

Title The Australian Reinsurance Pool Corporation (ARPC) and reinsurance arrangements for dealing with eligible terrorism losses

Purpose To enable syndicates to advise whether they wish to opt in or out of the ARPC reinsurance arrangement for 2018

Type Scheduled

From Stephen Yates, Senior Manager, International Reporting,
International Regulatory Affairs

Date 5 December 2017

Deadline 5 January 2018

Related links

Purpose

The purpose of this market bulletin is to invite syndicates to exercise the option to opt in or out of the reinsurance arrangement with the ARPC for the period 1 January to 31 December 2018. In order to exercise the option to opt in or out, all syndicates must complete and sign the pro-forma letter (Appendix 1), and return it electronically to australian.terrorism@lloyds.com by **5 January 2018**.

Background

The Australian Terrorism Insurance Act 2003 renders terrorism exclusion clauses in eligible insurance contracts ineffective in relation to losses arising from a declared terrorism incident. In order to provide cost-effective reinsurance cover for eligible terrorism losses, the Australian Government established the Terrorism Insurance Scheme (the 'Scheme') operated by the ARPC, a statutory authority providing reinsurance cover for losses arising from a declared terrorist incident.

All syndicates are eligible to reinsure the risk of eligible terrorism losses under the Scheme with the ARPC, providing they have included a terrorism exclusion clause in the policy. The ARPC Reinsurance Agreement, along with all notices of amendments, can be found in Appendix 5 of the Australian Terrorism User Guide, available on [Crystal](#). Joining the Scheme is not compulsory, however, and is a matter for the managing agent of the relevant syndicate to decide whether or not to do so. A syndicate may for instance choose to rely on its own commercial reinsurance arrangements rather than those provided by the Scheme.

If a syndicate does opt in to the Scheme, they will be required to meet quarterly and annual reporting requirements, which are subject to Lloyd's Overseas Returns Fining Policy (see [Market Bulletin Y4843](#), dated 1 December 2014).

Action Required

In order to exercise the option to opt in or out of the reinsurance agreement for the period 1 January to 31 December 2018, all syndicates must complete and sign the pro-forma letter (Appendix 1), and return it electronically, to australian.terrorism@lloyds.com by **5 January 2018**.

Further Information

If you require additional information or wish to discuss this matter in more detail, please contact:

Lloyd's International Trading Advice (LITA)
Lloyd's Desk, Ground Floor, Underwriting Room
Telephone: + 44 (0)20 7327 6677
Email: LITA@Lloyds.com
www.lloyds.com/crystal

Appendix 1

[To be completed on Managing Agent's letter headed paper]

Maxine Hooper
Manager, International Reporting
International Regulatory Affairs
Lloyd's
One Lime Street
London
EC3M 7HA

Dear Madam,

Australian Reinsurance Pool Corporation Reinsurance Arrangement
1 January to 31 December 2018

I am writing on behalf of syndicate [insert name and number of syndicate].

I understand that -

1. The Australian Terrorism Insurance Act 2003 renders terrorism exclusion clauses in eligible insurance contracts ineffective in relation to loss or liabilities arising from a declared terrorism incident.
2. In order to provide cost-effective reinsurance cover for eligible terrorism losses, the Australian Government established a Terrorism Insurance Scheme (the 'Scheme'). The Scheme is operated by the Australian Reinsurance Pool Corporation (ARPC). The ARPC is a statutory authority providing reinsurance cover for losses arising from a declared terrorist incident. Ultimately the Scheme is backed by the Australian Government.
3. All syndicates are eligible to reinsure the risk of eligible terrorism losses with the ARPC. However, it is not compulsory and it is a matter for the managing agent of the relevant syndicate to decide whether or not to do so. A syndicate may for instance choose to rely on its own commercial reinsurance arrangements rather than those provided by the Scheme.
4. A decision to reinsure eligible terrorism losses through the ARPC will be binding for the period 1 January to 31 December 2018. A decision not to reinsure such losses through the ARPC will mean that the syndicate concerned gives up the right to benefit from the reinsurance provided by the

Scheme in relation to a declared terrorist incident occurring during this period.¹

5. A syndicate that chooses to opt in to the Scheme will need to ensure that it can meet its quarterly and annual reporting obligations, which are subject to Lloyd's Overseas Returns Fining Policy (Market Bulletin Y4843, dated 1 December 2014).

I have reviewed the ARPC's standard form of reinsurance agreement for Lloyd's syndicates (the ARPC Reinsurance Agreement) and the Notices of Amendment to the ARPC Reinsurance Agreement and confirm that syndicate [insert name and number of syndicate]

- i.) [wishes to benefit from the reinsurance arrangement with the ARPC for the period 1 January to 31 December 2018 and I hereby authorise Lloyd's Underwriters' General Representative in Australia, to sign the ARPC Reinsurance Agreement for and on behalf of the members of the syndicate. I understand that this decision is binding for the above-mentioned period.]²
- ii.) [does not wish to reinsure eligible terrorism losses through the ARPC. I understand that this decision is irrevocable for the period 1 January to 31 December 2018]³

Enquiries relating to our syndicate's adherence to its obligations under the Australian Terrorism Insurance Act 2003 should be directed to [insert contact name].

Yours faithfully

For and on behalf of syndicate [insert name and number of syndicate]

¹ It should be noted that the ARPC Scheme operates on a risks attaching basis. Reference to 'occurring during this period' is to advise that if a syndicate were to opt out of the ARPC Scheme for the forthcoming calendar year then any risks written in that period would not be covered by the ARPC Scheme if there were to be a declared terrorist incident in that calendar year. However, if a syndicate had opted in to the ARPC Scheme for the previous calendar year and had reported to the ARPC its written premiums and paid the necessary reinsurance premium during the previous calendar year then any risks that inceptioned during that period impacted by a declared terrorist incident in the forthcoming year would be covered under the ARPC Scheme.

² Delete as appropriate

³ Delete as appropriate