



Australian Government

Australian Reinsurance Pool Corporation

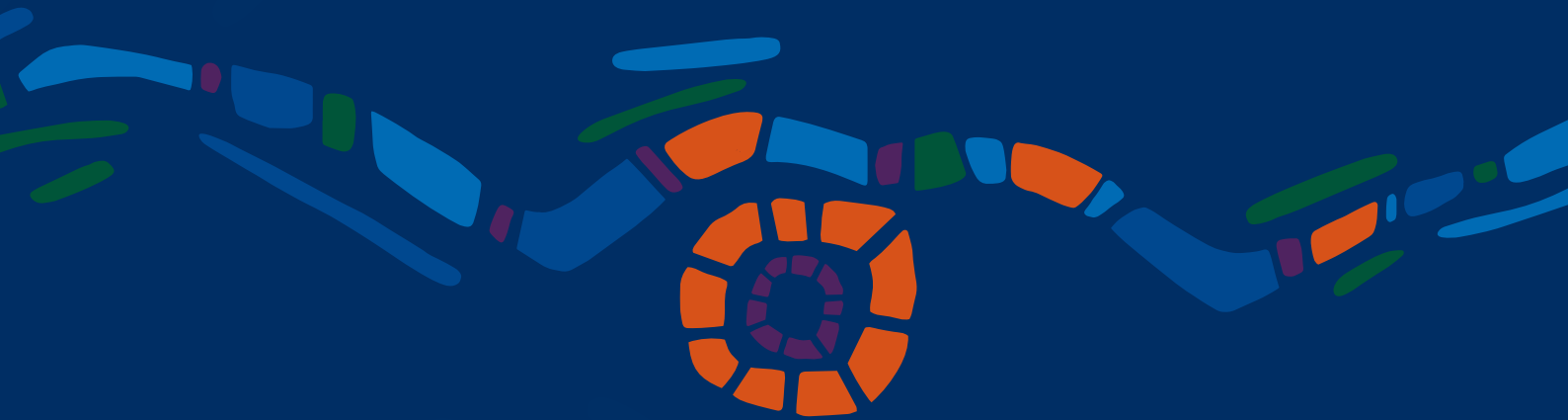
ARPC Corporate Plan

2025-29

Acknowledgment of Country

Australian Reinsurance Pool Corporation (ARPC) acknowledges the Traditional Custodians of Country throughout Australia and their connections to land, sea, and community. We pay respects to their Elders, past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

ARPC offices are located on the land of the Gadigal people of the Eora Nation.



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JULIE-ANNE SCHAFFER
CHAIR, ARPC

“Cyclone events serve as a reminder of the impact that extreme weather can have – not only on homes and infrastructure, but on the wellbeing and recovery of entire communities.”

01 CHAIR'S FOREWORD

I am pleased to present the Australian Reinsurance Pool Corporation (ARPC) Corporate Plan for the four reporting periods from 2025-26 to 2028-29 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 Australia's public reinsurer for eligible policies for declared terrorism and cyclone events.

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

The Terrorism Reinsurance Pool (terrorism pool) commenced operations on 1 July 2003 and continues to operate as set out under legislation. The Cyclone Reinsurance Pool (cyclone pool) commenced operations on 1 July 2022 and is also operating as designed, with all general insurers writing business in selected classes in cyclone-prone regions having joined by 31 December 2024.

Every year, we look for opportunities to further refine the efficiency and effectiveness of how we operate the cyclone pool and the terrorism pool. This work seeks to make insurance cover as accessible and affordable as possible, and remains the focus of this corporate plan.

With the cyclone pool covering cyclone-prone regions across Australia, we will:

- continue to look for ways both pools can be made more efficient and effective in pursuit of our strategic priorities
- use the unique data and insights created through our work to benefit our stakeholders and the community
- engage with stakeholders across multiple groups, such as other government agencies, insurers, reinsurers and cyclone-affected communities
- invest in our people, with a focus on leadership development across the organisation.

Cyclone events serve as a reminder of the impact that extreme weather can have – not only on homes and infrastructure, but on the wellbeing and recovery of entire communities. These events drive our ongoing commitment to deliver our reinsurance to support more accessible and affordable insurance for the many Australians facing significant cyclone risk.

I look forward to reporting on our progress in delivering this corporate plan in the annual performance statement of ARPC's 2025-26 Annual Report.

Yours sincerely



Julie-Anne Schafer

LL.B Hons, FAICD, Chair

02 WHY WE EXIST

ARPC is a ‘public reinsurer’ because we are owned by the Commonwealth and our purpose is to provide public reinsurance to make terrorism and cyclone insurance more accessible, and for the cyclone pool, more affordable, for the Australian community.

