

IFTRIP

International Forum for Terrorism Risk (Re)Insurance Pools

Willis Re

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Overview

- Terrorism Pools in many countries have proved to be excellent examples of Public Private Entities delivering sustainable and effective protection
- The managers of Terrorism Pools have developed deep expertise in managing pools and building partnerships with Governments and other stakeholders
- These skills have built up over time and are unique, valuable and country specific
- The Covid 19 crisis has produced a global systemic risk similar to the challenges that stimulated the original formation of the Terrorism Pools, but even larger in scope
- Government and Private Sector Discussions are underway to find insurance based solutions
- Pandemic Risk is not the only complex, globally systemic risk that the private sector cannot manage in isolation without Government assistance
- It is crucial that managers of Terrorism Pools actively share their knowledge and skills in the formation and management of potential Pandemic or other globally systemic risks

Public-private partnerships

The rationale for pooling pandemic / uninsurable risk

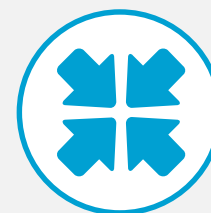


There are various examples where **commercial private markets have been unable to provide effective insurance** after major loss events like 9/11 or 1992 Baltic Exchange Bombing



Formation of **state-backed risk pools:**

- Terrorism insurance pools (e.g. Pool Re in UK, ARPC Australia, TRIA US, Gareat France, Extremus German, SASRIA South Africa)



Pandemic risk pools could be joined explicitly to existing terrorism or nat cat pools, or set up as stand-alone entities following existing pool templates



These conversations have started in capitals of Europe, Asia, and North America

Covid-19 and uninsurable events

Managing a 'novel' systemic risks

SARS-CoV-2 is not a Black Swan event – it is a “known unknown”

- Demonstrated the truly **global economic threat** from a communicable disease
- De-mystified how the **Spanish Flu** managed to kill ~5% of the world's population in 1918
- Highlighted the value of preparedness and early action
- Highlighted the risk to insurance companies from previously unimagined correlated tail risk events

Other Systemic/Complex Risks



Cyber – Global collapse of the Internet

- Likely to be sudden
- Potential to create complete dislocation in global financial markets and paralysis in social activity for those affected countries
- Diversification of risk by geography difficult



Solar Storm – Collapse of electricity power grid

- Would create economic and social paralysis in affected countries
- Diversification by geography difficult



Climate Change – Largest currently known systemic risk

- Known and increasingly measured and mitigated risk but time needed
- Potential under appreciation of catastrophic tipping points leading to sudden immediate irreversible changes
- Although global in nature impact will vary by geography so some diversification possible

Direct threats to the current global economic model that would produce severe economic disruption with consequent political and social disruption

How Willis Re can help

Risk quantification and developing customised risk metrics are the foundation of all sophisticated risk management strategies

- Proven ability to construct a **'view of risk'** for varied hazards supported by the Willis Research Network the largest private insurance/academia partnership (see appendix)
- **Public-private partnerships** provide access to policy making (e.g. Insurance Development Forum, the formation of which was led by WTW)
- Experience designing and implementing **public-private risk pools**
- Experience executing **stress-tests** and developing risk metrics for public and private sector clients



WTW has a **unique track record of joining the public and private sectors** in the pursuit of policy solutions and practical risk management tools and products to manage systemic risk across the entire economic spectrum

Willis Research Network

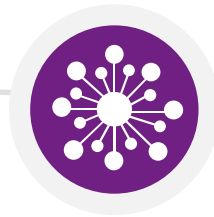
Willis Towers Watson 

Science for Resilience



Over 60 partners

Harnesses research by 60 partners in science, academia, think tanks, and the private sector



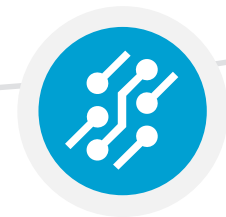
Innovative partnerships

Forms innovative partnerships with the risk management and insurance industries



Understanding of risk

Improves the understanding of risk for the benefit of our clients and society



Transmission mechanism

A transmission mechanism to bring best practice research and evidence into broader risk management & business strategy

WRN Members – partners and affiliates



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