NATIONAL TERRORISM RISK INSURANCE PROGRAMMES OF OECD COUNTRIES WITH GOVERNMENT PARTICIPATION

MAIN FEATURES

More than two thirds of the 34 OECD Member countries currently rely on the insurance market to manage terrorism risk, as nearly all non-member countries. In a few countries, the private sector has organized a market solution at national level.

In other countries, government participation has been considered as a means of increasing terrorism insurance availability and affordability, support private market operations and enhance market efficiency.

Ten governments of OECD Member countries have chosen to be involved in the financial management of terrorism risk. *This table allows a rapid comparison of the main features of these ten national terrorism risk insurance programmes*. While they have all designed a unique operational structure to respond to country specific aims and constraints, nine of them have opted for a programme based on a public-private partnership.

National schemes typically involve a **layered approach to terrorism risk coverage** involving the insured, through a deductible encouraging risk mitigation measures, insurers and reinsurers, possibly through a private risk-sharing agreement such as a co-reinsurance pool, (financial markets), reinsurance, and the government acting as (re)insurer, backstop liquidity provider or guarantor. The private market retention threshold has increased in several countries to reflect (re)insurance market stabilization. Meanwhile, **all programs subject to periodical review have been renewed**, and **new programs have been established** in Belgium and Denmark in 2008 and 2010 respectively. This suggests that in the countries concerned, national terrorism insurance programs may not only answer a temporary market failure, but provide a viable and lasting financial response to the terrorism threat.

Flexibility and periodical assessments are recommended as key components of any institutional mechanism to be implemented by OECD member countries, in order to allow them to adapt to risk and market dynamics and to ensure the sustainability of compensation arrangements.

The OECD International Platform on Terrorism Risk Insurance shares information and identifies good practices for the financial management of terrorism risk, to contribute to fast economic recovery in the event of attacks.

This comparative table 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

COUNTRY COMPARISON OF TERRORISM RISK INSURANCE PROGRAMMES

	Name of terrorism programme	Purpose	Definition	Coverage	Exclusions	Layers of cover	Coverage for NBCR	Compulsion/ Choice	Gratuity of Government Coverage?
Australia	ARPC- Australian Reinsurance Pool Corporation Date of Establishment: 1 July 2003 Date of renewal: Renewed in 2015 for 3 years.	Set up as a direct outcome of the events of 11 September 2011. ARPC was set up so that terrorism insurance could be offered within standard cover. The Commonwealth Government felt that it was necessary to have terrorism insurance available for a functional economy but had liability capped at A$10 billion.	Terrorist act – one which involves an action or threat made to advance a political, religious or ideological cause. See section 100.1 of the Australian Criminal Code for full definition.	Commercial risk; industrial risks; construction risks; farming policies that contain business interruption cover.	Nuclear risks; radiological risks; residential property; Commonwealth assets; marine insurance; motor insurance; workers compensation insurance; loss associated with travel; farming insurance; professional indemnity insurance; life insurance; aviation insurance; prime movers; financial products; cyber – crime.	Three layers 1. Industry Retention (A$350 million) 2. ARPC Pool which includes a retrocession program ($2.9 billion) 3. Commonwealth guarantee ($10 billion)	Cover for biological and chemical risks are provided by ARPC if the original policy provides such cover. There is no cover for nuclear or radiological risks.	Insurers must offer terrorism cover and they can use the ARPC as reinsurance or can buy commercial reinsurance. Due to the purpose of the scheme to facilitate a functional economy, any clause which purported to exclude terrorism is inoperable.	ARPC charges for the reinsurance coverage provided. In 2013 the Australian Government commenced receiving fees and dividends. **Non-State reinsurance/ Retrocession** Retrocession cover provides just under $3 billion of cover Belgium government provides the state guarantee for free.
Belgium	TRIP (Terrorism and Reinsurance Pool) Date of Establishment: The *Terrorism Insurance Act* was implemented on 1 April 2007 and the Terrorism Reinsurance Pool Constitution on 1 February 2008 with system operational on 1 May 2008.	Established to facilitate compensation to victims who suffered losses arising from an act of terrorism.	Terrorism – 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 impact on the public, create a climate of insecurity	Property located in Belgium including vehicles registered in Belgium; insurance against industrial fire risk; motor car comprehensive insurance; assistance and legal expenses insurance; motor third party liability; workmen's compensation insurance; personal accident insurance; fire; life insurance;	Third party liability for nuclear energy; damage to nuclear facilities; railway rolling stock; aircraft; ships; damage caused by weapons with an atomic nucleus (nuclear bombs).	The system primarily involves three layers of coverage which are: 1. Joint and several liabilities for market insurers. The risk retention of the insurance market equals €300 million annually (not indexed). 2. Stop loss reinsurance cover of €400 million funded by TRIP members (€ 576 027 066 after indexation as at 1st January 2013). The reinsurance layer in excess of retention should not exceed €700 million (€ 876 027 066 after indexation as at 1st	Cover for chemical, bacteriological risks and nuclear bombs (these can be excluded if outlined in the policy)	Insurers have the option of using TRIP but do not have to do so (although some mass insurance policies require terrorism coverage). However, 95% of insurers use it.	**Non-State reinsurance/ Retrocession**

