

Terrorism coverage schemes – A comparative table

	Australia	Austria	Belgium	Denmark	France	Germany	Netherlands	Spain	United Kingdom	USA
Name	Australian Reinsurance Pool Corporation (ARPC)	Osterreichischer Versicherungspool zur Deckung von Terrorrisiken (OVDT). Austrian Insurance Pool for Terror Risk Coverage	Terrorism Reinsurance and Insurance Pool (TRIP)	Terrorism Insurance Pool for Non-Life Insurance (TIPNLI)	Gestion de l'Assurance et de la Réassurance des risques Attentats et Actes de Terrorisme (GAREAT). Terrorism Risk Insurance and Reinsurance Management	EXTREMUS Versicherungs-AG EXTREMUS Insurance	Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden (NHT). Netherlands Reinsurance Company for Losses from Terrorism	Consorcio de Compensación de Seguros (CCS)	Pool Reinsurance Company Ltd. (Pool Re)	Terrorism Risk Insurance Program (TRIP)
Date of institution	Terrorism Insurance Act 2003. Start date: July 1, 2003	October 1, 2002 Start date: January 1, 2003	Terrorism Insurance Act: April 1, 2007 TRIP constitution: February 1, 2008. In force: May 1, 2008. Inspired by the Dutch system.	Terrorism Insurance Act: June 17, 2008. Start date: March 31, 2010	Institution: December 28, 2001. In force: January 1, 2002	Institution: September 3, 2002 Start date: November 1, 2002	Institution: May 2003 Start date: July 1, 2003	Background: 1941 Current CCS: 1954 New legal nature: 1991	Reinsurance Act 1993	Terrorism Risk Insurance Act-TRIA (November 26, 2002). Terrorism Risk Insurance Extension Act-TRIEA (December 22, 2005). Terrorism Risk Insurance Program Reauthorization Act-TRIPRA (26-XII 2007).
Permanent scheme	No. Reviewable every two/three years. (In force until 2012).	No	No	No	No. Unlimited State guarantee renewed for 3 years on January 1, 2010 (until 2013)	No. Federal guarantee was extended to the end of 2013	No	Yes, from 1954.	Yes, but the system is revised periodically.	No. In force until end of 2014
Private or public.	Public. Governmental agency (statutory authority). Public/private partnership	Private.	Non-profit association. Public/private partnership	Public/private partnership	Non-profit association. Public/private partnership	Private insurance Co. Public/private partnership	Public/private partnership	Public business institution with its own assets independent from those of the State. Public/private partner.	Private mutual reinsurer owned by its cedants. Public/private partnership	Public/private Partnership managed By the Treasury
State guarantee	Yes. Limited	No	Yes. Limited	Yes. Limited	Yes. Unlimited through CCR	Yes. Limited.	Yes. Limited	Yes. Unlimited. Never applied.	Yes. Unlimited.	Yes. Limited
Description	Multi-sectorial initiative: insurance market, banks, business associations. ARPC manages the reinsurance scheme and provides primary insurers with the reinsurance for damages as a result of terrorism event.	Private co-insurance & reinsurance pool created by the Austrian Insurance Association. Terrorism risk is covered in a separate policy issued by members and ceded to OVDT.	It is a collaborative tool among insurers, reinsurers and State, and congregating the different insurance lines (individuals and businesses). Non-profit association	Insurance & 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 for insurance included in the scope of the system. It does not carry on to insurance business.	GAREAT is a cooperation tool (non profit association) among private insurers, international reinsurers and CCR. It manages the terrorism risk reinsurance on behalf of its members. Two sections: A.- "Large Risks" ("LR") for risks with insured amount of € 20 million or more, and B.- "Small & Medium-Sized Risks" ("SM-SR") for risks with insured amount below € 20 million. The State is the reinsurer of last resort and offers an unlimited cover by means of	Extremus is a terrorism insurance company with 16 shareholders (insurers & reinsurers domiciled in Germany). It directly covers terrorism risks, which are reinsured by those shareholders, by the insurance and the reinsurance market (national & international) and by the State. Extremus is the contract partner of the insureds (it issues its own standardized policies). 1300 firms cover its large risks with Extremus.	Reinsurance tool founded, owned and managed by the Dutch Insurers Association. NHT provides the insurers with reinsurance protection for terrorism risks. NHT has no direct contact with the policyholders. The cover includes terrorism, malevolent contamination and precautionary measures.	Terrorism risk is included in the "Extraordinary Risks" coverage system, together with natural catastrophes. This coverage is compulsorily included in the policies of property (some exceptions), personal accidents and life lines issued by private companies. CCS does apply a surcharge.	Mutual reinsurance company owned by its members and backed by the Treasury as reinsurer of last resort. Pool Re works as the reinsurer of the member insurers of the pool. These members provide the terrorism guarantee as a part of the commercial property base policies issued by them. They may apply a premium for this guarantee, or directly include this cover in their standard policies without separate consideration regarding the premiums. If the commercial property policy includes	TRIA establishes a terrorism loss distribution program (The TRIP) among the government and the insurers. The scheme is managed by the Treasury.

