

The Terrorism Pool Index:

Review of terrorism insurance programs in selected countries

2020-2021



IFTRIP

International Forum for Terrorism
Risk (Re)Insurance Pools

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Willis Towers Watson 

The Terrorism Pool Index:

Review of terrorism insurance programs in selected countries

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Introduction

Each of our member “pools” is unique. By coming together as a global community we are able to share expertise and experience to combat the threat of potential major economic loss resulting from terrorism. This report demonstrates the significant differences and in some case similarities between member and observer organizations. Each of the respective pool contributions allow us to make steps in progressing the understanding of contemporary terrorism risk and how to build resilience against it. As an industry, we cannot effectively mitigate or finance terrorism risk without a deep knowledge of its drivers, of how it manifests now and how it may manifest in the future. IFTRIP is committed to furthering this understanding in the years ahead, to investing

in the research and development our industry needs to take greater and more confident ownership of terrorism risk throughout the next decade and beyond.

This timely report comes toward the end of a year which continues to present acutely challenging conditions for virtually every business and nation across the world. It also coincides with IFTRIP Livestream, the largest 100% virtual International Extreme Risk (Re)Insurance Conference hosted by IFTRIP, where 600 delegates were able to listen to contributions from our member pools, insurance industry experts and a wide range of guests including academics, military personnel, public sector officials and high profile leaders.

The conference attracted international delegates from 230 organizations via 35 countries. I believe this was a pivotal conference, particularly given the prominence that public/private partnerships and disaster risk sharing mechanisms have now assumed as governments and the insurance industry consider together how to provide insurance for difficult-to-insure perils such as pandemics in the future.

In that spirit, I hope you enjoy this report.



Julian Enoizi
CEO,
Pool Re
IFTRIP Secretariat

A key objective of the International Forum of Terrorism Risk Re/Insurance Pools (IFTRIP) is to share expertise and experience to mitigate the threat and impact of major economic losses arising from terrorism catastrophe incidents.

That’s why IFTRIP is pleased to support The Terrorism Pools Index: Review of terrorism insurance programs in selected countries for 2019-2020, the second edition of this publication published by Willis Towers Watson.

In a rapidly evolving terrorism threat environment, it is invaluable to observe, compare and learn from the features of peer terrorism insurance schemes from around the world.

Terrorism threats include explosives, chemical, biological and radiological (CBR) and cyber risks. Islamic extremism as propagated by Al-Qaeda and Islamic State, is still a

persistent threat. We also face the growing challenge of other violent extremism, much of it generated online.

There is also the threat of cyber terrorism, including the potential for destruction or damage to critical infrastructure or physical property through the use of computers in our online connected world.

For the IFTRIP member pools, our shared global experience of the COVID-19 pandemic may also present the need to test and deploy our terrorism pool structures for other systemic risks.

The public/private sharing of systemic risk helps society by encouraging the use of insurance to mitigate risks. Insurers and reinsurers play a critical role with governments. Insurers often have limited risk appetite for unpredictable systemic

risks, so the pools (such as terrorism pools) help empower insurers to provide cover to society. Pools also empower and encourage reinsurers to provide their capacity to these risks and further protect society through the provision of private capacity. Finally, governments are empowered by pools which operate to protect government financial backstops or guarantees by fostering participation by insurers and reinsurers in the sharing of these systemic risks.

I hope you draw insights and understanding from your reading of this updated terrorism pools index.



Christopher Wallace
Chief Executive,
Australian Reinsurance Pool
Corporation

Foreword

A model solution?

Once in a generation, an event occurs of such magnitude as to transform the risk landscape forever. There is no doubt that in 2020 we are experiencing such a phenomenon. The COVID-19 pandemic has closed borders, shut down economies and fundamentally changed the way we live our lives.

Many of the terrorism risk pools that we outline in this index were created following major catastrophes that generated a systemic, even existential threat to insurance markets. From the 1976 uprisings in Soweto that precipitated the South African Special Risk Insurance Association to the 9/11 attacks and the subsequent Terrorism Risk Insurance Act (TRIA), history has repeated itself. With commercial insurers imposing widespread exclusions, policyholders were left painfully exposed, creating a level of uncertainty that posed a dire threat to economic prosperity. In each case, when the private insurance market was unable to attend to risk transfer needs, governments stepped in with a backstop.

Naturally, therefore, terrorism risk pools have been touted as providing a possible model solution to the COVID-19 risk problem. Do they provide the answer?

At first, pandemic risk seems well suited to the mutualizing mechanisms employed by terrorism risk pools. The problems certainly look similar; commercial carriers have run for the hills, uncertainty has paralyzed commerce and governmental intervention seems to be the only answer. Indeed, discussions in such countries as the U.K. and India have already shifted to how terrorism risk pools may be expanded to include COVID-19 exposure. But we must be wary of some material distinctions.

There is the question of magnitude. With the global loss estimate already at USD 9 trillion, the impact of COVID-19 is almost 20 times that of the previous largest insurable loss event, Hurricane Katrina. The market capitalization of the entire U.S. property & casualty insurance industry is smaller than COVID-19-related business interruption losses each month. More than posing a mere pricing challenge, pandemics like COVID-19 ignore boundaries of time and space, making aggregation modeling efforts all but futile. To complicate matters further, instead of offering a discrete proximate cause, the main economic loss originates not from the virus itself but, rather, from government-mandated business closures and lockdowns.

Do “pandemic pools” really stand a chance at reflecting the multitude of perils at work?

Equally, terrorism risk pools have shown us that robustness can be a double-edged sword. As terrorism has evolved from a focus on attacks causing catastrophic property damage to galvanizing lone wolves to use hand-held instruments, they have been labeled as being slow to adapt to changing needs. As the world moves into what is surely a prolonged recession, governments may shift their focus on enhancing the reward that taxpayers take for these risks, and pools can expect increased pressure to improve reserving accuracy, if not a wholesale shift of attritional risk back to the commercial markets.

But perhaps these criticisms overstep the mark. If the point of terrorism risk pools is to instill confidence and nurture competitive private markets, it has largely been “mission accomplished.” There is undoubtedly an important balance to be struck between intelligently mutualizing risk on the one hand and masking uncertainty within a taxpayer-guaranteed

black box on the other. However, the very nature of pools means that they are expected to take on the impossible when it comes to pricing — simply put, they exist because commercial carriers cannot. To judge terrorism risk pools solely on their precision misses the point entirely — they were never meant to be a permanent fix; rather, they provide a vital backstop allowing commercial solutions to be fostered over time. Indeed, the fact that Willis Towers Watson is now able to meet the needs of the world’s largest companies in placing billion-dollar terrorism insurance programs in the private market is a testament to the success of terrorism risk pools in this regard. It is in the private marketplace that businesses facing emerging threats have found the most innovative risk solutions. From providing microinsurance to low-income farmers to protecting schools against active assailants, we in the insurance industry solve big problems by proposing bold solutions — and addressing the pandemic puzzle will require us to be at our most creative.

Now more than ever, terrorism risks pools are under the spotlight. We believe that they will continue to provide a valuable lens through which governments might address a range of catastrophic risks, not just that of a pandemic, but of similarly grave issues, such as long-term disability, climate change and cyber. In this third edition of the Willis Towers Watson Terrorism Risk Pool Index, we provide a guide to the major schemes and entities that exist around the globe. We hope that it proves helpful in navigating the many creative public/private solutions that have been forged to tackle terrorism risk — they may soon help us in solving problems elsewhere.



Wendy Peters
Executive Vice President,
Terrorism and Political Violence
Willis Towers Watson

Summary

2020 Summary	Terrorism Risk Rating	Does scheme have definition for terrorism?	Does pool purchase reinsurance?	Is there government surety?	Option to purchase private market coverage?	Has pool ever paid a claim?	Is pool exploring pandemic solutions?
Australia Australian Reinsurance Pool Corporation (ARPC)	Medium	Yes	Yes	Yes	Yes	Yes	Not currently
Austria Oesterreichischer Versicherungspool zur Deckung von Terrorisiken	Medium	Yes	Yes	No	Yes	No	Not currently
Belgium Terrorism Reinsurance and Insurance Pool	Elevated	Yes	Yes	Yes	Yes	Yes	Yes
Denmark TIPNLI (Danish Terrorism Insurance Pool for Non-Life Insurance)	Elevated	Multiple sources	No	Yes	No	No	Not currently
France Gestion de l'Assurance et de la Reassurance des Risques d'Attentats et Actes de Terrorisme (GAREAT)	Elevated	Yes	Yes	Yes	Yes*	Yes	Yes
Germany EXTREMUS	Elevated	Yes	Yes	Yes	Yes	No	Yes
India Indian Market Terrorism Risk Insurance Pool (IMTRIP)	High	Yes	Yes	No	Yes*	Yes	Not currently
Israel The Victims of Hostile Actions (Pensions) Law and The Property Tax and Compensation Fund Law	Very High	No	No	Yes	Yes	Not applicable	Not currently
Netherlands Dutch Terrorism Reinsurance Pool (NHT)	Elevated	Yes	Yes	Yes	Yes	No	Not currently
Russia Russian Anti-Terrorism Insurance Pool (RATIP)	Elevated	Yes	Yes	No	Yes	Yes	Not currently
South Africa SASRIA SOCLTD	Medium	Multiple sources	Yes	No	Yes*	Not for terrorism	Yes
Spain Consorcio de Compensacion de Seguros (CCS)	Elevated	Yes	No	Yes	Yes	Yes	Not currently
United Kingdom Pool Re	Elevated	Yes	Yes	Yes	Yes	Yes	Not currently
United States Terrorism Risk Insurance Program (TRIP)	Elevated	Yes	No	Yes	Yes	No	Yes

