



# TRANSFORMING TREATY

**An Overview:** What this means for our Members.

# Why is Pool Re modifying its reinsurance scheme?

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**Pool Re was established in partnership with the UK Government in 1993, and has reinsured terrorism risk in Great Britain for 30 years. Since then, Pool Re has succeeded in re-establishing a commercial market able to offer comprehensive and affordable terrorism insurance to businesses in Great Britain.**

In April 2025, Pool Re will introduce a revised reinsurance scheme to adapt to the changes of the insurance market and the evolving terrorism threat. In this document, you will find out why we are reviewing our scheme, what are the main changes, and the strengths and benefits of our modernised reinsurance scheme.

## I. Adapting to market changes

### Modernisation

The mechanics of how the scheme reinsures its Members has not changed since 1993. However, during that time, there have been significant changes to our industry, such as: the nature of terrorism risk; the pricing of risk across the insurance industry; the way in which risks are modelled; the types of products available; and more. These developments have prompted us to rethink the design of the scheme and take advantage of technological advancements to model and price terrorism risk to degree previously impossible.

### Digitalisation

Today, insurance products are often sold digitally and increasingly without the involvement of an underwriter or broker. If terrorism cover is to be re-integrated into package products, such as standard property policies, digitalisation will allow Members to underwrite it in the same way as general covers and sell it online.

## II. Increasing take-up in terrorism cover

The current scheme rules and pricing tariff were designed to support Members when pricing terrorism cover in Great Britain in a pre-digital age and are now ill suited to the distribution channels commonly used to sell insurance. The changes proposed will provide our Members with more flexibility, allowing them to underwrite terrorism cover in a simpler way and in line with their own risk appetite and strategy, removing unnecessary bureaucracy. This will allow Members to provide coverage to a larger number of businesses in the country.

## III. Returning risk to the insurance market

In order to maintain its unlimited guarantee from HM Treasury, Pool Re is committed to continuing to find new ways to return as much risk and premium as possible to the private sector to return as much risk and premium as possible to the private sector. We are proposing to split Members' retentions of the risk into two sections (we refer to this as "bifurcation"): (1) non-conventional terrorism, which comprises Chemical, Biological, Nuclear, Radiological (CBRN) and Cyber physical damage; and (2) all other terrorism risks, or 'conventional' terrorism risk. This new approach will provide Members with a greater choice around risk appetite, and the ability to hold different retentions across both, if desired.

# What is changing and what will remain the same?

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### What will be the main changes for Members?

- **New pricing model:** Pool Re will price each Member's total exposures on a portfolio basis as opposed to the current model in which a tariff must be applied on a 'per risk basis'.  
Members will no longer pay premiums against our tariff rates. Pool Re has built a more sophisticated pricing model which will allow Members to select increased retentions or buy-down to a lower retention to reflect their risk appetites.
- **New contract:** Members will be asked to agree to a standard updated evergreen Reinsurance Contract with annual pricing and retentions schedule. As a result of the move to a portfolio approach, there is likely to be no need for a formal underwriting manual.
- **Split retention:** We are proposing to split Members' retention of terrorism perils into two different sections (1) non-conventional terrorism, which includes Chemical, Biological, Nuclear, Radiological (CBRN) and Cyber physical damage; and (2) all other terrorism risks, or 'conventional' terrorism risk, and allow Members to hold different retentions across both if they want to. This allows the Pool Re scheme to reflect more effectively Members' appetite for different types of terrorism risk.
- **Flexible retention:** Members will, subject to a minimum level, be able to choose their own treaty retentions. We are proposing to remove the 'per event' retention, and only apply an annual aggregate retention for each of the sections of the contract.

### What will remain the same? The key strengths of the scheme

Our unique Membership scheme enables insurers to transfer their terrorism property risk to us, increasing their ability to withstand the financial burden of a large terrorist event.

- **Breadth of cover:** The scope of Pool Re terrorism cover will remain unchanged. Our terrorism cover is effectively 'All-Risks' with the only exclusions being war and cyber. This extensive scope of cover, which includes CBRN, uniquely offers reinsurance for non-damage business interruption caused by a terrorism incident. This is built to respond to the ever-changing nature of terrorism and the potential for unprecedented events.
- **Unique capacity:** Pool Re is backed by an uncapped HM Treasury guarantee. After a single or series of catastrophic terrorist events, Members can be certain of immediate liquidity, and continued reinsurance cover at an affordable rate, something that would not otherwise be available.
- **Guaranteed acceptance:** The Pool Re membership is open to any insurer that is authorised to write in the UK the classes of business covered by the scheme. Where a Member Insurer provides property insurance, they must offer terrorism cover upon request. Cover and terms are not constrained by geographical accumulation within Great Britain or by risk profile.
- **Solvency:** Pool Re Members are guaranteed solvency for any legitimate claims arising from a certified act of terrorism, and are not required to hold the vast capital reserves that Solvency II regulation would require in Pool Re's absence, which would particularly be the case for CBRN cover.
- **Knowledge centre:** We leverage our unique partnerships with public agencies, academia, and international pools to provide Members and businesses access to information and tools to help them understand, manage and mitigate terrorism risk.

