The Danish Terrorism Insurance Scheme
A walkthrough

OECD, June 1, 2010

Michael Holm
Director, Finanstilsynet (The Danish Financial Supervisory Authority)
• A Committee on Terrorism Insurance was created by the government in 2005 following the discussions after 9/11

• The Terrorism Insurance Act was passed by the Danish Folketing 17 June 2008

• The act came into force 31 March 2010

• The European Commission found that the Scheme satisfied the conditions for state aid under art. 107 (3)(c) TFEU 14 January 2010

It was a long and difficult process
Committee on Terrorism Insurance

Analyses and recommendations:

• Creation of a Scheme to cover losses from a terrorism event where NBCR-weapons have been used.

• Uncertainty of the coverage of workmen’s compensation has to be removed.

• Life & Pension was not a problem.

Workmen’s compensation was solved by a change in a law.
The coverage and premium

Property, BI, motor (excl. liability), railway and marine hull in DK

Retention level

State coverage

Market failure

Annual aggregate

Possible reinsurance coverage

Retention level

Range ("X") bDKK | Premium % of layer | Example "X"=5 bDKK i.e. 5-20 bDKK
---|---|---
10+ | 0,10 | 1,0 + 9,0
9-10 | 0,11 | 1,1
8-9 | 0,12 | 1,2
7-8 | 0,13 | 1,3
6-7 | 0,14 | 1,4
5-6 | 0,15 | 1,5
4-5 | 0,16 | 0,0
3-4 | 0,17 | 0,0
2-3 | 0,18 | 0,0

Example

"X"=5 bDKK
i.e. 5-20 bDKK

16,5 mDKK
Process and decisions

**Process**

Terrorism Insurance Pool
- Mandatory membership
- Optional membership

The Financial Supervisory Authority

Terrorism Insurance Council
- 4 members

Minister of Economic and Business Affairs

**Decisions**

- Buys co-reinsurance coverage in the market
- Assessment of market failure and calculation of retention level.
- Advice to the minister
- Final decision of “X”

Final decision 15 October for the next year