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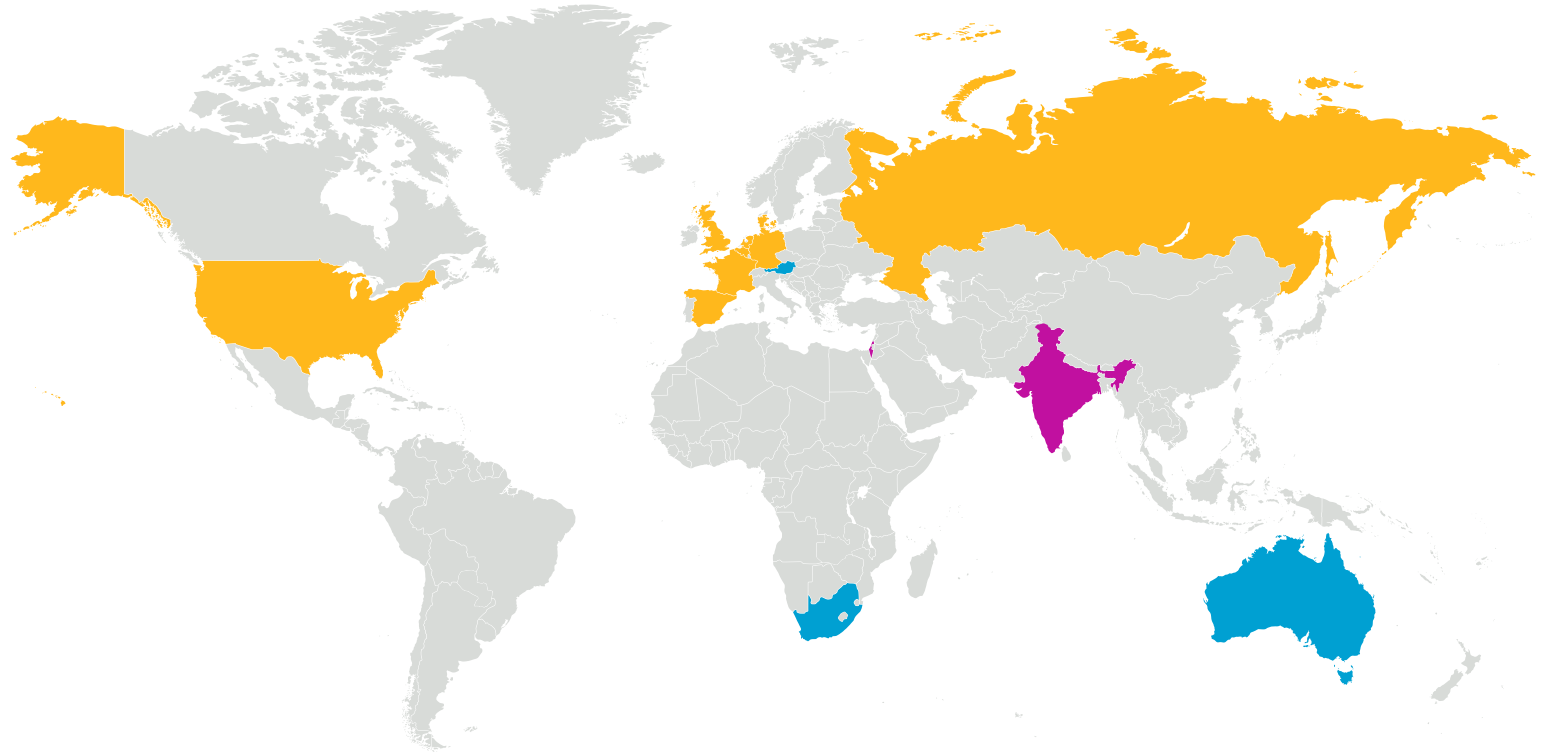
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United States of America

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Schemes for



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Terrorism risk



Country Risk (FCR) delivers detailed political violence risk assessments that enable insurers to efficiently identify, evaluate, and monitor risks at country, region and location-specific levels. Our forward looking, intelligence led assessments allow you to customize the analysis focus on specific asset types, locations, industries and perils.

This risk assessment takes account of the probability and impact of violence by non-state armed groups (NSAGS) in a country/location and whether the violence is likely to threaten or cause property damage and/or death/injury to achieve political change. This excludes "for-profit" violent crime.

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Australia

Australian Reinsurance Pool Corporation (ARPC)



Terrorism risk

Medium

Following the 9/11 terrorist attacks in the U.S., insurance cover for terrorism risk in Australia was withdrawn by insurers, causing a large pool of assets to be uninsured for terrorism risk. The Terrorism Insurance Act (TI Act) was passed in 2003 to override terrorism exclusion clauses in eligible insurance contracts, enabling coverage of eligible losses arising from a declared terrorist incident (DTI). ARPC was established under this Act to administer Australia's terrorism insurance scheme, which covers eligible terrorism losses involving commercial property, associated business interruption losses and public liability. In the event of a DTI, holders of eligible insurance contracts will be covered with insurers required to meet those claims in accordance with the other terms and conditions of individual policies.

ARPC is a corporate Commonwealth entity within the Treasury portfolio. It is governed by a board with a chair and between four to six members and a chief executive. ARPC has continued to modernize to ensure its ability to fulfil its purpose. In June 2004, ARPC had reinsurance agreements with 187 insurers and more than AUD 55 million gross written premium. As of June 2019, there were more than 230 insurers and AUD 190 million gross written premium.

Terrorism definition

A terrorist act is defined in the Australian criminal code as one that involves an action or threat made to advance a political, religious or ideological cause. A terrorist act requires the perpetrator/s to have intent to coerce or influence by intimidation the government of the Commonwealth of Australia or of an Australian State or Territory, or to intimidate the public, or a sector of the public.

Key coverages

- Physical damage
- Business interruption

Territorial scope

- ✓ Domestic
- ✗ Other

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Excluded perils

- Nuclear
- Radiological
- Cyber

Loss associated with travel (including damage to personal belongings, cancellation, sickness, injury or disease)

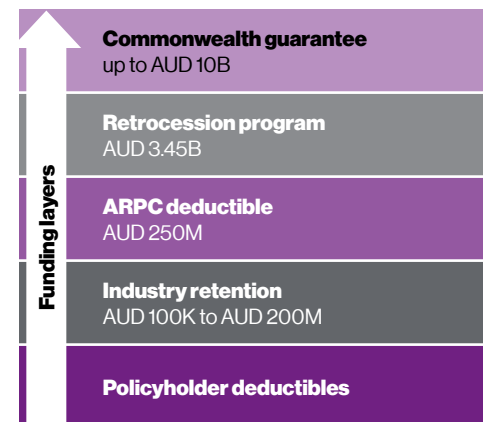
Excluded classes of business

- Residential property (excluding high value mixed use buildings)
- Australian and state government assets
- Marine insurance
- Motor insurance
- Workers compensation insurance

Program structure

Eligible property includes commercial and industrial buildings (including fixtures and building contents) plus associated business interruption. Commercially owned infrastructure, such as roads, tunnels, dams, pipelines and sites covered by a construction policy, are also deemed eligible property. Farms can obtain cover if they hold insurance against business interruption. The scheme is only focused on insured losses resulting from damage to property and, therefore, it does not extend to life, personal injury or workers compensation.

Through the scheme, insurance companies can choose to reinsure the risk of claims for eligible terrorism losses by entering a treaty agreement with ARPC and paying premiums to ARPC. The policy holders of eligible insurance contracts will be covered for eligible terrorism losses in the event of a declared terrorist incident (DTI), with insurers required to meet these claims in accordance with the other terms and conditions of individual policies. Claims against the scheme are met once an individual insurance company's retention is exhausted. ARPC's pool of retained earnings will meet claims until the agreed retrocession deductible is reached. At this point, claims are funded by the retrocession program. Once retrocession is exhausted, claims will continue to be met by the Commonwealth guarantee. The total value of the scheme is over \$14 billion.



Commonwealth guarantee: This guarantees the payment of money that may become payable by ARPC. Requires Parliamentary approval if payments will exceed AUD 10 billion.

Retrocession program: This section of funding is sourced from the commercial reinsurance market. Mostly placed as multi-year deals.

ARPC capital: This is sourced from the sale of terrorism reinsurance.

Industry retention: This is the aggregate of the treaty retentions of all insurers involved in a single event.

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Rate Determination

For insureds:

Insureds are free to set their own terrorism premiums for the underlying policies to insurance buyers, according to normal commercial arrangements.

For reinsurers:

Premium charges allow for the accumulation of a pool used to fund all operations, including retrocession premiums and payments to government for the Commonwealth Guarantee, while building a reserve available for future claims. Premiums are calculated as a percentage of the insurer's gross written premium in accordance with the postcode of the property being reinsured. Each postcode is assigned to one of three Tiers A (16%), B (5.3%) or C (2.6%), having regard to the population density in a postcode area.

Maximum scheme paid losses

A siege at the Lindt Café in Martin Place Sydney on December 15, 2014 resulted in insured losses of approximately AUD 4 million which were within the insurer deductibles for the scheme.

Is participation in the scheme compulsory for

Insurance Buyers: No

Insurers: No

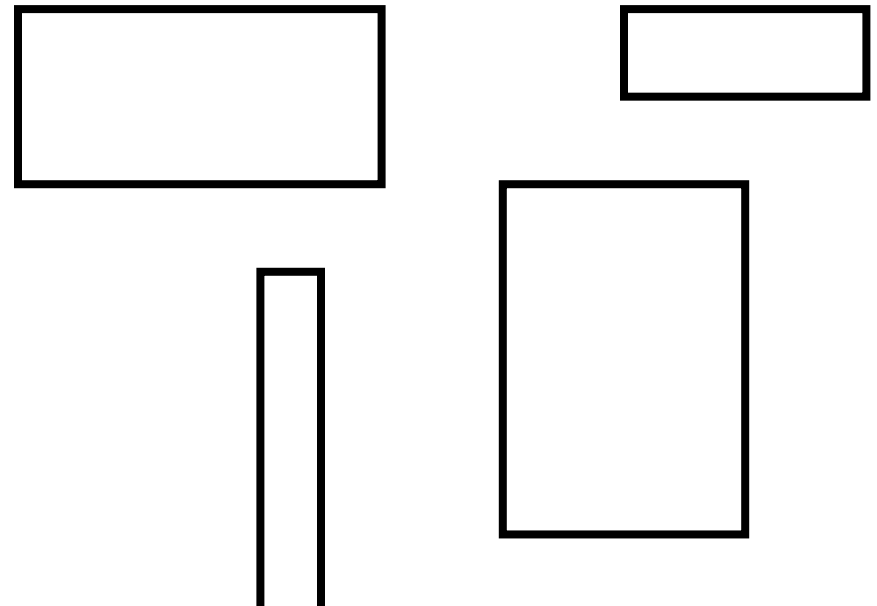
It is compulsory for insurers with eligible policies issued in Australia to provide cover in a declared terrorism incident. Insurers operating in Australia can decide if they want to obtain reinsurance coverage for terrorism from ARPC, or carry the underwritten risk themselves, or obtain coverage through a different mechanism. Almost all commercial property insurers choose to reinsure their risk with ARPC.

Do Insureds have the option to purchase coverage for terrorism risk in the private insurance market?

Yes

Are options being explored to insure Pandemics as a part of the pool's coverage scope?

Not currently..



Austria

Österreichischer Terrorpool



Following the 9/11 terrorist attacks in the U.S., Austrian insurers in the VVO set up a mixed co- and reinsurance pool (Österreichischer Versicherungspool zur Deckung von Terrorrisiken) on September 24, 2002, starting October 1, 2002. The VVO's primary goal in setting up the new pool was to grant affordable property cover against terrorism exposure, i.e., covering risks arising from an insured peril triggered by terrorism. The pool is open to insurers and reinsurers writing business in Austria, some 99% of primary insurance companies that are members of the VVO participate in it, their share of the pool being prorated to their market share in property insurance.

The Austrian pool represents the response of a relatively small advanced insurance market which, even with optional terrorism insurance, would otherwise face a degree of market failure. The Austrian government has decided not to offer a third layer of cover, in the form of a state guarantee, for the time being. The Austrian Ministry of Finance has made clear that it welcomes the action taken by the insurance industry but wishes to avoid any steps that could deter the private sector from taking measures itself to accommodate terrorism risks as far as possible.

Terrorism definition

No Austrian government declaration is required for an act to be recognized as a "terrorist act" for the purpose of the scheme. The Verband der Versicherungsunternehmen Österreichs (VVO, the Austrian Insurance Association) draws instead from the German definition developed by the GDV: "terrorist acts are all acts of persons or groups of persons with a view to achieving political, religious, ethnic, ideological or similar goals, and which are apt to put the public or sections of the public in fear, thereby influencing a government or public bodies."

Key coverages

- Physical damage
- Business interruption

Territorial scope

- ✓ Domestic
- ✗ Other

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Excluded perils

- Nuclear
- Chemical
- Biological
- Radiological

Excluded classes of business

- Marine
- Aviation and transport
- Supply chain losses
- Art insurance
- Motor third-party liability
- Personal accident losses

Program structure

The scheme applies to physical damage and business interruption (excluding contingent business interruption) for industrial, commercial and private property, as per the local property insurance policy. Indemnity is limited to EUR 5 million per policy each year and EUR 200 million across all policies each year.

