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## The Dynamic Nature of Terrorism Risk and the Developing Covers Available

Gary Barlow, Terrorism Underwriting Manager

# About NMU

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NMU is an award-winning provider of insurance solutions across a range of product lines. We are the first choice for brokers, whether they are looking to secure the widest levels of cover available on straightforward wordings or for tailor-made or innovative solutions.

Our team of more than 100 specialist professionals, based in offices across the UK and Ireland, provides customers with a straight-talking, down-to-earth approach, in-depth product knowledge and real personal service.

At the heart of our business are competitiveness, service, attention to detail, innovation, flexibility and the fair treatment of customers.



- Underwriting Service Awards '**Overall Underwriting Team of the Year**' winners in 2017.
- Post Magazine Underwriting Service Awards '**Construction and Engineering Team of the Year**' winners in 2017.
- Post Magazine Underwriting Service Awards '**Transport/Freight (inc. Marine & Cargo) Team of the Year**' winners in 2012, 2014, 2015, 2016 and 2017.
- Post Magazine 360 survey '**Best for Marine and Transport**' in 2011.

# Agenda

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- Terrorism facts and a timeline of events
- The ongoing threat
- Exposures and risk perception
- Pool Re – background history, parameters of cover and restrictions
- Emerging standalone covers
- Non damage Business Interruption cover (NDBI)
- Salisbury
- The future of terrorism cover

# Terrorism Facts and Event Timeline

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# Terrorism Facts

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The 2018 TE SAT Europol Report, identifies:

- 205 (+44%) failed, foiled and completed attacks reported by nine member states.
- 107 of these were in the UK alone
- Over 900 victims
- Explosives used in only 30% of attacks
- 1219 (+22%) arrests for terrorist offences
- 412 of arrests were in the UK

# Timeline of Events

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## **March 22**

Westminster Bridge Vehicle attack

## **May 22**

Manchester Arena Suicide bombing

## **June 3**

London Bridge and Borough Market attack

## **June 19**

Finsbury Park Vehicle attack

## **September 15**

Parsons Green tube bomb

**A total of 35 fatalities and over 600 injured**



# The Ongoing Threat

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- Islamist militancy will remain the primary terrorism threat in Europe in 2018, as ISIS and similar groups seek to maintain their relevance across their global sympathisers.
- The return of foreign fighters in 2018 will continue to drive an increase in the terrorism threat. Training groups will evolve into operational cells, directly involved in attack plots.
- Security services will continue to struggle to keep up with the challenge of monitoring returning militants, an increased number of radical Islamist networks, and radicalisation of a growing Islamist prison population

# Exposures and Risk Perception

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# Exposures and Risk Perception

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- It's not just about the clients own risk perception of their business and the direct physical threat from acts of terrorism towards them.
- THINK: Would your clients business suffer financially if there was a terrorist incident within 1km of their premises, without the business suffering from any physical property loss (or in fact any loss at all being sustained from the act)
- EXAMPLE: Borough Market traders and businesses in the surrounding area suffered significant financial losses as a result of denied access and reduced custom. Many of these losses were not insured.
- **As a broker, are you discussing the evolving threat of terrorism with your clients?**

Pool Re

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# Pool Re

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- Established in 1993 in response to IRA bombings
- Market failure triggered by the Baltic Exchange bombing in particular
- Intended to respond to catastrophic 'conventional' terrorism losses on commercial property, and resultant consequential losses
- More than £600m claims paid to date
- The only exclusions are war and virus & hacking, but ultimately follows the terms and conditions that apply to the general cover.
- Does not follow any underlying non-damage BI provisions

# Pool Re

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- Follows the definition of terrorism contained in the Reinsurance (Acts of Terrorism Act) 1993

*acts of persons acting on behalf of, or in connection with, any organisation which carries out activities directed towards the overthrowing or influencing, by force or violence, of Her Majesty's government*

- Intends to respond to losses resulting from physical damage acts of terrorism only
- Plans to widen coverage but no definitive timescale in place (non-damage BI)

# Standalone Covers

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# Emerging Standalone Covers

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- Lloyds market wording LMA 3030 – recognised worldwide
- Business interruption extensions can be added, but not written in isolation.
- Does not depend on a certified act of terrorism being declared by HMT
- Covers political, religious and ideologically motivated acts of terrorism and sabotage
- Covers persons acting alone. “Lone Wolf”
- *Can* cover non-damage business interruption

# Standalone v Pool Re

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## Standalone

- Broader definition of what constitutes a terrorist act
- Worldwide capability
- Selectivity/choice
- Option of full value basis OR combined PD/BI First loss limit
- **Non-damage malicious terrorist attack can now be included by some insurers**

## Pool Re

- More restrictive definition - Reinsurance (Acts of Terrorism) Act 1993
- England, Scotland & Wales
- Not possible
- Not possible
- Relies on physical damage trigger

# Non-damage Business Interruption (NDBI)

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# Non-Damage Business Interruption (NDBI)

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- Many markets are still yet to address this significant gap in cover
- Denial of Access & Loss of Attraction is available in the market, but non consistent coverage between insurers
- Cover intends to remove the physical property damage trigger of a conventional terrorism wording

# Non-Damage Business Interruption (NDBI)

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Some words of caution:

- There is still a misconception in the market surrounding the definition of non-damage. Some insurers promote non-damage cover as meaning non-damage to the insured property, but still require a damage trigger within the defined radius.
- May not address the ongoing loss of custom / footfall after the cordon is lifted (loss of attraction).
- Always read the policy wording and extensions in detail to ensure the client is buying the correct level of cover and covers the risks and exposures they are concerned about

# Salisbury

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# Salisbury

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- A targeted assassination attempt rather than an act of terrorism
- State sponsored or rogue agent?
- Not directly intended to put the public in fear
- Where non-damage BI was provided by the primary insurer, a chemical exclusion prevailed.

# Salisbury

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# The Future of terrorism cover

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- Increasingly competitive market place- good for clients/policyholders
- Wider levels of cover will become available
- Property damage caused by cyber means
- Fleet – various offerings covering PD, BI and liability
- Online trading

# Q & A

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Any questions?

Or please contact:

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Thank you

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