					CCR.				BI, terrorism cover can be provided for BI. In this case the cover can be guaranteed in a separate policy.	
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Insurance or reinsurance scheme	Reinsurance pool backed by the State	Private co-insurance & reinsurance pool	Insurance & Reinsurance & pool backed by the State	Insurance & Reinsurance & pool backed by the State	Co-reinsurance pool backed by the State. GAREAT is not an insurance nor a reinsurance company.	Insurance solution with the federal guarantee	Reinsurance	Insurance. CCS works as a direct insurer.	Reinsurance. Unlimited retrocession guarantee with the Treasury.	Insurance shares (coinsurance): Insurer-Government. Reinsurance does not participate in the scheme.
Compulsory/ optional coverage	Compulsory. The Law makes inoperative the exclusion clauses for terrorism losses in policies included in the scope of the system ("eligible insurance contract").	Optional	Compulsory cover for some lines (see the box below "lines & risks included"). Optional cover for the rest of the lines (the cover can be excluded, but in an explicit way).	Optional ("The primary obligations of members to their respective customers are not affected by their membership of the Pool").	Since 1986 terrorism coverage must be included in insurance policies covering property damages (including motor car). Law 23-1-2006: extension of the coverage to terrorism risks (NBCR included) in property insurance policies covering the risks of fire.	Optional	Optional	Compulsory. Extraordinary Risks Cover clause (includes terrorism) is compulsorily included in lines of property (some exceptions), personal accidents and life.	Optional. But participant insurers must provide the cover at the insured's request as a part of the commercial policies (property and business interruption insurance) issued by them on an "all risks" basis (cover restricted to fire and explosion until 2003). If the insured wants to be covered he/she must include in the coverage all his commercial properties. He/she may choose to only cover material damages and not BI.	Insurers must compulsorily offer the cover in commercial property and casualty insurance policies, including worker's compensation and D&O. The insured may optionally reject the cover (the cover is compulsory for workers compensation). Insurers must offer terrorism cover in the same conditions established for the rest of the covers.
Compulsory/ optional industry participation in the system (membership)	Reinsurance cover from ARPC is optional	Optional participation for insurers operating in Austria. 99% of Austrian Insurance Association members participate in the pool.	Optional. More than 90% of the insurers are members.	Compulsory for non-life insurers covering NBCR terrorism risks on real estate, trains, cars and ships. Voluntary for non-life insurers not covering NBCR terrorism risks.	Members: insurers authorized to operate in French territory (+overseas departments) A.- "LR" section: Membership is optional but compulsory to benefit from the unlimited guarantee (always compulsory for FFSA and GEMA associates). Members: obligation to cede all the risks. B.- "SM-SR" section (created in 2005): optional, even to benefit from the unlimited guarantee. Members: obligation to cede all the risks (<€20 million).	Extremus operates as a direct insurer (primary insurance company). Belonging to Extremus is optional. Even as shareholder, the insurer hasn't got the obligation to cede to Extremus the whole risk of terrorism.	Optional and for insurers authorized to operate in The Netherlands. Participants must compulsorily cede to the pool all the terrorism exposures. More than 93% of companies operating in The Netherlands participate in NHT.	Insurers must participate in the system.	Optional: any national or foreign insurer authorized to operate in UK and providing commercial property and BI insurance. Members must cede to Pool Re all the terrorism risks covered by them.	All the insurers must compulsorily participate in TRIP.
