



AUSTRIA - TERRORISM RISK INSURANCE PROGRAMME

Name of programme	Österreichischer Versicherungspool zur Deckung von Terrorrisiken
Date of establishment	October 2002 (covering risks from January 2003)
Basic structure	Purely private co-reinsurance pool set up by the Verband der Versicherungsunternehmen Österreichs (VVO, the Austrian insurance association). The pool is open to insurers and reinsurers writing business in Austria. 99% of VVO members belong to the Pool.

Österreichischer Versicherungspool zur Deckung von Terrorrisiken

History and Purpose

Following September 11, Austrian insurers in the Verband der Versicherungsunternehmen Österreichs (VVO, the Austrian insurance association) set up a mixed co-insurance and reinsurance pool (Österreichischer Versicherungspool zur Deckung von Terrorrisiken) on 1 October 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 who are writing business in Austria; and some 99% of primary insurance companies that are members of the participate in it, their share of the pool being pro-rated to their market share in property insurance.

The Austrian Pool represents the response of a relatively small advanced insurance market (regarded before September 11 as facing a relatively low and infrequent terrorist threat) 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, at the time being. The Austrian Ministry of Finance has made clear that it welcomes the action taken by the insurance but wishes to avoid any steps that could deter the private sector from taking measures itself to accommodate terrorism risks as far as possible. In the period since its creation the Austrian Pool has not had to face a serious test.



The OECD International Platform on Terrorism Risk Insurance shares information and identifies good practices on terrorism risk financing to contribute to more rapid economic recovery in the event of attacks.



This country profile is regularly updated. It is the product of joint work between national terrorism insurance schemes, the OECD and the World Forum of Catastrophe Programmes.

www.oecd.org/daf/fin/insurance/terrorism-risk-insurance.htm



Definitions

No Austrian government declaration is required for an act to be recognised as a “terrorist act” for the purpose of the scheme. Instead, the VVO has drawn on 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”.

Operation, Extent, Lines Covered & Perils Covered

Under the terms of the Pool scheme cover for terrorism risks (limited to the territory of Austria) extends to all lines of property insurance business other than transport insurance, with a cover limit of €5 million per single event per year, and covers property insurance in respect of industrial, commercial and private lines.

Exclusions

The Austrian Pool is subject to the following main exclusions:

- Business interruption (except in respect of direct consequential damage);
- Liability;
- Marine, aviation and transport;
- Damage resulting from failure to supply;
- Damage due to biological or chemical contamination resulting from terrorist attack;
- Art insurance.

State Involvement & Layers of Cover

The Austrian Pool currently operates without a state guarantee and offers cover totaling up to €200 million without deductibles, in two layers:

- 1.The first layer, up to an annual aggregate of €75 million, to be co-insured by direct insurers, in proportion to their market share;
- 2.The second layer of €125 million, up to a total annual aggregate of €200 million, to be underwritten by the international reinsurance market.

The following rating structure for reinsurance premiums has been mandated for the scheme:

- For participants in the Pool: from 0.75% to 4.0% of the sum insured;
- For non-participants in the Pool: from 2.25% to 12.0% of the sum insured.

Non-State Reinsurance/Retrocession

Given that the Austrian state is not involved, all reinsurance and retrocession is on a non-state basis.



Extent of Compulsion & Choice

Compulsory Terrorism Insurance: Terrorism cover remains optional in Austria for most lines, being provided 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 mandatory.

Compulsory Pool Membership: Pool membership is optional, but 99% of VVO members belong to the Pool.

Period of Operation

The Austrian Pool has been in operation since 1 October 2002. There is currently no terminal date for its operation. Last renewal has foreseen a period of 5 years starting from 1 January 2013 only for fiscal relief for pool members regarding their share on the first layer.

Main features

Layers of coverage	First - up to an annual aggregate of EUR75 million, co-insured by direct insurers, in proportion to their market share. Second - up to an annual aggregate of EUR125 million, in excess of EUR75 million, underwritten by the international reinsurance market.
Limitation of exposure of private sector	Not applicable
Temporary /permanent government participation	Not applicable
Gratuity of government coverage	Not applicable
Voluntary / mandatory	Insurance of terrorism risks covered by the scheme is voluntary. Participation in the pool is voluntary.
Minimum sum insured	No
Coverage of NBCR terrorist attacks	No
Lines covered	All property lines (industrial, commercial and private) other than transport insurance.
Pricing mechanism	Rating structure for reinsurance premia: From 0.75% to 4% of the sum insured (for participants in the Pool); From 2.25% to 12% of the sum insured (for non-participants in the Pool). Direct insurers are free to set premia to be paid by insureds.
Other public sector victims compensation schemes	Compensation of victims of intentional crimes is offered, under certain conditions, by the Verbrechensofergesetz (Act on granting aid to crime victims, VOG).