

Natural Catastrophes Insurance Cover Individual System Summary Updates

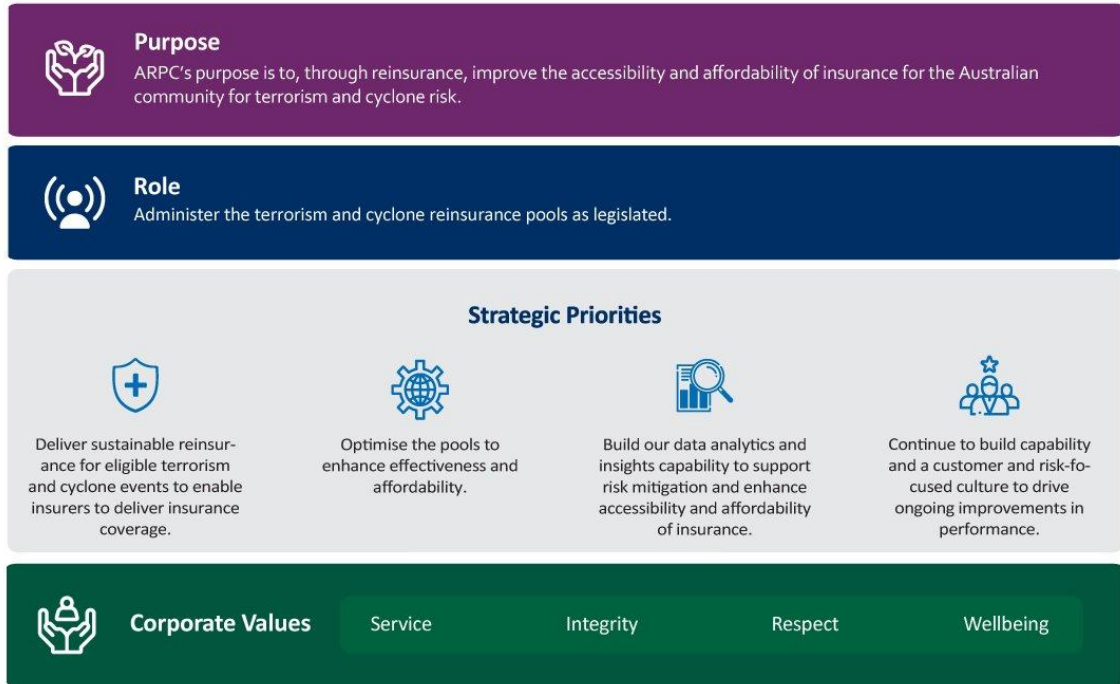
As of March 2025

1	The name of the Cover	Australian Reinsurance Pool Corporation (ARPC)
2	Cover Purchase / Distribution Channels	<p>The Terrorism and Cyclone Insurance Act 20023 (TCI Act) makes it mandatory for most insurers to join the cyclone pool and purchase cyclone reinsurance from ARPC.</p> <p>The cyclone pool commenced on 1 July 2022 with the objective of making cyclone insurance more affordable for Northern Australia.</p> <p>ARPC enters into reinsurance treaty contracts with insurers – by providing discounted cyclone reinsurance to insurers who have entered the cyclone pool and are required to pass on the discounted prices to policyholders.</p> <p>Participation is mandatory for Australian general insurers with eligible cyclone pool insurance contracts. All mandated insurers have joined the cyclone pool within legislated timeframes.</p> <p>The following insurers may elect whether to join the cyclone pool:</p> <ul style="list-style-type: none"> • Insurers with less than \$10 million cyclone pool insurance contract GWP for the most recent financial year • Lloyd’s underwriters under the Insurance Act 1973 (Cth); and • Unauthorised foreign insurers under the Insurance Regulations 2002 (Cth). <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 administered by ARPC.</i></p>
3	Coverage (incl. perils, sum insured & premium etc.)	<p>The cyclone pool covers home, residential and strata, and small business policies. This includes:</p> <p>Residential home and contents, including landlord insurance and farm residential buildings</p> <p>Commercial property policies with maximum sum insured of \$5 million across risks covered by the cyclone pool (property, contents, and business interruption); and</p> <p>Residential strata, 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>Perils – cyclone cover is for losses from wind, flood and storm surge attributable to a cyclone that occurs during an officially declared cyclone plus 48 hours after it is downgraded below cyclone status.</p>

4	Claim Criteria / Loss Trigger	<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. Losses are defined by the original insurance policy and claims are managed by the insurers.</p> <p>The ARPC website will also be updated with the details of the Declared Cyclone Event including the start, end and claim period.</p>
5	Current Risk Assuming and Transferring structure (see following diagram)	<p>ARPC assumes all eligible cyclone losses (as defined by the <i>Terrorism and Cyclone Insurance Act (2003)</i>) covered by cyclone pool insurance contracts.</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 agreement 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"> • 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. <p>ARPC's cyclone rates can be adjusted based on claims data and other factors.</p>

6	Recent Loss events	<p>Cyclone Event (begin date)</p> <p>Cyclone Alfred: 28 Feb 2025 Cyclone Zelia: 12 Feb 2025 Cyclone Sean: 19 Jan 2025 Cyclone Megan: 16 Mar 2024 Cyclone Lincoln: 16 Feb 2024 Cyclone Kirrily: 24 Jan 2024 Cyclone Jasper: 10 Dec 2023 Cyclone Ilsa: 11 April 2023 Cyclone Gabrielle: 9 Feb 2023</p> <p>Est Ultimate Claims Costs</p> <p>\$1,700 million \$18.8 million \$5.9 million \$3 million \$450 k \$48 million \$95 million \$8 k \$49 k</p> <p>As at 30 June 2024 (excluding the 2024/25 season), reported total claims incurred since inception of the pool is \$155 million. This is expected to increase to \$1,880m on current estimates as at 31 March 2025.</p>
7	Latest take-up rate (Penetration rate)	<p>All mandated insurers have joined the cyclone within legislated timeframes.</p> <p>The cyclone pool covers over 3.1 million buildings against physical and financial loss from cyclones with an aggregate building exposure of just under \$2.17 trillion.</p>
8	Current Accumulate reserves (fund)	<p>As at 30 June 2024, ARPC cyclone net assets stood at \$479 million and is backed by a \$10 billion Commonwealth guarantee plus an additional unquantifiable guarantee if required.</p> <p>As at 30 June 2024, ARPC terrorism net assets stood at \$1,184 million and is also backed by a \$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>
9	Website/ annual report Linkage	<p>ARPC website ARPC Annual Reports ARPC Corporate Plan 2024-28</p>
10	Other	

Our Purpose, Role and Values



Current Risk Assuming and Transferring structure (diagram)