Given that the Austrian state is not involved in the scheme, all retention and reinsurance arrangements are on a non-state basis. The private insurance market provides coverage structured in two layers

EUR 200
million

Reinsurance layer
underwritten by the international
reinsurance market

EUR 100
million

Market retention
co-insured by direct insurers and in
proportion to their market share

Rate determination

For insureds:

Insurers are free to set their own terrorism premiums for their underlying policies to insurance buyers, according to normal commercial arrangements.

For reinsurers:

From 0.75% to 4% of the sum insured for participants in the pool and from 2.25% to 12% of the sum insured for non-participants in the pool.

Maximum scheme paid losses

In the period since its creation on October 1, 2002, the Austrian pool has not had to face a serious test or a single claim.

Is participation in the scheme compulsory for

Insurance buyers: No

Insurers: No

Terrorism cover remains optional for most lines and is offered on a private, facultative and conditional basis. Exceptions are commercial passenger and third-party liability for aviation, railways and other “no fault” liability classes, where terrorism cover is compulsory. For insurers, pool membership is optional, but approximately 99% of VVO members (market share property insurance) belong to the pool.

Do insureds have the option to purchase coverage for terrorism risk in the private insurance market?

Yes

Are options being explored to insure pandemics as a part of the pool's coverage scope?

Not currently.

Belgium

TRIP (Terrorism Reinsurance & Insurance Pool)



Following the ratification of the Belgian Terrorism Act on April 1, 2007, TRIP was created on February 1, 2008 to provide terrorism insurance and reinsurance coverage. As of May 1, 2008, the terms of Belgian policyholders' insurance contracts were adapted to reflect the new legislation governing the way in which insurers are required to deal with the impact of terrorist attacks.

The Terrorism Act ensures that compensation is given to all insured parties who may suffer damage as a result of a terrorist attack and guarantees the stability and sustainability of the insurance sector. It sets out a comprehensive insurance solution to cover the damage caused by terrorism, whereby the insurers themselves continue to manage and settle the claims made by their insured parties.

Terrorism definition

An act or threatened act in secret for ideological, political, ethnic or religious ends, performed individually or in groups and intended as an attempt at the lives of individuals or to either partially or completely destroy the economic value of tangible or intangible property whether to have impact on the public, create a climate of insecurity or put pressure on the authorities in a bid to impede the running and normal operation of a service or business.

Key coverages

- Physical damage
- Business interruption
- Non-physical damage business interruption
- Liability

Territorial scope

- ✓ **Domestic**
- ✓ **Other:** International for Belgian citizens who are victims of a terror attack abroad.

The Terrorism Act concerns policyholders normally residing in Belgium or (if the policyholder is a legal entity) the premises of the legal entity to which the contract applies, property located in Belgium, where the insurance policy in question covers buildings or buildings and their contents, vehicles registered in Belgium, contracts taken out in Belgium, where a given contract lasts for less than four months and covers risks incurred during a trip or holiday.

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Excluded perils

- Damage to nuclear facilities
- Third-party liability for nuclear energy (specific to stand alone terrorism -insurance policies)

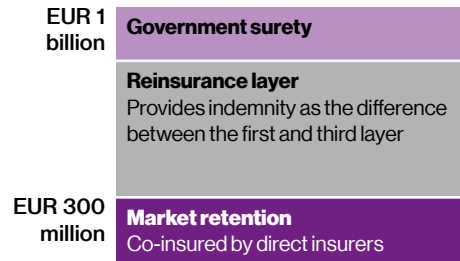
Damage caused by nuclear bombs are covered by the scheme but can be excluded from the insurance coverage.

Excluded classes of business

- Nuclear facilities and energy
- Railway rolling stock
- Aircraft
- Ships

Program structure

The system works on three levels: the insurers are the first to act, followed by reinsurers and finally the government. Indemnity is limited to EUR 75 million per insured party per year, regardless of the number of insurance contracts purchased.



*Amount is indexed and equals EUR1.290 billion as of January 1,2020 This limitation is not applicable to workers' compensation insurance, in which case the insurer must fully indemnify the individuals harmed or their claimants. However, insurers can recourse the excess loss to the state workmen's compensation fund (FEDRIS: "agence fédérale des risques professionnels").

Rate determination

For insureds:

Rates fixed by the pool. Insurers are free to set their own terrorism premiums for their underlying policies to insurance buyers, according to normal commercial arrangements.

For reinsurers:

Each pool member pays a contribution to the overall TRIP budget (for private reinsurance arrangements and management costs) which is proportional to its TRIP market share.

Maximum scheme paid losses

Total cost of claims for 2016 is estimated at EUR 115 million (2020 figures) from two terrorist attacks in that year, first at Maelbeek metro station in Brussels and another at Brussels National Airport in Zaventem.

Is participation in the scheme compulsory for

Insurance buyers: No

Insurers: No

While participation in the TRIP pool is not compulsory, more than 95% of insurance companies are members of the scheme. Only members of the pool will benefit from the solidarity and compensation system introduced by TRIP, i.e. the distribution (compensation) of the members' contractual obligations in case of acts of terrorism among all members of the pool.

Do insureds have the option to purchase coverage for terrorism risk in the private insurance market?

Yes

Are options being explored to insure pandemics as a part of the pool's coverage scope?

All terrorist acts are normally being covered by the law and accordingly by the TRIP Pool (only a few exceptions).

Denmark

TIPNLI (Danish Terrorism Insurance Pool for Non-Life Insurance)



The government in Denmark decided in April 2005 that a committee should evaluate the need for a terrorism insurance scheme. The committee assessed the potential losses that Danish non-life insurance companies would suffer if nuclear, chemical, biological or radiological (NCBR) terrorist attacks occurred. It also evaluated the possibility of buying reinsurance on NCBR terrorism from the international reinsurance market, concluding that this proved very limited due to the unpredictable nature of consequences and subsequent ambiguity when pricing risks.

To remedy this market limitation, the Danish Terrorism Insurance Act was adopted enabling the state to act as a reinsurer of NCBR risks. The scheme only includes insurance policies which cover NCBR terrorism risks for buildings and contents, including business interruption losses, as well as hull damages for railway rolling stock, motor vehicles and for ships in Denmark. In 2019 the scheme was amended. As of July 1, 2019, a new Act on Terrorism Insurance was adopted entailing that no insurance company covers damages caused by NBCR terrorism. Instead, cover for damages is stipulated by the Act on Terrorism Insurance and is therefore replacing an insurance policy.

Terrorism definition

No Danish government declaration is required for an act to be recognized as a “terrorist act” for the purpose of the scheme. In determining whether a terrorism event has occurred, the Council will include the elements included in the definition of terrorism in section 114 of the Danish Criminal Act, just as the definition of terrorism in ordinary reinsurance contracts may be included. To determine if an event arises from NCBR terror, the Council can make use of expert assistance.

Key coverages

- Physical damage
- Business interruption

Cover NBCR terrorism risks for buildings and contents, including business interruption losses, as well as hull damages for railway rolling stock, motor vehicles and for ships in Denmark.

Territorial scope

- ✓ **Domestic**
- ✓ **Other:** The insured property or interest must be situated in Denmark when the event occurs for possible damages to be covered by the scheme

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Excluded perils

None

Excluded classes of business

None

Program structure

The purpose of the Act is a scheme, which entails that insurance companies only assume the administration of the insurance scheme, but not the non-insurable financial risk of NBCR terrorism. The scheme is hence without the use of reinsurance. The financial risk of NBCR terrorist attacks will therefore initially be borne by the state up to DKK 15 billion (2019) which will be adjusted annually according to an index stipulated by law. The compensation will be repaid to the state through contributions from policyholders.

Rate determination

For insureds:

Those holding a policy covering risks included in the system must contribute to the repayment of amounts paid from the state by paying a fee of 5 pct. per policy.

For reinsurers:

No reinsurance purchased.

Maximum scheme paid losses

No reported losses to date

Is participation in the scheme compulsory for

Insurance buyers: No

Insurers: Yes

Compulsory for Danish registered insurance companies and foreign insurance companies operating in Denmark, who write insurance for buildings and contents, including business interruption losses, as well as hull damages for railway rolling stock, motor vehicles and for ships in Denmark, to carry out the administration of the scheme

Do insureds have the option to purchase coverage for terrorism risk in the private insurance market?

No, scheme only

Are options being explored to insure pandemics as a part of the pool's coverage scope?

Not currently



France

Gestion de l'Assurance et de la Reassurance des Risques d'Attentats et Actes de Terrorisme (GAREAT)



In the French insurance market, terrorism insurance cover is a mandatory extension of all property policies without limitation or restrictions, as per the Code des Assurances article L126-2. Following the 9/11 terrorist attacks in the U.S., (re) insurers considered that there should be a market solution to cover a major property loss caused by a terrorist attack or series of attacks. And due to the potential size or aggregation of losses the state needed to provide a backstop guarantee against major property damage, or a series of losses caused by a terrorist attack. GAREAT was built based on the format and experience of existing terrorism schemes in Europe (Consortio and Pool Re), with the state providing an unlimited backstop, but with the distinctive feature of the maximal use of private reinsurance to increase the limits covered by the market before state intervention.

Terrorism definition

No French government declaration is required for an act to be recognized as an "attack or terrorist act" for the purpose of the scheme, but provided an event meets the definition in the French Criminal Code, all types of terrorism (regional, national and international) in any form (including nuclear, chemical, biological and radiological risks) are covered for all French property risks. Above a certain loss level however, the agreement of the state is needed.

Key coverages

- Physical damage
- Business interruption

Territorial scope

- ✓ **Domestic**
- ✓ **Other:** losses sustained on French territories, even if the cause originates outside France

Property damage and consequential losses arising from an act of terrorism sustained on French territory including any overseas territories are covered, even when the cause originates outside France.

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Excluded perils

There are no exclusions for the types of properties covered by the scheme, and it includes all nuclear plants' coverage for terrorism (in other countries these are often covered by a separate Nuclear Pool or excluded). This scheme provides some of the most comprehensive coverage in the world, as all forms of attacks are covered to the full insured value of each policy. The scheme also covers physical damage caused by an act of cyberterrorism.

Excluded classes of business

- Transport
Aviation hull and marine hull (above EUR 1 million)
Personal accident
Life

Program structure

The GAREAT scheme provides comprehensive cover for damage to industrial, commercial and homeowner properties and associated business interruption costs. Since 1986, terrorism coverage cannot be excluded from policies covering direct property loss and business interruption, so terrorism is included automatically on all such policies, but a limited discount for limitation of the cover amount can be applied if the insured wants to take the related risk.

Unlike some other schemes, GAREAT does not hold reserves against future losses or create a buffer to distance the state from risk. Instead, all reserves are set aside individually and on a voluntary basis by insurers, reinsurers and CCR. GAREAT runs two schemes — a Large Risks scheme for policies with sums insured/loss limits over EUR 20 million and a Small/Medium-sized Risks scheme for all other policies. Both schemes include reinsurance cover from international reinsurance markets as shown in the charts below.

Rate determination

For insureds:

Insurers are free to set their own terrorism premiums for their underlying policies to insurance buyers, according to normal commercial arrangements.

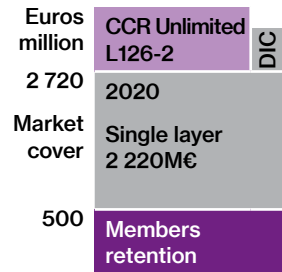
For reinsurers:

A reinsurance rate is charged by GAREAT on the property policies; premium, varying dependent on the amount of the sums insured. Private and public reinsurance accounts for less than half of the premium charged. Net premiums after reinsurance, losses and own costs, are not held in reserve but instead returned to insurers by GAREAT.