Lines & risks included	"Eligible insurance contracts": those covering commercial properties, BI, Civil Liability, farms with BI cover.	Property lines and BI	All insurance lines for individuals and enterprises (exceptions: see next box on lines excluded). Compulsory cover: fire in simple risks (dwellings, farms, shops, SME), cars third party liability, corporal accidents, worker's	Lines concerning buildings and contents, BI, cars (not third party liability), trains and ships (hull insurance).	All property damage and BI lines (vehicles included, but not third party liability).	Commercial and industrial property risks (as a result of fire, explosion, collision or fall of objects from planes or other types of vehicles), and BI (linked to insured losses in property damages).	All the life and non-life lines, including healthcare and funeral sectors (see exceptions). In life and funeral contracts, the policyholder must have his regular residence in The Netherlands.	Fire and natural events, terrestrial vehicles (damage to the vehicle not third party liability) railway vehicles, other damage to property, (theft, glass breakage, damage to machinery, electronic equipment and computers) and	Commercial lines (property and also BI if included in the policy and if the damages arise from losses in that property) covering buildings, their contents, site property and machinery, and other commercial properties (and their contents),	Commercial property and casualty lines. TRIP covers losses in property, business interruption and third party liability from violent and dangerous acts for life, the property or the infrastructure, in properties as office

			compensation, health, life, fire and explosion third party liability for public premises. Optional cover for the rest of the lines (the cover can be excluded, but in an explicit way): legal protection, assistance, fire in industrial risks...					different pecuniary losses. Personal accidents and life are also included.	including residential property in commercial ownership. The terms and conditions (monetary limits included) fixed in the base policy are also applied to the terrorism cover.	buildings, factories, shopping centres and apartment, dwelling and condominium buildings (and its contents).
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Lines & risks excluded	Marine, aviation, vehicles, life, health, mortgage, workers' compensation, professional... Damages in private residential properties (contents included) are not covered.	Third party liability, marine, aviation, transport, art.	Nuclear facility damage, railways, planes, ships, (and third party liability of aforementioned risks) and terrorism insurance underwritten as such.		Risks of life, aviation, marine, transport, third party liability, accidents and health are excluded, as well as wars, riots, civil commotions and strikes.	War, rebellion, revolution, insurrection, as well as damages in aviation and maritime, in works of art, and in information technology from hacker attacks, virus and other cybernetic perils. Contamination from terrorism acts is also excluded.	Aviation (third party liability and hulls) and terrorism risk written as a named peril.	Cargo insurance, construction and erection insurance, civil liability, illness, legal defense and travel insurance.	Risk of war and computer system attacks are excluded. The system also excludes marine, aviation and motor policies, as well as life and personal injuries. Private properties are not covered by the system.	Personal lines and agricultural insurance, commercial cars, theft, mortgage guarantees, medical malpractice, professional liability (except for directors and officers liability), flooding (insured under NFIP), life, health, reinsurance and retrocession.
Risks NBCR	BCR Nuclear causes are excluded	No	The cover includes chemical and bacteriological risks as well as losses from nuclear bombs, although these can be excluded if expressly mentioned in the policy.	Yes	Yes. Nuclear weapons excluded ("dirty bombs" are covered).	No	Yes	Yes	Yes, since 2003	NBCR risks can be excluded from the terrorism cover
Material/personal damages/business interruption (BI)	Material damages & BI	Material damages & BI	Material damages & BI	Material damages & BI	Material damages & BI	Material damages & BI	Personal & material damages & BI	Personal & material damages & BI	Material damages to property, and also BI provided that these losses arise from property damage.	Material damages & BI
Location of exposures covered	Australia	Austria	The insurance contracts cover Belgian risks. No matter if the losses happened in Belgium or abroad.	Denmark	French territory (DOM-TOM included), even when the terrorist event happened abroad.	Germany. (Abroad terrorism risks: Extremus-2005, with Lloyd's syndicates).	Netherlands.	Spain + personal losses abroad when the policyholder has their regular residence in Spain.	England, Wales and Scotland (properties located in Northern Ireland, Isle of Man and Channel Islands are not covered)	USA (or abroad in case of a USA aircraft company or ship, as well as installations of any USA mission in a foreign territory).
