

# Natural Catastrophes Insurance Cover Individual System Summary Updates

**As of August 2024**

<b>1</b>	<b>The name of the Cover</b>	Australian Reinsurance Pool Corporation (ARPC)
<b>2</b>	<b>Cover Purchase / Distribution Channels</b>	<p>The Terrorism and Cyclone Insurance Act 20023 (TCI Act) makes it compulsory for most insurers to join the cyclone pool and buy cyclone reinsurance from ARPC.</p> <p>The cyclone pool commenced on 1 July 2022 with the objective of making property cyclone insurance more affordable for Northern Australia. The pool uses the insurance industry as the distribution channel for ARPC's discounted cyclone reinsurance pricing.</p> <p>Participation is mandatory for Australian general insurers with eligible cyclone pool insurance contracts. While there are several exceptions (listed below), Australian insurers must join the cyclone pool and may incur financial penalties if they do not join by the 31 Dec 2024 deadline.</p> <p>The following insurers can elect whether to join the cyclone pool:</p> <ul style="list-style-type: none"> <li>• Insurers with less than \$10 million cyclone pool insurance contract GWP for the most recent financial year</li> <li>• Lloyd's underwriters under the Insurance Act 1973 (Cth); and</li> <li>• Unauthorised foreign insurers under the Insurance Regulations 2002 (Cth).</li> </ul> <p>ARPC enters into reinsurance treaty contracts with insurers. ARPC provides discounted cyclone reinsurance to the reinsureds who are compelled to pass on the cyclone insurance savings to policyholders via government monitoring arrangement.</p> <p><i>Note that ARPC also offers optional terrorism reinsurance for commercial, industrial, construction risks and large strata located in Australia. This is a separate product administrated by ARPC.</i></p>
<b>3</b>	<b>Coverage (incl. perils, sum insured &amp; premium etc.)</b>	<p>Home, residential and commercial strata, and small business policies. This includes:</p> <p><b>Residential home and contents</b>, including landlord insurance and farm residential buildings</p> <p><b>Commercial property</b> policies with maximum sum insured of \$5 million or less across risks covered by the cyclone pool (property, contents, and business interruption); and</p> <p><b>Residential strata</b>, including long and short-term strata rental and mixed-use strata schemes, where 50 per cent or more of floor space is used mainly for residential purposes.</p> <p><b>Perils</b> – cyclone cover is for losses from wind, flood and storm surge attributable to the tropical cyclone (TC) that occurs during the life of an officially declared tropical cyclone plus 48 hours after it is downgraded below TC status.</p>
<b>4</b>	<b>Claim Criteria / Loss Trigger</b>	<p>A cyclone event is triggered once the Bureau of Meteorology (BoM) has notified ARPC that the weather event is a cyclone, as defined in the TCI Act, and is impacting Australian territories. The ARPC website will also be updated with the details of the Declared Cyclone Event including the start, end and claim period.</p> <p>Losses are defined by the original insurance policy and claims are managed by the reinsurers.</p>

5	<p><b>Current Risk Assuming and Transferring structure</b> (see following diagram)</p>	<p>ARPC assumes all eligible cyclone losses covered by cyclone 'pool insurance contracts' as defined in the TCI Act and Regulations.</p> <p>Risks are transferred to ARPC via generic continuous property reinsurance treaty contracts that are entered into between ARPC and each insurer.</p> <p>The reinsurance currently provides insurers with 100% cover in the aggregate for cyclone pool insurance losses from ground up (nil treaty excess).</p> <p>ARPC charges a reinsurance premium for policies issued or renewed by the reinsured each quarter. Premium is individually calculated at a risk-based level using building characteristics such as materials, age and location. Flood is priced at a small regional level.</p> <p>The pricing charged by ARPC provides the largest discounts in the highest cyclone risk areas and is priced to be cost neutral in the long term.</p> <p>The setting of cyclone pool reinsurance premiums by ARPC must comply with the requirements of the TCI Act, which are:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• In medium to high cyclone risk areas, to keep the premiums as low as possible while maintaining incentives to reduce and mitigate risk; and</li> <li>• In lower cyclone risk areas, to keep premiums at levels comparable to what would be charged by other reinsurers.</li> </ul> <p>ARPC's cyclone rates can be adjusted from time-to-time based on experience and other factors.</p>