Maximum scheme paid losses

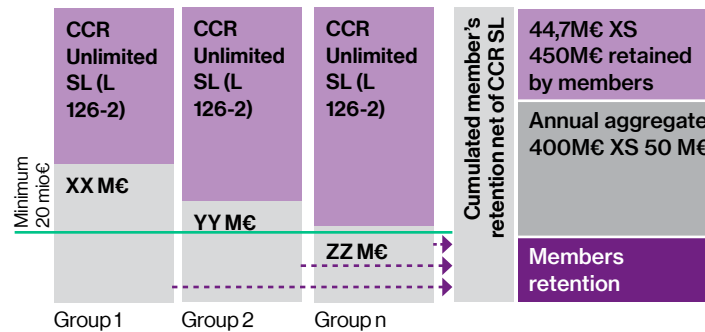
Since its inception, GAREAT has not had any major property losses. However, there have been several small scale losses among its portfolio of small and medium sized risks, mostly from regional or national terrorism acts. Overall these represent around 1% of the total aggregate premium. The recent, tragic attacks in Paris and Nice, which caused significant injury and loss of life, were covered by the special public entity FGTI, which is funded by charges levied on property policies. GAREAT is only called upon when there is a property loss.

Large risk scheme



Difference in conditions (DIC): 200mio€ XS market cover

Small and medium risk scheme



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Is participation in the scheme compulsory for

Insurance buyers: No
Insurers: Occasionally

All insurers located in France and participating in the insurance association (FFA) must cede all property risks located in France, and valued above EUR 20 million sum insured (for Large Risks), to GAREAT. This limits any kind of anti-selection. As a result, around 95% of Large Risks in France are ceded to the scheme. Only around 12% of Small and Medium-sized Risks are ceded, as there are alternative solutions in the market, insurers may include these in their reinsurance covers.

Do insureds have the option to purchase coverage for terrorism risk in the private insurance market?

Yes, but must insured must access the scheme first

Are options being explored to insure pandemics as a part of the pool's coverage scope?

This was proposed by a French broker's association and the key decision-making stakeholders are evaluating the pool as a potential solution.

GAREAT's Reinsurer

GAREAT (Gestion de l'Assurance et de la Réassurance des Risques Attentats et Actes de Terrorisme)

Established in 1946, CCR is the reinsurance company of the French State and provides unlimited, automatic cover to GAREAT. CCR completes the state-backed scheme GAREAT by providing its Large Risks section with unlimited state-guaranteed cover above its limit of EUR 2.6 billion. This cover only concerns risks in the scope of the compulsory cover. Risks and insurance covered by GAREAT's Large Risks section outside this scope are not included under this cover. This arrangement gives GAREAT Large Risks' members access to some of the broadest covers in the world.

CCR does not extend to losses sustained in French Polynesia, French Southern and Antarctic Territories and New Caledonia.

CCR is authorized by the French Insurance Code to provide unlimited state-guaranteed reinsurance solely for losses falling within the scope of the compulsory cover provided for in said code. Thus far, no act of terrorism has caused damages requiring CCR's cover to be called into play, either in terms of large risks or small and medium risks.

Excluded perils

Losses and damage caused by foreign and civil wars, strikes, riots, public unrest, malicious acts, vandalism or villainous acts, looting or fraud, theft subsequent to an attack or act of terrorism.

Excluded classes of business

Policies underwritten in the construction liability line; aircraft hull insurance (less than EUR 1 million and/or used for commercial purposes), vessel hull insurance for marine, lake and inland waterway vessels (less than EUR 1 million and/or not used for pleasure boating), cargo and railway rolling stock insurance, financial loss or business interruption not resulting from covered material damage, business interruption "caused by risks located abroad," terrorism insurance policies covered by a specific GAREAT agreement, bodily injury, business interruption losses abroad, business interruption losses non-consecutive to direct property damage sustained in France or non-consecutive to damage covered, non-consecutive consequential loss.

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Germany

EXTREMUS



After the 9/11 terrorist attacks in the U.S., the reinsurance market decided to exclude losses due to an act of terrorism. The primary market followed suit in view of the missing reinsurance capacity. Under the leadership of the German Insurance Association (GDV), a uniform definition of terrorism was developed, and a solution was agreed to form a specialist insurer for writing terrorism cover. Seventeen insurers and reinsurers founded EXTREMUS in September 2002 after obtaining the government's agreement to back this format. The company acts as a primary insurer, issuing the policies on its own paper. EXTREMUS buys reinsurance from its shareholders, from other companies active in the German market and from international reinsurers.

Terrorism definition

A terrorist act is defined as any act/ acts committed by persons or groups of persons to achieve political, religious, ethnic or ideological purposes that are likely to spread anxiety or fear among the population or parts of the population and thereby influence any government or government institution.

Key coverages

- Physical damage
- Business interruption

We have an additional coverage solution for which we have a dedicated reinsurance capacity. One of these additional coverages include NDBI (denial of access) with a limit per policy of EUR 50 million.

Territorial scope

- ✓ **Domestic**
- ✓ **Other:** All property must be in Germany and losses have to occur on German territory. However, some interdependent and contingent business interruption losses are materially sublimited and do extend to losses in the European Union, Iceland, Liechtenstein, Norway and Switzerland only.

Excluded perils

- Nuclear
- Chemical
- Biological
- Radiological

Cyber claims are generally excluded, but if cyber terror leads to physical damage there is coverage, the text of the recent terror index publication under Additional Information is therefore still valid.

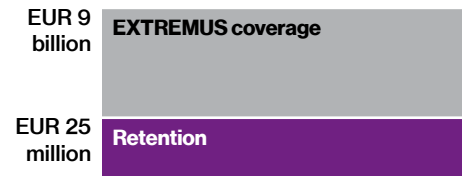
Excluded classes of business

- Marine
- Life
- Health
- Personal accident

Program structure

EXTREMUS covers commercial and industrial property, including business interruption for risks/policies exceeding EUR 25 million.

The state guarantee being treated as reinsurance, being EUR 6.48 billion in excess of EUR 2.52 billion, since then EXTREMUS also holds a net retention of EUR 20 million. Changes with regard to private reinsurance structure is accordingly EUR 2.5 billion in excess of EUR 20 million which used to be EUR 2.5 billion from ground up (at this time EXTREMUS held a net position by not placing its reinsurance on a 100% level). All figures are based on annual aggregates.



*Indemnity is limited to EUR 1.5 billion per contract/client and EUR 9 billion across all policies on a yearly aggregate basis. Losses due to suppliers/customers contingency losses, business interruption losses due to failure of external supply services/utilities and access restrictions are materially sublimited.

Rate determination

For insureds:

Differentiated by risk class and location.

For reinsurers:

Differentiated by risk class and location.

Maximum scheme paid losses

Thus far, no indemnifications have been paid by EXTREMUS under the main program.

Is participation in the scheme compulsory for

Insurance buyers: No

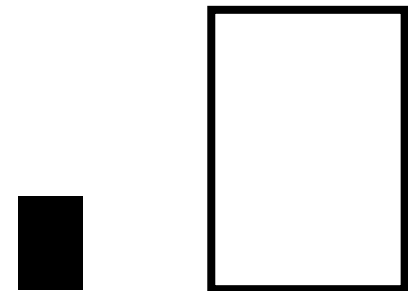
Insurers: No

Do insureds have the option to purchase coverage for terrorism risk in the private insurance market?

Yes

Are options being explored to insure pandemics as a part of the pool's coverage scope?

The German Insurance Association, Treasury and other stakeholders are still evaluating potential solutions, including EXTREMUS.



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India

Indian Market Terrorism Risk Insurance Pool (IMTRIP)



In response to the 9/11 terrorist attacks in the U.S., and the subsequent withdrawal of terrorism cover by international reinsurers, Indian non-life insurers set up the initiative for a reinsurance pool, and the Indian Market Terrorism Risk Insurance Pool (IMTRIP) was created in 2002. Members of the pool are responsible for reinsuring the entirety of terrorism risk on property insurance policies written by all companies. All non-life insurance companies in India are members of IMTRIP, who split shares and premiums based on the capacity they can provide. The state has no direct involvement, so funding is premium reliant.

Terrorism definition

An act of terrorism means an act or series of acts, including but not limited to the use of force or violence and/or the threat thereof, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organization(s) or government(s), or unlawful associations, recognized under Unlawful Activities (Prevention) Amendment related and applicable national or state legislation formulated to combat unlawful and terrorist activities in the nation for the Act, 2008, Government of India or any other

time being in force, committed for political, religious, ideological or similar purposes including the intention to influence any government and/or to put the public or any section of the public in fear for such purposes.

Key coverages

- Physical damage
- Business interruption

Territorial scope

✓ Domestic

✗ Other

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Excluded perils

- Nuclear
- Chemical
- Biological
- Radiological
- Cyber

Loss by seizure or legal or illegal occupation; voluntary abandonment or vacation, loss or damage caused by confiscation, commandeering, nationalization, requisition, detention, embargo, quarantine or result of any public or government authority order, pollutants or contaminants, nuclear, chemical, biological and radiological cover, riots, cyberattack, hoax, theft, war, civil war, strike, civil commotion, coup d'etat, malicious damage, rebellion, revolution, insurrection, mutiny, non-property risks in fire engineering, and miscellaneous policies and related consequential loss.

Excluded classes of business

All classes of business, other than as stated under the structure section to the right, are excluded.

Program structure

IMTRIP offers covers for fire insurance, industrial all risks insurance, fire section of package insurance policies, fire/engineering sections of miscellaneous policies, property section of cellular network policies, property section of engineering insurances including erection all risks insurance (EAR), marine-cum-erection (MCE), storage-cum-erection (SCE), contractor's all risks insurance (CAR), contractor's plant and machinery insurance (CPM), electronic equipment insurance (EEI), civil engineering completed risks (CECR), jeweller's block policies (losses arising out of insured's property damage sections only), on-shore assets of port package policies, on-shore assets of off-shore package policies, stock floater policies, on-shore drilling rig equipment, advanced loss of profit cover in conjunction with CAR/EAR, any other class specifically agreed on by the pool underwriting committee.

The Limit of Indemnity is limited to INR 20 billion per risk/location. Excess of loss reinsurance (currently INR 36 billion in excess of INR 4 billion) is placed with pool members and overseas reinsurers.

IMTRIP offers cover for business interruption and property damage for fire insurance, industrial all risks insurance, fire section of package insurance policies, fire/engineering sections of miscellaneous policies, property section of cellular network policies, property section of engineering insurances including erection all risks insurance (EAR), marine-cum-erection (MCE), storage-cum-erection (SCE), contractor's all risks insurance (CAR), contractor's plant and machinery insurance (CPM), electronic equipment insurance (EEI), civil engineering completed risks (CECR), jeweler's block policies (losses arising out of insured's property damage sections only), on-

shore assets of port package policies, on-shore assets of off-shore package policies, stock floater policies, on-shore drilling rig equipment, advanced loss of profit cover in conjunction with CAR/EAR, any other class specifically agreed on by the pool underwriting committee.

Rate determination

For insureds:

The rates are determined by underwriting committee of the pool and there has been no change in rates over past 12 months.

For reinsurers:

Differentiated by risk class and location.

Maximum scheme paid losses

Total claims paid by pool since its inception amounts to INR 937 million (till 31.03.2020). The maximum loss paid by pool was for INR 3.77 billion corresponding to infamous 26/11 Mumbai terrorist attacks in 2008.

