



Pool Re Terrorism 2019

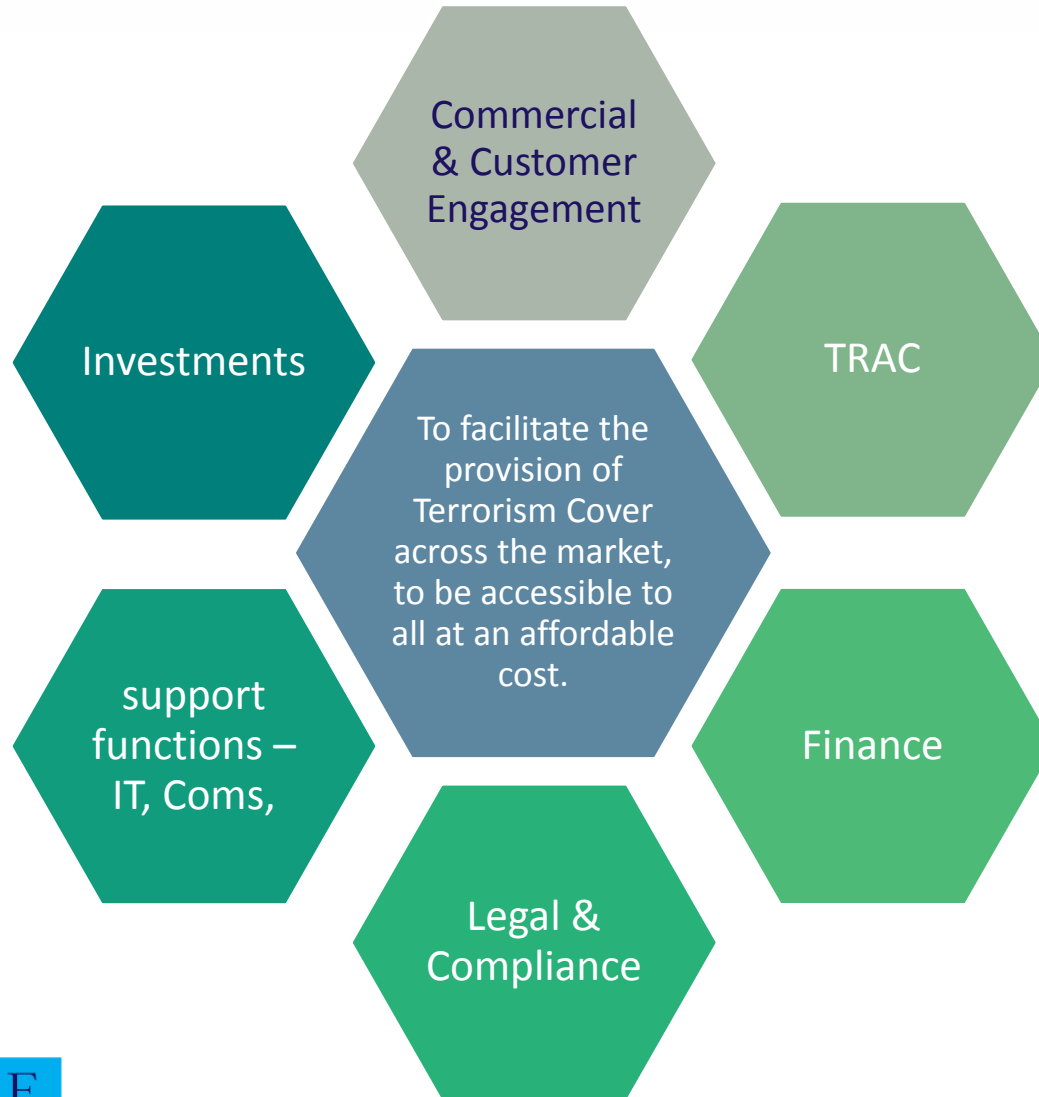
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CLAIMS MANAGER



Learning Objectives

- Outline the key aspects of the Pool Re scheme.
- Consider how the threat of terrorism in UK has changed over time and will continue to do so.
- Examine why supported mechanisms continue to be necessary for terrorism around the world.
- Consider recent terrorist events in UK and how these illustrate the dynamic nature of the risk.
- Understand how terrorism can be underwritten and how Pool Re is evolving its proposition to close gaps.
- Appreciate why business should buy terrorism and the choices they face.

