



A Reinsurance Underwriters view on Terrorism

Kevin Knapman

Manchester Liability Society

Oct 2017

Proprietary Notice



The material contained in this presentation has been prepared solely for informational purposes by Gen Re. The material is based on sources believed to be reliable and/or from proprietary data developed by Gen Re, but we do not represent as to its accuracy, its completeness or that up-to-date. In particular, this information does not constitute legal advice and cannot serve as a substitute for such advice.

The content of the presentation is copyrighted. Reproduction or transmission is only permitted with the prior consent of Gen Re.



- Gen Re and Casualty Facultative
- Understanding the political and social environment surrounding terrorism
- Legal liability
- Policy liability, how to approach policy interpretation, covered or not
- Underwriting principles and terrorism
- What can I do to manage the exposure?
- Underwriting conclusions



- Gen Re.
- Casualty Facultative. knapman@genre.com, charlotte.young@genre.com
- Our exposure to Terrorism.
- Reflection on the market. Carve out requests.
- Causing us to rethink the exposure within our book. Falling back on underwriting principles.
- I don't have answers to lots of these questions. Apologies in advance for speaking in a matter of fact way about matters so dear to the heart.

Understanding the political and social environment surrounding



- Historical perspective
- Recent times – threats
 - Islamic Extremism
 - Dissident Republicanism
 - Far Right Extremism
- Possible types of terrorist attacks
 - chemical/biological
 - cyber
 - Marauding firearms
 - firearms
 - explosive devices
 - explosive devices
 - bladed, vehicle
- Recent events - floods
- Cyber Terrorism.
- Threat levels – what are they?
 - Low, Moderate

Impact and Probability of Terrorist Attack Methodology in the United Kingdom

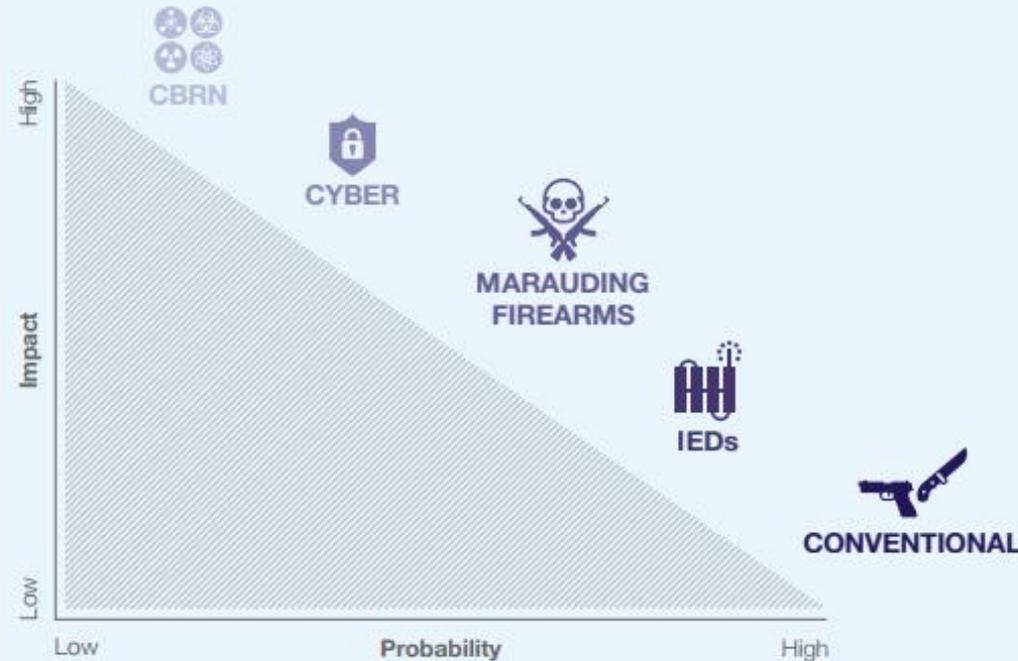


Figure 1. Potential attack methods within the UK

Understanding the impact and probability of a terrorist attack is key to responding to the terrorism risk. Some attack types, while more likely to have a high impact, are less probable due to the methodology, preparation or acquisition of materials required. Other attacks, however, are more probable due to their relatively low complexity.

Figure 1 illustrates the Pool Re assessment of potential attack methods within the UK. This forms the basis of the assessments, scenarios and predictions made within this report.



- Who is responsible and who will pay?
- Traditional lens - duty of care, breach of duty of care, foreseeable loss flowing from the proximate cause.
- Is the insured liable?
- Lots of cooks in the kitchen.
- Government advice – Run Hide Tell etc how does that affect PL and EL insurers?
- Terrorism exposure - affects all these heads of cover.
- Is the insureds action or negligence the proximate cause of the loss?
- Is this loss foreseeable?



- Is this event covered?
- Tested and designed for this type of scenario.
- Exclusions. It's ok we exclude it ... but do we exclude this event?
- Definitions - is this terrorism (definition of event), terrorism means different things to different people .
- Criminal act or deliberate act ... surely my policy excludes both.
- Costs. In addition. Paying for a test case.
- Which policy will respond? Which limit of indemnity will apply?
- Discrepancy in compensation.
- Will someone else pick up this claim?

Underwriting principles and terrorism – what else are we thinking about



- We like predictable and understandable loss scenarios.
- Understandable and tested risk environment facing our insureds.
- Managing accumulation.
- Managing tail risk.
- Definition of event – how solid is the definition of event in my policy?
- Pricing – can I accurately price this risk?
- Is the past a good predictor of the future – not really.



- Building terrorism analysis into the underwriting:
- Risk selection.
- Exposure analysis.
- Risk management.
- Access to information.
- Policy coverage.
- Reinsurance.
- Portfolio management.



- Readjustment of existing underwriting framework to new environment.
- Legal liability and policy liability – are we on solid ground?
- Is the past a good predictor of the future?
- Do I need to adjust individual account underwriting?
- Do I need to adjust portfolio management?
- Lack of predictability, lack of foreseeability.
- Fast moving environment.