



INDIA — TERRORISM RISK INSURANCE PROGRAMME

Name of programme	Indian Market Terrorism Risk Insurance Pool
Date of establishment	1 April 2002
Basic structure	Multilateral Reinsurance arrangement among non-life insurance companies in India and national reinsurer (GIC Re).

Indian Market Terrorism Risk Insurance Pool

History and Purpose

The Pool was formed as an initiative by all the non-life insurance companies in India in April 2002 to create domestic capacity for providing terrorism insurance cover after the withdrawal of reinsurance capacity for terrorism from the domestic companies' treaties in the aftermath of 9/11.

The Pool enables members/ non- life insurance companies to provide insurance cover against Terrorism risk in India on the combined underwriting capacity of the members and GIC.

Percentage of total losses by cause

The claims experience of the Pool has been very favourable in the eleven years of its operation, with an average loss ratio of 13.3%. The largest loss to the Pool was the Mumbai terrorist attack (26th November 2008) claims which were settled for a total sum of INR 3769 million.

Definitions

Act of terrorism is defined as 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.



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



Operation, Extent, Lines Covered & Perils Covered

The Pool is applicable to all insurances of terrorism risk insured along with the insurances of property in any of the insured classes. Each Member participates in all insurances of terrorism risk coming within the Pool's scope, to the extent of its share and the liability of each Member is co-extensive and co-terminus with the liability under the original policy of insurance of terrorism risk.

The lines covered are Fire insurance, Industrial All Risks insurance, Fire section of package insurance policies, Fire / Engineering Sections of Miscellaneous policies, Property section of Cellular Network Policies, Property section of Engineering insurances including Erection All Risks insurance (EAR), Marine-cum-Erection (MCE), Storage-cum-Erection (SCE), Contractor's All Risks insurance (CAR), Contractor's Plant and Machinery Insurance (CPM), Electronic Equipment Insurance (EEI), Civil Engineering Completed Risks (CECR), Jeweller's Block Policies (Sec. I & Sec. IV), On-shore assets of Port Package policies, On-shore assets of off-shore package policies, Stock Floater policies, on-shore drilling rig equipment, ALOP cover in conjunction with CAR/EAR, and any other class of insurance policy that may be specifically agreed by the Pool Underwriting Committee and notified to members from time to time.

The only peril covered is terrorism.

Exclusions

For Material Damage

This cover shall not indemnify loss of or damage to property caused by any or all of the following:-

- Loss by seizure or legal or illegal occupation;
- Loss or damage caused by:
 - (i) Voluntary abandonment or vacation;
 - (ii) Confiscation, commandeering, nationalisation, requisition, detention, embargo, quarantine, or any result of any order of public or government authority, which deprives the Insured of the use or value of its property;
- Loss or damage arising from acts of contraband or illegal transportation or illegal trade;
- Loss or damage directly or indirectly arising from or in consequence of the seepage and or discharge of pollutants or contaminants, which pollutants and contaminants shall include but not be limited to any solid, liquid, gaseous or thermal irritant, contaminant or toxic or hazardous substance or any substance the presence, existence or release of which endangers or threatens to endanger the health, safety or welfare of persons or the environment;
- Loss or damage arising directly or indirectly from or in consequence of chemical or biological emission, release, discharge, dispersal or escape or chemical or biological exposure of any kind;
- Loss or damage arising directly or indirectly from or in consequence of asbestos emission, release, discharge, dispersal or escape or asbestos exposure of any kind;
- Any fine, levy, duty, interest or penalty or cost or compensation/damages and/or other assessment which is incurred by the Insured or which is imposed by any court, government agency, public or civil authority or any other person;
- Loss or damage by electronic means including but not limited to computer hacking or the introduction of any form of computer virus or corrupting or unauthorised instructions or code or the use of any electromagnetic weapon.



