

Pool Re to offer cheaper premiums and unlimited guarantee extended

- Treasury strategic review of Pool Re reduces scheme's overall pricing by 20% in a drive to allow more businesses to access terrorism reinsurance
- Government's unlimited guarantee will also be extended for another 5 years
- 5-year strategic review of Pool Re backed by its board and members

The review enables Pool Re to modernise its system of reinsurance, by moving for the first time in its history to a treaty-based model of reinsurance, enabling it to offer pricing based off more detailed geographical data. Alongside this, Pool Re will reduce taxpayers' exposure to the cost of terrorist acts by further transferring risk back to the market.

Pool Re will also collaborate with the government to address the lack of awareness of terrorism reinsurance among small and medium enterprises.

Pool Reinsurance Company Limited (Pool Re) is a mutual company that was established in 1993 when a series of terrorist attacks in Great Britain prompted reinsurers to withdraw from the terrorism insurance market, and as a result, the economy, industry, and the taxpayer were highly vulnerable to the financial cost of future attacks. It corrects market failure by providing its members with an unlimited government guarantee to insure against the potentially catastrophic costs of terrorist acts, and gives them the confidence to offer insurance products to businesses.

Economic Secretary to the Treasury, John Glen said:

The UK is a world leader in terrorism reinsurance – and I am delighted that Pool Re's board and its members have approved our 5-year strategic review.

The planned reforms will modernise the terrorism reinsurance market, make premiums cheaper for businesses, and most importantly – will extend the government's unlimited guarantee so insurers have the confidence to insure against the financial costs of terrorist acts.

Angela Knight CBE, Pool Re chair said:

This positive result is very welcome news. The support of members

is critical for the future development of Pool Re, and we are delighted that they have shown their support for all the strategic proposals we agreed with HMT.

HMT is committed to reviewing its relationship with Pool Re every five years to ensure that its relationship and the scheme continues to operate in the best interests of Pool Re and its members, the government, the taxpayer and the wider economy.

In an extending Pool Re's unlimited guarantee, the government has protected taxpayers by ensuring that Pool Re continues to proactively return risk to the market and does not pay special dividends without the Treasury's permission.

HM Treasury will bring forward legislation when Parliamentary time allows to give Ministers a power to direct public bodies in receipt of a guarantee or arrangement under the act to comply with appropriate controls.

The current unlimited HMT guarantee of Pool Re remains appropriate and important to the provision of available and affordable terrorism insurance in Great Britain.

Further information

- The government's unlimited guarantee of the scheme (a commitment to extend a repayable loan if needed) meant that insurers were able to access adequate and affordable reinsurance cover for terrorism losses.
- HMT is committed to reviewing its relationship with Pool Re every five years to ensure that its relationship and the scheme continues to operate in the best interests of Pool Re and its members, the government, the taxpayer and the wider economy. This review was launched in September 2020 and is designed to set the strategic direction of Pool Re for the coming 5 years.

- The headline [Terms of Reference](#) for this review were:

i) Assessing if the risk share between HMG and the private sector remains appropriate for the good functioning of the UK's terrorism (re)insurance market.

ii) Considering if the scheme rules that govern Pool Re require updating to enable or formalise operating practices which are of mutual interest.

iii) Ensuring that the requirements HMG sets for companies classified by the ONS to the central government sub-sector are met, without compromising Pool Re's ability to operate effectively.

- Pool Re currently offers reinsurance based of four geographical zones. The proposed changes to the scheme will enable the firm to use a new, more advance model for terrorism risk, based on the collection of significantly more detailed geographical data.
- Please read the review here: [HM Treasury's review of Pool Reinsurance Company Limited 2020-2022](#)