Our role is to administer the terrorism and cyclone pools as set out in the legislation under the *Terrorism and Cyclone Insurance Act 2003* (TCI Act). We do 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. We operate under the TCI Act. ARPC’s statutory functions and powers under section 10 of the TCI Act are:

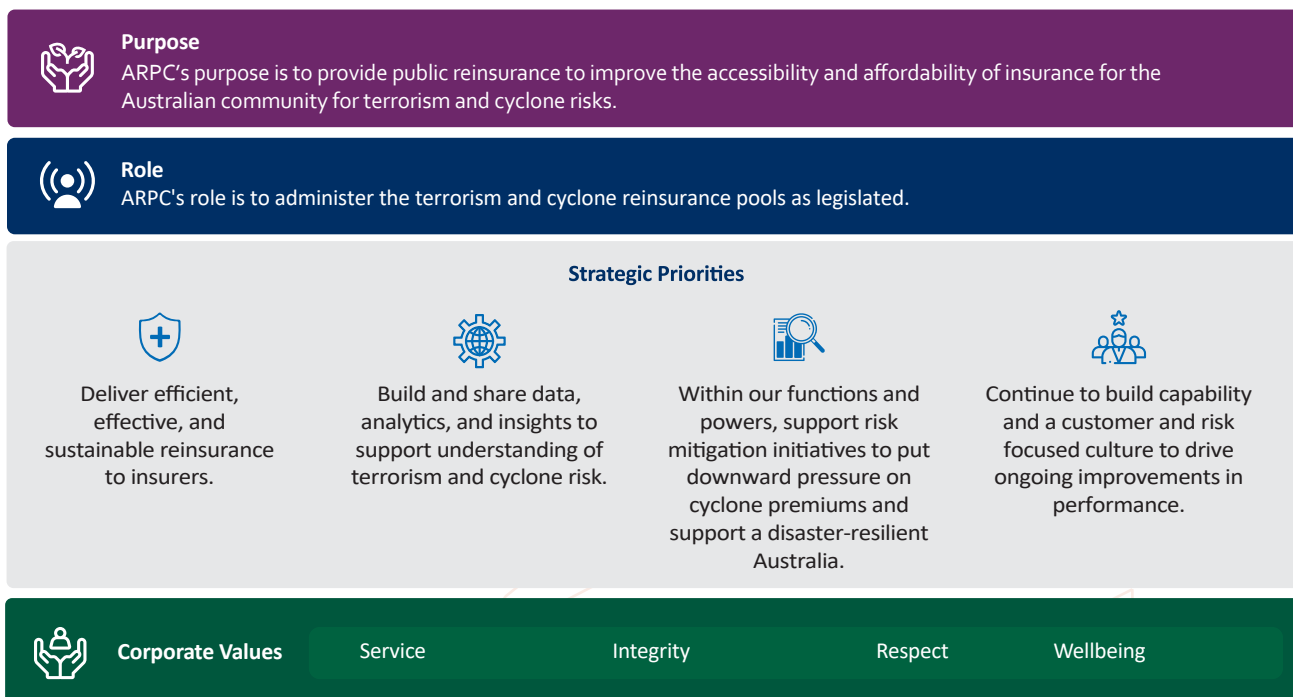
- to provide insurance cover for eligible terrorism losses (whether by entering into contracts or by other means);
- to operate a cyclone and related flood damage reinsurance pool by entering into contracts of reinsurance as reinsurer in accordance with Part 2A;
- any other functions prescribed by the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

As a public financial corporation, we also operate in accordance with our duties and obligations under the PGPA Act. We have a general duty under the PGPA Act to deliver on our legislative obligations in an efficient and effective manner. We do this with care and diligence for the proper use and management of public resources. We promote the achievement of our purpose and encourage cooperation with others to achieve common objectives.

Our Board is the Accountable Authority and is responsible for determining strategy, defining risk appetite, making financing decisions, and ensuring the proper, efficient and effective performance of our functions.

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

Figure 2.1: ARPC purpose, role, strategic priorities, and corporate values



About the reinsurance pools

The terrorism pool, established in 2003, provides insurers with reinsurance for commercial property and associated business interruption losses arising from DTIs.

As at 30 June 2025, the terrorism pool protected more than 880,000 eligible insured property assets valued at \$5.4 trillion, including commercial, industrial and construction risks, plus high value mixed use buildings.

The available funding for liabilities arising from a DTI includes a \$10 billion Commonwealth guarantee, a \$2.15 billion retrocession reinsurance program with private sector reinsurers, and investments held by ARPC.

The cyclone pool provides insurers with reinsurance for household, strata and small business property insurance for losses arising from cyclone and cyclone-related flooding for DCEs. This includes wind, rain, rainwater, rainwater run-off, storm surge, and riverine flood damage caused during a DCE.

The cover period is for the duration of the named cyclone (as defined under the Act and advised to ARPC by the Bureau of Meteorology), plus 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 and ARPC investment assets.

Insurers with \$10 million or more gross written premiums per annum of eligible insurance business are required to join the cyclone pool. All insurers with premiums that exceed the threshold joined the cyclone pool within the prescribed timeframes.

While we measure the pools separately for management reporting to assess performance against legislative objectives, assets held by us are Commonwealth assets to be used to fund future claim liabilities.

What it means for ARPC to be a 'Public Reinsurer'

Commonwealth ownership: We are owned by the Commonwealth.