Pool Re Ltd - An Introduction and Background



Act of Terrorism Definitions

Definition of an Act of Terrorism – used by Pool Re.

‘Acts of persons acting on behalf of or in connection with any organisation which carries out activities directed towards the overthrowing or influencing, by force or violence, of Her Majesty’s government in the UK or any other government de jure or de facto’

(UK Reinsurance (Acts of Terrorism) Act 1993)

Pool Reinsurance Ltd - The Proposition (Class A)

Cover is provided for property damage and consequential Business Interruption arising from an Act of Terrorism (as defined by the 1993 Act).

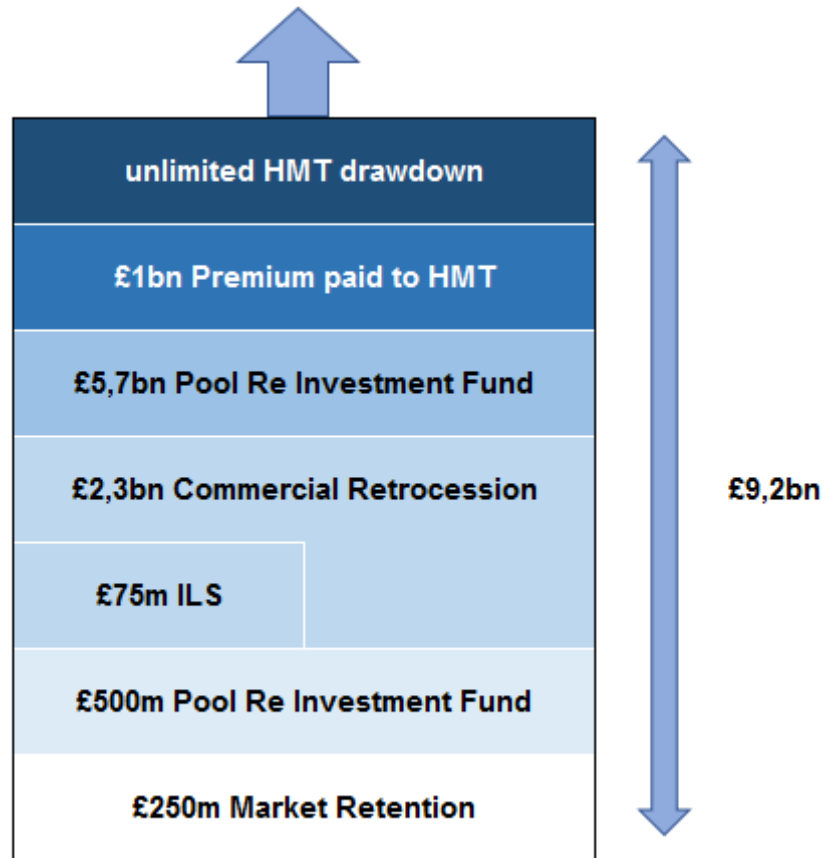
The Territorial Limit of Pool Re coverage is England, Wales and Scotland. No cover for property in Northern Ireland, Channel Islands nor IOM. We cover commercial property, and residential in commercial ownership.

Cover follows that of the General Cover policy (eg Property Damage Section) but includes Chemical Biological Radiological and Nuclear, without an inner limit. Only exclusions are war and cyber.

With effect from 1/4/18, there is a buy-back within the 'cyber' exclusion. That is, where the event is triggered by remote digital interference, some limited cover is provided. (previously there was a total cyber exclusion)

With effect from 1/1/19 Contingency cover (eg event cancellation, non appearance, film, prize indemnity) is excluded other than where written as an integral component of the General Cover

