



## BELGIUM — TERRORISM RISK INSURANCE PROGRAMME

<b>Name of programme</b>	TRIP (Terrorism Reinsurance and Insurance Pool) and the <i>Terrorism Act</i>
<b>Date of establishment</b>	The Terrorism Reinsurance and Insurance Pool was established on 1 February 2008. This came about as a direct result of the successful enactment of the <i>Terrorism Act</i> on 1 April 2007.
<b>Basic structure</b>	TRIP is a system whereby the insurance sector and the Belgian public authorities joined forces to form a partnership to compensate in a timely manner all insured persons who may suffer damage as a result of a terrorist attack and to guarantee the stability and perenniality of the insurance sector. Although the scheme is not compulsory it has attracted more than 95% participation from amongst the insurers operating in Belgium. The purpose of the scheme is to compensate those who suffered damage due to terrorism. The pool facilitates the damages component with the individual insurer responsible for settling claims. On the TRIP website there is a public access area and a private access area. The private access area of the TRIP website assists members of TRIP to process claims arising from terrorism loss.

### Terrorism Reinsurance and Insurance Pool (TRIP)

#### History and Purpose

The Terrorism Reinsurance and Insurance Pool ('TRIP') was set up in 2008 after the passing of the *Terrorism Act* in 2007. The purpose of TRIP is to compensate victims who have suffered losses arising from acts of terrorism and to ensure greater stability and sustainability of the insurance industry. Although membership of TRIP is voluntary, most of the insurance companies operating in Belgium are members. Currently there are 70 members comprising of 95% of the market operating in Belgium.



The OECD International Platform on Terrorism Risk Insurance shares information and identifies good practices on terrorism risk financing to contribute to more rapid economic recovery in the event of attacks.



This country profile is regularly updated. It is the product of joint work between national terrorism insurance schemes, the OECD and the World Forum of Catastrophe Programmes.

[www.oecd.org/daf/fin/insurance/terrorism-risk-insurance.htm](http://www.oecd.org/daf/fin/insurance/terrorism-risk-insurance.htm)



Although membership of TRIP is voluntary, in some ‘mass’ insurance policies (see below for explanation of ‘mass’ insurance policies) there is a requirement to provide terrorism cover. In other insurance products in Belgium where the provision of terrorism cover is not mandatory there must be a clear and express exclusion within the insurance contract which stipulates that no coverage is provided for terrorism risk.

### Definitions

Terrorism – An act or threatened act organized in secret for ideological, political, ethnic or religious ends, performed individually or in groups and intended as an attempt at the lives of individuals or to either partially or completely destroy the economic value of tangible or intangible property whether to impact on the public, create a climate of insecurity or put pressure on the authorities in a bid to impede the running and normal operation of a service or business.

### Operation, Extent, Lines Covered & Perils Covered

In order for funds to be made available from TRIP it is necessary first that the Terrorism Advisory Committee defines that a terrorist act has occurred. There is a legal requirement for this to occur prior to any payment being made under Article 5 of the *Terrorism Act*.

In some ‘mass’ insurance policies there is mandatory insurance cover. The lines of ‘mass’ insurance cover which attract mandatory cover for terrorism risk includes motor vehicle third party liability, fire (simple risks), workmen’s compensation insurance, life insurance, personal accident insurance, hospitalization insurance and health insurance.

The maximum amount of coverage for all risks began at €1 billion in 2008 when the pool was first established. This amount is now indexed annually. Although this is the upper limit for the operation of the scheme the amount to which the Belgium Government contributes can be increased with the support of the King and the Belgium Council of Ministers.

In 2012, the maximum amount that could be payable for terrorism risk in Belgium was €1 150 410 826, which was an increase of 3.5% from the 2011 maximum and a 15% increase in the initial €1 billion cap that was designated when the scheme began.

In 2013 the maximum amount reaches €1 176 027 066, which is an increase of 2.2% from the 2012 maximum and an increase of 18% in the initial €1 billion cap.

Due to indexation applying in full to the layer reinsured by TRIP (2<sup>nd</sup> layer) this layer of coverage (reinsurance coverage) for 2012 was €550 410 826 which was an increase of 8% from 2011.

In 2013, the level of reinsurance coverage, the second layer of TRIP, is €576 027 066, which is a further increase of 4.7% from 2012.

During 2012 the following contributions were made to TRIP:

- Membership contributions essentially to cover reinsurance coverage €16 331 931.27

In order to ensure that the €1 billion limit is shared proportionately two things are done. The first is that there is a maximum amount for industrial property risks of €75 million per year and insured



party. Further, there is also a compensation percentage that is applied to payouts. The percentage rates are worked out using three broad headings which are one percentage rate for personal injury, one percentage rate for material damage and one percentage rate for moral damage. The percentage rate is amended every six months to take into account the maximum amount that could be payable for terrorism losses and the losses already endured in that year. In addition to this there is a compulsory deductible amount which is automatically removed from the damages prior to the compensation being paid.

