Terrorism & Political Violence
Quarterly

Complementing the annual Terrorism and Political Violence Risk Map, Aon’s terrorism and political violence newsletter is developed in partnership with The Risk Advisory Group, a leading independent global risk consultancy that helps businesses grow whilst protecting their people, their assets and their brands. The newsletter is released on a quarterly basis and provides insight into changing threat levels globally as well as profiling specific sectors and countries.

General overview
Since the launch of the Aon 2016 Terrorism and Political Violence Risk Map in April 2016, the failed coup in Turkey (see country profile) and the ongoing threat of terrorism in Western Europe and North America have emerged as headline terrorism risk developments. The rising threat and incidence of terrorism in Western Europe was raised in the 2016 Map; over the course of 2016 this threat has endured.

While France remains the most affected country (see country profile), there have also been attacks and arrests in Germany and the UK. The terrorism threat in Western Europe has led to heightened concerns among first responders as well as businesses anxious about the potential impact on their people and operations from terror events.

Based on Risk Advisory and Aon’s TerrorismTracker data, there have been 36 terrorist attacks in Western Europe in 2016 to date. This is a clear change from the period 2012-2015, when there were between 25 and 31 attacks on an annual basis; 2016 has already been a very active year for terror groups operating in Europe, with indications that the US is seeing an increasing frequency of attacks.

From an insurance perspective, the trend towards mass casualty attacks rather than high explosive attacks means the human cost and business interruption impacts can outweigh those associated with damage to assets. It also places a much greater emphasis on effective crisis management in order to minimise the potential for an attack to affect your people and operations.

In the coming years terrorism – in addition to societal problems such as the refugee crisis and the associated nationalism and extremism – is likely to impact the security risk in Western countries, resulting in greater risks relating to unrest and targeted activism.

Rating changes

**Upgrade**
- Burkina Faso
- Kazakhstan

**Downgrade**
- Angola
- Bahrain
- Canada
- Denmark
- Ghana
- Montenegro

Registrations hit peak
The Aon Risk Map Portal has now gained over 10,000 registrations. For more information or to view the portal click on the following link:

https://www.riskmaps.aon.co.uk/
**Sector:** Retail

**Recent terrorism incidents and threats**

04.10.2015  Ecatepec - Attackers firebombed a car dealership in Ecatepec, near Mexico City, on the evening of 4 October. There were no reports of injuries, but several cars were destroyed in the attack. The Earth Liberation Front claimed responsibility for the attack, saying that it was ‘to show that we have not given up our fight against all those who dare to destroy the Earth and it’s inhabitants [sic]’.

01.07.2016  Dhaka - Seven attackers killed 22 people at the Holey Artisan Bakery in the Gulshan 2 area of Dhaka in the evening on 1 July. The attackers took several of the customers hostage and killed most of their victims with knives and machetes. Among the victims were two police officers, seven Japanese citizens, nine Italians, an Indian and an American. Security forces killed six of the attackers and arrested the seventh. On 3 August they also arrested two survivors on suspicion of helping the attackers. Islamic State (IS) claimed responsibility for the attack.

**The threat environment and patterns of violence**

So far in 2016, TerrorismTracker data shows that there have been at least 177 direct attacks on businesses, 15% of which targeted or directly impacted retail. TerrorismTracker has recorded 26 attacks on retail businesses in 2016. Most of these occurred in Latin America and India, where far-left and revolutionary groups, like anarchists and Maoists are most active. Risk Advisory also recorded attacks in Germany and the Philippines, but the worst single event affecting retail was a truck bombing at a mall in Iraq.

The majority of incidents affecting the retail sector often appear to be the result of attacks aimed at another target - mostly civilians or police - rather than the business themselves. Openness, limited security and dense crowds makes retail areas an attractive target for terrorists intent on inflicting casualties. So far in 2016, Risk Advisory has recorded 502 attacks against ‘public gatherings’ (densely crowded public spaces), of which 249 were in or near retail areas such as markets and malls. Most attacks affecting retail in the last year were bombings or shooting attacks in busy public areas near shops and other retail premises.