# What are the benefits of these changes for our Members and policyholders?

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### Greater flexibility

The new scheme will give Members greater freedom to set their own pricing strategy. The majority of the prescriptive requirements set out in our existing Underwriting Manual about rates and prices will disappear.

### Pricing stability

Pool Re will ensure that pricing for the new scheme will not differ significantly from the tariff rates that Members will be familiar with. This will be achieved through a smoothing mechanism - based around the current tariff - which will be gradually widened over a number of years.

### Consistent framework

The new scheme will be operating within a framework that is familiar for insurers, preserving the elements of the scheme that Members value.

### Removing bureaucracy and operational friction

Members need to be able to seamlessly deploy terrorism cover within their wider product sets and through digital channels without the current scheme's administrative requirements getting in the way. The new scheme will allow that.

### Returning risk to the insurance market

The new scheme should facilitate greater return of premium and non-tail risk to the commercial (re)insurance market. Pool Re was not designed to support the market on a definitive and static basis. Rather, we are here to create opportunities for the industry to take greater ownership of terrorism risk, to normalise the market as far as possible, and to distance the taxpayer from economic loss in the event of a declared terrorism incident.

## How does Pool Re plan to help Members prepare for this transition?

1

### Prioritise Market stability:

Pricing will not differ significantly from the tariff rates that Members will be familiar with. Breadth of cover and post event liquidity will be maintained.

2

### Provide actuarial modelling and exposure management

to help Members understand terrorism risk and price it effectively.

3

### Provide Members engagement support:

Our Customer Engagement team will be available to discuss changes and liaise with Members.

4

### Pool Re Solutions:

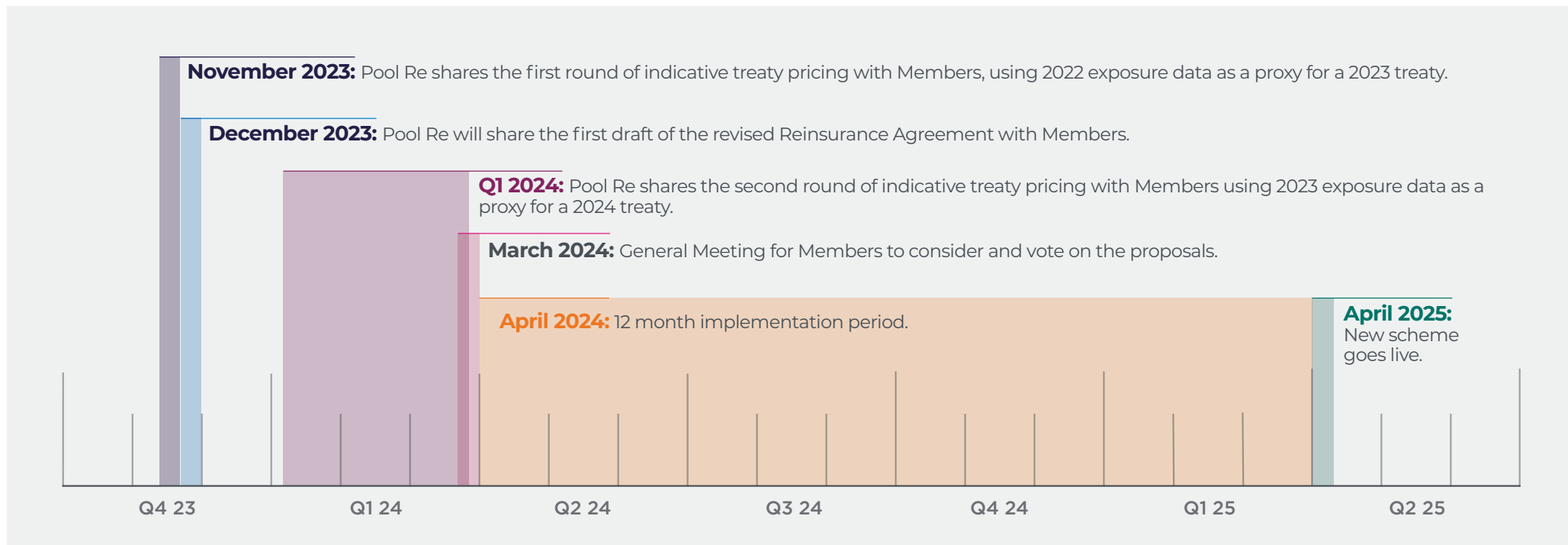
Our consulting division will continue to provide market-leading risk intelligence and analysis so that Members can make informed underwriting decisions.

5

### A web-based platform

will be available for Members to find out everything they need to know about the changes. Video tutorials will be included.

# What is the timeline for this transformation?



## Contact us

If you have any issues or concerns with regards to anything in this document please do get in touch. Our teams are more than happy to help.  
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