

ORGANISATION FOR ECONOMIC COOPERATION & DEVELOPMENT

**2<sup>nd</sup> International Meeting on  
TERRORISM RISK INSURANCE**

Paris, France  
5<sup>th</sup> December 2012

**INSURING TERRORISM RISK IN INDIA**

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**GIC Re**



आपकासे रक्षायामि

**GIC Re**

*Manager to Indian Market Terrorism Risk Insurance Pool*

11<sup>th</sup> SEPTEMBER 2001

(9/11)

*100 minutes of TERROR  
that changed the  
Global Insurance Industry forever*



# 9/11 - WHAT IT MEANT TO INSURERS & REINSURERS

- ❑ Biggest ever man-made catastrophic loss
- ❑ High levels of loss potential
- ❑ International character of terrorism
- ❑ Individual events can affect multiple lines of insurance business
- ❑ Loss frequency and severity unpredictable
- ❑ Accumulations at one location
- ❑ Adequate cover for terrorism risk not possible for insurance industry



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9/11 -

# FALLOUT ON INSURANCE & REINSURANCE INDUSTRY

- ❑ Terrorism risk cover withdrawn from insurance policies / reinsurance treaties
- ❑ Policies / Treaties in force cancelled and re-issued excluding terrorism cover
- ❑ Some countries formed Pools to create internal capacity for terrorism risk cover
- ❑ Limited cover for terrorism risk



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# IS TERRORISM RISK INSURABLE?

- ❑ Assessability – Available past data does not help in quantifying probability of future risk as Terrorism is a low frequency, high severity risk.
- ❑ Randomness – Terrorist attacks are not random but purposeful to maximise damage and designed to cause surprise.
- ❑ Mutuality – Difficult to achieve due to differences in hazard exposure (target risks are more vulnerable), diversification hampered.
- ❑ Economic feasibility – Doubtful for private insurers due to uncertainties in risk quantification.



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# TERRORISM

To distinguish from other forms of violence -

- Sabotage
- Riot & Strike
- Malicious Damage
- Vandalism
- War, Civil War, Civil Commotion
- Rebellion .....



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# TERRORISM RISK INSURANCE IN INDIA

- ❑ Terrorism cover is an add-on cover provided under Property Insurance Policies by endorsement
- ❑ Optional to the insured
- ❑ Same premium rates are charged by all insurers - range from 0.08 to 0.25 per mille charged on Total Sum Insured (MD+LOP)
- ❑ Sliding scale of premium rates depending on risk classification (industrial/non-industrial/residential) for different slabs of Sum Insured
- ❑ Deductible: 0.5% of the total sum insured (MD+LOP) subject to certain minimum and maximum limits depending on risk classification
- ❑ Specified Limit of Liability per location (presently INR 10,000 mn)
- ❑ Capacity is provided by Indian Market Terrorism Risk Insurance Pool (IMTRIP) up to the specified limit of liability
- ❑ For cover limit beyond Pool capacity, insurers seek facultative reinsurance support from international market



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# INDIAN MARKET TERRORISM RISK INSURANCE POOL (IMTRIP)

- ❑ Initiative by Indian non-life insurers in 2002
- ❑ Response to hardening of international market for terrorism cover post 9/11
- ❑ Entire terrorism risk on Property Insurance policies written by all Companies is reinsured by all Pool members
- ❑ All non-life insurance companies operating in India are members of the Pool. Present strength is 21.
- ❑ GIC Re is the Manager of Pool
- ❑ Terms of cover, premium rates, deductibles are determined by Pool Underwriting Committee



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# INDIAN MARKET TERRORISM RISK INSURANCE POOL (IMTRIP)

(contd...)

