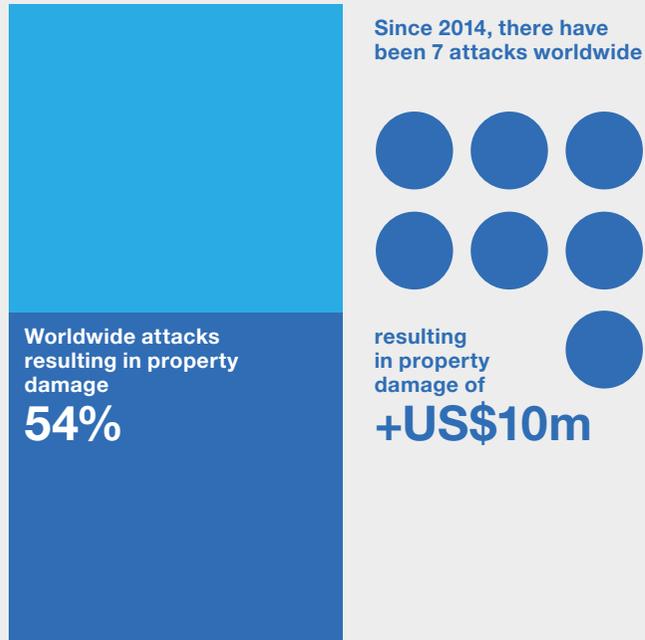


SUMMARY

Property damage



£2+ trillion

Pool Re's current exposure across mainland UK

£6bn

Value of Pool Re's current fund

£600m

Value of claims Pool Re has paid out to date

50%

of the 10 most costly global terrorism events, in terms of property damage, have occurred in the UK

£800m

Today's value of the claim from the Bishopsgate bombing in 1993

2018: A TRANSFORMATIVE YEAR FOR POOL RE

25 years on from Pool Re's establishment, this fourth annual Terrorism Threat and Mitigation Report comes at the end of a watershed 2018.



Julian Enoizi
Chief Executive, Pool Re

The last 12 months have seen two of the most significant enhancements to Pool Re's cover since it was established to provide liquidity and stability to the UK commercial property market during the IRA's mainland bombing campaign. New cover for physical damage caused by an act of cyber terrorism, combined with incoming legislation to allow the pool to cover non-damage business interruption (NDBI), together represent a new global standard of terrorism cover. Moreover, we have grown our international retrocession programme, are exploring a ground-breaking terror catastrophe bond placement, and continue to support our Members, their policyholders and the Government through a variety of risk mitigation initiatives.

Pool Re is committed to developing a scheme which goes beyond providing mere solvency to its Member insurers, offering a dynamic, comprehensive ecosystem for financing and managing terrorism risk. As this year has already shown, this ecosystem is capable of fostering both greater national resilience, and the conditions to gradually reintegrate terrorism risk within the private (re)insurance market for the first time since 1993.

Since 2016, Pool Re, through its Terrorism Research and Analysis Centre (TRAC), has established itself as an expert and thought leader in the field.

2018: A TRANSFORMATIVE YEAR FOR POOL RE

continued

Central to these core aims is a deep understanding of the contemporary threat, combined with a marked shift in our ability to model a notoriously unpredictable and complicated risk class. Since 2016, Pool Re, through its Terrorism Research and Analysis Centre (TRAC), has established itself as an expert and thought leader in the field. TRAC is designed to empower our Members and broader stakeholders with analysis of the threat landscape as it relates to the market and domestic affairs. Its quarterly Frequency reports culminate in this annual edition which, as well as qualitative insights and commentary from a range of expert contributors, showcases for the first time Pool Re's Terrorism Database. This statistical resource will play an important role in our ongoing actuarial and distribution work, and ultimately, should enable our Members to feel sufficiently comfortable with the risk to commit increasing capacity and resource to exploit growth and capital opportunity in new markets. This will correspondingly promote the economic resilience and protective security of UK Plc, since bridging information gaps and incentivising the uptake of police-accredited risk mitigation measures becomes mutually beneficial to the public and private sectors.

Following our landmark cyber extension in March, the inclusion of cover for NDBI [...] will be an essential and timely evolution of the protection our Members will be able to market to businesses across the country.

Following our landmark cyber extension in March, the inclusion of cover for NDBI, which subject to parliamentary approval will be introduced in January 2019, will be an essential and timely evolution of the protection our Members will be able to market to businesses across the country. It will be particularly attractive to the presently poorly penetrated SME market which can be vulnerable to disproportionate business interruption in the wake of an atrocity. The first major pool to offer this cover, Pool Re is committed to working with its Members and representative bodies such as the Federation of Small Businesses, Chambers of Commerce and The British Insurance Brokers' Association to promote the necessity, availability and affordability of this targeted response to the altered risk profile.

This year's progress also evidences what the Economic Secretary to the Treasury called the 'open and constructive relationship' between Pool Re and its Government partners, central to ensuring we 'remain a world leading terrorism reinsurance pool¹'. Our work to unite and harness the respective strengths of the public and private spheres has also been recognised in this year's Counter Terrorism Strategy (CONTEST). We will be building on the success of our Vulnerability Self-Assessment Tool with a pilot training course for Member risk engineers in collaboration with our academic partners at Cranfield University.

Above all, Pool Re is committed in the next 12 months to continue to cement partnerships and develop market solutions which mutualise systemic threats to our society. In that spirit, I hope you enjoy this report.



Julian Enozi

Chief Executive, Pool Re

¹ *Pool Reinsurance Company Insight*, May 2018 edition.

² *ibid*