FMA CIRCULAR

CONCERNING BALANCE SHEET ISSUES RELATED TO THE INSURANCE POOL FOR THE COVERAGE OF TERRORIST RISKS (VAG 1978)
**Disclaimer:** This circular does not constitute a legal regulation. It is intended to serve as guidance and reflects the FMA's legal interpretation. No rights and obligations extending over and above the provisions of the law can be derived from circulars.
The occasion for the balance sheet issues is the Austrian insurance pool for the coverage of terrorist risks. The objective of the pool is to facilitate risk diversification by establishing a co-insurance group while excluding the joint and several liability of pool members for the risks, included in the pool by members and non-members, that arise from damage due to terrorist acts as specified in the guidelines to be adopted by the plenary meeting of the pool.

The following should be noted with regard to the provision to be established in connection with this pool:

1. The establishment of a provision for terrorist risks is required as specified in Article 81i para. 1 of the Versicherungsaufsichtsgesetz (VAG; Insurance Supervision Act). This provision must be posted in the balance sheet under “Other technical provisions”.

2. Each pool member must accumulate the specific share of the provision for terrorist risks that is attributable to that particular undertaking in such a manner that at least 10% of the share is allocated annually until the total amount is reached.

3. A provision for terrorist risks and a volatility reserve cannot be accumulated parallel to one another for the same category of technical risk.

In the event of a claim it should be noted that only insurance contracts that are clearly identified to the policyholder as co-insurance are to be handled as co-insurance in the financial statements.