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International Conference: ***State, Society and Business against Terrorism***



Terrorism risk insurance in OECD countries *A policy perspective*

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Agenda

- **Key issues in terrorism risk insurance**
- **Different institutional solutions in the OECD area and beyond**
- **The role of the OECD**

Key issues

- **New dimensions of terrorism risk after 9/11**
 - *International terrorism*
 - *Large-scale losses*
- **Political implications of terrorism risk**
- **Financial coverage of economic impacts**
 - *Policy issue (economic stability)*
- **Risk spreading and diversification**
 - *Insurance / reinsurance markets*
 - *Alternative risk transfer (ART) tools: capital markets*
 - *Insurability issues*

Key issues

- **Interdependent security**
 - *Global links*
- **Negative externalities**
 - *Shifting targets*
- **Dynamic uncertainty**
 - *Risk ambiguity*
- **Risk modelling**
 - *Predictability of frequency and severity of events*

Institutional solutions

- **Solutions focused on terrorism risk**
 - *Different from other CAT risks (e.g. natural perils)*
- **The governmental choice to support to private markets**
 - *Availability of terrorism risk coverage*
 - *Affordability of terrorism risk coverage*
 - *Sustainability of coverage solutions in the long run*
- **Different institutional approaches**
 - *National level*

Institutional solutions

OECD area and beyond



- **National schemes established before 9/11**
 - *Spain, Israel, South Africa, Bahrain, Sri Lanka, France, Namibia, UK, among others*
- **National schemes established after 9/11**
 - *Switzerland, Indonesia, Russia, France, India, Germany, Austria, USA, Australia, Netherlands, Belgium, Denmark, among others*

Institutional solutions

Key questions to be addressed

- **Definition of “terrorism” risk** (*2004 OECD recommendation*)
- **Type of public sector participation** (*if any*)
- **Degree of compulsion**
- **Lines of insurance business covered**
- **Duration of scheme**
- **Pricing mechanism**
- **CBRN coverage**

Types of public sector participation in the scheme

OECD Area

- **No direct participation** - *Austria, Switzerland*
- **Primary insurer / direct coverage** - *Spain, Israel*
- **Reinsurer** - *Australia, Belgium, Denmark, France, Germany, Netherlands, US (special risk sharing arrangement)*
- **Backstop liquidity provider** - *UK*
- **Guarantor** - *France, Spain*

Degree of compulsion

- **Mandatory purchase of coverage**
- **Mandatory offer of coverage**
 - *To make coverage available*
- **Mandatory extension of coverage**
 - *On policies marketed on a voluntary basis*
- **Mandatory participation of insurance companies in the scheme**
 - *Pooling / reinsurance*

Lines covered

- **Commercial property**
- **Business interruption**
- **Residential property**
- **Life**
- **Accident**
- **Workers' Compensation**
- **Liability**

Other key features

- **Duration of the scheme**
 - *Temporary v. permanent solutions*
 - *Periodic reassessment and exit strategies*
- **Pricing mechanisms**
 - *Gratuity of coverage: moral hazard implications*
- **CBRN coverage**
 - *High-impact terrorist attacks*
 - *The special case of Denmark*

Trends

- **New schemes established**
 - *e.g., Belgium (2008), Denmark (2010)*
- **Renewal and/or expansion of schemes**
 - *e.g., France, Germany, UK, USA*
- **Reassessment of private sector capacity**
 - *To gauge public sector role and avoid crowding out effects*
- **International cooperation**
 - *National solutions to international issues*

Role of the OECD

- **Mandate of the OECD Ministers 2002**
 - *Policy analysis of terrorism risk insurance issues*
- **Terrorism Task Force**
 - *Experts from public and private sectors*
 - *Council Recommendation (2004): Definition*
 - *OECD Publication (2005)*
- **Major international conference (Paris, 2010)**
 - *120 experts from about 25 countries*
 - *Heads of all OECD terrorism programs and RATIP*

OECD Platform

- **OECD International platform on terrorism risk insurance**
 - *On-going international cooperation*
 - *Web-based dedicated forum*
 - *Regulatory and market developments online*
 - *Policy issues and questions*
 - *High-level conferences (Paris, 2012)*

Большое спасибо!

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