Commonwealth funds: All our assets are Commonwealth assets.

Commonwealth guarantee: Liabilities are backed by Commonwealth guarantees.

Our strategic priorities and key activities

ARPC has four strategic priorities to ensure we fulfil our purpose and role. They focus on administering the pools, leveraging our unique data and insights, supporting risk mitigation to put downward pressure on cyclone insurance premiums, and strengthening our customer and risk focused culture.

Strategic priorities

1 Deliver efficient, effective, and sustainable reinsurance to insurers.

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

2 Build and share data, analytics, and insights to support understanding of terrorism and cyclone risk.

Doing this well means stakeholders across the government and the insurance industry can leverage the data and insights shared by us for the benefit of the Australian community.

3 Within our functions and powers, support risk mitigation initiatives to put downward pressure on cyclone premiums and support a disaster-resilient Australia.

Doing this well means we will make valuable contributions through data sharing, insights, collaboration, education, and research. This will enhance the understanding of terrorism and cyclone risk, supporting disaster risk mitigation initiatives undertaken by other government agencies, industry and community. In turn, this will improve Australia's resilience to catastrophic events and hazards, and reduce claims costs and impact on the community over the long term.

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

Doing this well means that we sustain and strengthen our commitment to our customers by operating the pools efficiently and effectively, through investment in our people, processes and systems.

Key activities

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

1: Deliver efficient, effective and sustainable reinsurance to insurers.

Key activities:

- Efficiently and effectively collect premiums, pay claims, and manage pool assets and the risks affecting the reinsurance pools.
- Work with insurers to ensure compliance with the legislation, regulations and reinsurance agreement.
- Purchase terrorism retrocession based on modelled realistic disaster scenarios.
- Maintain and develop our terrorism catastrophe modelling for use in response to a DTI.

2: Build and share data, analytics, and insights to support understanding of terrorism and cyclone risk.

Key activities:

- Continue to develop our modelling and data analytic capabilities to generate insights to assess the impact and support future enhancements of the pools.
- Share aggregated and de-identified data, collaborate and provide technical support across government agencies.
- Partner with organisations to understand current and emerging trends in terrorism and cyclone risk.
- Publish the Financial Outlook Report and other data insights, and take action to improve pool performance.

3: Within our functions and powers, support risk mitigation initiatives to put downward pressure on cyclone premiums and support a disaster-resilient Australia.

Key activities:

- Enable a better understanding of risk and insurance affordability across government through sharing de-identified and aggregated data with government agencies, to support disaster risk mitigation activities.
- Collaborate and support government policy development aiming to enhance resilience and reduce the impact of future events.
- Develop terrorism and cyclone risk insights. This includes hosting the annual terrorism risk and cyclone risk seminars where insights are presented.
- Develop risk mitigation discounts for small and medium-sized enterprises, and continue to improve on reflecting flood mitigation and other community-level mitigation in our pricing.
- Support effective and efficient delivery of risk mitigation activities through the claims process and relevant government departments, global networks and forums.
- Promote community awareness of effective mitigation support and available discounts through our website, statistical publications, and stakeholder forums, as part of education and awareness efforts.

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

Key activities:

- Optimise processes and systems to manage the pools efficiently and effectively.
- Continue to invest in the professional development of our people, with 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 and reinsurance industries with the public sector. This environment is shaped by ongoing changes to the Australian economy, the insurance and reinsurance industries, global and local terrorism threats, and cyclone events

Terrorism pool

Australian Threat Level

Australia's National Terrorism Threat Level was raised by the Australian Security Intelligence Organisation (ASIO) from POSSIBLE to PROBABLE in August 2024, due to an anticipated increase in politically motivated violence across all ideological spectrums.

In the ASIO Annual Threat Assessment 2025, Director-General of Security, Mike Burgess, stated the following:

'Australia has entered a period of strategic surprise and security fragility.

Over the next five years, a complex, challenging and changing security environment will become more dynamic, more diverse and more degraded.

Many of the foundations that have underpinned Australia's security, prosperity and democracy are being tested: social cohesion is eroding, trust in institutions is declining, intolerance is growing, even truth itself is being undermined by conspiracy, mis- and disinformation.

Similar trends are playing out across the Western world. So what does this mean for our security environment?

Australia is facing multifaceted, merging, intersecting, concurrent and cascading threats. Major geopolitical, economic, social and security challenges of the 1930s, 70s and 90s have converged. As one of my analysts put it with an uncharacteristic nod to popular culture: everything, everywhere all at once.'

Reinsurance and insurance market

The global reinsurance market underwent significant structural change from 2022 to 2024, driven by the increasing frequency and severity of natural catastrophe losses, declining investment returns, and increasing claims inflation.

In response, changes by reinsurers included a decline in risk appetite, significant premium increases and coverage restrictions. At the same time, insurers began to retain more risk exposure themselves.

Our retrocession program

Each year, we place an annual terrorism retrocession (private market reinsurance) program. This provides additional capacity to pay terrorism claims and protect our assets against large losses. The retrocession program also reduces the likelihood of drawing on the \$10 billion Commonwealth guarantee for the terrorism pool.