- ❑ All members provide capacity to the Pool in specified shares
- ❑ Pool takes reinsurance protection on excess of loss basis
- ❑ Pool results are shared among Pool members in same proportion as the capacity provided
- ❑ Capacity offered by Pool is presently INR 10,000 million [about USD 185 million] per location (maximum limit of indemnity)



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# IMTRIP

## DEFINITION OF TERRORISM

***“..... 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 organisation(s) or government(s), or unlawful associations, recognized under Unlawful Activities (Prevention) Amendment Act, 2008 or any other related and applicable national or state legislation formulated to combat unlawful and terrorist activities in the nation for the 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”.***



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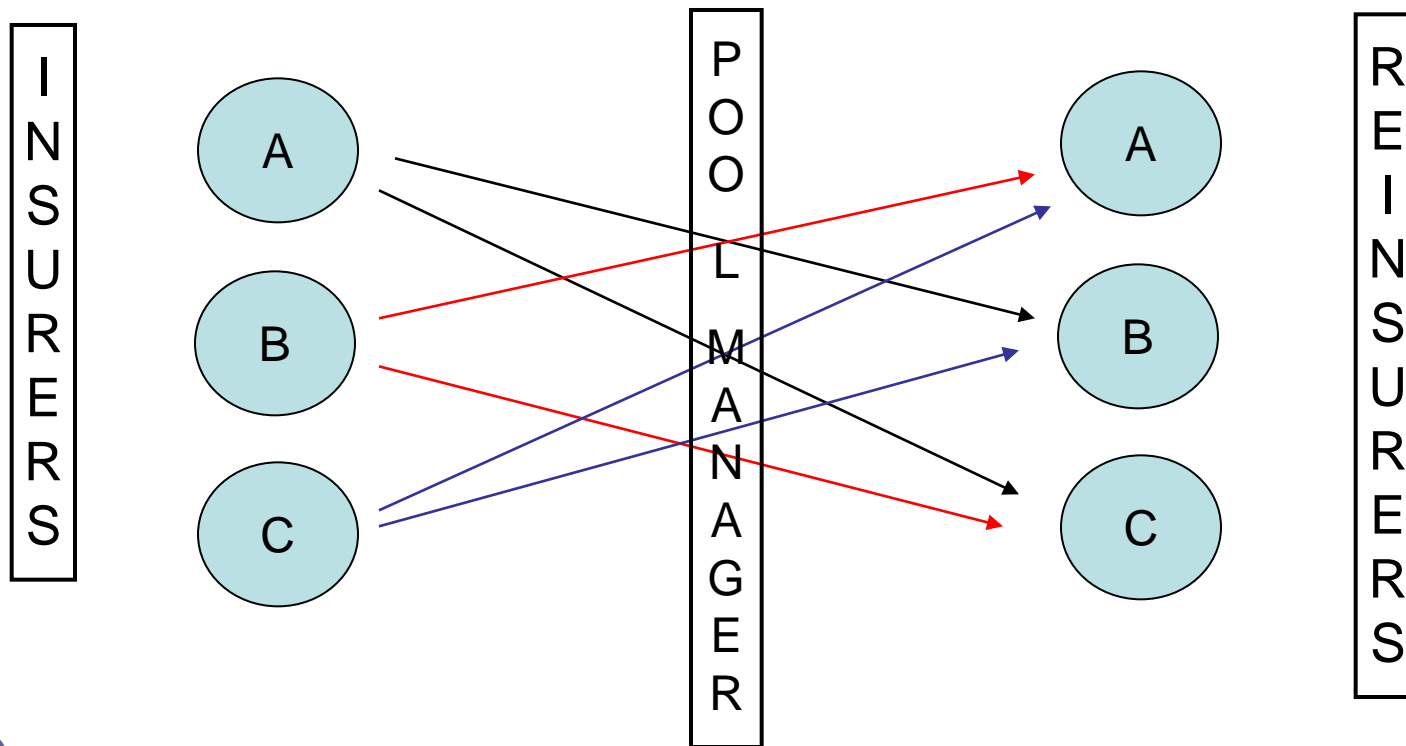
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# IMTRIP MECHANISM –

## MULTILATERAL REINSURANCE ARRANGEMENT

Terrorism risks insured by any of the Members is reinsured by all other members in agreed proportions



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# IMTRIP – INSURED CLASSES

- Fire insurance
- Industrial All Risks insurance
- Fire section of package insurance policies
- Property section of Engineering/Project insurances including EAR, MCE, SCE, CAR, CPM, EEI, CECR
- Property Sections of Miscellaneous policies
- On-shore assets of Port Package policies & on-shore drilling rig equipment



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# IMTRIP – CLASSES EXCLUDED

- Risks other than property in Fire & Engineering class
- Risks other than property sections of Miscellaneous class viz., Motor, PA, Liability, Cash-in-Transit, Bankers' Indemnity, Mediclaim, etc.