Scheme Resilience 2019

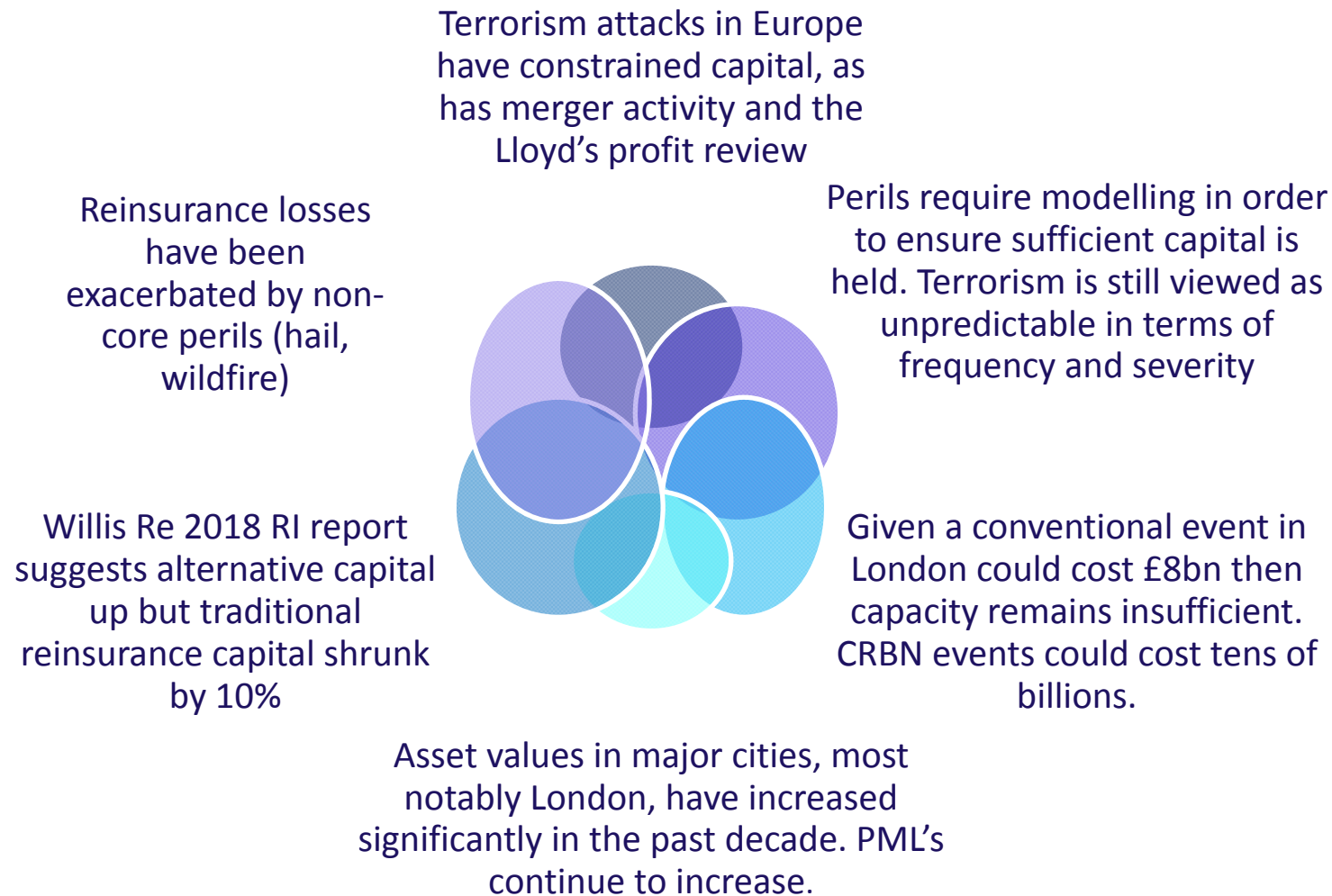


Effective 1/4/2019

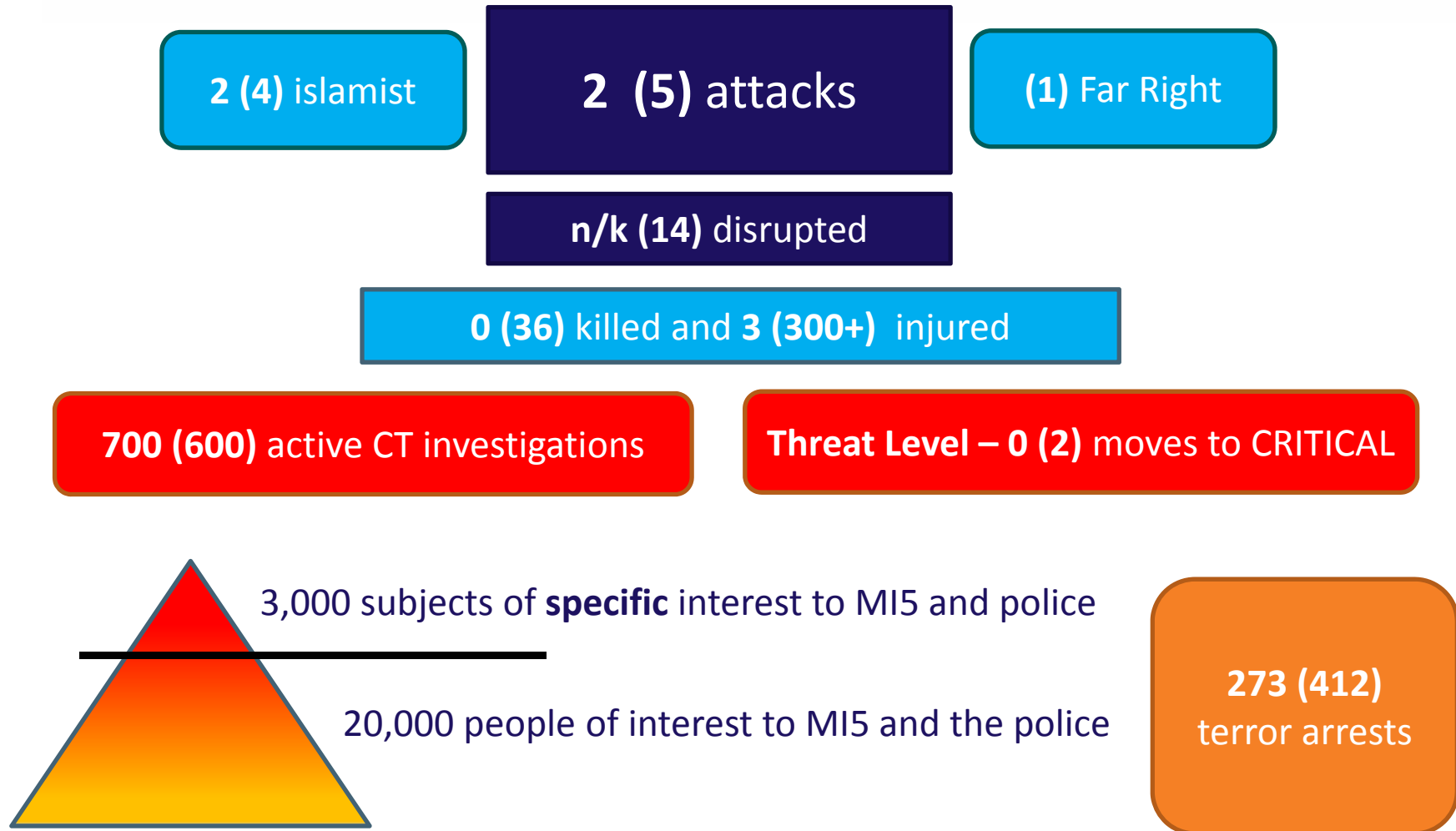
* Excluding additional circa £2bn of new premium inflows likely between event happening and exhaustion of the investment fund