Minimum amount insured	No	No	No	No	€ 20 million in "LR" section	€25 million		No	No	
Indemnification limit (Coverage limit per policy)	No	€ 5 million/year/event/policy	€ 75 million /policyholder/location/year. This limit is not applied to dwellings		No	€1.5 bn per contract/policy/holder	In property damages and BI: €75 million/year/insured/location.	No	No	
Deductibles per event	Policyholder's liability for some risk through a possible excess or deductible		10% for industrial risks, as well as risk of nuclear bombs (except for lines with compulsory cover). Deductibles cannot be charged to the insured.			To be agreed. Minimum: 50.000 €	Deductibles of the participant insurers: €7.5 million	7 % for material damages (cars and dwellings excluded)		
How the system works. Coverage	1 st . Retention of some risk by insurers, up to a maximum per incident of \$10 million (currently).	1 st . - €50 million (annual aggregate) co-insured by the direct insurers according to	1 st . - €300 million: participant insurers retention 2 nd . - (layer indexed)	1 st . - NBCR insurers retention (determined every year by the Terrorism Insurance	Annual aggregate excess of loss. The structure is similar in the two sections:	Annual aggregate basis. 1 st . - €2bn: insurers and reinsurers domiciled in Germany, and	1 st . - €400 million: participant insurers. 2 nd . - + €550 m: international reinsurers.	Insurance scheme. Insurers issue and manage their policies, collecting with their	1.- Member insurers cover losses within the threshold fixed for them case by case.	Distribution of responsibilities: 1.- Deductible: each insurer assumes their

<p>layers</p>	<p>2nd. AU\$300 million for ARPC pool 3rd. Retrocession. 3.1. Retro layer: +AU\$300 million (600 million). 3.2. Retro layer : +AU\$1.6bn (2.2bn). 3.3. Retro layer : +AU\$400 million (2.6bn) 4th. +10 bn for the State (12.6 bn) Companies reinsured by ARPC manage the claims when terrorism damages happen, adjust the losses and pay the indemnification according to the terms and conditions established in the base policy. Treasury will declare a pro rata reduction in the event of losses exceeding the limit of the scheme (AU\$12.6bn). The insurer retentions are set by the government. The 2006 Act Review authorized ARPC to purchase reinsurance for the scheme (retrocession), when the premium collection reaches AU\$300 million.</p>	<p>their market share. 2nd. - €150 (annual aggregate in excess of 50 mill.) to be assumed by the international reinsurance market.</p>	<p>€478 million in excess of 300: Reinsurers. 3rd. - €300 million in excess of 778: State. Each insurer manages and pays the claims of their insureds.</p>	<p>Council) = market failure right now = DKK5bn (minimum level of NBCR insurers retention = DKK2bn) 2nd. - DKK15bn in excess of NBCR insurers retention</p>	<p>A.- A co-reinsurance layer shared among members (mutualized members retention): "LR": €400 million; "SM-SR": €40 million. B.- Several layers for reinsurers (some GAREAT members included): "LR": + €1.6bn=2 bn; "SM-SR": + €280 million=320. C.- Unlimited layer assumed 100% by CCR, guaranteed by the State. This layer is global for "LR" (in excess of €2bn) and specific by company in the "SM-SR" section (in excess of €320 million). In this layer each insurer individually negotiates an unlimited treaty with CCR. In this treaty the intervention threshold is specific for each insurer.</p>	<p>international insurance & reinsurance market. 2nd. + €8bn: Federal guarantee.</p>	<p>3rd. - + €50 m: State</p>	<p>premiums a surcharge to be credited to CCS. In the case of a terrorist event CCS receives the claims, adjusts the losses and pays the indemnifications. CCS assumes the same terms and conditions established in the policy. CCS does not cede any risk to the reinsurance market.