



Non-profit association pursuant to the Royal Decree of 14 January 2009

Square de Meeûs 29 – B-1000 Brussels

Annual Report presented to the General Meeting held on 30 March 2011

Financial Year 2010



Annual Report 2010

Composition of the Board of Directors as at 10 March 2011

Chairman: AG Insurance, represented by Jan Van Rethy (*)

Deputy Chairman: AXA Belgium, represented by Francis Grégoire (*)

Directors: Allianz Belgium, represented by Karla Wouters
Assuralia, represented by René Dhondt (*)
Avéro Belgium Insurance, represented by Patrick De Craene (*)
Dexia Insurance Belgium, represented by Carl Van Vlaenderen
Ethias, represented by Bernard Coutisse
Generali Belgium, represented by Didier Lechien
KBC Assurances, represented by Patrick Vandoren (*)
Mensura, represented by Michel Gobert
Mercator, represented by Geert Moreel
Nationale Suisse, represented by Francis De Vos
P&V Assurances, represented by Michel Hermand (*)

Management: Marc Dierckx, Managing Director, TRIP

Representative of the Minister responsible for insurance: Filip Nicolai

Representative of the Secretary of State for the budget: Patrick Robert

(*) members of the Management Committee

AUDITOR

Raf Vander Stichele (PricewaterhouseCoopers)



Annual Report 2010

MANAGEMENT REPORT COMPILED BY THE BOARD OF DIRECTORS

Presented to the General Meeting of Members held on 30 March 2011

As of 1 May 2008, the terms of Belgian policyholders' insurance contracts have been adapted to reflect new legislation governing the way in which insurers are required to deal with the implications of potential terrorist attacks.

Under the solidarity-based system introduced by the legislation, the Act of 1 April 2007 on insurance against damage caused by terrorism (the Terrorism Act) serves as a guarantee in terms of the solidity and financial stability of the insurance sector in particular and of the economy in general.

Dear Members,

We have pleasure in presenting details of the activities of the non-profit association TRIP during its second financial year together with the latter's annual accounts closed on 31 December 2010.

General overview

The purpose of the Terrorism Act passed on 1 April 2007 and which entered into force on 1 May 2008 is twofold, namely to compensate in a timely manner all insured persons who may suffer damage as a result of a terrorist attack and to guarantee the stability and perennality of the insurance sector.

The Act requires close cooperation between the public and private sectors and makes provision for a market-level solidarity-based system providing a framework within which to distribute (compensate) the contractual obligations of insurers belonging to the TRIP pool in the event of a terrorist attack.

Importantly, though, insurance companies continue to *handle* and *settle* themselves any claims made against them by policyholders.

It applies to all Belgian risks as detailed in Article 2, §6, 8° of the Act of 9 July 1975 on the supervision of insurance companies.

The following are considered to be Belgian risks:

- ❖ buildings and their contents located in Belgium;
- ❖ policyholders normally residing in Belgium (where the policyholder is a legal entity, those which are established in Belgium);
- ❖ vehicles registered in Belgium;
- ❖ travel or holiday assistance policies valid for a maximum of four months and taken out in Belgium.

The Terrorism Act makes provision for mandatory terrorism cover in so-called "mass" insurance policies held by virtually all citizens either as private individuals or as employees i.e. Motor TPL, Fire simple risks, strict liability for Public places, Workmen's Compensation insurance, life assurance (classes 21, 22 and 23), Personal accident (class 1) and Health (class 2).

Such cover is optional in other types of insurance contracts such as, for example, insurance against Industrial fire risks, Motor Car comprehensive insurance, Assistance and Legal expenses insurance.

The Act does not apply to certain fields such as third party liability in the area of nuclear energy, damage to nuclear facilities, railway rolling stock, aircraft and ships, third party liability in connection with such vehicles and specific terrorism-insurance policies.

With regard to the coverage of nuclear risks, the Act states that only "damage caused by weapons or devices that are meant to explode due to a change in the structure of the atomic nucleus may be excluded from the insurance contract". Specifically, this refers to damage caused by nuclear bombs. Bacteriological and chemical risks must however be covered.

Finally, the Act likewise does not apply to the theoretical surrender value of life-insurance policies, i.e. savings built up on life-insurance contracts.

The Terrorism Act stipulates the maximum amount available to cover all events classed as "acts of terrorism" during a calendar year as €1 billion (i.e. on an annual aggregate basis). This amount is linked to the consumer price index and as at 1 January 2010 stood at €1,078,202,030 (€1,111,648,139 as at 1 January 2011). This amount may be amended by the King pursuant to a decree duly deliberated upon by the Belgian Council of Ministers.

