The changing face of terrorism

Responses to an evolving dynamic
With renewed urgency

Following a spate of deadly terror attacks in France and a foiled plot in Belgium, the spotlight has once again been turned on the vulnerabilities of global business to the rising threat posed by terrorism.

While proclaimed ‘jihadi’ terror attacks remain largely confined to Muslim countries globally, there is heightened concern in Europe and North America that those motivated by radical ideology and opposition to Western interventions in Asia, the Middle East and North Africa may look to attack domestic targets.

“Statements by counter-terrorism officials suggest the threat from Islamist extremists in Western countries has rarely, if ever, been as high as it is now,” Henry Wilkinson, Head of Intelligence and Analysis at The Risk Advisory Group warns.

As Scott Bolton, Aon’s Director of Business Development and Network Relations within Crisis Management explains, European and North American businesses face exposure to two distinct sets of potential attackers: returning extremists and home-grown radicals.

“The first set comprises those returning from conflict zones, Syria in particular, and tend to be in tune with the broader strategic aims of groups such as Islamic State and Al-Qaeda”. They often have combat training or experience and some may possess bomb-making skills, explains Bolton, but are also more likely to be on the radar of security services upon their return. The Kouachi brothers who attacked the offices of Charlie Hebdo fall into this category.

The second group comprises “those who have been self-radicalised by extremist ‘jihadi’ literature online”, says Bolton. While they tend to be less capable than returning extremists, with limited training and strategic capability – often resorting to attacks using vehicles and weapons immediately to hand - they are also more likely to have flown under the radar of domestic security services. Bertrand Nzohabonayo, who attacked French police with a knife in December, wounding three before being shot dead, falls into this category.

“The threat is diverse and the correlation between the threat to Western countries and conflicts and crises overseas is clear,” says Wilkinson. “And it is apparent that these crises, not least in Afghanistan, Libya, Nigeria, Pakistan, Somalia and Yemen, will remain integral to global terrorism risk for years to come.”

And the threat is not an insignificant one. According to data from Terrorism Tracker – a collaborative project between Aon and The Risk Advisory Group – globally businesses are affected by terrorism on average twice a day.
Changing targets

Targets of the new breed of terrorists differ from those of older, domestic terrorist groups such as ETA and the IRA. Rather than focusing on the organs of state - government buildings, financial and infrastructure targets, the army, police and judiciary – modern jihadi extremists are opting for soft, civilian targets, says Bolton.

“Property is no longer the only exposure at risk. Civilian casualties are now the primary target, increasing the focus on liability and casualty exposures,” says Bolton.

“These new attacks are about terrorising a community and widening ethnic and religious divisions within the target country. Their aim is to attract and push still further disaffected individuals to the cause, while deepening existing divides,” he adds.

“The attack on a magazine and supermarket in Paris showed that as a facet of everyday life, businesses are often directly exposed to terrorism risk. And they may be direct targets because of what they do, or their perceived associations,” says Wilkinson.

Bolton warns that active shooter attacks, such as those that took place in Paris, are more likely in the current climate; although knife and car attacks may be regarded as the most expedient form by jihadists in countries with restrictive gun laws. Bombings, which require greater technical know-how, are less likely; although those returning from conflict zones may yet seek to carry out such attacks.

### Breakdown of attacks in 2014

![Pie chart showing the breakdown of attacks in 2014](chart.png)

- **Bombing**: 32%
- **Armed attacks (includes siege and barricade attacks)**: 26%
- **Assassinations (includes both armed attacks and bombing)**: 22%
- **Explosive projectiles**: 20%
- **Kidnappings / hostage takings**: 14%
- **Other**: 10%
- **Arson & sabotage**: 10%
- **Utilities**: 9%
- **Oil**: 9%
- **Electricity**: 9%
- **Retail**: 9%
- **Media**: 9%
- **Construction**: 9%
- **Tourism**: 9%
- **Transport**: 9%
- **Agriculture**: 9%
- **Mining**: 9%
- **Finance**: 9%
- **Telecommunications**: 9%
- **Agriculture**: 9%

Source: Terrorism Tracker – a collaborative project between Aon and The Risk Advisory Group
Forward thinking

Bolton says that employers already have the opportunity to take active steps to respond to the rising threat of active shooter attacks, while providing employees with clear guidance regarding what to do in the event of a terrorist incident. In locations where there is an increase in local threat levels, employers should consider reviewing security and the training tools available to educate their people about active shooter response. Without preparation there remains the potential for liability and casualty claims in the event that the worst should happen.

Forward planning to control access to employees and company infrastructure and close cooperation with local law enforcement are essential in order to deter and respond to such attacks, says Bolton. He cautions that companies can do little to avert or resolve future terror incidents, but they can take steps to improve their defensive position and response.

Preparing your company against attack

Anticipate

• Monitor threat levels and potential flash points
• Liaise with local police to understand the threat and precautionary measures

Prepare

• Ensure appropriate security and access controls are in place, with options for increasing these if there is an increased threat
• Familiarise staff with evacuation best practice (the Run, Hide, Fight approach, as advocated by US Homeland Security and shelter on-site are options employers should consider)
• Ensure that measures are in place to engage with local police for an appropriate response in the event that an incident occurs
• Review how you can lock down horizontal and vertical movement within your building to limit access should an attacker target your building (such as shutting down lifts, reducing/locking down access points) – clearly this needs to be balanced with health and safety and evacuation planning

Respond

• If an incident occurs, work with the police to respond promptly and fully – they will have primacy over the resolution of any incident
• Be prepared to provide police with site plans and access to the building, its utilities and any CCTV feed

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Looking ahead, Bolton believes that there is potential for further attacks. In light of ongoing conflicts in Iraq and Syria – as well as places such as Somalia and Yemen - and continued efforts to radicalise domestic jihadists, the prospect of further terrorism incidents in Europe and North America appears high, he says. Companies will need to be vigilant and consider their exposures closely; do not assume that relative anonymity will offer protection against being targeted, he says. Simple planning, employee familiarisation and training and liaison with local police about threats and their response, are appropriate steps open to all employers.