In the year ended 30 June 2025, the \$2.15 billion terrorism retrocession program, plus ARPC's invested assets, and the \$10 billion Commonwealth guarantee, provided terrorism scheme capacity in the event of a DTI against eligible property assets. Insurers who have terrorism reinsurance cover provided by us insure over \$5 trillion in Australian-based commercial property sector assets.

In late 2024, the retrocession cover was successfully renegotiated with a term of up to three years. The structure of the retrocession program will be reviewed in late 2025, and a decision will be made to continue with the current program, cancel and replace it with a new program, or discontinue it. The goal of a 2026 renewal would be to continue to purchase a program that provides adequate protection at a cost that offers value for money.

Terrorism insurance premiums

We fund the terrorism pool by charging reinsurance premiums to insurers who join the pool. The TCI Act states that ARPC has the power to do all things necessary or convenient for, or in connection with, the performance of our 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 of each commercial property.

The postcode tier rates reflect population density in city, suburban and other regional areas.

Terrorism claims process

We will confirm any announcement by the responsible Minister (the Assistant Treasurer) of a DTI via our website and to insurers who reinsure their eligible terrorism exposure to us. When a DTI is announced, it is the responsibility of the insurer to assess, adjust, and pay eligible terrorism losses in accordance with the original policy terms and conditions, while ignoring the terrorism exclusion clause in insurance policies. Insurers then submit their claims for recovery in accordance with the terms and conditions of their terrorism reinsurance



Sydney, NSW

Cyclone pool

The cyclone season typically runs from November to April, but cyclones can occur at other times of the year. Since the pool's inception in 2022, there have been 14 declared cyclone events – four in the first year, and five in each of the subsequent two years.

The 2024-25 cyclone season was the costliest since the cyclone pool commenced. Tropical Cyclone Alfred, which made landfall on the Queensland coast in March 2025, accounted for approximately 98 per cent of the total estimated losses for the season.

The cyclone pool has been designed to lower insurance premiums for households, residential strata and small businesses with high cyclone and related flood damage risk. It does this by reducing the cost of reinsurance, which is a significant component of premiums for these types of policies. The cyclone pool is funded by charging reinsurance premiums to insurers who have joined the pool.

The pricing formula takes into consideration property-level data such as geography, building characteristics, age of building, and any risk mitigation factors, to allocate the appropriate amount of premium to each policy.

We have set the cyclone pool reinsurance premiums in accordance with the requirements of the TCI Act based on the following principles:

- To ensure that, over the longer term, premiums are sufficient to cover or offset liabilities, 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.
- In lower cyclone risk areas, to keep premiums at levels comparable to what would be charged by other reinsurers.

Participation

All insurers required to join the cyclone pool (as previously defined) did so by the 31 December 2024 deadline. A list of insurers who have joined the cyclone pool can be found on our website.

In the year ended 30 June 2025, our invested assets and the adjustable \$10 billion provided cyclone scheme funding capacity in the event of a DCE against eligible property assets. Insurers who have cyclone reinsurance cover with us insure over \$2.3 trillion worth of Australian-based building assets.

Capability

Through our people, financial, and information technology capabilities, we deliver on our role and purpose. With the cyclone pool implementation complete, insurers onboarded, and the pools operating as intended, we will continue monitoring and assessing the pool's ongoing performance against legislative and strategic priorities.

Financial

Table 3.1: ARPC financial capability forecast (budget)

| Financial capability | Terrorism pool 2025-26 | Cyclone pool 2025-26 | Consolidated 2025-26 |
|---|------------------------|----------------------|----------------------|
| Total funding available for claims | \$13.6 billion | \$9.4 billion* | \$23.0 billion* |
| Premium income p.a. (gross written premium) | \$427.4 million | \$672.3 million | \$1,099.7 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) | \$2.15 billion | Nil | \$2.15 billion |
| Invested assets | \$1,923.6 million | \$500.0 million | \$2,423.6 million |
| Operating expenses | \$14.5 million | \$18 million | \$32.5 million |

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

Our Capital Management Policy prioritises adequate asset liquidity to fund reinsurance claims made through either pool. Target asset levels are set with reference to modelling of expected catastrophe events, and the retrocession program which supports the terrorism pool.

We publish a Financial Outlook Report on the cyclone pool annually, in accordance with legislation and regulations. It includes an overview of recent and projected financial outcomes, assesses the adequacy of premium rates and of reserves, and offers observations on capital management and broader risks affecting the pool's financial outlook. The total cyclone reinsurance premium collected by ARPC annually is set based on the expected Average Annual Loss (AAL) over the long term, and operating expenses.

Detailed performance measures for the financial capabilities for each period of this corporate plan are provided in **Section 4: Our Performance**.

People

Our success is dependent on the skills, experience, and contributions of our employees.

We are committed to developing our people so that we can deliver on our purpose and strategic priorities. Our workplace culture embodies our organisational values, as shown in **Figure 3.1**.

