

FROM: Director, Worldwide Markets EXTN: 6677
DATE: 11 March 2005 REF: Y3517
SUBJECT: **THE AUSTRALIAN REINSURANCE POOL CORPORATION CLAIMS PROCEDURE**
SUBJECT AREA(S): Explanation of the claims procedure for those syndicates who have opted in to the Australian Reinsurance Pool Corporation, in the event of a Declared Terrorist Incident in Australia.
ATTACHMENTS: Appendix 1 - Claims Account Template
Appendix 2 - A guide to the information required in each field of the Claims Account Template.

ACTION POINTS: **To note contents**

DEADLINE(S): **Immediate**

The intention of this bulletin is to advise those syndicates who have opted in to the Australian Reinsurance Pool Corporation (ARPC) reinsurance scheme, of the claims procedure in the event of an 'eligible terrorism loss' in Australia.

A 'Declared Terrorist Incident' (DTI) has the effect of making terrorism exclusions in eligible policies ineffective. In the event of a DTI, insurers should assess and adjust, as normal, all claims by assuming that the terrorism exclusion did not exist on the policy.

The claims procedure section of the ARPC's web site, which explains the role syndicates should take in the event of a DTI, and the Claims Account Template can be found at the following internet address:

<http://arpc.treasury.gov.au/content/claims.asp?NavID=9>

In the event that a DTI is formally announced by the Federal Treasurer in Australia, underwriters should be aware of the operation of the Australian Terrorism Insurance Act 2003 (ATIA).

There are 3 main aspects of ATIA if a DTI were to occur:

1. A terrorism exclusion in an eligible insurance contract has no effect in relation to a loss or liability to the extent to which the loss or liability is an eligible terrorism loss.
2. The ARPC has the power to cap the amount recoverable in the event of 'eligible terrorism losses' and therefore scale back the amount payable by an insurer, by means of what is known as a 'reduction percentage';
3. The ARPC reinsurance arrangements are triggered.

Syndicates should advise the ARPC within 7 calendar days of becoming aware of circumstances likely to give rise to a treaty claim (i.e. the date the syndicate receives notification of the likelihood of a claim on them) together with an estimate of the ARPC's

liability. Terrorism reinsurance claims should be included in the Claims Account Template, which should then be posted or faxed to:

The ARPC
GPO Box 3024
Canberra
ACT 2061
Australia

Fax No: 00 61 2 6279 2111.

If you have any queries regarding the above please contact one of the following:

Lloyd's Worldwide Markets:

Market Services Desk: Box 190b
 Tel: 020 7327 6677
 Email: market.services@lloyds.com

Lloyd's General Representative in Australia:

Keith Stern Tel: 00 61 2 9223 1433
 Email: Keith_Stern@bigpond.com

This bulletin has been sent to active underwriters and the Compliance Officers of Lloyd's managing agents and for information to the LMA.

More detailed information on Lloyd's trading rights may be found on www.lloyds.com/worldwide. Select the appropriate country from the Lloyd's trading status box (located on the right hand side of the web page) and this will take you to the Quick Reference Guide for the country selected. More detailed information may then be obtained for certain countries by selecting 'Manual' from the menu on the left hand side of the screen. You will be asked to input a user name and password. Please contact the Worldwide Market Services (contact details as above) in order to obtain this information.

Julian James
Director
Worldwide Markets

ARPC TERRORISM REINSURANCE CLAIM FORM

Australian Reinsurance Pool Corporation
 ABN 74 807 136 872

Post To ARPC: GPO Box 3024 CANBERRA ACT 2601

OR

Fax To ARPC: +612 6279 2111

PLEASE NOTE: only complete the light yellow boxes.