The system to protect insurance companies is three-layered. The first layer makes provision for joint and several indemnity amongst TRIP members in respect of claims, said indemnity not to exceed €300 million annually (i.e. a market (insurers) retention of €300 million). The second layer provides stop-loss reinsurance cover of €400 million funded by TRIP members (€478 million for 2010 following index-linking, which is applied in full to the layer reinsured by TRIP) (i.e. a reinsurance layer excess of retention up to €700 million, indexed). A third layer offers surety from the Belgian State in the amount of €300 million (i.e. a State layer excess of €700 million up to €1 billion).

The "market-level" solidarity described above applies to all TRIP members throughout all insurance classes whether or not they are directly affected by an attack.

Where an event is likely to be classed as terrorism, the Terrorism Claims Advisory Committee detailed in Article 5 of the Act is required to meet to determine whether or not the event falls under the definition of terrorism given in Article 2 of the Act.

The Terrorism Claims Advisory Committee comprises representatives of the four ministers concerned (Economy – Budget – Employment – Civil Service), a representative of the Coordination Unit for Threat Analysis and two TRIP representatives (the Director - General Manager of Assuralia and the Managing Director of TRIP). It is chaired by the Chairman of the Insurance Commission. A representative of the Banking, Finance and Insurance Commission (CBFA) also sits on the Committee in an advisory capacity.

TRIP – Activities

TRIP pool

The non-profit association TRIP was established on 1 February 2008 pursuant to Article 4 of the Terrorism Act passed on 1 April 2007.

The purpose of the association is to assign and distribute its members the respective commitments required in the wake of an event which the Terrorism Claims Advisory Committee detailed in Article 5 of the Terrorism Act has determined is an act of terrorism pursuant to the definition detailed in Article 2 of said Act.

It is also responsible for collecting information on such damage and for negotiating and taking out reinsurance cover on behalf of its members.

To this end, TRIP set up a *pool* for the purpose of compensating participating insurers providing cover against Belgian risks for the financial effects of damages caused by an act of terrorism within the meaning of the Act.

To facilitate communication, TRIP set up a website comprising both a public-access area and a private section reserved for its members.

The members section can be used both to handle claims (i.e. determine the compensation for the burden of losses amongst member insurers) and to request and amend the contributions payable to cover the cost of reinsurance and the association's administrative expenses.

The association has more than 70 members, which, between them, represent over 95% of the insurance market. These members are both Belgian companies and companies operating in Belgium under the "freedom to provide services" regime. Some single line insurance companies prefer not to belong to the association since the nature of their activities is such that membership of TRIP is of little relevance.

Legislation and regulations

A Royal Decree of 31 January 2010 "stipulating specific indemnity limits cited in the Act of 1 April 2007 on insurance against damage caused by terrorism (Terrorism Act)" was published in the Belgian Official Gazette dated 18 February 2010.

Article 1 of this Royal Decree lays down the indemnity limits below which the Terrorism Claims Advisory Committee is not required to meet, namely: "1) where the contractual obligations arising from events occurring during the course of a calendar year and incumbent upon all TRIP members ... are less than €7,500,000, or 2) where the contractual obligations arising from events occurring during the course of a calendar year and incumbent upon a single TRIP member... are less than 2.5% of the premium income during the previous full accounting period in respect of direct insurance transactions in Belgium and less than €50,000. The premium income cited ... is that used as the basis for calculating the contribution payable to TRIP ... and approved by Us ... ". Article 2 also stipulates that the indemnity rate which TRIP members must assume following an act of terrorism may not reduce any compensation awarded pursuant to the Act of 21 November 1989 on mandatory third party liability motor insurance (excluding compensation paid to the so called "vulnerable

road-users" who are victims of road-traffic accidents) to an amount less than €5,000,000 per claim, regardless of the number of persons injured, in respect of damage arising from bodily injury and €1,000,000 per claim regardless of the number of persons injured, in the case of material damage.

In connection with the provisions contained in Article 1 of the Royal Decree, however, there is nothing to prevent the Terrorism Claims Advisory Committee established pursuant to Article 5 of the Terrorism Act from *potentially* being convened at the request of a TRIP member as provided for in the Act. The option of convening the Committee in this way is, after all, crucial to the credibility of the entire system of compensating victims following a terrorist attack.

Furthermore, within the Terrorism Claims Advisory Committee, TRIP is also examining a draft text aimed at clarifying the wording of Article 8(2) of the Terrorism Act to avoid a situation whereby, in the wake of a terrorist attack, the Committee is faced with differing views as to the scope of the text.