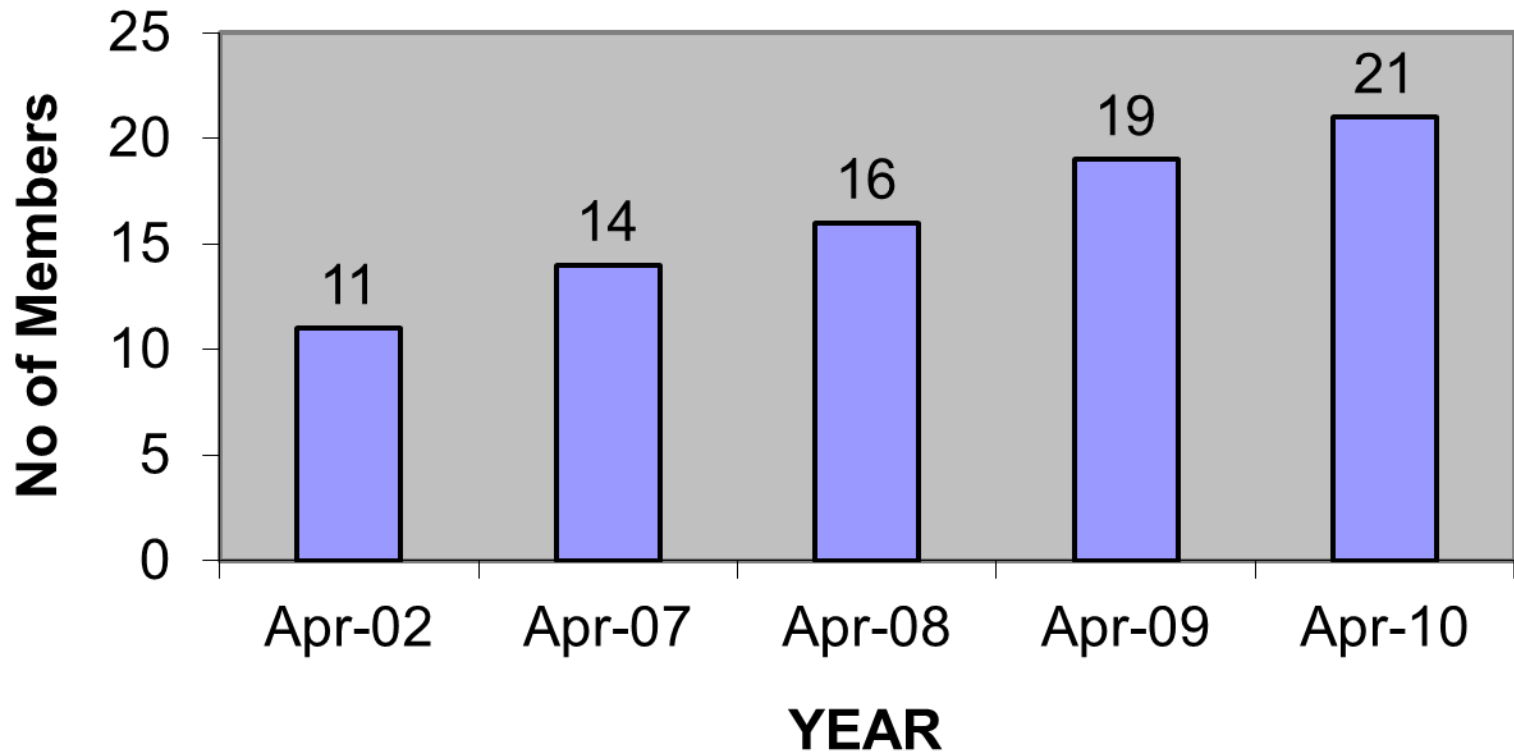
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# IMTRIP – 10-year history....