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			or put pressure on the authorities in a bid to impede the running and normal operation of a service or business.	health insurance; hospitalisation insurance.		January 2013). The indexation is applied in full to the layer reinsured by TRIP i.e. the 2nd layer. 3. Belgium State Guarantee of €300 million (not indexed). The State excess should cover any losses which exceed €700 million (€ 876 027 066 after indexation as at 1st January 2013) but are less than €1 billion (€1 176 027 066).			Stop loss reinsurance (valued at €576 027 066 in 2013). Reinsurance excess layer (should not exceed €876 027 066 in 2013).
Denmark	TIPNLI (Terrorism Insurance Pool for Non-Life Insurance) Date of Establishment: Terrorism Insurance Act was implemented on 17 June 2008 with the scheme operational from 31 March 2010	To provide insurance coverage for losses arising from the damage to real estate; trains; cars and ships caused by NBCR terrorism. TIPNLI was established to overcome the market failure in NBCR risks.	There are no definitions in the legislation.	Covers building and contents; business interruption; railway rolling stock; motor vehicles and hull insurance (when they cover NBCR risks).	Only covers buildings which include a NBCR contract.	Two layers: 1. Own risk retention for the non-life insurance industry (own risk is determined by the Terrorism Insurance Council) – At present this is valued at DKK 13.73 billion (2016). 2. State guarantee (maximum of DKK 15 billion). The second layer will only come into operation when the own risk retention has been exceeded	Yes - Cover for NBCR.	Danish non – life insurers who have obtained authorisation from the Danish Financial Supervisory Authority must have terrorism cover (if they provide contracts for NBCR risks).	The price paid to the government will depend upon the NBCR insurer's retention. Under the current insurer retention (DKK 13.73 billion), there will be a charge of 0.10% for the state coverage (DKK 15 billion). **Non-State reinsurance/ Retrocession** TIPNLI will buy reinsurance coverage at market prices. The fee is paid to the government in return for protection.