Name of Reinsured:
 ABN:
 Reinsured's BSB: This will enable claim payments
 Bank Account Number: to be made by EFT

Date of this Account:
 Date of Loss:
 Postcode Location(s) of Loss:

| CLASS OF BUSINESS | NUMBER OF AFFECTED POLICIES | AGGREGATE SUM INSURED |
|----------------------------|--------------------------------|--------------------------|
| Section 1 FIRE/ISR | <input type="text"/> | <input type="text"/> |
| Section 2 CONSTRUCTION | <input type="text"/> | <input type="text"/> |
| Section 3 PUBLIC LIABILITY | <input type="text"/> | <input type="text"/> |

| CLASS OF BUSINESS | GROSS PAID TO DATE | Input Tax Credit or Decr Adjust/Inc Adjust | Recovery from Salvage/Subrog etc. | NET PAID TO DATE | OUTSTANDING RESERVES | INCURRED |
|---|-------------------------|---|--------------------------------------|-------------------------|---------------------------|-------------------------|
| Section 1 FIRE/ISR | <input type="text"/> | \$ <input type="text"/> | - <input type="text"/> | \$ <input type="text"/> | <input type="text"/> | \$ <input type="text"/> |
| Section 2 CONSTRUCTION | <input type="text"/> | \$ <input type="text"/> | - <input type="text"/> | \$ <input type="text"/> | <input type="text"/> | \$ <input type="text"/> |
| Section 3 PUBLIC LIABILITY | <input type="text"/> | \$ <input type="text"/> | - <input type="text"/> | \$ <input type="text"/> | <input type="text"/> | \$ <input type="text"/> |
| | \$ <input type="text"/> | - \$ <input type="text"/> | - \$ <input type="text"/> | \$ <input type="text"/> | - \$ <input type="text"/> | \$ <input type="text"/> |
| Less Reinsured's Retention (Refer Item 3 of Schedule) | | | | | | <input type="text"/> |
| Less Total of Previous Collections | | | | | | <input type="text"/> |
| TOTAL THIS COLLECTION | | | | | | \$ <input type="text"/> |

CONFIRMATION OF PREMIUM PAYMENT:

This claim relates to policies that were remitted to the ARPC as follows:

| Name of Insured | Inception Date of Policy | ARPC Payment Period | ARPC Amount |
|---------------------|--------------------------|---------------------|-------------|
| eg. ACME Industries | 1/08/2004 | Oct-04 | \$10,000.00 |
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Declaration:

I/We hereby declare that the foregoing particulars to be true and correct and that only "eligible" claims, as defined, have been included in this Claim Form. We also declare that all eligible premium owing to the ARPC on these policies has been paid.

Authorised signature of the Reinsured's representative:

Print Name of Signatory:

Date:

ATTACHMENT TO ARPC TERRORISM REINSURANCE CLAIM FORM

DEFINITIONS

1. Section 1 (Fire) includes claims on eligible Fire, ISR, Farm and Plant and Equipment policies (including Material Damage and Business Interruption sections).
2. Section 2 (Construction) includes claims on all eligible Contract Works policies.
3. Section 3 (Public Liability) includes claims on all eligible Public Liability policies.
4. The "Aggregate Sum Insured of Affected Policies" in column H refers to the site specific sum insured which will be used for damage ratio calculations.
5. Gross Paid equals the 100% of payments made to date.
6. Column D is to contain all ITC/DA/IA and any other "tax" item.
7. Column E is to contain recovery from all Salvage, Subrogation, Dual Insurance or any other "non tax" items.
8. Net Paid equals the Gross Paid minus amounts shown in columns D and E (this is automatically calculated).
9. Column G is the Outstanding Claims Reserve of each Class of Business from this Declared Terrorist Incident (DTI).
10. Column H is the total of columns F and G (this is automatically calculated).
11. "Total of Previous Collections" is the aggregate total of all previous collections for this DTI.
12. The "Premium Payment" information should indicate when the reinsurance premium for the affected policies was paid to the ARPC.