We engage with co-sourced and outsourced service providers to leverage supplementary technical expertise needed to deliver our objectives. We continue to review our operating model and capability as the organisation evolves and matures.

Our team is made up of highly engaged employees working to fulfill their potential. They come from diverse backgrounds and bring with them a wide range of skills and experience.

Our talent acquisition and development strategies aim to attract, develop, and retain people who share our passion for our purpose, and have the capability to positively contribute to our strategic priorities. We continue to invest in leadership development to engage and inspire employees, and to retain and develop the capabilities we require.

We engage 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.

Our functional structure, as shown in **Figure 3.2** on the following page, ensures ARPC has the workforce capabilities to deliver on our purpose and role.

Figure 3.1: ARPC Values

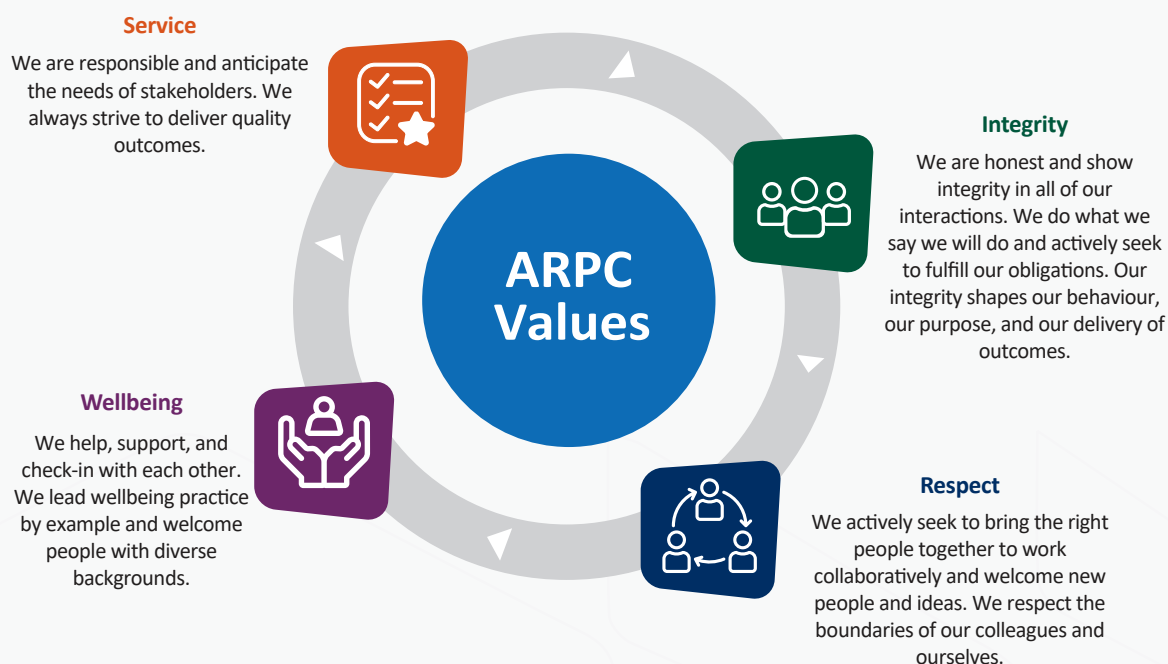


Figure 3.2: ARPC organisational chart



Information Technology

ARPC operates within a cloud-based technology environment. This enables us to manage our systems and data with flexibility, efficiency, and security.

We are committed to continuous investment in modern, secure information and communications technology to support our employees in both office and remote settings.

We have enhanced our core reinsurance platform and now host both the cyclone and terrorism pools on our cloud-based system known as PACE (Protecting Australians for Catastrophic Events). This has greatly improved the customer experience for insurers, allowing them to manage premiums and claims processing seamlessly across both pools.

We continue to strengthen our information management architecture, data management, and record-keeping capabilities. This effort supports the development of an integrated platform for data analytics and insights, reporting, and data sharing.

We have implemented a comprehensive cybersecurity program, governed by stringent policies, standards, procedures, and guidelines to maintain a high-security posture. In line with government expectations, our cyber security practices are shaped by the Australian Signals Directorate's Information Security Manual and the Essential Eight framework. Additionally, we collaborate with the Australian Cyber Security Centre for various cyber services and adhere to the cyber capability uplift guidance outlined in the Australian Government's 2023-2030 Cyber Security Strategy.

We are also embracing Artificial Intelligence (AI) in a safe, ethical, and responsible manner. Our governance framework is aligned to the Australian Government's AI Policy and AI Ethics Principles. ARPC is committed to leveraging AI in support of our strategic priorities.

Governance

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

The Board established an Audit and Compliance Committee in compliance with section 45 of the PGPA Act and section 17 of the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule). In addition, the Board established a Risk Committee to support the oversight of risk. Collectively the committees assist the Board to discharge its responsibilities to provide oversight and review of financial reporting, performance reporting, systems of risk oversight and management, and systems of internal control.