Article 8(2) of the Terrorism Act stipulates a maximum indemnity of €75 million per insured party per insured site per year, in connection with special risks, for insurance policies covering damage to immovable property and/or its contents and for policies covering further damage resulting from said damage to immovable property and/or its contents, regardless of the number of policies and the number of TRIP members who may be required to fulfil a contractual obligation in the event of a terrorist attack.

The Terrorism Claims Advisory Committee met on four occasions during the period to examine various proposed adaptations to the text but no consensus has yet been reached.

An *ad hoc* working group comprising the Chairwoman and the Vice-Chairman of the Terrorism Claims Advisory Committee along with members of Assuralia, TRIP and the insurance sector as a whole are to continue analysing the text with a view to submitting a final draft for approval during the first half of 2011.

OECD Conference on Terrorism Risk Insurance (Paris)

In June 2010, the Organisation for Economic Cooperation and Development (OECD) organised an international conference in Paris to reflect on the solutions adopted in various countries to insuring terrorism risks. Representatives from 20 countries attended, including those not belonging to the OECD.

One of the main conclusions drawn was that different countries operate widely differing systems in terms both of the level of cover offered by and the structure of terrorism insurance (e.g. property cover only, all-sector cover, inclusion or exclusion of NBCR risks, compensation and reinsurance pools, mandatory and optional systems) and of the level of intervention by and the role of States (limited or unlimited guarantee).

The Managing Director of TRIP attended the conference and gave a presentation on the system in place in Belgium.

Claims

In 2010, TRIP was not notified of any claim arising from an act of terrorism.

There were no Belgian victims in the suicide attack in central Stockholm on 11 December 2010.

The final claims for bodily injury as a result of the attack on the Taj Mahal hotel in Bombay on 26 November 2008 were settled definitively in May 2010.

The burden of the compensation balance of €15,231 required to settle these claims was shared by all TRIP members in 2010 in accordance with the established solidarity-based system.

The loss burden arising from the attack totalled €2,370,087.

Reinsurance

The cover provided by the reinsurance market in 2010 totalled €478,202,030.

As in 2009, TRIP has placed that reinsurance cover through two professional reinsurance brokers (AON Benfield and Guy Carpenter).

TRIP was granted competitive rates and was careful both to monitor the quality of the panel of reinsurers available and provide a broad range of reinsurance options across different markets.

Reinsurance costs were down 7.6% on 2009.

As in the past, in 2010 the capacity of professional reinsurance provided was made available via one-year reinsurance contracts.

Nevertheless, there is still the risk that in the event of a terrorist attack, the reinsurance market will contract significantly, which, in turn, will trigger a substantial rise in rates and even a situation in which reinsurance may not be available at all.

To address such an eventuality, during the financial year in question TRIP looked into ways of shoring up continuity of coverage within the second layer described above.

In an effort to revamp the 2011 reinsurance programme, TRIP decided to adopt a combined solution entailing reinsuring a proportion of the desired capacity for one year and the remainder for three years.

This approach will enable it to guarantee a proportion of the coverage for a specific period under conditions which remain attractive.

Market-conditions permitting, the strategy for shoring up coverage within the second layer will continue in 2011.

Premium income (i.e. gross written premiums - GWP)

As regards collecting information on members' premium income (i.e. gross written premiums) and TRIP obtaining certification reports of said income from auditors, it should be emphasised that obtaining such data still requires considerable interaction between TRIP and its members despite an improvement on the previous financial year thanks to processes designed to remind members of their statutory obligations in this regard.

It should be noted that pursuant to Article 15 of TRIP's Articles of Association, such data must be forwarded to TRIP no later than 30 June each year and must be certified by an auditor included on the list held by the CBFA or by an external auditor. The Articles of Association state that any company which fails to forward the required data within the specified time period will be allocated a lump-sum market share equivalent to that of the previous financial year plus 15%, said amount not to be less than 0.75% of the total market.

It is vital that TRIP receives this data within the specified time periods otherwise the operation of the compensation system could be compromised.

TRIP website

The TRIP website has also been upgraded and simplified in response to comments and suggestions from some companies.

The changes include a simpler system, in the form of a data-entry webpage, for members to enter details of claims.

Companies wishing to do so can also upload a claim file in the format detailed in the TRIP user manual available on the website.

The system used to communicate with TRIP members has also been rationalised. The flow of e-mails sent by TRIP has been simplified and the subject and content of messages has also been made clearer to make it easier for members to determine what action they need to take.