- This exclusion shall not operate to exclude losses (which would otherwise be covered under this Policy) arising from the use of any computer, computer system or computer software programme or any other electronic system in the launch and/or guidance system and/or firing mechanism of any weapon or missile;
- Loss or damage caused by vandals or other persons acting maliciously or by way of protest or strikes, labour unrest, riots or civil commotion;
- Loss or increased cost occasioned by any public or government or local or civil authority's enforcement of any ordinance or law regulating the reconstruction, repair or demolition of any property insured hereunder;
- Any consequential loss or damage, loss of use, delay or loss of markets, loss of income, depreciation, reduction in functionality, or increased cost of working;
- Loss or damage caused by factors including but not limited to cessation, fluctuation or variation in, or insufficiency of, water, gas or electricity supplies and telecommunications or any type of service;
- Loss or increased cost as a result of threat or hoax;
- Loss or damage caused by or arising out of burglary, house - breaking, looting, theft, larceny or any such attempt or any omission of any kind of any person (whether or not such act is committed in the course of a disturbance of public peace) in any action taken in respect of an act of terrorism;
- Loss or damage caused by mysterious disappearance or unexplained loss;
- Loss or damage directly or indirectly caused by mould, mildew, fungus, spores or other micro-organism of any type, nature or description, including but not limited to any substance whose presence poses an actual or potential threat to human health;
- Total or partial cessation of work or the retardation or interruption or cessation of any process or operations or omissions of any kind.

Loss of Profit

This cover shall not indemnify:-

- Increase in loss resulting from interference at the insured premises, by terrorists or other persons, with rebuilding, repairing or replacing the property or with the resumption or continuation of operation;
- Increase in loss caused by the suspension, lapse, or cancellation of any lease, licence, contract, or order, unless such results directly from the insured interruption of business, and then the Company shall be liable for only such loss as affects the Insured's earnings during, and limited to, the period of indemnity covered under this Policy;
- Increase in loss caused by the enforcement of any ordinance or law regulating the use, reconstruction, repair or demolition of any property insured hereunder;
- The Insured's lack of sufficient capital for timely restoration or replacement of property lost destroyed or damaged;
- Loss resulting from:
 - a) Deliberate erasure, loss, distortion or corruption of information on computer systems or other records, programmes or software;
 - b) Other erasure, loss, distortion or corruption of information on computer systems or other records, programmes or software unless caused by damage to the machine or apparatus in which the records are mounted;
- Loss resulting from alterations, additions, improvements, rectification of defects or faults or elimination of any deficiencies carried out after the physical;
- Loss of market or any other consequential loss;



- Loss as a result of physical or mental or bodily injury to any person;
- Loss arising from Contingent Business Interruption Extension of Business Interruption/Loss of Profit Section under this policy, comprising of Customers and Suppliers premises, Prevention of Access and Public Utilities.

State Involvement & Layers of Cover

None.

Non-State Reinsurance/Retrocession

Pool purchases excess of loss reinsurance cover which is presently INR 17000 million excess of INR 3000 million for each and every loss/occurrence in each of the 4 layers. The retro cover is placed with domestic companies (Pool members) as well as overseas reinsurers.

Extent of Compulsion & Choice

Terrorism insurance in India is an add-on peril under property insurances and is optional to the insured. It is covered by endorsement on payment of additional premium as per rates prescribed by the Pool.

All non-life insurance companies in India are members of the Pool. 100% of terrorism risk underwritten in India by any insurer in the insured classes is ceded to the Pool and all members provide capacity to the Pool.

Period of Operation

Continuous since 1st April 2002 and is still currently in operation.

Main features

Layers of coverage	100% risk is covered by the Pool. The pool itself has four layers.
Limitation of exposure of private sector	None. Every Pool member participates in the provision of all types of terrorism risk insurances that is within the Pool’s scope to the extent of its share in the Pool capacity.
Temporary /permanent government participation	None.
Gratuity of government coverage	Not applicable.
Voluntary / mandatory	Terrorism cover is voluntary for insured. Cession of all terrorism risks by companies to Pool is mandatory.
Minimum sum insured	None. Cover is for total sum insured (Material Damage plus Loss of Profits) but limit of liability is (currently) INR 10,000 million per location.
Coverage of NBCR terrorist attacks	Excluded.



Lines covered	<ul style="list-style-type: none">• Fire insurance;• Industrial All Risks insurance;• Property section of Engineering insurances;• Property section of package/ Miscellaneous insurances.
Pricing mechanism	<p>Sliding scale of premium rates depending on sum insured and occupancy (risk categories-industrial, non-industrial, residential).</p> <p>Rates and terms are decided by Pool Underwriting Committee from time to time.</p>
Other public sector victims compensation schemes	Not known,