TerrorismTracker data shows a strong tendency for far-left and revolutionary groups to avoid civilian casualties compared with other terrorist typologies. Only three of the above mentioned attacks on crowded retail areas were attributable to far-left and revolutionary groups. In 2016 so far, 13% of far-left and revolutionary groups’ attacks targeting businesses have been fatal. Attacks by such groups appear primarily aimed at causing material damage. On 15 March, an anarchist collective claimed responsibility for firebombing three vehicles owned by a prominent appliance retailer in Berlin. The attack resulted in no casualties, but destroyed the vehicles. The perpetrators threatened further similar attacks.

IS claimed the deadliest attack so far this year against retail. On 3 July a suicide – truck bomb blast killed at least 324 people and injured over 200 others at a shopping centre in the Karrada district of Baghdad. The blast and resulting fire completely destroyed the three-storey complex, and many surrounding buildings. Islamist groups, including IS, have called for such attacks in the West. In 2015, two British nationals were convicted of terrorism offences for allegedly plotting a bomb attack at a shopping mall in London.

**Insurer appetite and reactions**

Retail across all countries (both higher risk and benign geographies) has always been a higher risk target – particularly major malls. Business interruption exposures always need to be carefully managed by insureds (deductibles, waiting periods), but this is especially so in the current climate in order to balance appropriate coverage and premium. The expectation is that, in emerging markets, shopping malls include a broader selection of tenant types, including banks and foreign and consular offices. Insureds should anticipate underwriters reviewing tenant type in these geographies in detail to consider asset specific risk. Clients will get the most representative premiums when they are able to illustrate the actual risk (spectrum of tenants) and so their potential exposure. Anchor tenants will need to be understood by underwriters as these are the most visibly exposed within the mall as a whole.

“Attack the interests of the Crusader coalition near you, including their embassies, businesses, and civilians”

*Quote from IS militant in Dabiq magazine released on 29 July 2016*
Country: Turkey

Recent terrorism incidents and threats

13.03.2016 Ankara – More than 37 people died and 125 other were injured in a car bombing at a major public transportation hub in the city centre. Most of the victims were civilians. The TAK, a Kurdish separatist group, said it was behind the bombing, which was one of its deadliest in terms of civilian casualties.

28.06.2016 Istanbul – A triple suicide attack at Istanbul’s Ataturk International airport killed at least 44 people and injured 230 others. The authorities suspect that IS militants from Russia or Central Asia were responsible.

The threat environment

The terrorism and political violence risk rating for Turkey is high. There is an elevated risk of terrorism and political violence. Due to greater political instability, and the ongoing Kurdish insurgency in the southeast. The country has become more politically unstable since a failed coup attempt by members of the armed forces on 15 July. While the immediate to near-term risk of another military-led coup seems low, Risk Advisory assesses that there is a rising risk of political challenges to the president in the coming year, such as violent protests.

The scale of the government’s crackdown following the coup – including firing 100,000 people across state sectors and education – will probably make Turkey more unstable in the long-term, by turning more people against the government. In the coming year, the risk of civil unrest, such as violent protests, will probably also increase. And the government’s ability to manage this scenario is falling. The cohesion and effectiveness of the security services and other organs of state will probably suffer as a result of these purges.

The terrorism threat in major cities has also risen this year. Risk Advisory assesses it will almost certainly remain high throughout 2016. More people have died in terrorist attacks in Turkey this year than in any other year in the past decade. This is partly because IS has conducted several mass-casualty attacks in public spaces and against foreign interests in Turkey. This includes a triple suicide attack at Ataturk international airport at the end of June, and two other mass-casualty bombings in Istanbul.