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France	GAREAT (*Gestion de l'assurance et de la Réassurance des Risques Attentats et Actes de Terrorisme*) AND CCR (*Caisse Centrale de Réassurance*). Date of Establishment: GAREAT was established on 28 December 2001 and operational on 1 January 2002. The CCR was established in 1946. Date of renewal: CCR cover was renewed in 2013. The next review process will occur on 1 January 2018.	CCR provides unlimited cover for large risks (those in excess of GAREAT large risk section). The CCR also provides unlimited coverage for small and medium risks. The CCR is backed by the French State and provides Unlimited Cover to GAREAT. GAREAT was established in the aftermath of September 11, to provide coverage for large scale events.	There is no definition of a 'terrorist act' in the legislation but the event must meet the definition in the French Criminal Code for all types of terrorism (regional, national and international) in any form (nuclear, chemical and biological risks are covered).	Covers all lines of property and business interruption (industrial, commercial and private) other than transport, aviation hull and marine hull.	Life, accident and health insurance; liability; financial losses; risks covered by marine, aviation and transport polices; war, strikes; riot and civil commotion; malicious acts and vandalism, theft, looting or fraud following acts of terrorism.	GAREAT has three layers for its large risk cover: 1. €500 million in annual aggregated provided by direct insurers in proportion to their market share. 2. €1.980 million in excess of the first €500 million provided by the reinsurance market. 3. Unlimited protection in excess of €2.480 million provided by CCR and backed up by the French State Guarantee. For small and medium risk there is unlimited coverage in excess of the annual aggregate of €20 million minimum for each insurance company or group of insurers. There is a different layering structure for GAREAT small and medium sized risk reinsurance scheme. 1. Limit €45 million is co-reinsured and mutualized between the members 2. €335 million in excess of €45 million is reinsured by worldwide reinsurers 3. €47 million in excess of €380 million is retained by GAREAT members.	Yes – Cover for chemical, biological, radiological. Nuclear weapons are excluded but dirty bombs are covered.	Terrorism coverage for direct property loss and business interruptions has been compulsory since 1986, with large risks aspects of GAREAT Compulsory for insurance companies who are members of the FFSA and GEMA. Participation in the small and medium risk group section is optional.	CCR receives a premium for providing unlimited state cover with a state guarantee. **Non-State reinsurance/ Retrocession**

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Germany	Extremus Versicherungs-AG Date of Establishment: Set up on 3 September 2002 with operations commencing on 1 November 2002. Date of renewal: Federal guarantee was extended on 13 October 2015 until the end of 2019 when it will be subject to review (a reservation to revise the guarantee after two years was included in the most recent agreement).	Extremus is a public company set up to help facilitate the provision of terrorism insurance. It was an initiative of the German Insurance Association with its shareholders being reinsurance companies in Germany	Terrorist acts- acts committed by persons or groups of persons to achieve political, religious, ethnic or ideological purposes that are likely to spread anxiety or fear amongst the population or parts of the population and thereby influence any government or government institution.		Biological, chemical, nuclear, cyber-attacks.	Two layers: 1- €2 billion provided by the international market including international reinsurance. 2- €8 billion provided by the German Government.	No coverage for NBCR.	Voluntary participation whereby any reinsurer can provide terrorism cover if they wish.	Two layers: 1- €2.5 billion provided by the international market including international reinsurance. 2- €7.5 billion provided by the German Government **Non State reinsurance/ Retrocession**
Israel	Compensation Fund according to the Israeli *Property Tax Act*. Date of Establishment: 1941 The system was set up as a permanent regime under the *Property Tax Act*	Initially set up for the purpose of providing compensation to losses occasioned by war damage and was subsequently extended to property from hostile action (terrorism).	The Property Tax and Compensation Fund Law does not provide a definition of '<u>hostile action</u>', but the Israeli Supreme Court classifies damage from hostile action as 'damage to property that is designed to deliberately harm the state of Israel and is motivated by hatred, hostility, vengeance etc. Hostile action includes terrorism against Israel – actions with intent to intimidate or coerce the civilian population, in furtherance of political or social	Direct damage to property, other than household, is unlimited (actual damage + costs of mitigating the damage). Direct damage to household contents (not including jewellery, art and antiques): up to approximately €20,000. Additional coverage can be purchased at the price of 0.3% of the property value, up to the limit of €140,000.	No compensation for a state budgeted body (although there is currently legislation exploring the possibility of having a separate fund to compensate these bodies); health corporation; government corporation; health maintenance organization; higher education facility; public institution or non-profit organisation.	After the Lebanon war the compensation fund has been paid 85% from tax revenue (the basis from which this revenue was collected was that each year a certain proportion of tax collected was allocated towards a compensation fund, with the specific percentage able to be changed due to unexpected events. In 2013 the rate was 15% which were the only funds which support the compensation fund).	Yes – Cover for NBCR.	A limited level of coverage is provided, although an individual can decide to obtain additional coverage above the threshold amounts.	The Israeli government collects taxation to help facilitate compensation and uses the distributions made under the Property Tax Compensation Fund. **Non State reinsurance/ Retrocession**