Aon’s Crisis Management team continues to monitor developments and is working closely with clients to develop crisis response and risk transfer solutions that respond to, and reflect, the changing terrorism risk landscape.

Aon’s view is informed by its work with leading independent global risk management consultancy, The Risk Advisory Group and its annual Terrorism and Political Violence Map, with the latest edition due to be launched in April.

### Attacks by sector 2014

- **Retail**: 32%
- **Transport**: 26%
- **Oil**: 9%
- **Construction**: 5%
- **Media**: 5%
- **Tourism**: 5%
- **Telecommunications**: 1%
- **Mining**: 1%
- **Utilities**: 2%
- **Finance**: 3%
- **Gas**: 3%
- **Agriculture**: 3%
- **Electricity**: 3%
- **Other**: 2%

Source: Terrorism Tracker – a collaborative project between Aon and The Risk Advisory Group

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State terrorism pools and their limitations

For those firms considering government-backed terrorism coverage, it is worth bearing in mind that there are significant differences in limits, triggers, deductibles, options on participation and those lines of business that are covered, says Bolton. There is even divergence regarding how terrorist acts are classified, with evident implications for those relying on state-backed coverage.

Bolton warns that companies should closely consider where and how they are exposed before engaging with what can be more restrictive domestic terror pools. In many instances, by approaching commercial markets such as Lloyd’s, companies may find more appropriate and comprehensive solutions to their terrorism exposures, says Bolton.

An overview of a selection of government-backed terrorism pools

<table>
<thead>
<tr>
<th>Country</th>
<th>Name of pool</th>
<th>Scope of cover</th>
<th>CBRN coverage</th>
<th>Limits offered</th>
<th>Compulsory?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>Australian Reinsurance Pool Corporation</td>
<td>Property/business interruption and public/products liability contracts that include terrorism</td>
<td>CB</td>
<td>Full limit in line with covered perils</td>
<td>Yes</td>
</tr>
<tr>
<td>Belgium</td>
<td>Terrorism Reinsurance and Insurance Pool</td>
<td>Property damage and business interruption for Belgium only</td>
<td>CBR</td>
<td>USD 87 million</td>
<td>Yes for small and standard properties</td>
</tr>
<tr>
<td>France</td>
<td>Gestion de L'Assurance et de la Reassurance de Risques Attentats et Actes de Terrorisme</td>
<td>Covers France and French overseas territories. Property and business interruption, if already covered for fire. Marine, aviation and transport risk are excluded.</td>
<td>CBRN</td>
<td>As per fire or property policy</td>
<td>Yes</td>
</tr>
<tr>
<td>India</td>
<td>Indian Market Terrorism Risk Insurance Pool*</td>
<td>Property and business interruption, but only in conjunction with riot, strike and malicious damage cover.</td>
<td></td>
<td>USD 250 million for one risk</td>
<td>No</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Indonesian Terrorism Insurance Pool*</td>
<td>Covers all property and also supports terrorism and sabotage. Business interruption, civil commotion, strikes, civil war and war are excluded.</td>
<td></td>
<td>USD 8.9 million</td>
<td>No</td>
</tr>
<tr>
<td>U.K.</td>
<td>Pool Re</td>
<td>Commercial property in England, Scotland and Wales. Excludes war and cyber risk.</td>
<td>CBRN</td>
<td>As per property policy</td>
<td>No</td>
</tr>
<tr>
<td>U.S.</td>
<td>Terrorism Risk Insurance Act</td>
<td>All commercial property and casualty lines. Annual aggregate limit of USD 100 billion, with insurer deductible of 20% of prior year premium and co-insurer retention of 15%. Industry trigger and co-insurance will be increased to USD 200 and 20% (USD20M and 1% increments for the next five years).</td>
<td>CBRN (but limited)</td>
<td>USD 100 billion annual aggregate above USD 100 million deductible</td>
<td>Yes** for certain P&amp;C lines</td>
</tr>
</tbody>
</table>

* No direct government involvement
** Exclusions apply to: commercial auto, financial guarantee, burglary, surety, professional liability, farm owners multi-peril and crop, life, health, medical malpractice, personal lines of insurance or reinsurance.
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Aon’s Crisis Management practice helps you quantify and qualify your exposure to the threats of terrorism, kidnap, extortion, product contamination, product recall, piracy and political risk – ensuring you have the most appropriate and cost effective risk management strategy.

Terrorist attacks, high profile kidnappings, extortion, political insurgency or employee litigation are some of the growing risks that companies face. They could affect your organisation’s workforce, property and contracts and have a significant impact on business operations and shareholder value.

About Crisis Management

How rapidly and effectively you react in a crisis is critical. It can make the difference between recovering well, or not at all.

Aon’s Crisis Management practice has a unique, consultative approach that helps you quantify and qualify your exposure to the threats of terrorism, kidnap, extortion, product contamination, product recall, piracy and political risks, and helps ensure you have a robust and comprehensive strategy around risk retention, mitigation, transfer and management.

Crisis Management creates innovative, bespoke solutions, delivered through a combination of insurance market expertise and risk management strategy to help you protect your people, assets and brand.
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