</p>	<p>2.- If this threshold is exceeded, the insurer can claim a compensation on the basis of the reserves accumulated in a mutual way in Pool Re 3.- If all the terrorism claims exceed these reserves, Pool Re can take resources from the Government in order to cope with its payment duties, regardless of the losses amount. <u>Reinsurance scheme:</u> maximum retention per event and per member or group of members, combined with a total annual limit. <u>Retention for each member:</u> It is fixed yearly according to its portfolio in terrorism insurance. Overall market retention since 2006: £100 million (limit per event) and £200 million (annual limit). <u>Pool Re-Treasury retrocession:</u> provision of funds to Pool Re if after loss payments run out of resources. Every amount claimed by Pool Re in this field must be returned to the Treasury (The reinsurance annual premium of the members is charged 10% extra).</p>	<p>own annual retention: 20% of their prior year earned premiums. 2.- Insurer share: losses exceeding this individual retention: 15% for the insurer, 85% for the federal government (federal share), subject to the insurance market aggregate retention amount: \$27.5bn. If the total insured losses exceed this limit, the federal contribution in excess of the limit can be recouped by the Treasury. Trigger event: payments from federal funds will be only made when the overall insurance industry losses from the terrorist event exceed \$100 million. Insurer will not pay any portion of losses exceeding its own deductible and share.</p>
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<p>Maximum limit of the scheme</p>	<p>AU\$12.6 bn</p>	<p>€ 200 million</p>	<p>€ 1bn indexed (1.078 bn in 2010). This limit is not applied to worker's compensation</p>	<p>DKK20 bn</p>	<p>No</p>	<p>€10bn (annual aggregate capacity)</p>	<p>€1 bn/year/event</p>	<p>No</p>	<p>No</p>	<p>\$100bn per year</p>
<p>Limit of private sector exposure</p>	<p>Maximum annual insurer retention: the lesser of AU\$1 million or 4% of fire & ISR premiums collected. Maximum industry retention per event: AU\$10 million. Retrocession: AU\$2.3bn (in excess of AU\$300 m of ARPC).</p>	<p>€ 200 million</p>	<p>€778 million (2010)</p>	<p>Market failure (insurers retention): currently DKK5bn</p>	<p>"LR": €2bn "SM-SR": €320m</p>	<p>€2bn.</p>	<p>€950 million</p>	<p>Nil</p>	<p>Overall market retention since 2006: £100 million (limit per event) and £200 million (annual limit).</p>	<p>Maximum Insurance market aggregate retention amount (deductibles + shares): \$27.5bn.</p>
<p>Limit of state guarantee</p>	<p>AU\$10 bn in excess of AU\$2.6 bn</p>	<p>No state guarantee</p>	<p>€300 million in excess of 778 million</p>	<p>DKK15bn</p>	<p>Unlimited in both sections</p>	<p>€8bn.</p>	<p>€50 million</p>	<p>Unlimited</p>	<p>Unlimited</p>	<p>\$100bn (Program annual limit) - \$27.5bn (market aggregate retention) = \$72.5bn.</p>

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The price of the state participation	Insurers pay to ARPC a premium for reinsurance. The insurer premiums are set by the government. (See next box)			Insurers must pay an annual risk premium to the State for its reinsurance guarantee.	The State unlimited guarantee has a price to be paid to CCR (10% of the annual premiums collected by insurers)	For the guarantee the State receives a premium: 12.5% of premiums collected by EXTREMUS.	For the guarantee the State receives a premium	The system is not financed by the State, but by the CCS surcharges paid by the policyholders.	For the guarantee the State receives a premium from Pool Re: (10% of the annual collected reinsurance premiums)	Insurers do not pay any contribution to the State for its guarantee.
