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Pool Re Cover For Acts Of Terrorism

This bulletin is intended as a summary guide for CIL A members regarding the basic principles of the Terrorism reinsurance cover provided by Pool Re to permit insurers (on request from policyholders) to extend the cover of a policy of general insurance. This bulletin is not intended to be a definitive explanation of the full wording of the Pool Re Underwriting Manual or Reinsurance Agreement.

Pool Re is a mutual reinsurance company, which insurers may choose to join or not. It transacts reinsurance business for commercial property and business interruption and related classes, including residential property in commercial ownership. The reinsurance does not cover household property insured by individuals.

Any insurance company or Lloyd's syndicate authorised by either the UK or an overseas regulatory authority to transact property insurance in the UK is eligible to be a member of Pool Re. Pool Re cover is limited to property in England, Scotland and Wales. Also, it does not cover property located in the Isle of Man or the Channel Islands.

The scheme covers losses resulting from an Act of Terrorism, as defined in the Reinsurance (Acts of Terrorism) Act 1993. This means "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 United Kingdom or any other government de jure or de facto."

For a valid claim to exist under the Pool Re scheme either Her Majesty's government (H M Treasury) must have confirmed, by issue to Pool Re of the appropriate certificate, that an Act of Terrorism has occurred, or if the government is not prepared to issue such a certificate the event must be so decided by a tribunal process. An "event" means losses



arising in a continuous period of 72 hours of which the proximate cause is the same Act of Terrorism.

There must be an existing policy in place covering at least fire and/or explosion and the Terrorism cover must be in accordance with the underlying policy document. Terrorism cover cannot separately cover any item that is not covered by the underlying policy. The scheme allows the member to extend the underlying policy to cover all losses, subject only to Excluded losses, from an Act of Terrorism.

Property covered means all property apart from:

- (a) private residences except those insured under a commercial cover where the remainder of the building is not a private residence, or where the insured is not a private individual.
- (b) nuclear installations and reactors, and their fittings.

Excluded property is defined in more detail in the Pool Re Underwriting Manual.

Excluded losses are:

- (a) those resulting from riot, civil commotion, war and related risks.
- (b) losses under the following policies:
 - Marine
 - Aviation
 - Transit
 - Motor
 - Reinsurance.
- (c) cyber losses, damage to computer systems and similar, caused by hacking, viruses etc.

Cover provided by Pool Re, and offered to its Members, is no longer restricted (as it was formerly) to Acts of Terrorism resulting in fire and/or explosion.

The former nuclear exclusion has been deleted. There being no exclusion relation to chemical, biological, radiological or nuclear attack (CBRN), the scheme can respond to claims arising from incidents of this nature.

The exclusions are attached to the existing underlying policy, and the general conditions of that underlying policy will apply.



There are four Heads of Cover. These are:

- (a) buildings and complete structures
- (b) other property, such as contents, IT equipment, plant etc
- (c) business interruption, which would include rent insured by a material damage policy or policy section
- (d) book debts.

As soon as a member of the scheme receives or is notified of a claim(s) that could relate to an Act of Terrorism (it may not be confirmed at that time as issue of the government certificate may be outstanding) it must immediately provide written advice to Pool Re, who will then apply to H M Treasury for the necessary certificate.

There is a requirement for a member, within 30 days of the event, to provide Pool Re with a summary of all claims received from policyholders (or the members' proportion of such claims). This information is then updated quarterly, which is noted as 14 days from the first day of March, June, September and December, i.e. updates are not every 3 months after the event date.

Members must adjust claims strictly in accordance with the terms of the policy. Any item outside such terms must be referred to Pool Re by the member before being included in the settlement. However members can adjust and agree claims settlement, applying due diligence, without having to refer first to Pool Re, subject to certain provisos such as:

- (a) doubtful matters.
- (b) if Pool Re specifically requests prior reference.
- (c) individual claims in excess of certain reporting levels. The latter vary from member to member, dependent upon the amount of the member's loss retention, which applies in the aggregate per event.

There is a requirement for members to provide copies of adjusters' reports to Pool Re on these categories of claim, but these will be provided by the member rather than the adjuster instructed to deal with the members' claims. However, Pool Re has the right to examine and approve such adjusters' reports before they are cleared for issue to the Market.

There is a requirement for members to retain settled claim records for at least two years, so adjusters' closed files should be retained for at least the same period.