The Executive Risk Management Committee, comprising the senior executive team, oversees the management of risk across the enterprise.

ARPC has adopted a 'Three Lines' model to clarify risk management roles:

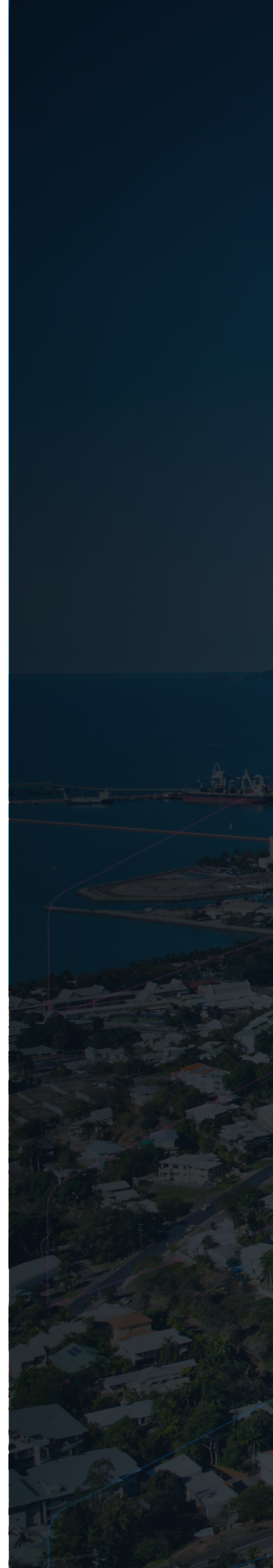
- Line 1 (Management): Owns and manages risks, embedding risk practices into daily decisions and implementing Board-approved policies through procedures and controls.
- Line 2 (Risk and Compliance): Separate from the business, advising on and overseeing risk. The Chief Risk Officer reports to the CEO and has direct access to the Board through the Chairs of the Board and Risk Committee.
- Line 3 (Internal Audit): Provides assurance independent of management.

The TCI Act requires the Minister to undertake a periodic statutory review (currently every five years) of ARPC and the schemes we administer. Treasury coordinates the review and the next one is due as soon as practicable after 1 July 2025.

Accountabilities

The Board's duties are set out in the relevant legislation. Board and Committee charters, and Board approved policies establish further responsibilities for key activities such as risk management, financial and non-financial delegations, and capital and liquidity management.

Our financial statements are audited annually by the Australian National Audit Office and published in our annual report.





Risk Management

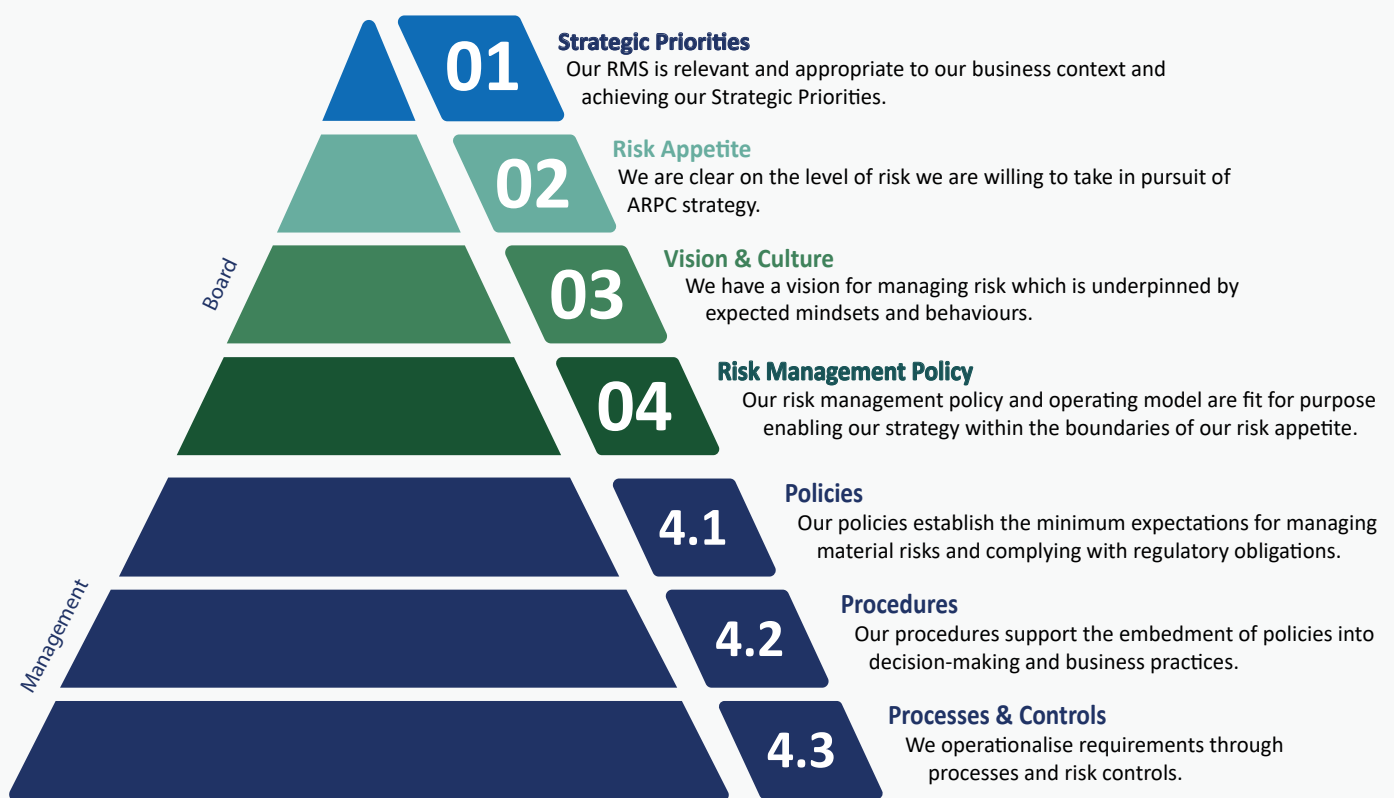
The ARPC Risk Management Strategy and Policy (RMS and Policy) support our compliance with section 16 of the PGPA Act. This requires accountable authorities of Commonwealth entities to establish and maintain appropriate systems and internal controls for the oversight and management of risk.

