

Liam Byrne MP
House of Commons
London
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22 July 2025

Dear Liam,

Thank you for your letter of 23 May welcoming Pool Re's input on potential measures to bolster the UK's resilience in the context of an evolving threat landscape. I am immensely supportive of the work that your Committee is doing in the field of economic security, which I have been following closely, and I am aware that some witnesses to your committee have referenced Pool Re, or equivalent mechanisms, as a vehicle that could potentially offer greater support to the UK's economic resilience in the future.

As you know, Pool Re is the UK's government-backed terrorism reinsurer and globally recognised as the leading expert in terrorism risk financing. Since the IRA's mainland bombing campaign of the early 1990s, Pool Re's scheme has provided unlimited terrorism insurance to UK businesses and today covers c.£2.3 trillion of commercial property assets in Great Britain - from shopping centres, power grids and airports, to pubs, local traders and sporting venues. Pool Re pays approximately £250m annually to HM Treasury for the Government guarantee which backstops the scheme but which Pool Re has never had to call upon in its history, having been able to fund claims to date from its own accumulated reserves.

Today the scheme's losses would need to exceed c.£13 billion before any taxpayers' support would be required to pay claims following a terrorist attack. It is the confidence afforded by the Government backstop which helped to prevent the terrorism insurance market from collapsing in the 1990s and which ensures a working private market today.

The scope of cover afforded by Pool Re's scheme has expanded since its inception as the terrorism threat has evolved. Whilst the cover provided today is fairly comprehensive and includes Chemical, Biological, Radiological and Nuclear risks (CBRN), a number of protection gaps exist which may merit further consideration in the context of the contemporary threat landscape, for instance in relation to undersea power cables, offshore wind farms, ferries, offshore oil & gas assets, nuclear power stations, residential property and cyber terrorism.

Beyond terrorism, your Committee and other government and trade forums have considered whether Pool Re could serve as a model for promoting economic resilience in relation to other systemic risk events which have the potential to heavily impact communities and strain public finances. This reflects the role that insurance-based Public Private Partnerships (PPPs) around the world have played over many years in addressing protection gaps and driving greater resilience where market failures have made insurance cover either unavailable or unaffordable. Your recent



committee hearings have, for instance, considered a number of catastrophic cyber scenarios which are not typically covered by private cyber insurers, and which would potentially leave large parts of the UK economy vulnerable to significant economic harm.

Our experience at Pool Re suggests that resilience mechanisms put in place before a disaster strike can ensure that when incidents do occur, they are less prolonged and less pronounced than would otherwise be the case with liquidity able to be injected into the economy rapidly, predictably, and efficiently with minimal fraud, waste or delay. In addition, the fact that a mechanism exists gives the insurance industry the confidence to underwrite risks, develop products and enhance the UK's global competitiveness in ways that may not be possible without it.

Recent events such as the Covid Pandemic and the subsequent impact on the nation's finances illustrate the risk to the UK economy when the Government is the country's insurer of first resort rather than the insurer of last resort stepping in only after the resources of the private market have been exhausted.

To aid with your Committee's discussions and deliberations I attach: (i) a fuller briefing note on Pool Re (Appendix 1), and (ii) a paper on cyber risk (Appendix 1) which has been put together by a number of insurance trade associations and businesses and proposes a) measures to address the vulnerability of SMEs, and b) steps to mitigate the economic consequences of a systemic event.

I would be delighted to follow up on any of the matters raised in this papers as you see fit.

Finally, I would note that Pool Re is an Arm's Length Body of HM Treasury and that matters of policy are ultimately for Government to determine.

Yours Sincerely,

Tom Clementi
Chief Executive Officer, Pool Re