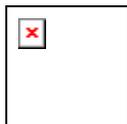


**INDEMNITY OF COMMERCIAL SERVICES AGAINST THIRD PARTY WAR AND TERRORISM
INSURANCE: REPORT**

**Presented to the States on 26th February 2002
by the Finance and Economics Committee**



STATES OF JERSEY

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Report

Following the tragic events of 11th September 2001, the insurance market withdrew cover for war, hijacking and other associated perils.

On 27th September the States granted the Treasurer of the States authority to indemnify, as necessary, and at his discretion, any relevant organisation providing commercial services in Jersey relating to air transport, against third party war and terrorism insurance liabilities. The indemnity would apply for forty days and could be extended if insurance cover remained unavailable.

In the event, the indemnity was extended to 16th November, by which time the insurance market had recovered and made cover available for all ground operations except the provision of security screening, which remained uninsurable worldwide.

Consequently, the States continues to provide indemnity for one company involved with security arrangements at Jersey Airport of \$50 million for any single event or in aggregate during any twelve-month period.

The withdrawal of terrorism cover on all States policies with effect from 1st January 2002 has affected the States of Jersey property programme and, as a result, the States is also self-insuring the terrorism risk for States-owned assets at Jersey Airport.

The insurance market is continuing to seek a solution to this on-going problem, and three of the world's largest insurance brokers are currently collaborating with both insurers and re-insurers to develop an insurance contract which provides indemnity. It is hoped that a solution is imminent, given that the United Kingdom and other European Governments are to withdraw the indemnity they provide to airlines and ground operatives in March 2002.

The States' own insurance advisors are to provide an update and report on the situation in the near future.