The RMS and Policy also support us to deliver on our mandate under the TCI Act. The RMS establishes the overall approach for managing risk by:

- ensuring the approach to risk management supports the achievement of our strategic priorities.
- providing clarity on the level of risk we are willing to take in the pursuit of our strategic priorities (our Risks and Appetite).
- conveying the vision for managing risk and the expected mindsets and behaviours (our Risk Culture Statement).

Figure 3.3 below sets out the key elements of our RMS.

Figure 3.3: Risk Management Strategy key elements



Risk appetite

Risks to achieving our strategic priorities have been grouped into strategic, financial, reinsurance, and operational. Our risk appetite has been set in relation to these risks, establishing the amount of risk we are willing to accept or retain in pursuit of our strategic priorities.

The Policy establishes the principles for ensuring risks are managed within risk appetite and assessed regularly. This includes risk assessments mandated by statute, such as the Fraud and Corruption Risk Assessment, which is to be conducted every two years under the PGPA Act.

Key risk indicators define specific thresholds for risk taking, indicating when our appetite is within target, at risk or outside. These risk indicators are assessed regularly by management and reported to the Risk Committee and Board, including actions to return to appetite.

Our risks and the approach we take to mitigate them, is shown below in **Table 3.2**.

Table 3.2: Risk approach and mitigation actions

| Risk category | Key risk | Mitigation actions |
|-------------------------|--|--|
| Strategic risk | Failure to deliver on strategic priorities, affecting pool affordability and accessibility, leading to reputational harm. | <ul style="list-style-type: none"> Regular engagement with key stakeholders (including sharing of data and information) to support transparency and pool effectiveness. Monitoring external developments to ensure responsiveness to emerging strategic risks. |
| Financial risk | Inadequate capital and liquidity management, leading to failure to meet obligations or triggering Commonwealth guarantees. | <ul style="list-style-type: none"> Board-approved Capital Management Policy and Investment Management Policy, including defined procedures and controls. Use of Liquidity and Cashflow projection Models. Preparation and issuance of Financial Outlook Report (cyclone pool) on scheme performance, financial risks and mitigations, premium adequacy and projected financial outcomes. |
| Reinsurance risk | Mismanagement of reinsurance arrangements or exposure under the TCI Act, resulting in adverse financial or operational outcomes. | <ul style="list-style-type: none"> Regular review of reinsurance arrangements, pricing adequacy, and claims management practices, including controls to minimise claims leakage or claims fraud. Independent actuarial advice. Scenario testing and simulation exercises. |
| Operational risk | Failures in systems, processes, or compliance resulting in financial loss or reputational harm. | <ul style="list-style-type: none"> Implementation of policies, procedures and controls to manage material operational risks such as cyber security, AI data integrity, people, material suppliers, and major disruptions. |

Risk vision and culture

Our vision establishes the purpose for managing risk at ARPC, providing the overall ‘why’ and ‘how’ risk is managed in support of our risk appetite.

The Risk Culture Statement sets the behavioural expectations for all staff, fostering an enterprise-wide mindset to risk management and forming part of our overall risk culture.

Vision for risk management at ARPC

Managing risk well is key to pursuing our strategic priorities confidently, protecting our business and reputation, and maintaining the trust of our stakeholders. Managing risk well at ARPC means that our risk management practices:

| | | |
|---|---|---|
| Are compliant by design and fully embedded into our business enabling informed decision-making that balances opportunity with protection. | Build resilience and capacity to manage cyclone and terrorism events and business disruptions well. | Are a shared responsibility, with every team member equipped to proactively recognise and manage risks relevant to their roles. |
|---|---|---|

Risk culture

One of our strategic priorities focuses on continuing to build our risk focused culture, to drive ongoing improvements in performance. This priority is supported by our Board approved Risk Culture Statement.