Global (Re)Insurance Landscape

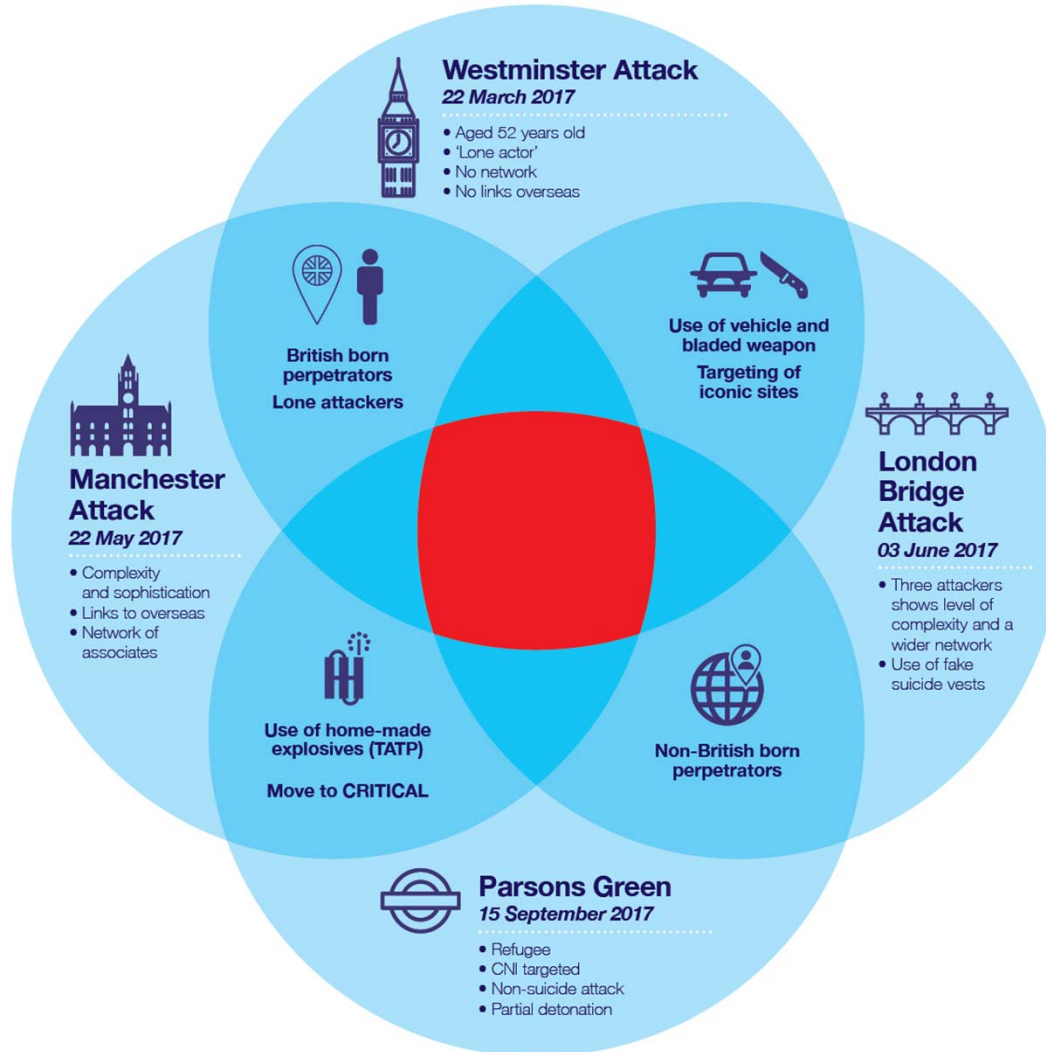
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2018 v 2017 Threat to the GB (ex N/Ireland)



UK: Four Islamist Attacks in 2017



Common to all attacks:

- Islamist extremism
- Known to police and MI5
- Crowded places
- Use of internet and ideology
- Methodology promoted online
- Timed to maximise casualties

Considerations of Threat in the Future

Likely	UK Further 'inspired' attacks
	Continued use of IEDs
Realistic Possibility	Increase in Extreme Right Wing plots
	Bio – Terrorism
Remote	First destructive terrorist cyber attack
	N/Ireland related Terrorism on UK mainland

Evolution - The Changing Threat and Coverage

As we understand more about terrorist tactics and attack types, and as these change over time, a number of gaps in insurance solutions become evident.

The scheme is constantly evolving to address these:

1. CRBN/Contamination
2. Cyber-terrorism
3. Non-Damage BI (NDBI)

The next few slides address these areas in more detail.

The Changing Threat and Coverage - CBRN

Post 9/11 Ricin attacks

Tokyo (1995) subway Sarin attack

Salisbury (2018) Novichok poisoning

Pool Re extended its cover many years ago when evidence suggested attacks may arise.