<b>6</b>	<b>Recent Loss events</b>	<table border="0"> <thead> <tr> <th data-bbox="579 147 975 174"><b>Cyclone Event</b></th> <th data-bbox="975 147 1433 174"><b>Est Ultimate Claims Costs</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="579 174 975 201">Cyclone Megan: 16 Mar 2024</td> <td data-bbox="975 174 1433 201">\$1 million</td> </tr> <tr> <td data-bbox="579 201 975 228">Cyclone Lincoln: 16 Feb 2024</td> <td data-bbox="975 201 1433 228">\$0 million</td> </tr> <tr> <td data-bbox="579 228 975 255">Cyclone Kirrily: 24 Jan 2024</td> <td data-bbox="975 228 1433 255">\$62 million</td> </tr> <tr> <td data-bbox="579 255 975 282">Cyclone Jasper: 10 Dec 2023</td> <td data-bbox="975 255 1433 282">\$90 million</td> </tr> <tr> <td data-bbox="579 282 975 309">Cyclone Ilsa: 11 April 2023</td> <td data-bbox="975 282 1433 309">\$0 million</td> </tr> <tr> <td data-bbox="579 309 975 336">Cyclone Gabrielle: 9 Feb 2023</td> <td data-bbox="975 309 1433 336">\$0 million</td> </tr> </tbody> </table> <p data-bbox="579 394 1433 421">Total claims incurred since pool inception on 1 July 2022: \$153 million.</p>	<b>Cyclone Event</b>	<b>Est Ultimate Claims Costs</b>	Cyclone Megan: 16 Mar 2024	\$1 million	Cyclone Lincoln: 16 Feb 2024	\$0 million	Cyclone Kirrily: 24 Jan 2024	\$62 million	Cyclone Jasper: 10 Dec 2023	\$90 million	Cyclone Ilsa: 11 April 2023	\$0 million	Cyclone Gabrielle: 9 Feb 2023	\$0 million
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<b>7</b>	<b>Latest take-up rate</b> (Penetration rate)	All large, and some small Australian insurers have joined the cyclone pool with all required insurers set to join the pool by 31 December 2024. ARPC currently covers over 95% of all cyclone 'pool insurance contracts' nationwide.														
<b>8</b>	<b>Current Accumulate reserves</b> (fund)	<p data-bbox="603 645 1433 739">ARPC cyclone net assets stand at \$480 million and is backed by a \$10 billion Commonwealth guarantee plus an additional unquantifiable guarantee if required.</p> <p data-bbox="603 770 1433 922">ARPC terrorism net assets stand at \$1,200 million and is backed by a separate terrorism \$10 billion Commonwealth guarantee. ARPC pays annual fees and dividends to the Federal government for the provision of the terrorism Commonwealth guarantee as stated in our Annual Reports.</p>														
<b>9</b>	<b>Website/ annual report Linkage</b>	<p data-bbox="603 958 1433 985">ARPC website:</p> <p data-bbox="603 985 1433 1012"><a href="http://www.arpc.gov.au">www.arpc.gov.au</a></p> <p data-bbox="603 1012 1433 1039">ARPC Annual Reports:</p> <p data-bbox="603 1039 1433 1111"><a href="http://www.arpc.gov.au/news-resources-arpc/annual-reports/?resources-tags=Annual%20reports">www.arpc.gov.au/news-resources-arpc/annual-reports/?resources-tags=Annual%20reports</a></p> <p data-bbox="603 1111 1433 1137">ARPC Corporate Plan 2024-28</p> <p data-bbox="603 1137 1433 1164"><a href="#">Corporate Plans - ARPC</a></p>														
<b>10</b>	<b>Other</b>															

## Our Purpose, Role and Values



**Purpose**  
ARPC's purpose is to, through reinsurance, improve the accessibility and affordability of insurance for the Australian community for terrorism and cyclone risk.



**Role**  
Administer the terrorism and cyclone reinsurance pools as legislated.

**Strategic Priorities**



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



Optimise the pools to enhance effectiveness and affordability.



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



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



**Corporate Values**    Service    Integrity    Respect    Wellbeing

**Current Risk Assuming and Transferring structure (diagram)**