INSTRUCTIONS

1. The claims procedure is outlined on our web site:
www.arpc.treasury.gov.au/content/claims.asp?NavID=9.
2. The format of this standard claim form is not to be altered.
3. On completion, please forward a signed copy of this form to the ARPC (Fax +612 6279 2111)
4. Weekly updates of claim figures will initially be requested which will then extend to monthly updates as instructed by the ARPC.
5. Claims will be settled in accordance with Clause 13(a) of the Reinsurance Agreement.
6. Claims exceeding the Cash Loss figure will be settled in accordance with Clause 13(b) of the Reinsurance Agreement.
7. Please use a separate Claim Form for losses triggered by different terrorist attacks.
8. The Claim Form is to be signed by The Reinsured's authorised representative such as the Reinsurance Manager.

Cedant's Comments on Losses Derived from this DTI:

(Optional)

APPENDIX 2

The information required to complete the Claims Account Template would be obtained from a combination of electronic messages supplied by Xchanging and the syndicate's own information, in conjunction with the following:

Name of Reinsured

Lloyd's

ABN

74 807 138 872

Reinsured's BSB & Account Number

Bank sort code and account number

Date of Account

The date that the claim form is submitted.

Date of Loss

Obtained from Xchanging message.

Postcode(s) Location of Loss

Obtained from a syndicate's own system.

Class of Business

Due to Lloyd's unique nature, Lloyd's have agreed the following risk code mapping exercise with the ARPC as to which Lloyd's risk codes would fit into which class of business:

Fire/ISR:

- | | | | |
|---|----|---|----|
| - | AG | - | B |
| - | B5 | - | DC |
| - | EF | - | ET |
| - | F | - | FA |
| - | FR | - | GS |
| - | JB | - | P3 |
| - | P5 | - | PD |
| - | V | | |

Construction:

- CA

Public Liability:

- | | | | |
|---|----|---|----|
| - | AO | - | AP |
| - | EA | - | EB |
| - | EG | - | EH |
| - | G | - | LE |
| - | NA | - | NC |
| - | P | - | PB |
| - | PC | - | PL |

- PN
- UA
- VL
- PR
- UC

Number of Policies which suffered a loss

This would be taken from the syndicate's own system and also information from the coverholder bordereau. The Xchanging message would assist in identification of the policies to be included.

Aggregate sum insured of affected policies

This would be an aggregation of the information that the syndicate has obtained from their own systems, using the Xchanging message as a guide.

Gross Paid to date

Obtained from the Xchanging message.

Input Tax Credit or Decreasing Adjustment/Increasing Adjustment

The reference to input tax credit or decreasing adjustment/increasing adjustment, would be used where Goods and Services Tax (GST) has applied. However, since the reinsurance premium payable to the APRC is not subject to GST, as Lloyd's underwriters are not making a supply connected with Australia, Lloyd's syndicates show 'nil' with respect to GST on their quarterly returns and therefore there will not be any input tax credits, etc., for them to record. However, the ARPC have also asked for this field to record any 'other tax item', the information of which, where applicable, the syndicate should hold on their own records.

Recovery from Salvage/Subrogation etc

Obtained from a syndicate's own system.

Net Paid To Date

The template will automatically calculate this amount.

Outstanding Reserves

Obtained from the Xchanging message.

Incurred

The template will automatically calculate this amount.

Less Reinsured's Retention

A syndicate's retention has previously been made known to each syndicate, and is recalculated annually. WWM keeps this information on file if a syndicate needs to be reminded.

Less Total of Previous Collections

Obtained from a syndicate's own system.

Total This Collection

The template will automatically calculate this amount.

Confirmation of Premium Payment

Name of insured

Obtained from a syndicate's own system.

Inception Date of Policy

Obtained from a syndicate's own system.

ARPC Payment Period

The quarter in which the reinsurance premium was paid to the ARPC – obtained from a syndicate's own system.

ARPC Amount

Reinsurance payment to the ARPC – obtained from a syndicate's own system.