The Kurdish separatist group, the PKK, and its affiliate TAK, have also carried out more frequent and larger-scale terrorist attacks in major cities in 2016, compared with last year. These include two suicide car bombings in crowded public transportation hubs in Ankara in February and March. Neither the Turkish government nor Kurdish militant groups have given any indication that they are prepared to end the conflict at this stage. Finally, there is also an elevated war risk following the start of Turkish military intervention in Syria at the end of August. This will probably worsen the PKK conflict in the southeast, and sustain the threat of retaliatory terrorist attacks by IS.

Insurer appetite and reactions

Although there is substantially more caution surrounding Turkey within the last 12 months, due to the increase in IS and PKK activity as well as the recent coup attempt by the Turkish military, the market reaction has been milder than anticipated. Only those risks situated within urban areas have sustained an apparent loading.

Turkey is traditionally a “strikes, riots, civil commotion, malicious damage” (SRCCMD), market. Recent months have seen more clients seeking the broader political violence coverage; local appetite has changed and there is a corresponding uplift in premiums, particularly in the southeast of the country. With more clients opting to purchase the full War cover, aggregate is becoming more restrictive and this will contribute to an increase in the rate. Turkey remains a challenging market with the risks warranting the premium increase.

Those assets located near the Syrian border in particular are at a higher risk, though the retail industry presents itself as the prime target for IS to cause the maximum number of casualties.

“This coup is a gift from God... it will allow us to cleanse the military”

President Recep Tayyip Erdogan, 15 July 2016
Recent terrorism incidents and threats

13.06.2016 Magnanville - A man stabbed and killed a police officer before taking his wife and child hostage on 13 June. The attacker murdered the officer’s wife before police killed him. IS claimed the attack.

14.07.2016 Nice - A man killed 84 people and wounded at least 123 others, when he drove a truck through crowds during a Bastille Day fireworks display on the Promenade des Anglais on 14 July. Police shot and killed the attacker at the scene. IS claimed responsibility for the attack on 16 July, although French police have said the man did not have any connections to jihadist or Islamist terrorist groups.

26.07.2016 Saint-Etienne-du-Rouvray - Two armed attackers killed a priest and wounded another person at a church on 26 July. The attackers took five people hostage before police shot and killed them at the scene. The two men had pledged allegiance to IS.

The threat environment

Since the release of our TPV ratings in January 2016, the overall terrorism and political violence risk rating for France has not changed. However, the terrorism threat in the country has increased. While there is a minimal risk of armed conflict or regime instability in the country, there is a severe terrorism threat. There have been seven terrorist attacks in France so far in 2016, according to TerrorismTracker data. This includes the deadliest ever attack using a vehicle as an improvised weapon, which occurred in Nice on 14 July.

Following that attack in Nice, the French president announced a three-month extension to the state of emergency in place in the country. It was initially implemented after the 13 November IS-claimed attacks in Paris. Since November, the French authorities have raided more than 3,600 houses. There have been five terrorism-linked prosecutions. But questions remain over the ability of the French authorities to detect and prevent attacks in the country and what reforms may be required to improve counter-terrorism efforts.

Insurer appetite and reactions

With a series of terrorist attacks across the country over the last two years, France presents a challenging environment in which to understand where the risk is crystallising, and so how to underwrite it. Implications in French law overriding market-standard exclusions means the London Market is still reluctant to offer direct Terrorism coverage in France, and it is currently offered as Reinsurance only. While France remains part of Europe and so benefits from a European appetite from underwriters on a Reinsurance basis, premiums are hardening in certain instances. If the risk is part of a global portfolio then pricing is more likely to follow market trends for terrorism premium. For single French assets and for wholly French portfolios, premiums may not follow the same trend and clients may see flat to increasing premiums depending on the asset type and the location, but for the most part these risks are covered by GAREAT via the All Risks Property market.

“The strategies and tactics of terrorists rely to a significant extent on the difficulties faced by European states in building a concerted and effective counter-terrorism program.”

Georges Fenech, French Parliamentary Committee report on counter-terrorism, 5 July 2016
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About Aon

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