Is participation in the scheme compulsory for

Insurance buyers: No

Insurers: Occasionally

If the coverage and capacity sought by insured is under the ambit of IMTRIP, it is compulsory for the insurer to cede the risk.

Do insureds have the option to purchase coverage for terrorism risk in the private insurance market?

Yes, for the risks which are beyond the capacity and coverage offered by IMTRIP.

Are options being explored to insure pandemics as a part of the pool's coverage scope?

Not currently

Israel

The Victims of Hostile Actions (Pensions) Law and The Property Tax and Compensation Fund Law



Originally established in 1941 to provide compensation for losses caused by war damage, the Property Tax and Compensation Fund Law was extended to include property damage resulting from hostile action (with terrorism included). Compensation is paid by the state at a percentage of the purchase tax collections allocated to the fund each year (in 2013 the rate was fixed at 15%) and by the insurance industry. The program is continually evaluated and evolving, such as new regulations released in 2020 adapting to damages caused to tourism and agriculture by the "terror of balloons" casing fires in the fields.

Terrorism definition

There's no definition of "terrorism." Instead, the Property Tax and Compensation Fund Law compensates damages caused by acts of war by foreign or domestic military and acts of violence motivated on the grounds of the Israeli-Palestinian conflict.

Key coverages

- Physical damage
- Business interruption
- Non-physical damage business interruption

Territorial scope

- ✓ **Domestic**
- ✓ **Other:** International coverage is offered for certain properties. Property damage cover can be purchased for outside of Israel for 0.5-4.5% of its value.

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Excluded Perils

- Nuclear
- Chemical
- Biological
- Radiological

It wasn't tested in courts yet but we believe the present scheme excludes cyber risks.

Excluded classes of business

None

Program structure

- Unlimited cover for direct damage to property (other than household contents)
- EUR 20,000 cover for direct damage to household contents (excluding jewellery, art and antiques)
- Additional coverage purchasable, costing 0.3% of the property value (up to EUR 140,000)
- Insurance cover is not limited for incorporated businesses and includes cover for indirect damage (including business interruption cover)

Rate determination

For insureds:

The Israeli government collects taxation to help facilitate compensation and uses this in distributions made under the Property Tax Compensation Fund.

For reinsurers:

Not applicable.

Maximum scheme paid losses

Not applicable.

Is participation in the scheme compulsory for

Insurance buyers: No

Insurers: No

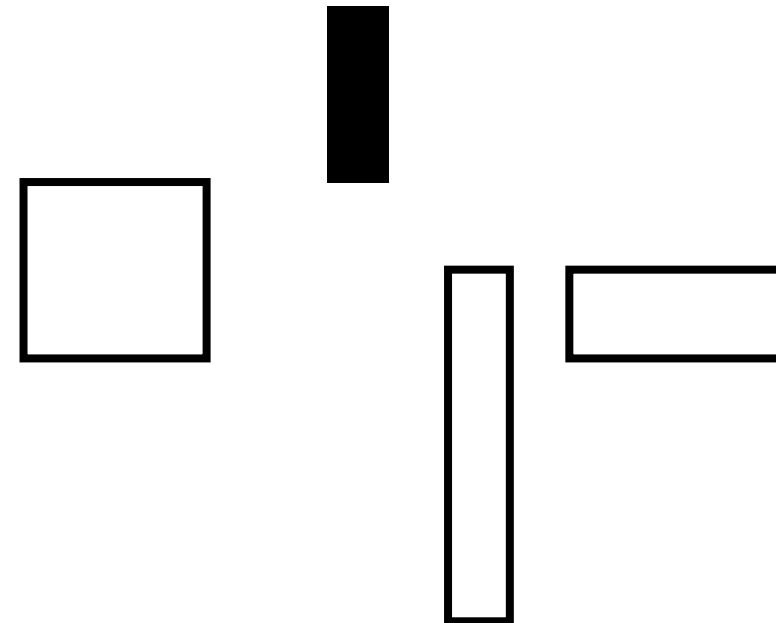
If the coverage and capacity sought by insured is under the ambit of IMTRIP, it is compulsory for the insurer to cede the risk.

Do Insureds have the option to purchase coverage for terrorism risk in the private insurance market?

Yes

Are options being explored to insure pandemics as a part of the pool's coverage scope?

Not currently



Netherlands

Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden N.V. (NHT – Dutch Terrorism Reinsurance Pool)



The Dutch Terrorism Reinsurance Pool was established after the 9/11 terrorist attacks in the U.S., when individual insurers were no longer prepared to provide cover for damage caused by acts of terrorism. The Dutch government and the Dutch insurance industry believed that the development of a government-backed terrorist insurance scheme was necessary. The Dutch Terrorism Reinsurance Pool (NHT) was therefore founded in July 2003.

Terrorism definition

Any violent act and/or conduct (committed outside the scope of one of the six forms of acts of war as referred to in 3:38 of the Financial Supervision Act) in the form of an attack or a series of attacks connected in time and intention as a result whereof injury and/or impairment of health, whether resulting in death or not, and/or loss of or damage to property arises or any economic interest is otherwise impaired, in which case it is likely that said attack or series — whether or not in any organizational context — has been planned and/or carried out with a view to effect certain political and/or religious and/or ideological purposes.

Key coverages

- Physical damage
- Business interruption
- Non-physical damage business interruption
- Liability

Territorial scope

- ✓ **Domestic**
- ✓ **Other:** The insured's real estate is situated in the Netherlands, the insured's vehicle or vessel is registered in the Netherlands, the insurance on a holiday or trip is underwritten by an insurer in the Netherlands and purchased by a Dutch resident. For all other categories, the insurance must be purchased by a Dutch resident.

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Excluded perils

- Nuclear

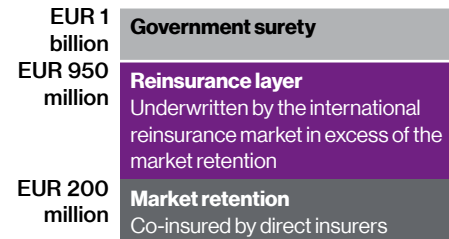
Excluded classes of business

- Aviation hull
- Aircraft liability
- Specific insurance which cover terrorism as a named peril, other than the terrorism clause

Program structure

The NHT provides reinsurance coverage for terrorism, malevolent contamination or precautionary measures or any conduct in preparation for terrorism. Members include insurance and reinsurance companies (life, nonlife, property, automobile, liability and health insurers), while international reinsurance companies and the Dutch government provide reinsurance. Insurers remain responsible for contact with the insured and handling of claims, but each member must implement the “NHT clause” in the policy wording, which makes the terrorism cover and wording identical for all members.

The EUR 1 billion aggregate limit includes reinsurance cover from international reinsurance markets as part of a three layered program as shown in the structure on the previous page. Indemnity is limited to EUR 75 million per policyholder/location each year and EUR 1 billion across all policies each year.



Rate determination

For insureds:

Insurers are free to set their own terrorism premiums for their underlying policies to insurance buyers, according to normal commercial arrangements.

For reinsurers:

On an annual basis, the members pay their share of the reinsurance premium and the operational cost of the NHT. The individual share is a proportional figure of the market share (gross premium income) of a member company.

Maximum scheme paid losses

No losses have ever been paid out.

Is participation in the scheme compulsory for

Insurance buyers: No

Insurers: No

Participation is elective; however, 95% of all insurance companies in the Netherlands are members. Those insurers who are members do, however, have to agree that the pool decides if an event meets the definition of terrorism and decides about payment to the member companies in case of losses due to terrorism.

Do insureds have the option to purchase coverage for terrorism risk in the private insurance market?

Yes

Are options being explored to insure pandemics as a part of the pool's coverage scope?

Not currently

Russia

RATIP (Russian Antiterrorism Insurance Pool)



The increase in the number of terrorist attacks at the end of the 20th century and beginning of the 21st century highlighted the need to provide reliable insurance protection against terrorism risks. Individual insurance companies do not always have sufficient financial resources to provide insurance for large industrial, transport and other businesses from the risk of terrorism. To provide cover, they need strong reinsurance protection and the support of other participants in the insurance market. To meet the growing demand for reinsurance capacity, Russian insurers pooled their resources. The Russian Antiterrorism Insurance Pool (RATIP) was therefore established on December 20, 2001 by Russia's six leading insurance companies.

Terrorism definition

Terrorism is the perpetration of an explosion, arson or any other action (or threat of action) endangering the lives of people, causing sizeable property damage or entailing other socially dangerous consequences, if these actions have been committed for the purpose of violating public security, frightening the population or exerting influence on decision making by government.

Key coverages

- Physical damage
- Business interruption
- Liability
- Political violence (including strikes, riots and civil commotion)

Territorial scope

- ✓ **Domestic**
- ✓ **Other:** RATIP covers risks located in Russia, former Soviet Union countries and overseas risks with Russian interests

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Excluded perils

- Nuclear
- Chemical
- Biological
- Radiological
- Cyber

Excluded classes of business

- Property section exclusions are airplanes or any other aerial device or vessel
- Any ship or riverboat
- Animals, plants and living creatures of all kinds

Program structure

RATIP acts as an independent Russian reinsurer against the risks of terrorism, sabotage, strike, riot and civil commotions (SRCC) and political violence. These risks covered relate to property insurance contracts, including construction risks.

The USD 240 million capacity includes reinsurance cover from international reinsurance markets as part of a two-layered program, as shown in the chart above.



Rate determination

For insureds:

Differentiated by risk class and location.

For reinsurers:

Differentiated by risk class and location.

Maximum scheme paid losses

Since its foundation, RATIP has paid seven claims, most of which were related to Russian embassies in Syria, Afghanistan and Indonesia. RATIP's loss ratio since its launch is 5.2%.

Is participation in the scheme compulsory for

Insurance buyers: No

Insurers: No

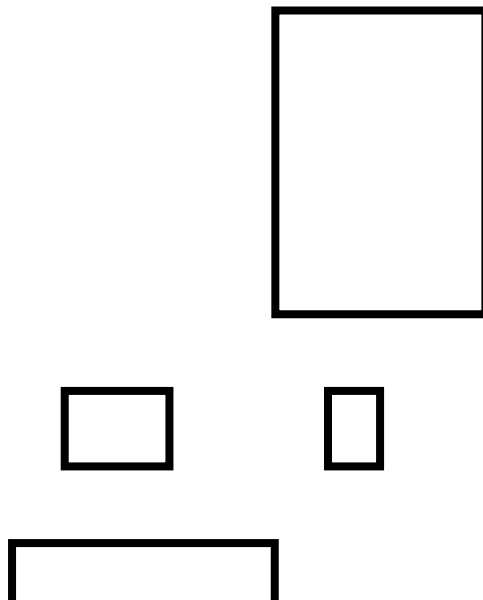
*Membership in the pool is elective, but reinsurance of terrorism risks is compulsory for all members of RATIP.

Do insureds have the option to purchase coverage for terrorism risk in the private insurance market?

Yes

Are options being explored to insure pandemics as a part of the pool's coverage scope?

Not currently



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South Africa

SASRIA SOC LTD



Sasria was formed in 1979 after the increase in protests following the 1976 Soweto uprisings. During the period, the insurance industry decided it could no longer underwrite losses arising from politically motivated acts of civil disobedience. Since there was no insurance covering assets against strikes and riots available in the private sector, the South African government and the South African Insurance Association decided to form a short-term insurance company focusing on political risk. The scheme's mandate was extended in 1998 to cover non-political perils such as strikes, labor disturbances and terrorism. Sasria was also converted from a non-profit organization to public insurance company.