## POOL MEMBERSHIP



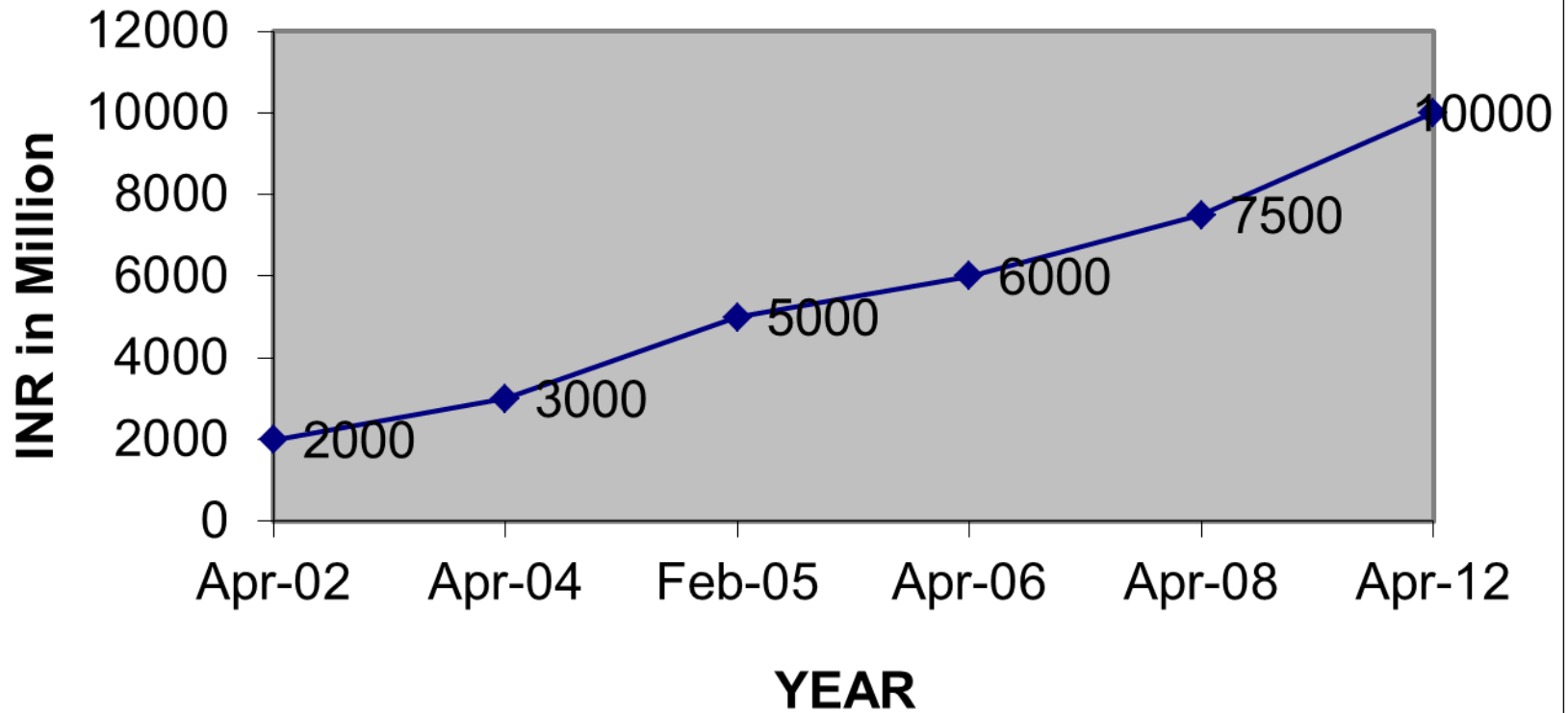
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# IMTRIP – 10-year history....

## GROWTH IN CAPACITY (LIMIT OF INDEMNITY PER LOCATION)



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# TERRORISM LOSSES IN INDIA



- Over 15 major terrorist attacks post 11/9/2001
- Over 800 deaths – Highest : Mumbai train blasts 2006 and Mumbai terror attacks 26/11/2008
- Mostly uninsured losses, terrorism insurance cover being optional



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# INDIA'S 9/11 – TERRORIST ATTACKS IN MUMBAI 26/11/2008



- Prestigious five-star hotels, restaurants, railway station, residential building attacked & damaged
- Largest ever insured loss due to terrorism in India – may be seen as an exception though exposure exists
- Over 180 deaths
- The affected locations were covered by the Indian Terrorism Risk Insurance Pool
- All claims settled by Indian Terrorism Risk Insurance Pool for total amount of INR 3769 million



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**MAY  
OUR WORLD  
BE FREE  
FROM  
TERRORISM**

**THANK YOU  
FOR YOUR ATTENTION**



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