



Fast Fast Forward // 20 August 2018

Let's talk: The nature of terrorism is changing

By Mark Steddon, Senior Underwriter Terrorism & Political Violence

Recent tragic events have highlighted that the terrorism risk continues to evolve. Mark Steddon, Senior Underwriter Terrorism & Political Violence at XL Catlin in London discusses the changing landscape and the insurance market's response.

What does the risk landscape look like today?

The threat of terrorist activity is ever-present and rising geopolitical tensions and increased protectionism, among other things, heightens the risk of attacks. As well as radicalised groups, there are now a growing number of lone-wolf attackers bent on causing maximum loss of human life rather than economic damage. Since the tragic, world-changing events of September 11, 2001, there has been an enormous increase in the intelligence and security devoted to preventing terrorist attacks. This has made it more difficult for organised terrorist groups to successfully launch attacks that cause large-scale destruction – such events require more people and long-term planning, which increase the probability of discovery. But in recent years a new threat has emerged – that of so-called “lone wolf” or “active assailant” attacks. These attacks are carried out by committed individuals or very small, close-knit groups. These attacks might be harder to detect than large-scale plots and also tend to be focused more on causing loss of life and generating attention and publicity than on causing widespread physical damage.

What about the methods employed by terrorists?

The tactics used by terrorist groups and lone-wolf operators also have changed the nature of the threat. While previously bombs were the typical means used by terrorists, these days, cars and lorries increasingly are being used as weapons against humans. The capability of both groups and lone wolf attackers is significantly enhanced by greater access to information, faster methods of communication and the relative ease of obtaining the means required committing these acts.

As the methods and motivations of terrorists change, insurers have explored innovative ways to offer clients coverage for the financial implications of an attack, as well as ways to help them cope with the aftermath of an event.

How can insurance coverages respond to terrorist or active assailant attacks?

A terrorist or active assailant attack can result not only in injuries, but also in property damage and business interruption. The terrorism insurance market is well established, but changes to both the methods and end goals of terrorists and active assailants mean that insurers have to innovate and find new ways to respond to clients' needs. As well as covering the financial loss caused by property damage, insurers can offer a range of policies that, for example, cover expenses associated with an attack by an active assailant. Insurance solutions also can cover medical and counselling expenses, and expenses related to the closure of premises, denial of access, relocation costs and public relations, among other things.

Clients also can buy insurance coverage to protect against loss of attraction, for when an event occurs close to the insured premises, or at a specified attraction, and causes the client to lose profits – even without damage to their property. Insurance can also cover business interruption and security costs caused when the threat of a malicious act to cause damage to people or property at an insured location has a knock-on effect on the client's operations. These coverages are underpinned by advice and expertise from risk and business consultancies.

What are the insurance implications of the increased use of vehicles as terrorist weapons?

Recent events have seen vehicles driven into crowds of people with the intention of causing mass casualties and loss of life. As well as the tragic consequences of these acts and the fear they engender, such events leave companies that

operate fleets of vehicles that could be hired or stolen for an attack, with increasingly complex liability exposures. Some insurers have restricted terrorism coverage in response to the changing risk, leaving fleet owners potentially exposed. But some insurers are developing innovative solutions to try to give clients risk transfer options. Our Auto Terror Protect coverage is a contingent umbrella policy that wraps around any existing motor and third party liability policies. It provides up to £20 million coverage for third parties and employees who might be injured in a terrorist attack, as well as first-party property damage for the vehicle and any goods in transit. The coverage also provides access to a range of services to help clients respond to an incident, such as medical expenses, counselling and psychiatric care costs, as well as security and public relations costs.

MAKE YOUR WORLD GO

XL Catlin, the XL Catlin logo and Make Your World Go are trademarks of XL Group Ltd companies. XL Catlin is the