



DENMARK — TERRORISM RISK INSURANCE PROGRAMME

Name of programme	Terrorism Insurance Pool for Non-Life Insurance (TIPNLI)
Date of establishment	March 2010
Basic structure	<p>The <i>Terrorism Insurance Act</i> in 2010 established a public-private partnership scheme.</p> <p>TIPNLI is an insurance and reinsurance pool backed by the State, which offers coverage for damages caused by NBCR risks to real estate, trains, cars and ships. TIPNLI works as a claims distribution pool, which also arranges joint reinsurance cover.</p>

Terrorism Insurance Pool for Non-Life Insurance (TIPNLI)

History and Purpose

The *Terrorism Insurance Act* was adopted by the Danish Folketing on 17 June 2008. The purpose of the Act was to establish a scheme to provide insurance coverage for losses arising from the damage to real estate, trains, cars and ships caused by acts of NBCR-terrorism.

Prior to the approval of the Act the Danish authorities conducted an assessment of potential losses that Danish non-life insurance companies would suffer if NBCR terrorist attacks occurred. Furthermore, they evaluated the possibility of buying reinsurance on NBCR terrorism from the international reinsurance market and concluded that reinsurance coverage of NBCR terrorism losses only existed for very limited losses, mainly because the reinsurance companies were unable to predict the consequences of a terrorist attack and thus could not set a price on the risk.

As a result of the insufficient reinsurance capacity, the Danish authorities concluded that there was a market failure in the market for coverage of NBCR risks and in order to counteract this, the Danish Authorities passed the Act, which enabled them to act in effect as a reinsurer of NBCR risks.



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 Danish government declaration is required for an act to be recognized as a “terrorist act” for the purpose of the scheme.

The Danish Terrorism Insurance Council decides as to whether an event arising from a terror attack, where NBCR weapons are used, and thus whether the damages are covered by the Terrorism Insurance Scheme. In order to assess whether an event arises from NBCR terror, the Council can make use of expert assistance.

Operation, Extent, Lines Covered & Perils Covered

The insured property or interest must be situated in Denmark when the event occurs in order for possible damages to be covered by the Scheme.

Exclusions

The Scheme only includes insurance policies, which cover nuclear, biological, chemical and radioactive (NBCR) terrorism risks for buildings and contents, including business interruption losses, as well as for railway rolling stock (fully comprehensive insurance for railway rolling stock), motor vehicles (fully comprehensive insurance for vehicles) and for ships (hull insurance) in Denmark.

State Involvement & Layers of Cover

The Scheme consists of two layers.

The first layer is the own-risk retention of the non-life insurance industry, which is set annually based on the solvency of the individual insurance companies and the industry’s ability to obtain reinsurance. The own-risk retention is determined each year by the Terrorism Insurance Council and is based on the solvency position of participating insurers as well as the availability of reinsurance on international markets.

The second layer is the State guarantee with a maximum of DKK 15 billion, which comes into effect if damages arising from an NBCR terror attack exceeds the own-risk retention level of the non-life insurance industry.

Non-State Reinsurance/Retrocession

TIPNLI has to buy reinsurance coverage. The cover is obtained at market prices.

Extent of Compulsion & Choice

Participation in the scheme is compulsory for all non-life insurance companies, who have obtained authorisation by the Danish Financial Supervisory Authority and underwrite risks on buildings, railroad vehicles, motor hull and marine hull. That includes Danish non-life insurance companies and all foreign companies that are not based in an EU country, Norway, Iceland or Liechtenstein. Other foreign non-life insurance companies with registered offices in other EEA countries which write NBCR terrorism insurance may participate in the scheme voluntarily and without restrictions.

All participating companies in the scheme contribute to the payment of the risk premium to the State.



Period of Operation

The Danish Terrorism Scheme has been in operation since 2010. There is currently no termination date for which it will cease to operate.

Main features

Layers of coverage	<ul style="list-style-type: none"> • First - Industry retention amount: DKK 13.73 billion (2016). • Second - The government provides a guarantee to cover losses from NBCR events that exceed the industry retention amount. <p>This guarantee is currently capped at DKK 15 billion per year.</p>
Limitation of exposure of private sector	<p>DKK 13.73 billion (2016).</p> <p>The scheme created a Terrorism Insurance Council which recommends annual insurance industry retention levels. These are based on the availability of NBCR reinsurance on the international market and the solvency position of the insurers.</p>
Temporary /permanent government participation	<p>Temporary</p>
Gratuity of government coverage	<p>Participants pay a risk premium fee to the government in return for the provision of the guarantee. The scheme must not result in a call on the Danish government budget over time. Therefore, were an NBCR terrorist attack to occur with losses of a magnitude that triggers a call on the Government guarantee, the Government will levy a tax on policyholders so as to recover any shortfall between the amount paid by the Government and the total amount previously paid to it in risk premium fees.</p>
Voluntary / mandatory	<p>Participation is voluntary for both Danish and foreign non-life insurance companies which do not write NBCR terrorism insurance, but compulsory for those insurers that write NBCR terrorism insurance.</p> <p>Provision of terrorism insurance is not compulsory in Denmark.</p>
Minimum sum insured	<p>No</p>
Coverage of NBCR terrorist attacks	<p>Yes</p>
Lines covered	<p>Lines concerning buildings and contents, business interruption, cars (not third party liability), trains and ships (hull insurance).</p>
Pricing mechanism	<p>The premium to be paid to the State varies depending on the NBCR insurers' retention.</p> <p>Current insurers retention is DKK 13.73 Billion (2016) to which corresponds a tariff of 0.10% on the State guarantee amount (DKK 15 Billion) = DKK 15 million.</p> <p>Policyholders holding a policy covering risks in the lines included in the system (irrespective of whether they have NBCR terrorism or not) must contribute to the repayment of amounts paid from the State reinsurance guarantee.</p>
Other public sector victims compensation schemes	<p>Not available</p>