Terrorism definition

No clear definition of terrorism is included within Sasria but, as evidenced in Sasria vs. Elwyn Investments (Pty) Ltd (relating to there being no clear definition of riot within Sasria); it may ultimately come to the courts to decide. Sasria does however include the following definitions:

i) any act (whether on behalf of any organization, body or person, or group of persons) calculated or directed to overthrow or influence any State or government, or any provincial, local or tribal authority with force, or by means of fear, terrorism or violence;

ii) any act which is calculated or directed to bring about loss or damage in order to further any political aim, objective or cause, or to bring about any social or economic change, or in protest against any State or government, or any provincial, local or tribal authority, or for the purpose of inspiring fear in the public, or any section thereof.

However, in the cover nuclear, chemical and biological exclusion, terrorism is defined as follows and so this definition might ultimately be used for the coverage determination:

For the purpose of this exclusion an act of terrorism means an act, including but not limited to the use of force or violence and/or the threat thereof, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organization(s) or government(s),] committed for political, religious, ideological or personal purposes or reasons including the intention to influence any government and /or to put the public, or any section of the public in fear.

Key coverages

- Physical damage
- Business interruption

Territorial scope

- ✓ Domestic
- ✗ International
- ✗ Other

Excluded perils

- Nuclear
- Chemical
- Biological
- Radiological

Excluded classes of business

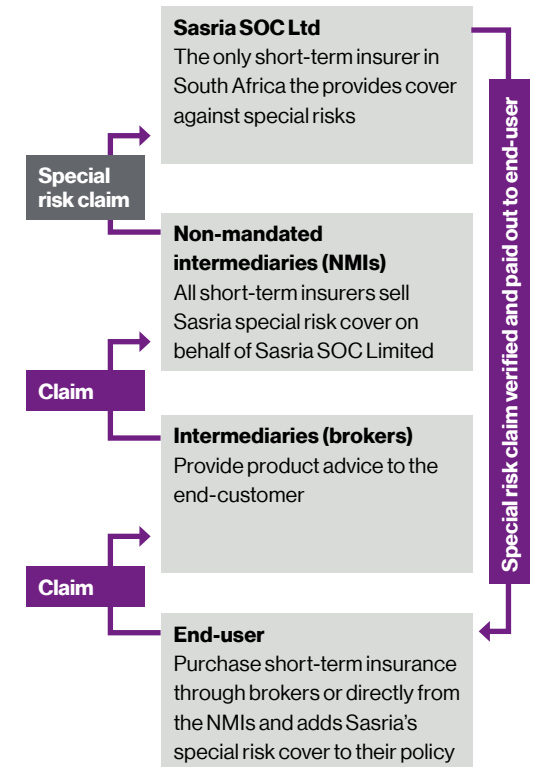
- Life
- Personal injury

Program structure

Sasria sells insurance cover through all registered insurance companies which act as agencies. Its cover is sold as an add-on to existing insurance policies. In essence, this means that all day-to-day administration and collection of premiums is undertaken by insurance companies, and Sasria only ever comes into direct contact with a client in the event of the settlement of a claim.

Sasria is protected by a catastrophe reinsurance treaty underwritten by the global reinsurance market against event losses in excess of company retention. Regarding wrap cover policies, it retains only 20% of risk, and the remaining risk is reinsured to the global reinsurance market.

Indemnity is limited to ZAR 500 million any one insured each year, but can also offer an optional excess of loss Wrap Coupon of up to ZAR 1 billion.



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Rate determination

For insureds:

Rates are applied as a percentage of insured value and vary according to the risk as per below:

- Domestic risks — 0.003%
- Commercial risks — 0.0120%
- Business interruption — 0.021%
- True commercial — 0.0528%

For reinsurers:

Insurers act as non-mandated intermediaries who underwrite and collect premium on behalf of Sasria. Insurance premiums must be paid to Sasria within 30 days from the end of the month in which Sasria cover commences; however, insurers are entitled to retain a processing fee up to 27.5% of the premium.

Maximum scheme paid losses

The scheme has not paid any losses as a result of terrorist perils; however, we have received claims as a result of other perils that we cover, such as civil commotion claims.

Is participation in the scheme compulsory for

Insurance buyers: No

Insurers: Yes

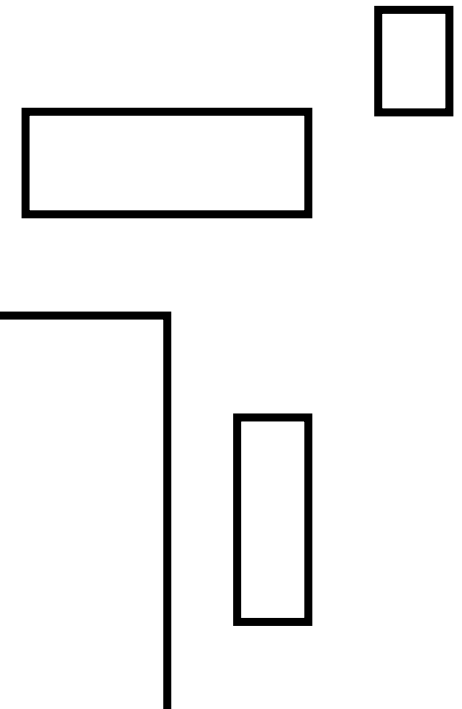
If an insured opts to purchase terrorism cover, it must first be from Sasria. Sasria is a specialist insurer for which a coupon attaches to an insurance policy. Therefore, it is effectively compulsory to be attached by the insurer to any policy where terrorism is purchased.

Do insureds have the option to purchase coverage for terrorism risk in the private insurance market?

Yes, but must insured must access the scheme first

Are options being explored to insure pandemics as a part of the pool's coverage scope?

Yes



Spain

Consorcio de Compensación de Seguros (CCS)



Consorcio de Compensación de Seguros (CCS) is not a pool, but a state owned enterprise that performs several functions in service of the Spanish insurance sector. Its most important function is its management of the Extraordinary Risks Insurance Scheme, which comprises natural (flood, windstorm, earthquake, tsunami, etc.) and man-made risks, terrorism being included in the latter. This is a public/private partnership insurance solution defined by law, for which CCS provides coverage whenever these risks are not covered directly and explicitly by the private insurer.

Terrorism definition

The Spanish Criminal Code (article 573 of 1995, modified in March 2015) defines terrorism according to the objective of the attack, and not by the way of performing it. The aims that classify an offense as terrorism are: to subvert the Constitutional order or severely destabilize public institutions or economic structures, severely alter public tranquility, severely destabilize the functioning of an international organization or provoke a state of terror in the people or a part of it.

Key coverages

- Physical damage
- Business interruption

Consequential/contingent losses, other than direct business interruption, are not covered specifically, those losses incurred as a result of the disruption or cutting off of the external supply of electrical power. Also, business interruption is not covered if there is no material damage in the event as a whole.

Territorial scope

- ✓ **Domestic**
- ✓ **Other:** CCS coverage is extended to the personal injuries of Spanish (national or resident) policyholders abroad, meaning that all Spanish life and/or accident policyholders have their personal injuries covered as a result of terrorist attacks anywhere in the world.

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Excluded perils

In principle, no terrorist perils are excluded. Spanish law does not make distinctions among the ways of performing a terrorist attack, and the law regulating the extraordinary risks insurance scheme specifies that terrorism is covered.

Excluded classes of business

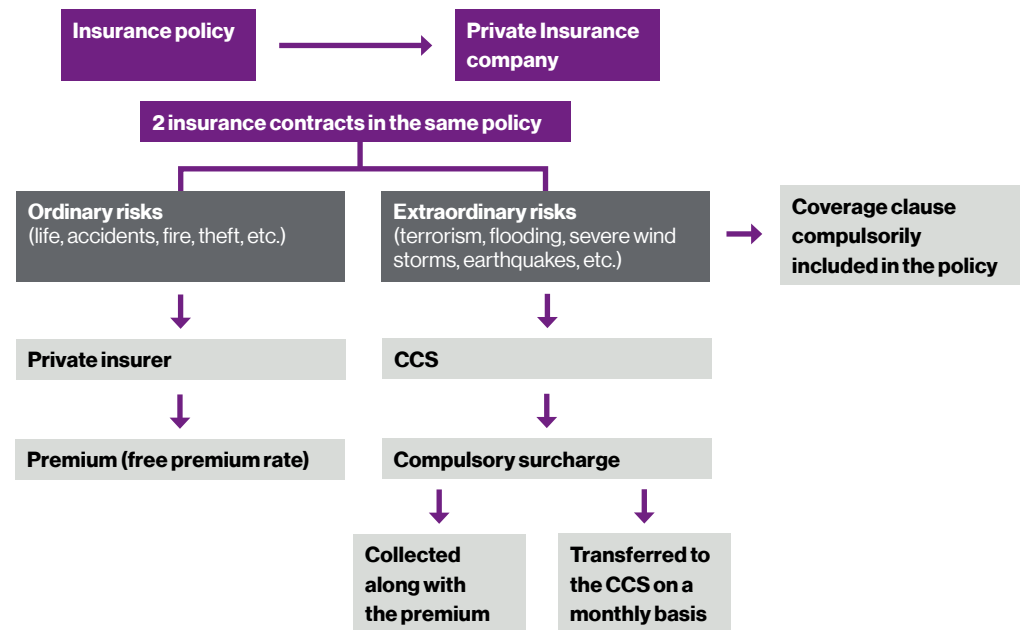
- Transport
- Construction
- Aircraft
- Marine
- Agricultural
- Travel Insurance

Program structure

In Spain, it is compulsory to extend the cover of extraordinary risks for most insurance lines of property (residential, commercial, industry, civil works, and motor and railway vehicles), life, personal accidents and business interruption. In the event that these extraordinary risks (totally or partly) are not covered by the original issuer of the policy, CCS would automatically cover the damages for the same amounts and conditions in the original policy, provided that none of these risks are expressly assumed by the insurer issuing the base policy. Therefore, policies in these areas are in practice dual: one standard policy issued by the commercial (private) insurer and another one for which CCS covers the extraordinary risks (terrorism included).

The current level of the equalization reserve for extraordinary risks is deemed high enough, so no reinsurance arrangement is in place or foreseen.

There is a state guarantee in case losses exceed CCS capacity. However, this state guarantee has never been invoked in the scheme's existence, and there is no legal impediment for CCS to be reinsured.



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Rate determination

For insureds:

There is a flat rate to extend the cover for extraordinary risks, reflected in a surcharge payable by the policyholder when purchasing an in scope policy. This surcharge is calculated considering risks and claim rates globally with tariffs depending on the line of insurance and on the type of exposure, applied against the sum insured (except for motor).

For reinsurers:

The premiums are transferred on a monthly basis by the insurance companies to CCS, after retention of 5% for handling costs.

Maximum scheme paid losses

At current prices, CCS's most expensive losses from terrorism events were an ETA (the terrorist organization Euskadi Ta Askatasuna) attack on a telephone exchange building in 1982 (EUR 55 million), an ETA attack on a multistorey car park at Madrid Airport in 2006 (EUR 49/50 million) and the Madrid train bombings, of jihadi origin, in 2004 (EUR 50 million, mostly personal injury). Around 6% of all claims paid by CCS have been due to terrorism.

Is participation in the scheme compulsory for

Insurance buyers: Not applicable

Insurers: Not applicable

The extension of the cover in the said policy lines to cover the extraordinary risks, and therefore terrorism, is compulsory.