It is important to reiterate that companies enjoy access to a members-only site which they can log onto at any time and, depending on past data submitted, can use to consult and verify the data held on their company and information about the TRIP pool (e.g. all financial accounts and accounting documentation published by TRIP (contributions, reinsurance and TRIP operational costs, claims), e-mails sent to them by TRIP, information on financial matters (TRIP budget), market shares, premium incomes, etc.).

The system has also been adapted to enable both an overall assessment and class-specific assessments (for information purposes) of the burden of claims following an event suspected of being an act of terrorism to be made available to members as soon as possible and before a definitive decision is taken as to whether the incident in question does, in fact, constitute an act of terrorism. This adaptation is currently in the pilot phase and will become operational during the first half of 2011.

Internal control

TRIP has an internal control system that is specifically adapted to its size, objectives and structure and thus complies fully with the general requirements around good business governance.

The system is evaluated on an ongoing basis by TRIP management and is monitored by the Board of Directors.

Business Continuity Plan – Disaster Recovery Plan

TRIP operates a Business Continuity Plan.

The processes followed in managing the TRIP pool are documented in detail and concrete provisions are in place regarding how to proceed in the event of management being unable to perform its normal functions for an extended period.

TRIP has also signed an agreement outsourcing management of the pool's IT resources to GIE Datassur.

Assuralia, which is in overall charge of TRIP's IT equipment and system, and Datassur, which provides TRIP with all its IT development and management services, operate a Disaster Recovery Plan.

TRIP also ensures that files are saved on one of Assuralia's servers.

Finally, the main documents detailing the manner in which TRIP is managed on a daily basis are also available on Assurmember and on TRIP's protected website.

Future outlook

With regard to the legal and regulatory framework, also of note was Assuralia's proposal to make a number of improvements to the Terrorism Act. A draft bill amending the Terrorism Act was submitted to the relevant authorities two years ago and includes the following priority amendments amongst others.

Group insurance: At present, employers do not benefit from the maximum limit of €1 billion and instead are still required to assume liability for the full supplementary-pension amount vis-à-vis their employees. The draft bill seeks to resolve this situation.

It also proposes requiring institutions for occupational retirement provision (IORP's) to cover the risk of terrorism to provide equal protection for affiliated persons, either the pension scheme is managed by an insurance company or by an IORP. It also guarantees a level playing field for IORP's and life-assurance providers.

Although Assuralia and TRIP have approached the relevant authorities on several occasions in a bid to progress this issue, to date their proposal has not been adopted.

By contrast, a draft bill outlining a range of provisions has been compiled by the authorities and seeks specifically to eliminate the legal uncertainty surrounding automatic application of the Terrorism Act to insurance contracts. The section of the bill pertaining to amendments to the Terrorism Act of 1 April 2007 makes reference to the limited obligations of insurers belonging to TRIP in the event of damage as a result of terrorism. The Act itself makes provision in such situations for a different payment system (in line with the percentages laid down by the Terrorism Claims Advisory Committee) to that stipulated in insurance contracts. The limitation and payment system detailed in the Terrorism Act applies automatically to insurance policies without the need for any amendments to the general terms and conditions. However, the Terrorism Act does not mention specifically that this provision applies automatically. To remove this uncertainty, the draft bill proposes inserting a provision confirming and clarifying the situation.

Both Assuralia and TRIP are following developments on this issue closely.

In 2011, TRIP will be conducting additional reliability tests on its claim compensation system. These tests will take the form of simulations, with the support of various member insurance companies, of a number of potential scenarios involving claims arising from acts of terrorism.

The exercise is designed to ensure that TRIP members can rely on a highly efficient system in the event of a wide-scale terrorism claim affecting all classes of insurance.

Income statement and balance sheet as at 31 December 2010

Contributions by members totalled €15,721,286.47.

Financial income from short-term investments totalled €14,664.39.

Total reinsurance costs were €15,579,539.56.

Services and miscellaneous items, totalling €121,936.57, include the cost related to the operations of TRIP i.e. for the most part the costs incurred in finalising development of the TRIP Compensation Fund IT application, expenses associated with operation of the Compensation Fund (total monthly and quarterly claims reports, financial compensation for damages following the attack on the Taj Mahal Hotel and financial compensation for reinsurance costs and TRIP operating expenses) and administrative expenses.

There are no particular comments on the balance sheet.

Valuation rules:

The association's accounts are compiled in accordance with the relevant provisions of Belgian law.

Its assets are valued at par value. Capital losses are recorded where appropriate.

