

## **Australian Reinsurance Pool Corporation (ARPC) – Terrorism Reinsurance for Commercial and Captive Insurers**

*“Imagine - A coordinated attack on a large commercial premise located in Australia. The attack is attributed to a well known terrorist organisation and the commercial building, which is insured by your Asian insurance company, is totally destroyed. The commercial policy is checked and found to contain a terrorism exclusion clause.*

*However, a short time later the Federal Treasurer in Australia announces a Declared Terrorist Incident (DTI) rendering the terrorism exclusion clause ineffective. Your policy is found to be “eligible” under the TIA and you now have full exposure to that loss and must respond to the claim.*

*Fortunately, you have already arranged terrorism reinsurance with the ARPC which will limit your net loss.”*

Mike Pennell, ARPC’s Client Service Manager, recently explained to SII members why all insurers should be aware of the implications of Australia’s Terrorism Insurance Act 2003 (TIA) and the reinsurance that is available from the ARPC.

- **The TIA makes terrorism exclusions in “eligible” policies ineffective in the event of a DTI**
- **Eligible policies are defined in the TIA and can be summarised as contracts of insurance for Commercial, Construction or Farms with Business Interruption cover for property located in Australia**
- **Insurers based outside Australia must abide by the requirements of the TIA if they issue eligible policies**
- **Terrorism reinsurance for losses derived from a DTI can easily be arranged with the ARPC.**

Mike Pennell would be pleased to discuss ARPC’s terrorism reinsurance with any Asian insurer or Captive who would like to arrange protection for potential exposures to a Declared Terrorist Incident.

Mike can be contacted at ARPC’s Sydney office on +612 8223 6777 or by email [mpennell@arpc.gov.au](mailto:mpennell@arpc.gov.au)