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			objectives. The Israeli Supreme Court in referring to terrorism mentioned the F.B.I definition of terrorism as provided on the Terrorism Research Centre website.	It is possible to purchase coverage for property outside of Israel at a rate of 0.5%-4.5% of its value. Insurance cover is not limited for incorporated businesses.					
Netherlands	Nederlandse Herverzekeringsmaat schappij voor Terrorismeschaden N.V. (NHT) Date of Establishment: NHT was established in May 2003 and became operational on 1 July 2003. Date of renewal: Permanent status.	The NHT was set up to overcome problems associated with interruptions to the insurance market after September 11. The NHT sought to promote the continuity of the business market.	<u>Terrorism</u> – any violent act and/or conduct committed outside the scope of one of the six forms of acts carried out in the way referred to in Article 3:38 of the *Financial Supervision Act* [*Wet op het Financieel Toezicht*] – in the form of an attack or a series of attacks connected together 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.	NHT will provide reinsurance coverage for terrorism, malevolent contamination or precautionary measures or any conduct in preparation for terrorism to the maximum sum of €1 billion per insured per calendar year. Lines of coverage include life insurance (insured must reside in the Netherlands); healthcare insurance; funeral insurance and non-life insurance (property located in the Netherlands).	No compensation for aviation hull and aircraft liability.	Five layers: 1- €7.5 million provided by the participating franchise primary insurer (those who are members of the NHT) 2 - €300 million in the aggregate (pooled cover provided by the primary insurers) 3 – €100 million in the aggregate in excess of the €300 million provided by international reinsurers 4 €550 million in the aggregate in excess of the €400 million provided by international reinsurers 5 - €50 million in annual aggregate excess of €950 million provided by the Dutch government **If the €1 billion limit was exceeded then there would need to be pro-rated reductions paid against claims.	Yes – Cover for NBCR.	Purchase of terrorism insurance is not compulsory. While joining the NHT is not compulsory, more than 185 insurers or 95% of the insurance market are covered by NHT.	The Dutch state receives a premium for their coverage which is equal to the premium rate paid to reinsurers of the 4th layer. **Non State reinsurance/ Retrocession** The 3rd and 4th layer (total €650 million xs €300 million) of the scheme is retroceded to professional reinsurers.

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Spain	Consorcio de Compensacion de Seguros (CCS) Background: 1941 (provisional status). Establishment with a permanent status: 1954, with a substantial change in legal nature in 1991 Date of renewal: Permanent system	Originally established in a provisional way to help the insurance market to cope with losses from the Spanish Civil War. The CCS provides coverage for extraordinary risks which include natural (earthquake, seaquake, volcanic eruption, flood, windstorm, falling meteors), and man-made risk (terrorism, riots, civil commotion, rebellion, actions by the army and security forces in peacetime).	Terrorism – every violent act committed with the object of destabilizing the established political order or generating fear or insecurity in the social environment in which it is perpetrated.	* Damages: Direct material damages – Business Interruption – Bodily Injuries (even abroad) * Property lines: Fire & natural perils; motor car vehicles (including third party liability); railway vehicles; damage to property (theft, plate glass, machinery breakdown); electronic equipment and civil work. * Personal lines: Life and accident	*Damages: indirect losses other than BI * Lines: Marine, aviation, space; cargo; third party liability; credit and surety; health; legal expenses; travel insurance; agricultural insurance; construction and assembly	CCS has an unlimited State guarantee (to date this has not been used).	Yes - Cover for NBCR.	Extraordinary risk coverage (including terrorism) is compulsorily included in all the policies issued by companies operating in Spain in Property lines (see column "coverage") life and personal accidents.	There is no charge for the State guarantee (never used). **Non State reinsurance/ Retrocession** CCS doesn't cede any portion of its risk to the reinsurance market (although it can).
United Kingdom	Pool Reinsurance Company Limited (Pool RE) Date of Establishment: 1993 after the introduction of the *Reinsurance Act* 1993. Date of renewal: Permanent regime (revised periodically).	Established due to restrictions of UK commercial property insurance for terrorism risk (response to terrorist events in Northern Ireland). Pool RE primarily provides cover for losses resulting from damage to commercial property and business interruption.	Act of terrorism – acts of persons acting on behalf of or in connection with any organisation which carried out activities directed toward the overthrowing or influencing by force or violence of the British Government in the United Kingdom or any other government for which the UK has control	Reinsurance is available for material damage and business interruption cover.	War and related perils; computer hacking; virus and denial of service; damage to nuclear installations and reactors covered.	Three layers 1 -Industry retention amounts (based upon a proportion of the industry wide aggregate of £100 million per event and £200 million annual aggregate). 2- Pool RE covers up to the full amount of the fund. 3- UK government indemnity up to 100% of the claims above the fund value.	Yes coverage is available for NBCR risks.	Membership not compulsory. If insurers want to cover terrorism risk they must cover all associated risks (no selectivity).	Government receives a premium for coverage. **Non State reinsurance/ Retrocession** Pool RE does not buy retrocession or other reinsurance (but pays UK government).

