



Counter-Terrorism and Border Security Bill 2018

Extension of Terrorism Reinsurance Fact Sheet

What are we going to do?

- The Bill amends the Reinsurance (Acts of Terrorism) Act 1993 (the 1993 Act) to enable Pool Re, the government backed terrorism reinsurer, to extend its business interruption cover.

Key quote

“This amendment will enable an extension of the cover provided by the government-backed terrorism reinsurer Pool Re to include business interruption losses that are not contingent on damage to commercial property... This government remains committed to ensuring that businesses can continue to secure insurance against the financial costs of terror attacks.”

John Glen MP, Economic Secretary to the Treasury, 22nd March 2018

How are we going to do it?

- The Bill will enable Pool Re to extend its business interruption cover to include losses from terrorist attacks that are not contingent on damage to commercial property by amending section 2 of the 1993 Act.

Background

- The 1993 Act enables the Government to extend an unlimited guarantee to the Government-backed terrorism reinsurer, Pool Re.
- The 1993 Act was introduced during the IRA bombing campaign in the City of London in the early 1990s. The financial losses from this campaign caused reinsurers to withdraw from offering cover for terror-related damage to commercial property. The insurance industry set up a central fund to pool resources from which they could ensure cover would be available for businesses (Pool Re). The 1993 Act enabled the government to extend a guarantee to Pool Re which meant businesses' would be covered even if Pool Re's funds were exhausted.
- The 1993 Act limits the government's guarantee of Pool Re to covering losses that are caused by damage to commercial property during a terrorist attack. However modern terror attacks increasingly target people and do not always result in damage to commercial property. For example, businesses forced to close due to the police cordon investigating the London Bridge terror attack of 2017 would not have been covered for business interruption losses on terrorism insurance policies backed by Pool Re.



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Will the amendment be retrospective?

- This is a forward-looking provision that will enable Pool Re to future proof the scheme in line with contemporary terrorist methods and the financial losses which stem from them.

Could the Government have taken this step sooner?

- Due to the nature of Pool Re's role as reinsurer of terrorism risk, any change to its rules has implications across the insurance industry. The Treasury has engaged extensively with Pool Re, industry representatives, and other interested parties on the best course of action that represents value for money for the taxpayer and does not unnecessarily distort the terrorism insurance market.

Will this mean that terrorism reinsurance is more expensive for businesses?

- The market for terrorism insurance remains competitive, with multiple insurers offering cover. Insurers will price their products relative to their risk profile and losses covered. The Treasury has already agreed to a change in the way premiums are charged on terrorism insurance

offered by Pool Re for small and medium enterprises (SMEs).

Will the Government compensate businesses previously affected by this gap in the legislation?

- Directly compensating businesses would undermine the private insurance market and potentially restrict the options available to businesses to manage their risks in the future. This provision is intended to support businesses in the future.

Will this measure apply across the United Kingdom?

- No – this provision will apply to England, Wales and Scotland. The Northern Ireland Criminal Damage Compensation Scheme exists to provide compensation to individuals and businesses for terror attacks in Northern Ireland.

Key facts

- There is no immediate cost to the Government of its guarantee to Pool Re – the Government would only have to pay if Pool Re ran out of funds due to terrorism.
- The Government guarantee to Pool Re that is provided for in the 1993 Act has never been called upon.