Tariffs of the scheme protection	The premiums to be paid to ARPC = a percentage of the premium paid by policyholders to insurers taking reinsurance through ARPC, and according to three risk zones (depending on the level of the risk). 1.- Start tariff: 2%, 4% or 12%, depending on risk zones, and just for commercial property and BI. Nil for civil liability. 2.- Post-event tariff: 6%, 12%, 36%, depending on the risk zone and just for commercial property and BI. 2% for civil liability. Direct insurers may optionally apply (or not) a premium to the insureds.	Reinsurance premiums structure: A.- Insurers participating in the Pool: from 0.75% to 4% on the insured amount B.- Insurers not participating in the Pool: from 2.25% to 12% on the insured amount.		The premium to be paid to the State varies depending on the NBCR insurers retention. Current insurers retention is DKK5bn to which corresponds a tariff of 0.15% on the State guarantee amount (DKK15bn) = DKK22.5 million. For each 1 bn DKK modification (increase or decrease) in this insurers retention the premium will change by 0.01 % in the opposite direction, but it will never be lower than 0.1 % of the maximum State guarantee. 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: an annual surcharge of 5% of the insurance premium.	The tariffs of GAREAT are reinsurance tariffs (not insurance tariffs). 1.- "LR": Tariffs to be applied to property damages premium of policies ceded to GAREAT: ≥€20m to <€50m: 12% ≥€50m: 18% Nuclear risks: 24%. It is possible to reduce the premium by 20% when coverage is limited to 20% of the insured amount. 2.- "SM-ZR": depending on the category of the ceded risks. GAREAT, at the end of each year, returns to its members the premiums not used in the reinsurance cover funding.	The tariffs depend on: A.- The risk location: Three zones since January 1, 2008 depending on the level of risk (location and vulnerability). B.- The risk exposure. C.- The amount insured.	Reinsurance premium for members: tariff according to the market share of each NHT participant.	The tariff is applied to the sum insured established in the ordinary policy. Houses and condominiums: 0.08 ‰ Offices: 0.12 ‰ Shopping and commercial centres: 0.18 ‰ Industrial risks: 0.21 ‰ Mobil cars: fixed amount (depending on the class). Civil works: different rates (0.28‰ to 1.63 ‰) Life and accidents: 0.005 ‰ BI: several rates (0.005‰ to 0.25‰)	A.- Insurers are free to decide the price to be charged to the policyholders. In general it depends on the amount Insured, the location of the property, and whether the policy also covers BI. B.- Reinsurance tariffs for material damages in commercial property: 4 risk zones: Town centre of London; other zones of London; town centres of other cities; the rest of England, Wales and Scotland. C.- Reinsurance tariffs for BI: a single tariff for general application. D.- Member insurers pay the reinsurance premiums to Pool Re on a quarterly basis.	Tariffs to be applied to the insureds: without definition (similar criteria to those applied to the property or third party liability covers). The Government does not charge to the insurers any premium for this cover. But the Treasury, if the losses are below the threshold of \$27.5 bn, can recover the federal contribution by means of a surcharge to be paid by the insureds in the property and casualty policies, with a maximum of 3% per year on the premium charged in the property/casualty policy.
Official declaration on terrorism act	Any "Declared Terrorist Incident" (DTI) must be announced by The Treasury, after consultation with the Attorney General.	Not required, but the cause of the losses must be included in the terrorism definition of the German insurers.	Terrorism Advisory Board: It decides if the terrorist event must be included in the scope of the law (TRIA).	The Terrorism Insurance Council decides when an act can be considered NBCR terrorism.	Not required, but the terrorist event must be included in the French penal law definition of terrorism.	Not required, the event must be included in the definition of terrorism laid down by the German Insurance Association	No, but the event must be included in the Dutch Insurers Association definition of terrorism.	Not required, but the terrorist event must be included in the definition of terrorism established by the Regulations governing the Extraordinary Risks Insurance.	A certificate is issued by Treasury after informal discussions among member insurers, Pool Re and Treasury.	An official certificate on the terrorist act is required: issued by the Treasury Secretary by common consent with the General Attorney and the Secretary of State. But events with losses do not exceed \$5 million (in the aggregate) are not certified.

But, if necessary, the Congress can increase the financial resources.