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United States	Terrorism Risk Insurance Program (TRIP). Date of Establishment: Originally established on 26 November 2002 under the *Terrorism Risk Insurance Act*. The Program was extended in 2005 under the *Terrorism Risk Insurance Extension Act,* and in 2007 under the *Terrorism Risk Insurance Program Reauthorization Act*. As of January 2015, the Program operates under the *Terrorism Risk Insurance Program Reauthorization Act*. Date of renewal: The program was renewed in January 2015 through December 2020.	To overcome problems with availability and affordability of terrorism insurance in the aftermath of September 11 and to overcome disruption in the market.	<u>Act of terrorism</u> – violent act committed as part of an effort to coerce the US civilian population or influence US government policy. The act must have resulted in damage within the US or to a US airliner, vessel, or mission abroad. The Secretary of Treasury, in consultation with the Attorney General and Secretary of Homeland Security, will certify that an act of terrorism has occurred.	TRIA facilitates cover for insured losses but for the extent of cover it is necessary to look at the insurance policy to see what would be included.	Crop insurance; private mortgage insurance, title insurance, financial guaranty insurance, medical malpractice insurance, health or life insurance, flood insurance, reinsurance or retrocessional reinsurance, commercial auto; burglary and theft; professional liability (except for directors and officers liability); farm owners multiple peril. Although NBCR events are not excluded it is necessary to look at the ambit of the contract as TRIA covers insured losses and cross reference coverage against a standard insurance cover.	In CY 2016, up to the first $120 million of aggregate losses, an insurer must pay a deductible of 20%; beyond this amount the federal government will cover 84% of each insurer's losses above its deductible until total losses reach $100 billion. The level of aggregate losses to trigger the program increases to $200 million and the government share of losses decreases to 80% by CY 2020.	Yes (but it is possible to exclude NBCR risks under some lines of insurance). The inclusion or exclusion of NBCR depends on the terms of an individual contract.	Optional for a company or consumer to adopt terrorism cover, with the exception of workers' compensation, for which terrorism cover is required as a matter of state law.	Recoupment surcharges may be payable. If there is a loss paid by Treasury before 30 December 2020, the Secretary of the Treasury is required to impose surcharges on policies to recoup 140% of the outlays by no later than 30 September 2024. Mandatory recoupment will apply if the insurance industry's aggregate uncompensated loss does not exceed $31.5 billion in CY 2016, which increases by $2 billion per year until it reaches $37.5 billion in CY 2019 and is separately calculated by Treasury for 2020. The Treasury Secretary retains discretionary authority to apply recoupment surcharges for amounts paid where the relevant insurance industry aggregate uncompensated loss figures are exceeded. **Non-State reinsurance/ Retrocession** TRIP does not purchase reinsurance or retrocede.