

6 October 2011

Mr J Fletcher  
General Manager  
ACT Insurance Authority  
GPO Box 158  
Canberra ACT 2601

Dear Sir

**REVIEW OF THE INSURANCE ARRANGEMENTS PROVIDED BY THE ACT INSURANCE AUTHORITY**

QR Consulting have been engaged to provide an independent assessment of the ACT Government's insurance arrangements covering essential public assets against loss or damage caused by natural disasters.

In the ACT, essential public assets are covered by the ACT Insurance Authority (the ACTIA), other than assets belonging to some specific entities detailed in our report. The terms "essential public assets" and "natural disasters" are defined in the Commonwealth Government's NDRRA Determination 2011.

The focus of our review has been on the Government's financial exposure related to restoration or replacement of essential public assets that are at risk of being lost or damaged as a direct result of a natural disaster (as defined).

Since 2001, the ACT Government has had in place an insurance fund under which all government departments and statutory authorities (unless exempted by the Treasurer) are insured with the ACTIA.

We have undertaken a comprehensive review of both the current and historical reinsurance program arranged by ACTIA.

Our review has included examination of a broad range of matters including:

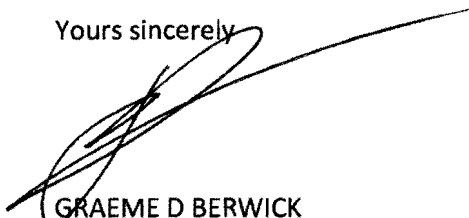
- The nature of any insurance / reinsurance sought and offered
- The amounts of any premiums and excesses
- The events and extent of assets covered
- The amount covered per event
- Maximum possible loss
- Reinstatement terms; and
- Claims experience / loss history

Our detailed findings have been provided in the report “Review of Insurance Arrangements Provided by the ACT Insurance Authority for the ACT Government in Response to NDRRA Determination 2011”. The key findings of our report include:

- The ACTIA insurance / reinsurance program is structured in a way that provides efficient access to capital to fund infrastructure losses. It achieves a reasonable balance of self insured retentions and the purchase of reinsurance, to avoid paying too much in premiums yet adequately protect the total exposure of the Government against significant losses and events.
- The arrangements in place comprise a well structured and competitive reinsurance program with local and international reinsurers. This program has operated favourably for the ACTIA over a 10 year period. A reasonable level of risk has been retained over this period by the ACTIA (and within the respective government agencies) to limit the cost of external insurance. At the same time the reinsurance policy has provided satisfactory protection against severe loss, whether from a single event or cumulative events in any one policy period.
- Comprehensive coverage is provided under the reinsurance contracts which is reflective of the available wordings in the insurance / reinsurance market and provides quality coverage for the ACT Government’s essential public assets.
- The policy has a combined single limit for material damage and business interruption, and there is potential for the limit to be exceeded under a maximum possible loss scenario. ACTIA continues to monitor policy limits against this potential.

In our assessment, the ACTIA property insurance coverage provides ACT Government Agencies with efficient and cost effective access to capital which will allow the replacement or restoration of significant assets following a natural disaster.

Yours sincerely



GRAEME D BERWICK  
Managing Director