The deductible is 10% of the damage cost where damage from a terrorist act has occurred to industrial business and a 10% deductible is applied to damages which are caused through a nuclear bomb for risks other than motor vehicle third party liability, strict liability for public places, workmen's compensation insurance, life assurance and health insurance. The deductibles are incorporated into the process of calculating the final compensation sum payable.

### Exclusions

There are exclusions for the following matters specified under the Terrorism Act:

- Third party liability for nuclear energy
- Damage to nuclear facilities
- Railway rolling stock
- Aircraft
- Ships
- Specific terrorism-insurance policies
- Damage caused by weapons or devices that explode due to a change in the structure of the atomic nucleus (i.e.: damage by nuclear bombs) may be excluded from the insurance coverage.

### State Involvement & Layers of Cover

The system primarily involves three layers of coverage which are:

1. Joint and several liabilities for market insurers. The risk *retention* of the insurance market equals €300 million annually (not indexed).
2. Stop loss reinsurance cover of €400 million funded by TRIP members (€ 576 027 066 after indexation as at 1<sup>st</sup> January 2013). The reinsurance layer in excess of retention should not exceed €700 million (€ 876 027 066 after indexation as at 1<sup>st</sup> January 2013). Please note that the indexation is applied in full to the layer reinsured by TRIP i.e. the 2<sup>nd</sup> layer.
3. Belgium State Guarantee of €300 million (not indexed). The State excess should cover any losses which exceed €700 million (€ 876 027 066 after indexation as at 1<sup>st</sup> January 2013) but are less than €1 billion (€1 176 027 066).

The figures that were represented reflect the original amount of liability or risk retention of each of the stakeholders when TRIP was initially implemented in 2008 and the current amounts after indexation.

### Non-State Reinsurance/Retrocession

TRIP is taking out reinsurance cover (2<sup>nd</sup> layer) on behalf of all its members on the professional reinsurance markets (Continental, London and Bermuda). The total reinsured capacity (€ 576 027 066 after indexation as at 1<sup>st</sup> January 2013) is placed amongst more than 50 reinsurers worldwide. The reinsurance system includes both annual renewable capacity placement and multiyear (3 years) capacity placements.



**Extent of Compulsion & Choice**

The system is a voluntary system; however it currently has participation over 95% of the insurance industry.

**Period of Operation**

TRIP is a permanent system.

**Main features**

<b>Layers of coverage</b>	<ul style="list-style-type: none"> <li>• First- Market Insurers - €300 million</li> <li>• Second- Reinsurance Cover from professional reinsurance companies - €576 million</li> <li>• Third- Belgium Governmental Guarantee - €300 million</li> </ul> <p>Total coverage 2013 : €1 176 027 066</p>
<b>Limitation of exposure of private sector</b>	<p>The private sector is exposed in terms of the market insurers up to the amount of €300 million retention and the reinsurance firms have potential exposure of up to €576 million in excess of €300 million retention.</p> <p>In total the limit of exposure of the private sector reaches: €876 million.</p>
<b>Temporary /permanent government participation</b>	Permanent government participation of €300 million in excess of €876 million
<b>Gratuity of government coverage</b>	Yes
<b>Voluntary / mandatory</b>	Voluntary participation by insurers and reinsurers.
<b>Minimum sum insured</b>	Sums insured by the different type of insurance policies (amount of coverage) are defined under the insurance policy conditions of each insurance company active on the Belgian market. For mandatory terrorism coverage the terrorism coverage must be identical to the amounts insured in the insurance policies depending upon the type of policy coverage (business lines).
<b>Coverage of NBCR terrorist attacks</b>	<ul style="list-style-type: none"> <li>• Coverage is provided for bacteriological and chemical risks (including “dirty bombs”).</li> <li>• Damage caused by nuclear bombs can be specifically excluded.</li> </ul>
<b>Lines covered</b>	<p>All insurance lines, Life and Non-life, are covered i.e. :</p> <ul style="list-style-type: none"> <li>• Property located in Belgium;</li> <li>• Vehicles registered in Belgium;</li> <li>• Insurance against industrial fire risks;</li> <li>• Motor car comprehensive insurance;</li> <li>• Assistance and legal expenses insurance;</li> <li>• Workmen’s compensation insurance;</li> <li>• Motor third party liability;</li> <li>• Fire (simple risks);</li> <li>• Life Insurance;</li> <li>• Personal Accident Insurance;</li> <li>• Health Insurance;</li> <li>• Hospitalisation Insurance.</li> </ul>



<b>Pricing mechanism</b>	<p>The largest part of the TRIP budget is the reinsurance premiums to be paid for the necessary capacity cover (more than 99% of the total budget); other costs are the management costs of the pool.</p> <p>The contributions of the TRIP members to the pool are calculated on the budget approved by the general meeting of TRIP.</p> <p>Each TRIP member pays a contribution which is proportional to its TRIP market share X the TRIP budget.</p>
<b>Other public sector victims compensation schemes</b>	Compensation Fund for International Acts of Violence