

**CONFERENCE ON CATASTROPHIC RISKS
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**TERRORISM INSURANCE :
OVERVIEW OF THE PRIVATE MARKET**

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Powerpoint presentation

This document is circulated for Session 1 of the Conference on Catastrophic Risks and Insurance, to be held on 22-23 November 2004 at the OECD Headquarters, 2 rue André Pascal, 75016 Paris, starting at 9:00 a.m.

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TERRORISM INSURANCE:

OVERVIEW OF THE PRIVATE MARKET



The Past

- Small market mainly Lloyd's and AIG
- Limited regular demand : Colombia, Israel, Indonesia, Sri Lanka, South Africa, UK
- Old fashioned insurance products



9/11

- Terrorism exclusions in every policy
- October 2001 : Lloyd's releases new T3 terrorism product
- Private market capacity \$100m per risk/200m p/blast zone
- Massive demand from USA, Europe, Australia, Japan and elsewhere



The Present

- \$2billion per risk/4billion per blast zone
- Competitive market: Lloyd's, USA, Bermuda
- \$120billion capital secures terrorism insurers
- Average prices reduced by 60% compared to immediately post-WTC



Practical Advantages of the private market

- Product flexibility
- Price flexibility
- Established distribution and documentation
- Product innovation – terrorism public liability, banking risks, cyber risks
- Fast, efficient claims handling



Ideological Advantages of the Private market

- No compulsory purchase by unwilling property owners
- No compulsory sale by unwilling insurers
- No taxpayer subsidy of private, commercial risk



The Future

- Stable, effective world market for terrorism risks
- More data and analysis of terrorist methods and strategies
- Increased broker access to increased capacity
- Competitive market subject to strong reserving
- Claims to prove the worth of the products and the service
- Private terrorism market accepted as a viable, long-term catastrophe market