Consider the unique challenges of providing cover for CBRN – variables of substance used, its spread and effect, clean-up & re-occupation considerations

Impact and probability: CBRN

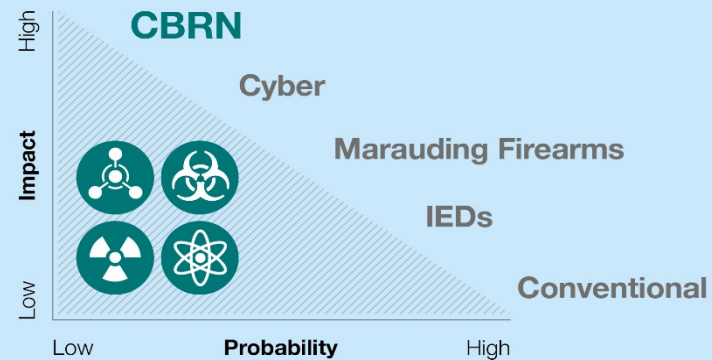
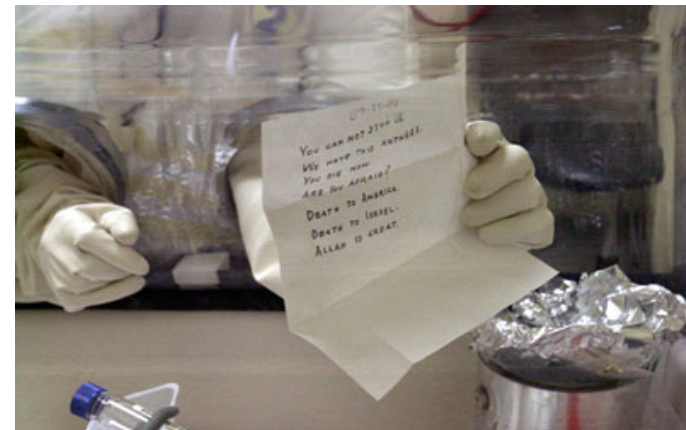


Figure 6



Cyber-Terrorism - Remote Digital Interference

- Pool Re extended cover in 2018 after identifying it as an emerging threat.
- Covers damage to property, the proximate cause being an Act of Terrorism triggered by remote digital interference.
- Working with Centre for Risk Studies at Cambridge Judge business School on
 1. Cyber-attack scenarios
 2. Attack pathways
 3. Intent and capability of various actors
 4. A modelling toolkit

This will inform our future view of the risk

It will also help us publicise risk mitigation tools and techniques

Non-Damage Business Interruption

- Potential insurance coverage gaps - Recent Borough Market attack has caused BI that did not result from damage – the Terrorism Gap
- The alternative market (to Pool Re) offers NDBI - but as a bespoke product and may not include CBRN
- Pool Re Members preferred NDBI to be ceded to Pool Re. Difficulty in understanding & modelling peril.
- The 1993 Act restricts Pool Re cover to 'Damage'. Amended Act of Parliament obtained. Pool Re NDBI proposition has now been made available to the market.
- Proposition will provide cover for denial of access and loss of attraction

Pool Re - ND BI

- Class B - New Head of Cover: Non Damage Business Interruption, with a proximate cause being a certified Act of Terrorism
- Opt-in/ out. If in, Members can deploy how they see fit. Works differently to Class A
- Covered Losses – **interruption or interference** with the business in consequence of:
 - access to, exit from or use of any premises being impaired or prevented...due to action of the police, competent...or any other statutory authority, proximate cause of which is an Act of Terrorism
 - An Act of Terrorism in the vicinity, but in no event further than one mile away from any premises...which results in...diminished attraction to customers and an identifiable reduction in the business, but in no event shall the maximum indemnity period exceed 3 months.
- Murder/suicide, unlawful occupation and loss as a result of a release of any disease pathogen is included provided certified as an Act of Terrorism
- Members may provide NDBI cover either narrower (which Pool Re will mirror) or wider than the Scheme,(where reinsurance claim will be settled on terms of Reinsurance Agreement)
- Threat/fear and bomb hoax IS NOT covered as it cannot be certified as an 'event' which has not actually happened
- Cordons due to same event, may have different cause.

Summary

- Terrorism remains a dynamic threat; a non-natural catastrophe.
- The global market remains unwilling to deploy sufficient capacity
- Assisted mechanisms are required in most G20 countries
- We need to ensure policyholders make risk based decisions to buy or not to buy.
- Terrorist groups will not stand still, they're innovative & creative
- The insurance industry must meet this threat and ensure insurance propositions are available that meet today's risk.
- Pool Re will continue its evolutionary journey to ensure the scheme can address the needs of all its stakeholders

POOL RE

REINSURING TERRORISM RISK

Questions?