Do insureds have the option to purchase coverage for terrorism risk in the private insurance market?

Yes, CCS is a specialist Extraordinary Risk Scheme attached automatically to an insurance policy. Once one of the listed risks materializes, CCS handles the claim completely, adjusts losses and pays compensations directly to the policyholder.

Are options being explored to insure pandemics as a part of the pool's coverage scope?

Not currently

United Kingdom

Pool Re



Pool Re was established in 1993 in response to an insurance market failure triggered by the terrorist bombing of London's Baltic Exchange. The actual and prospective costs of the Provisional IRA's mainland bombing campaign in the 1990s led reinsurers to withdraw cover for terrorism-related damage, which compelled insurers to follow suit. Pool Re was founded by the insurance industry in cooperation with Her Majesty's Treasury, to create a private-sector solution in support of a public policy objective. The scheme is owned by its members but is underpinned by an uncapped HM Treasury loan facility to support Pool Re if ever it has insufficient funds to pay a legitimate claim.

Terrorism definition

Acts of persons acting on behalf of, or in connection with, any organization which carries out activities directed toward the overthrowing or influencing, by force or violence, of Her Majesty's government in the United Kingdom or any other government de jure or de facto.

Key coverages

- Physical damage
- Business interruption
- Non-physical damage business interruption

Most types of commercial property are covered: buildings, their contents, site property, construction projects, and plant and machinery. The scheme does not protect private property, but it does extend to residential property owned by a business. There is limited cover for computer hacking, virus and denial of service attack (property damage required).

Territorial scope

- ✓ **Domestic**
- ✓ **Other:** Only covers risks located in England, Scotland or Wales. Excludes Northern Ireland, the Isle of Man and the Channel Islands.

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Excluded perils

- War

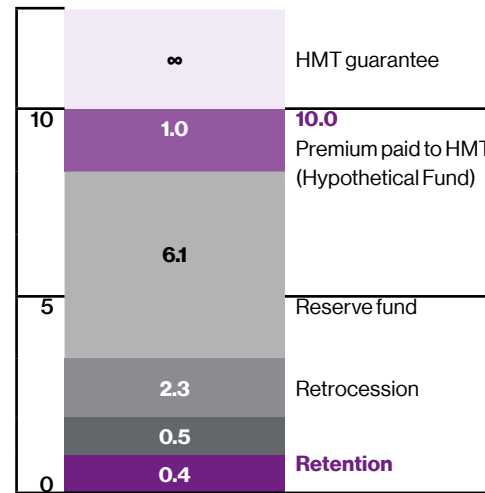
Excluded classes of business

- Marine
- Aviation
- Transit policies
- Motor policies
- Reinsurance business
- Life
- Personal injury
- Nuclear installations or reactors (falls within the remit of a separate scheme, Pool Re Nuclear)

Program structure

Pool Re's primary role is to enable the U.K. commercial market to underwrite the threat of terrorism to commercial property at affordable rates, by mitigating their exposure to the catastrophic losses associated with major attacks. The scheme provides comprehensive cover for damage to commercial property and associated business interruption costs.

Pool Re obtains reinsurance cover on behalf of all its members from the professional reinsurance markets (first purchased in 2015) as part of a multi-layered program:



- First – market retention, being GBP 100 million per event and GBP 410 million in the annual aggregate, allocated according to premium ceded by direct insurers;
- Second – GBP 500 million payable out of the Pool Re Investment Fund in excess of the market retention;
- Third – a reinsurance layer underwritten by the international reinsurance market, being GBP 2.3 billion in excess of the first GBP 500 million and market retention as of 2018 – this includes an ILS of GBP 75 million;
- Fourth – the remainder of the Pool Re Investment Fund in excess of the underlying layers, standing at almost GBP 6.1 billion (overall fund being almost GBP 6.6 billion, with the first GBP 500 million being in the second layer) as of 2018;
- Fifth – government loan facility in case of exhaustion of all other funds and reinsurance provisions including initial payment from a Hypothecated Fund.

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Rate determination

For insureds:

Insurers are free to set their own terrorism premiums for their underlying policies to insurance buyers, according to normal commercial arrangements.

For reinsurers:

Premiums are paid to members by policyholders, and members must remit the corresponding reinsurance premium to Pool Re within one month of the close of the quarter in which those terrorism risks had attached. No reinsurance commission is paid to members by Pool Re. However, members decide to pay whatever intermediary commission they may determine. Reinsurance premiums are calculated as a percentage of the sum insured in accordance with the postcode of the property being reinsured. Each postcode is assigned to one of four Tiers, Tier A (0.033%), Tier B (0.029%), Tier C and D (0.006%) having regard to the population density in a postcode area. The business interruption rate is 0.017%, regardless of the postcode. Further discounts are available for certain exposure types and first loss limits.

Maximum scheme paid losses

Pool Re has paid total claims of GBP 635 million with respect to 16 separate certified terrorism claims, the largest being a loss of GBP 262 million after the Bishopsgate bombing in April 1993.

Is participation in the scheme compulsory for

Insurance buyers: No

Insurers: No

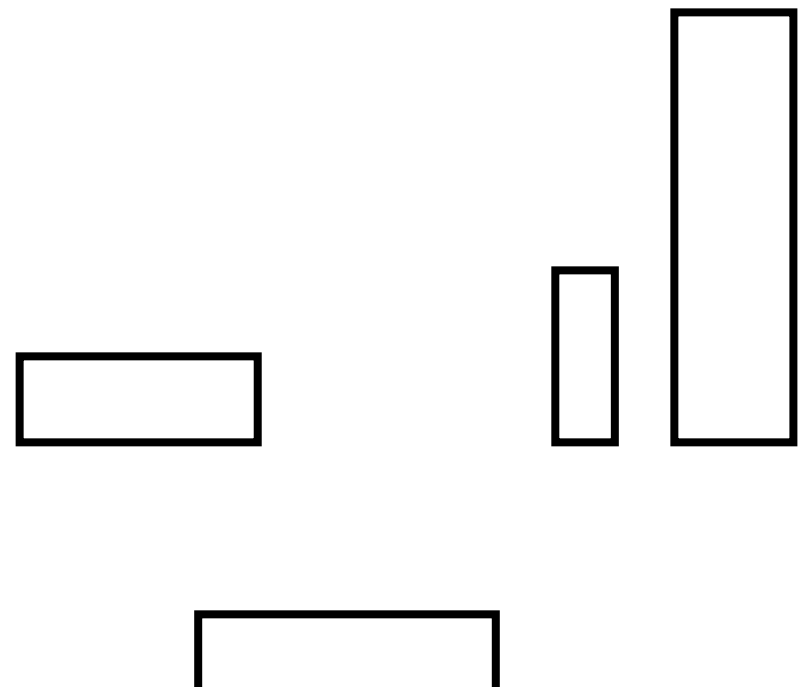
If the insurance buyer accesses Pool Re on one policy, they must purchase and access it on all in scope policies (the "All or Nothing" principle). Insurers may elect to be a member, but it is compulsory for members to offer Pool Re coverage on all in scope insurance policies and cede all in scope terrorism risks to the pool.

Do insureds have the option to purchase coverage for terrorism risk in the private insurance market?

Yes

Are options being explored to insure pandemics as a part of the pool's coverage scope?

Not currently



United States of America

Terrorism Risk Insurance Program (TRIP)



Prior to the 9/11 attacks, most standard commercial property and casualty insurance policies in the United States did not exclude coverage for losses resulting from terrorism. The events of September 11, 2001 resulted in approximately USD 54 billion of property and casualty insurance losses (2019 figures), of which more than two-thirds was paid by reinsurers to insurers. Subsequently, the Terrorism Risk Insurance Act of 2002 (TRIA) was enacted and requires insurers to make coverage available for terrorism risk on certain lines of commercial property and casualty insurance. To assist insurers with this financial exposure, the Terrorism Risk Insurance Program (TRIP or Program) was established, under which certain losses resulting from a certified act of terrorism are eligible for reimbursement. The Act was recently renewed, extending until December 31, 2027.

Terrorism definition

An “act of terrorism” is an act certified by the U.S. Secretary of the Treasury, in consultation with the Attorney General of the United States and the U.S. Secretary of Homeland Security, to:

- Be an act of terrorism;
- Be a violent act that is dangerous to human life, property or infrastructure;
- To have resulted in damage within the United States; and
- To have been committed by an individual or individual as part of an effort to coerce the U.S. civilian population or influence U.S. government policy or conduct through coercion.

Key coverages

- Physical damage
- Business interruption
- Liability

Territorial scope

- ✓ **Domestic**
- ✓ **Other:** Only losses to certain U.S.-based vessels overseas and to U.S. missions are covered as well.

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Excluded perils

- War (except for workers compensation insurance)

Although NCBR events are not excluded, it is necessary to look at the ambit of the contract as TRIA covers insured losses as defined by the terms of the relevant insurance cover. A peril excluded in the insureds policy would not be subject to reimbursement under the program

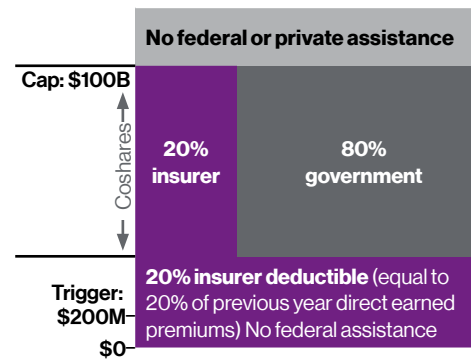
Excluded classes of business

- Crop insurance
- Flood insurance
- Earthquake insurance
- Private mortgage insurance or title insurance,
- Financial guaranty insurance
- Medical malpractice insurance
- Health or life insurance
- Reinsurance or retrocessional reinsurance
- Commercial automobile insurance
- Burglary and theft insurance
- Professional liability insurance
- Surety insurance
- Farm owners multiple peril insurance

Program structure

The U.S. government provides a reinsurance backstop to all licensed insurers up to USD 100 billion in the aggregate per year, but the insurers must retain:

- Any insurance industry-wide losses below USD 200 million in the aggregate per year;
- A deductible equal to 20% of their previous year's direct earned in scope premium;
- A co-insurance in excess of the deductible of 20%.



The program does not purchase private reinsurance in connection with the payment obligations existing under it, nor does the Treasury charge a premium to participating insurers for the protection provided by the program. In the event that federal payments are made to insurers under the program, TRIA includes a mechanism for the Secretary to recoup "terrorism loss risk-spreading premiums" from insurers. This applies to all insurers of TRIP-eligible lines.

TRIP-eligible lines of coverage include most types of commercial property and casualty insurance (subject to defined exceptions), including: fire and allied lines, commercial multiple peril (liability and non-liability portions), ocean marine, inland marine, workers compensation, other liability, products liability, aircraft (all perils), and boiler and machinery.

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Rate determination

For insureds:

Insurers are permitted by state law to set their own terrorism premiums for their underlying policies to insurance buyers, according to normal commercial arrangements. Premiums charged by insurers on individual policies are typically a portion of the total premium for the policy in question. While in many cases this is very small (1-2%) and in some situations cover is provided for no additional charge, these amounts can vary by jurisdiction, locality and line of coverage (in some cases up to 43%).

For reinsurers:

Not applicable.

Maximum scheme paid losses

Thus far, the Secretary has not certified any event as an "act of terrorism" under TRIA, and no losses have been reimbursed by the program.

