC is currently developing and expanding its internal actuarial capability as part of a co-source arrangement.
Geoscience Australia	ARPC works with Geoscience Australia to build terrorism catastrophe models. These models assist ARPC to estimate the cost of potential attacks and design a terrorism pool size that meets the needs of the Australian economy. The models also help to educate and inform global reinsurers about the risk, so they can provide capital to support terrorism reinsurance in Australia. ARPC has partnered with Geoscience Australia to build classified three-dimensional explosive blast and bio-chemical plume catastrophe models that cover the central business districts of each capital city.
Global reinsurers	ARPC currently has 73 reinsurers participating in its \$3.5 billion retrocession program, a program which would be called upon before the \$10 billion Commonwealth guarantee, in the event of a DTI.
Insurer customers	ARPC relies on the infrastructure and handling procedures of its insurer customers to manage claims from consumers and small businesses. ARPC will conduct data validation and post claims payment audits to confirm that public funds have been used in an efficient and effective manner.
National Emergency Management Australia (NEMA)	ARPC is working with NEMA on initiatives and data sharing in relation to cyclone risk mitigation
Risk Frontiers	ARPC has partnered with Risk Frontiers to build a geospatial catastrophe model for terrorism covering the entire mainland of Australia for commercial property assets. More recently ARPC has partnered with Risk Frontiers on cyclone modelling.
Taylor Fry Actuarial Consultants	Provides ARPC with separate actuarial advice on claims reserving.
The Treasury	ARPC is an entity within the Treasury portfolio. ARPC works with Treasury to assist ARPC to deliver to the needs of the Government. ARPC meets with Treasury regularly.



Australian Government

Australian Reinsurance Pool Corporation

CONTACT ARPC

Correspondence to:

PO Box Q1432

Queen Victoria Building NSW 1230

T +61 2 8223-6777

E enquiries@arpc.gov.au

L AustralianReinsurancePoolCorp

W www.arpc.gov.au

ABN 74807136872