Provisions are held for all debts of which the association is aware as at the date of the balance sheet.

With regard to claims, the debts and amounts payable detailed in the Compensation Fund's accounts are recognised as from the point at which the claim is approved by the statutory Terrorism Claims Advisory Committee.

Appropriation of result

During the financial year 2010, the association generated a positive balance of €35,494.86. This amount has been incorporated into the funds of the association (€23,938.02) and the result carried forward (€11,556.84).

AG Insurance, represented by Jan Van Rethy
Chairman of the Board of Directors

Marc Dierckx
Managing Director

Remark : Report translated in English from the original French version.

Budget for the financial year 2011 (in €)

CHARGES

Reinsurance costs	15,579,528.00
Administrative expenses	107,446.38
Financial income (-)	14,829.54
Total	15,672,144.84

INCOME

Contributions	15,672,144.84
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Appendix : TRIP members list 2010



TRIP - Members 2010

ACE European Group Ltd www.aceeurope.com

ACTEL www.actel.be

AG Insurance www.aginsurance.be

AIOI Motor & General Insurance Cy of Europe Ltd (until 31 December 2010)

Allianz Belgium www.allianz.be

Allianz Global Corporate Specialty (AGCS) (as of 29 July 2010)

AMLIN Corporate Insurance www.aci.amlin.com

Apra Accidents www.mensura.be

Apra Vie www.apraleven.com

Argenta Assurances www.argenta.be

ASCO Assurances Continentales

Association Mutuelle Médicale d'Assurances www.amma.be

Assuralia www.assuralia.be

Avéro Belgium Insurance www.averobelgium.be

AXA Belgium www.axabelgium.be

Bureau Belge des Assurances Automobiles www.bbaa-bbav.be

Chartis Europe www.chartisinsurance.com

CNA Insurance Cy Ltd www.cnaeurope.com

Corona www.coronadirect.be

Delta Lloyd Life www.deltalloydlife.be

DEXIA Insurance Belgium www.dexia.be

Ethias Droit commun www.ethias.be

Ethias www.ethias.be

FEDERALE Assurance (Accidents du Travail) www.federale.be

FEDERALE Assurance (IARD) www.federale.be

FEDERALE Assurance (Vie) www.federale.be

FIDEA www.fidea.be

FM Insurance Company Limited www.fmglobal.com

Fonds Commun de Garantie Automobile www.fcga-gmwf.be

Generali Belgium www.generali.be

Great Lakes Reinsurance (U.K.) plc www.greatlakes.co.uk

Hagelunie www.hagelunie.be

HDI- Gerling Assurances www.hdi-gerling.com

HDI- Gerling Verzekeringen NV www.hdi-nl.com

Hiscox Ins Cy Ltd www.hiscox.be

ING Insurance Services

ING Life Belgium

ING Non-Life Belgium

KBC Assurances/CBC Assurances www.kbc.be

L'Alliance Batelière de la Sambre belge

L'Ardenne Prévoyante

Mensura Assurances www.mensura.be

Mensura Caisse Commune d'Assurances www.mensura.be

Mercator www.mercator.be

Mitsui Sumitomo Insurance Co (Europe) Ltd www.msilm.com

Mutuelle Saint Christophe Assurances - Centre Interdiocésain www.msc-assurance.fr

Nateus Life www.nateus.be

Nateus www.nateus.be

Nationale Nederlanden Schadeverz. Mij.

Nationale Suisse Assurances www.nationalesuisse.be

Nipponkoa Ins. Company (Europe) Ltd c/o Nateus

Optimco www.optimco.be

Pembroke International Insurance Company Ltd

P & V Assurances (Accidents du Travail) www.pv.be/fr/home.htm

P&V Assurances www.pv.be

PIETTE & PARTNERS Verzekeringsmaatschappij www.pnp.be

Securex - Accidents du Travail www.securex.be

Securex Association d'Assurance Mutuelle www.securex.be

Securex Vie www.securex.be

Servis

Servis - Life

Sompo Japan Ins. Cy. of Europe Ltd

SV Sparkassen-Versicherung Gebäudeversicherung Baden-Württemberg

Swiss Reinsurance Company www.swissre.com (until 31 December 2010)

Touring Assurances www.touring-assurances.be

TVM België www.tvn.be

VHV Allgemeine Versicherung AG

VIVIUM www.vivium.be

W.T.C.D. Insurance Corporation Ltd

XL Insurance Company Ltd www.xlinsurance.com

Zürich Versicherung AG (Deutschland) c/o BDM