Is participation in the scheme compulsory for

Insurance buyers: No

Insurers: No

Participation in the program is elective although insurers may retain or reinsure any terrorism risk via any route they so wish such as using TRIP, the private reinsurance market or a combination of both, but TRIP coverage is automatically available to U.S.-licensed insurers.

Do insureds have the option to purchase coverage for terrorism risk in the private insurance market?

Yes

Are options being explored to insure pandemics as a part of the pool's coverage scope?

Yes

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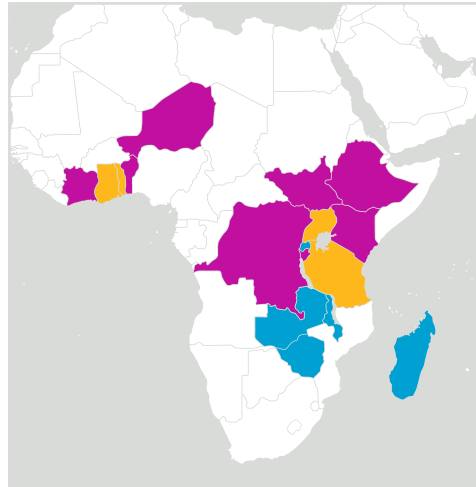
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Summary of terrorism insurance arrangements in other territories

Africa

African Trade Insurance Agency (ATI)



In 2001, ATI was launched as a pan-African institution providing political risk insurance to member African countries. ATI helps insurance companies in the member countries that offer coverage against property damage and business interruption because of political violence and terrorism but who have insufficient capacity for coverage. The political violence that erupted in Kenya after the 2007 general election and the Westgate Mall terrorist attack in 2013 (for which ATI contributed to nearly USD 50 million in paid losses) illustrate a demand for such cover, with the latter prompting a demand in property damage policies. ATI plans to see substantial growth in membership thanks to partnerships with strong institutions that include the Economic Community of West African States (ECOWAS) and the African Development Bank. These partnerships are expected to see ATI expand further into West Africa. In addition, ATI is broadening its international reach with prospective membership from national agencies of some of the world's largest economies such as U.K. The agency now has 18 member countries.

The terrorist threat in East Africa is high, and Kenya is arguably the most vulnerable since its intervention in Somalia in 2011 resulted in the Al-Shabaab terrorist group declaring war on the country.

- Benin – High
- Tanzania – Elevated
- Madagascar – Medium
- Burundi – High
- Togo – Elevated
- Malawi – Medium
- Cote d'Ivoire – High
- Zambia – Medium
- Democratic Republic of Congo – Very high
- Zimbabwe – Medium
- Ethiopia – High
- Niger – High
- Ghana – Elevated
- Rwanda – Medium
- South Sudan – Very High

Bahrain

The Arab War Risks Insurance Syndicate (AWRIS)



Originally established in 1981 to protect local markets and provide war cover during the Iran-Iraq War, AWRIS allows member Arab countries, and in-country insurers that sign up to the scheme, to purchase reinsurance for terrorism and strikes, riots and civil commotion risks through Lloyd's as well as other main European reinsurers. AWRIS now boasts membership of 157 insurance companies from 17 Arab countries and provides a successful pan-Arab partnership. It regularly reviews rates to help minimize competition, increase the capacity in the region, ensure adequate coverage for members and fairly distribute annual profits made by AWRIS.

Finland

Finnish Terrorism Pool



The Finnish Terrorism Pool was created in 2008 to provide a final level of reinsurance in case of a catastrophic event or major terrorism loss occurrence and all traditional measures fall short. Membership is elective; however, only two insurance companies in Finland are not part of the scheme. The pool is designed to respond to loss only after all other remedies are exhausted in traditional reinsurance markets. Coverage is available under the terrorism pool only after all traditional reinsurance programs have been exhausted.

Hong Kong

The Motor Insurance Bureau (MIB) — Hong Kong Motor Terrorist Pool



Under the umbrella of the MIB, the pool was established in 2002 to provide coverage for the claims of innocent third parties in the event of bodily injury caused by a terrorist act through the use of a motor vehicle on the road in Hong Kong. The pool retains a limited facility of up to HKD 200 million (USD 26 million) from the MIB's "First Fund."

Indonesia

Indonesian Terrorism Insurance Pool (MARIEN)



Established in 2001, MARIEN is an elective institution that operates without government involvement and, since its inception, provides terrorism and sabotage coverage for all property (excluded in local property policies). After suicide bombers targeted three churches in Jakarta in 2018, the President Director of MARIEN announced that business interruption is now included in their terrorism and sabotage product. However, strikes, riots and civil commotion, insurrection, revolution, civil and other war, dispossession of locked out workers and invasion are all still excluded.

With a history of Islamist-oriented terrorist groups such as Jemaah Islamiyah, Indonesia remains a source of militants who have joined IS-affiliated groups in the Philippines.

Namibia

Namibia Special Risks Insurance Association (NASRIA)



In 1987, NASRIA was formed to provide reinsurance for politically motivated acts, which were common in the years before independence and were excluded in the insurance market. Although membership is elective, it was granted a monopoly over special risks reinsurance with backing provided by the government. After Namibia gained independence, the lines between a politically and non-politically motivated violent act became more complex, and so cover was extended in an amended Finance Act to later include property damage and consequential loss caused by strike, riot and civil commotion; acts to overthrow or influence any state or government or local authority by means of fear, terrorism or violence; acts with a political objective or to bring about social or economic change, or in protest against (authority) or for the purpose of inspiring fear in any section of the public. Since inception, NASRIA has thus far earned over NAD 200 million in premiums from claims.

Northern Ireland

Criminal Damage (Compensation) (Northern Ireland) Order 1977



The scheme provides a right to claim compensation for malicious or wanton damage to agricultural property, and for non-agricultural property where it can be shown that the damage was caused: a) unlawfully, maliciously or wantonly by three or more persons unlawfully, riotously or tumultuously assembled together; or b) as a result of an act committed maliciously by a person acting on behalf of, or in connection with, an unlawful association or an act of terrorism. Anyone who has an interest in the property which has been damaged in any of the circumstances described above and who suffers a loss of more than GBP 200 because of that damage may apply for compensation under the Scheme.

The Criminal Damage (Compensation) (Northern Ireland) Order 1977 provides a right to claim compensation from the Department of Justice for loss suffered as a result of malicious or wanton damage to agricultural property and, in the case of other property, as a result of damage caused by an unlawful assembly of three or more persons or by terrorist acts. In all cases the damage must have occurred within Northern Ireland. Anyone who has an interest in the property which has been damaged in any of the circumstances described above and who suffers a loss of more than £200 because of that damage may apply for compensation.

Sri Lanka

Strike, Riot, Civil Commotion and Terrorism (SRCC & T) Cover of the National Insurance Trust Fund



Established in 1987, the SRCC & T fund provides reinsurance for strikes, riot, civil commotion and terrorism activities as an elective extension to basic insurance policies issued by its member companies. In 2006 it was absorbed by the National Insurance Trust Fund (NITF), a public insurance agency. It currently holds 17 members, all of whom are Sri Lankan insurance companies, and provides coverage for all property loss or damage caused by strikes, riots, civil commotion and terrorism acts within the geographical limits of Sri Lanka.

This is most applicable to the insurance policyholders who are exposed to risks arise due to Strike, Riot, Civil Commotion and Terrorist activities which could be obtained as an extension to the basic insurance policies issued by the 17 insurance companies presently operating in Sri Lanka and which are members of SRCC & T fund. In May 2019, to restore confidence of foreign travellers, the Personal Accident (PA) cover of the Strike, Riot, Civil Commotion and Terrorism Fund (SRCC & T Fund) will be extended to riot and terrorism risks for inbound tourists.

Switzerland

Terrorism Reinsurance Facility



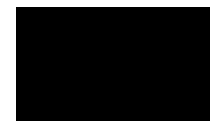
The facility was established in 2003 and allows any private insurer to cede all property risks for terrorism reinsurance. All primary property policies incepted after its establishment with insured excess of CHF 10 million exclude terrorism risks and are thus covered by the facility.

Taiwan

Taiwan Terrorism Insurance Pool



Established in 2004, the pool provides terrorism coverage for personal accident business up to a maximum insured amount of TWD2 million (USD 63,000) per person. This pool is administered by the Non-Life Insurance Association in Taiwan and was created to share terrorism risk for personal accident business among private insurance companies and the Central Reinsurance Corporation in Taiwan. The pool has a cap amount of TWD1 billion (USD 31 million). If losses exceed that amount, claims would be paid on a pro rata basis.



Appendix

Terrorism risk range

<p>0.1 – 0.7 Low</p>	<p>There are at most, isolated and infrequent instances of a domestic extremist/single-issue protest group threatening to use violence to intimidate individuals and/or institutions of which it disapproves and/or carrying out very minor property damage, with no wider commercial impact. If any such incident fail to attract support for the group responsible, which is regarded as unrepresentative and misguided, if not as criminal, across population groups.</p>
<p>0.8 – 1.5 Medium</p>	<p>There is at least one politically motivated group carrying out recurrent small-scale vandalism or other rudimentary attacks, causing short-lived disruption to commercial activity, with no impact on the macro-economy. Attacks on property are likely to cause easily repairable damage; any IEDs used are likely to be rudimentary (e.g., low-explosive, pipe/letter bombs, incendiaries).</p>
<p>1.6 – 2.3 Elevated</p>	<p>NSAGs may well target identified individuals with lethal intent, involving the use of hand-guns as well as IEDs; there will also likely be an increased risk of collateral casualties through accident or NSAG incompetence. Politically motivated attacks cause temporary disruption to commercial activity; this includes low-technology attacks relying on simple tactics (e.g., vehicle-impact attacks, use of military-standard small-arms), by radicalized individuals in publicly accessible areas in major metropolitan areas and against or near major transport network hubs. OR An NSAG based and operating in a neighboring country is mounting a campaign of cross-border fire and hit-and-run ground raids. This thread is not limited to the "Elevated" risk band and its rating will depend on the damage, casualties and impact on local NSAG capabilities in the target country.</p>
<p>2.4 – 3.1 High</p>	<p>The anticipated or current level of NSAG violence, and the extent of its control over the population, equates to an insurgency in at least one area of the country The NSAG campaign causes recurring serious disruption to commercial activity and to the economy, including secondary impact on supply chain integrity in affected areas. Typical attacks involve the use of sophisticated high explosive IEDs capable of causing structural property damage, likely combined with the use of small arms, including RPGs, on 'hard' security force targets.</p>
<p>3.2 – 4.3 Very high</p>	<p>The level of NSAG violence probably equates to a broadening insurgency, with the NSAG constraining security forces' freedom of movement and establishing, at least temporarily, "no go areas" for security forces; the levels of sophistication and lethality of NSAG attacks seen under this risk band are occurring over a wider geographical area. Attacks cause recurring major disruption (e.g., on-going suspension) of commercial activity in parts of the country and have a major impact on the economy.</p>
<p>4.4 – 6.4 Severe</p>	<p>The NSAG campaign has developed into an insurgency affecting more widespread areas of the country and routinely involved coordinated military-style multiple attacks using fire and sophisticated IEDs, supported by mortar and Grad-type rocket indirect fire, to causes significant structural damage to property and infrastructure targets and mass casualties in both urban and rural areas, or this is likely to happen within 12 months</p>
<p>6.5 – 10.0 Extreme</p>	<p>An NSAG is using terrorism as a tactic in support of its primary effort fighting and advanced insurgency campaign, involving complex coordinated attacks, supported by heavy lasting damage to state infrastructure and institutions and the economy, or this is likely to happen within 12 months.</p>

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