



Terrorism Reinsurance & Insurance Pool - Belgium

IFTRIP

International Forum for Terrorism
Risk (Re)Insurance Pools

Paris conference

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Background to TRIP

- Per law (Belgian terrorism insurance act of 1st April 2007) the terrorism coverage cannot be excluded
- TRIP was established in 2008 by the insurance industry acting in partnership with the Belgian Government
- Formation due to inability to obtain reinsurance as terrorism was excluded from most reinsurance treaties
- Participation in the TRIP Pool is not compulsory but more than 95% of insurance industry are members of TRIP
- Only members of the Pool will benefit from the compensation system introduced by TRIP
- Dedicated TRIP website:
 - Public-access area with general info and FAQ
 - Private protected section for TRIP members : financial, claims, reporting tool

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Terrorism Insurance Act Scope and Cover

- Purpose
 - Protect insureds against damages caused by terrorism acts → compensate in a timely manner
 - Reduce market failure → sustainability of the insurance industry → economy
- Private – Public initiative and partnership
- Act applies to all Belgian risks
- Insurance companies manage and settle the claims
- Total annual cover €1.2 billion (1st January 2017) → System works on 2 levels
 - Insurance companies member of TRIP €925 million
 - Government €300 million
- Mandatory terrorism cover for “Mass risks” i.e. Motor TPL – Fire simple risks – Strict liability for Public places – Personal accident and Health Care – Life - Workmen’s compensation
- Optional in other types of insurance. However insurance policy must explicitly exclude terrorism
- NBCR and Cyber covered

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Terrorism Insurance Act Scope and Cover (Continued)

- Exclusions :
 - TPL nuclear energy
 - Damage to nuclear facilities
 - Railway rolling stock, aircraft and ships and TPL of these vehicles
 - Terrorism only dedicated insurance policies
- Limits:
 - Overall limit of €1.2 billion per year (except for workmen's compensation = unlimited).
 - Proportional reduction of payments if estimated claims burden > €1.2 billion
 - Compensation for damage to individuals are prioritised
 - Industrial Fire risks : maximum limit of €75 million per year and per insured party
- Terrorism Claims Committee - Mission (Government, CUTA (*) and TRIP representatives)
 - To determine whether or not an event is terrorism
 - To fix the compensation percentage rate to be applied to all pay-outs made by the TRIP members

(*) CUTA : Coordination Unit for Threat Assessment (State Security /Intelligence Service / Foreign Off / Police)

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TRIP - Objectives and characteristics

- Assigning and distributing to TRIP members their respective insurance commitments following a terrorism event
- Negotiate and taking out reinsurance cover on behalf of its members
- Three-layered system: (figures indexed 1st January 2017)
 - 1st layer : €300 million market (insurers) retention = solidarity and mutualisation (members' market share)
 - 2nd layer : €625 million stop-loss reinsurance cover
 - 3rd layer : €300 million Government warranty
 - Total coverage : €1.225 billion
- Deductibles per event :
 - 10% for Industrial fire risks
 - 10% for Nuclear bomb risks
- Control and sustainability :
 - Governance by Board of Directors of TRIP : Insurance representatives + Government observers
 - Capacity limits by reinsurer – minimum rating A- diversification of placement – one year and multiyear treaties

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TRIP - Terror claims

- 2016 = first large scale terror event triggering solidarity mechanism of TRIP
- Brussels Airport and Maelbeek Metro Station in Brussels terror attack on 22 March 2016 amounts to €118 million (figures as of 31 March 2017)
- TRIP has to date dealt with 6 certified terror claim events totaling €121 million
- Brussels attacks were the most devastating : 1,463 victims
 - 28 deaths (12 at Brussels National Airport and 16 at Brussels Maelbeek Metro station)
 - 1,435 injured people (1,134 at Brussels National Airport and 301 at Maelbeek Metro Station)
- Insurance coverage
 - 19 insurers member of TRIP covering the attacks = 85% market share insurance industry
 - Insurance lines : mainly Workmen's compensation and Strict Liability for Public places
 - Damage suffered : bodily injuries 80% - damage to property 15% - moral damages 5%
- Procedure, reporting and system activated by TRIP on 23 March → members' satisfaction
- Claims allocated/distributed to all members of the Pool → annual financial compensation of claims payments in 2016 → allocation = market share of each member in TRIP

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TRIP – Market challenges ?

- Risks :
 - CBNR exposure (covered)
 - Cyber (covered) awareness around cyber risk changed in recent years (capability of hackers)
 - Business interruption (covered if fire or explosion)
 - Drones (aircraft exclusion by Insurance Terrorism law)
- Evaluation of the compensation system after the Brussels attacks of 22 March 2016
 - 2017 assess both workings and funding
 - Belgian Association of Insurance companies (ASSURALIA)
 - TRIP : Board of directors
- State Compensation Fund for Intentional Acts of Violence (subsidiary role)
 - Victims who are not insured
 - Indemnities were recently increased
- Discussions ongoing between government and insurance industry (Assuralia) to improve communication towards victims and population

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