



## A STUDY ON TERRORISM RISK INSURANCE IN INDIA

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**ABSTRACT**

The terrorist attack on World Trade Center and Mumbai 26/11 attacks respectively, have sent shock waves to the entire world. Before the attack, the risk considered in these category is of 'Silent' risk hence unlikely, ignored by the insurers.

After, 9/11 attack the insurers started excluding terrorism risk from coverage. The insurers and re-insurers were unwilling to provide such insurance with growing concerns of major losses to the sector in the absence of Legislative/Government backup.

Further among the challenges faced by the terrorism risk insurance in India which is very difficult to assess the potential loss and method of pricing of terrorism risk. As terrorism is a low frequency, high severity risk, Terrorist attack-have no prescribed pattern. Hence, risk calculation is considered a voluminous process.

In India terrorism risk insurance is regulated by the Indian market terrorism risk insurance pool.

A Separate that is a sui generis legislation is need of hour to complete coverage for terrorism risk .

**KEYWORDS** : Terrorism Risk, Insurance. Sui generis**INTRODUCTION:-**

Properties and life of human are always frequently exposed to loss or risk by many destructive forces. Human beings are aware of this risk. The uncertainty of their existence has been fairly protected by adopting well established strong desire for security for both their lives and for their properties. In spite of these precautions distractions do occurs in the form of vis major and also by extremists.

Hence, it is essential to develop more effective techniques and solutions to deal with the problems of risk. There are many techniques of dealing with risk, among them insurance is one form. The concept of insurance was not unknown in ancient India. In India insurance has deep-rooted history. The important law regulating insurance sector in modern India is Insurance Act 1938 as amended from time to time.

Common risk/peril like fire, theft, motor accidents are covered by insurance, whereas effect of war, natural calamity are not insurable, due to their unpredictable nature.

Even though terrorism is unpredictable in nature the same is not excluded from the list of insurable events with increase in terrorist attack frequency all over the world, terrorism insurance has become essential in order to safeguard against any losses arising out of acts of terrorism.

**MEANING OF TERRORISM:-**

Terrorism possess number of expressions, Discussion on terrorism may be biased by political assumption and social prejudice.

Terrorism is an act or series of acts, including but not limited to the use of force or violence and /or the threat there of any person or group(s) of persons, whether acting along or on behalf of or in connection with any organization reorganization(s) or Government(s) or unlawful associations recognized under unlawful activities (Prevention) Amendment Act 2008 or any other related and applicable national or state legislation formulated to combat unlawful and terrorist activities in the nation for the time being in force, committed for political, religions , ideological or similar purposes including the intention to influence any government and /or to put the public or any section of the public in fear for such purposes. As per definition, there are three key elements- Violence, fear and intimidation. Each element produce terror in its victims.

**NATURE OF TERRORISM RISK :-**

Terrorism risk is different from the kind of risk, which traditionally defined by industry experts. These risks are not homogeneous and vary by factors like geographical location, industry level of security and preparation. The characteristic feature of terrorism risk is its man-made nature. Every attack is different, in its execution, methodology or choice of target.

In the wake of global war on terrorism terrorist group although have

interest in hard targets which one generally owned by the government, there will be an increased focus on soft civilian targets, which are easier to attack.

**CHALLENGES OF TERRORISM RISK INSURANCE:-**

Product pricing in case of terrorism risk insurance is difficult for many reasons. It is difficult to quantify the extent of damage caused by terrorism and the technicalities of the very concept of terrorism itself are very difficult. Terrorism is a low frequency, high severity risk. From insurer point of view, terrorism risk is very different from other risks as no one knows what the worst case scenario might be, further there is little data on basic of which estimates of future losses, either in terms of frequency or severity of the loss can be made. Thus terrorism insurance product pricing is very difficult and complex task. Further in India there is a lack of comprehensive Legislation to govern the terrorism risk insurance. There is inadequate insurance Legislation with regard to terrorism risk insurance.

**Existing Mechanism And Terrorism Risk Insurance:-**

In India, terrorism risk insurance is regulated by the Indian Market Terrorism Risk Insurance Pool (IMTRIP). The pool was created as an initiative by all the non-life insurance companies in India in the year 2002. The pool is applicable to all insurances of terrorism risk insured property in any of the insured classes.

The IMTRIP has been formed under the General Insurance Corporation of India. It is an elective pool participation in the terrorism pool is voluntary. Further there is no Government direct participation.

**CONCLUSION:-**

The terrorism risk insurance in India is growing bigger. The terrorism insurance market is growing sector owing to the increase in the threat of terrorism and related violence all over the world and India is also not an exception to this.

In India terrorism insurance sector not have any comprehensive legislation. In some countries, an active role is played by the government with private players of sector.

Further Government participation in terrorism risk insurance pool encourages the insurers to participate effectively in market. With legislative back up and financial support by the government the terrorism risk can be effectively tackled benefitting the insurance sector and society at large.

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