Risk Culture Statement

Our risk focused culture means, consistent with our values and as government officials, we believe that high standards of risk management are core to maintaining our position of trust in managing the reinsurance pools.

In pursuit of these standards:

- We empower everyone to take accountability for managing risk in their day-to-day activities.
- We consistently champion and role model risk management fostering an environment where we openly discuss, escalate, and resolve risk issues.
- We seek to continuously improve our risk capabilities embracing opportunities to learn from mistakes, strengthen our risk and control environment using new technologies and data analytics, where appropriate.

The Risk Culture Statement reflects our desired risk culture and is embedded into our risk management processes, so that it underpins decision-making. We assess our risk culture regularly against the Risk Culture Statement, developing actions to embed our risk culture.

Cooperation

The organisations listed below assist us to deliver on our 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.

| | |
|--|---|
| Treasury | We are an entity within the Treasury portfolio. Treasury assists us to meet the needs of the Government. |
| Australian Government Actuary (AGA) | The ARPC Board appointed the AGA as our Reviewing Actuary for the cyclone pool. The AGA also performs a role as Board Observer appointed by our responsible Minister. |
| National Emergency Management Authority (NEMA) | We work with NEMA on initiatives and data sharing in relation to cyclone risk mitigation. |
| Bureau of Meteorology (the Bureau) | As Australia's weather agency, the Bureau will observe when a cyclone begins and ends. If it observes that a cyclone exists and is likely to affect any part of Australia, the Bureau must notify us regarding the cyclone within 24 hours. If a cyclone re-intensifies and/or ends, a similar process must be followed with the Bureau. |
| Defence Science and Technology Group | Our terrorism bio/chemical catastrophe model utilises inputs from the Federal Government's Defence Science and Technology Group. |
| Department of Home Affairs | We utilise the Australian National Threat Level determined by the Australian Security Intelligence Organisation (ASIO), which is part of the Department of Home Affairs, as an input for our probabilistic blast model. |
| Geoscience Australia | We work with Geoscience Australia to build terrorism blast and plume catastrophe models. These models assist us 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 educate and inform global reinsurers about the risk, so they can provide capital to support terrorism reinsurance in Australia. |

04 OUR PERFORMANCE

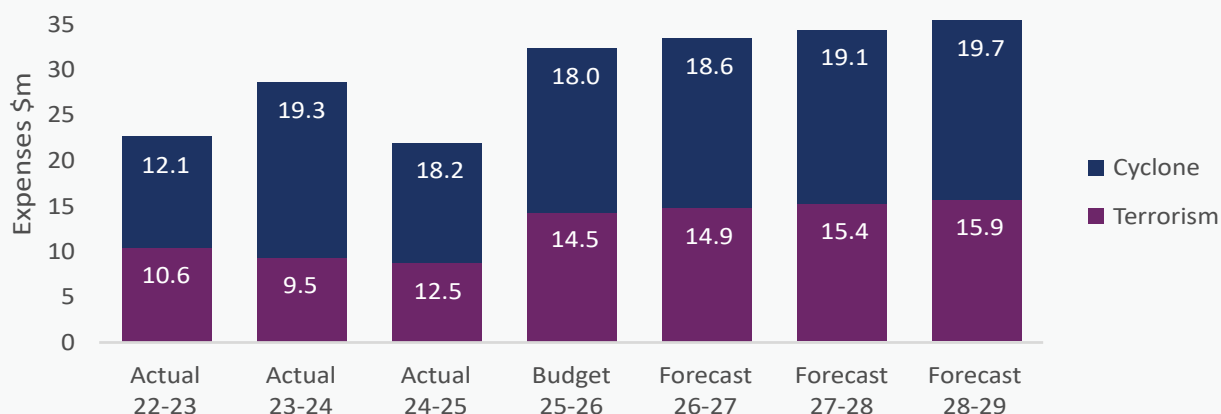
We will achieve our purpose by delivering on the strategic priorities summarised in **Table 4.1**. We will continue to mature our performance measures, as we collect data and refine our assessment methodologies.

Our performance measures and targets for each strategic priority in this corporate plan are outlined below. The targets are applicable to each reporting period covered by this plan.

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 a terrorism and a cyclone 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 \$32.5m for 2025-26. See figure 4.1. |
| Measure 5 Insurer customer satisfaction | Annual survey of insurer customers to inform future engagement | <p>Terrorism: Terrorism Stakeholder Perception Index score greater than 70%. Insights from survey considered and appropriate program of activities identified and implemented within targeted timelines.</p> <p>Cyclone: Cyclone Stakeholder Perception Index score greater than 70%. Insights from survey considered and appropriate program of activities identified and implemented within targeted timelines.</p> |

Figure 4.1: General operating expenses – Measure 4 further detail



APPENDIX

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. |
| Gross Written Premium (GWP) | GWP is the total revenue from a contract expected to be received by an (re) insurer before deductions for reinsurance or ceding commissions. |
| 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. |



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