Product Innovation
Crisis Management
Aon London Global BrokingCentre

The nature and complexity of Terrorism continues to evolve, and as a consequence, the London Market has developed an array of specialist niche products to better mitigate the vulnerabilities of global businesses.
Evolving Risks

In the fifteen years since September 11, 2001, the nature and complexity of terrorism has evolved significantly. The so-called ‘Islamic State’ now poses the greatest threat to Western nations. The group has used the internet and social media to both recruit and radicalise foreign fighters, with the aim of encouraging their supporters to carry out attacks under the Islamic State banner.

In consequence the US and Europe there has experienced a number of ‘lone wolf’ attacks, where the focus has been to generate mass casualties; these have not resulted in significant property damage. Recent events such as the Nice truck incident, Orlando nightclub shooting and Minnesota Mall stabbings demonstrate simple but effective methods of attack requiring minimal expertise or support from the core terrorist group; the Nice attack killed almost as many as the complex active shooter/suicide bomber attack, using only a hire truck.

Attacks have focused on urban areas in areas that offer simple access to high concentrations of civilians; the retail, hospitality and transport industries in particular should considered as prime targets for further terror attacks.

“2015 was the most lethal year for terrorist violence in Europe in nearly a decade”

Risk Advisory Group

Product Innovation

The traditional property damage and business interruption terrorism coverage remains the cornerstone for any insurance programme. However, the evolving nature of attacks and broader spectrum of impacts requires the market and client to reconsider the scope of current coverage and the support these deliver to an organisation’s people, operations or assets.

The market has been proactive in developing a range of niche products that provide a solution to the complex nature of the terrorism risk, facing Risk Managers, specifically focusing on loss scenarios that may have a non-property damage trigger.

Key examples of coverages available include:
- Threat
- Active Attacker
- Loss of Attraction
- Cyber
Threat

The development of a new breed of terrorists targeting civilians has resulted in heightened anxiety, with companies impacted by the threat of an attack, as well as the attack itself potentially generating significant business interruption.

In response, the market has developed a solution that ultimately supports businesses in delivering appropriate pre-emptive measures in order to mitigate the impacts on people and operations.

Scenarios

- Direct threat of an imminent attack to a shopping mall
- Threat to a nearby asset that prevents access to a scheduled property (e.g. hotel/supermarket/airport)

Coverage

**Trigger:** A verifiable threat to persons or assets at a scheduled location (no physical damage required). Motivation of the threat includes both terrorism and malicious intent

**Cover:** Indemnity against loss of revenue for the length of time the business is interrupted. Extended to provide financial relief if action is taken by order of any civil, legal or military authority. Specifically:

- Evacuation: one or more of your premises evacuated
- Emergency Lockdown: staff or the public are prevented from leaving your premises
- Denial of access: access to your premises is prevented by order of a civil or military authority

Market Capacity

**London Lloyds capacity:** circa USD50m capacity is subject to individual risk analysis and aggregate availability at the time of binding.

Target industries

Primarily:

- Hospitality
- Retail
- Entertainment
- Sports

- Transport
- Financial
- Healthcare & Education
- Heavy industries
Active Attacker

The increasing number of ‘lone-wolf’ attacks worldwide has prompted markets to offer appropriate cover for businesses for events such as these. Property damage is no longer the main exposure; civilian lives are now the primary target, increasing the focus on liability and life exposures. The coverage provides a solution in the event that there are multiples casualties without the requirement for a property damage trigger.

Scenarios
- Lone shooter or group; disaffected employee
- Shooting at educational institutions
- Guns, knives, grenades, backpack bombs
- Other improvised weapons including vehicles

Key example of an active attacker event: June 2016 Orlando nightclub shooting

Coverage
**Trigger:** A terrorist or malicious physical attack resulting in any direct physical damage or bodily injury or death at an insured location. Attacker may or may not be affiliated with a terrorist organisation

**Cover:** Business interruption with or without property damage can be arranged for:
- Property damage and business interruption, public relation costs, relocation expenses, counselling or psychiatric costs, medical expenses, job retraining, recruitment, additional security measures and any other expenses deemed reasonable by Insurers.
- Liability in the event that the Insured is held responsible following an active attacker event due to inadequate security or response

Target industries
**Primarily:**
- Hospitality
- Retail
- Sports & Entertainment
- Transport
- Healthcare & Education

Market Capacity
**London Lloyds capacity:** circa USD70m capacity is subject to individual risk analysis and aggregate availability at the time of binding
Loss of Attraction

While a client’s assets may not be the primary target, an attack within the vicinity could have significant financial repercussions. In the current threat environment, urban areas with a high density of businesses and people are prime targets for attacks. Organisations operating within the proximity to an attack, may not be affected physically, but could suffer a downturn in revenue as a direct result of the incident through disinclination by people to travel to the area.

Scenarios

Loss of revenue at a hotel following an attack at a theme park within a specified radius or named in the policy, if trade dependent on this

Coverage

Trigger: An insured peril occurring at a location within a specified radius of the insured’s premises or at a pre-named attraction property

Cover:
- Indemnification for the downturn in revenue/turnover to the insured without property damage as a direct result
- The client need not be a target to be affected
- Pre-named attractions can include airports/ train stations/ theme parks
- Defined targets

Key fact

It was recently reported that Paris alone has seen an 11.5% decline in foreign tourism for the first half of 2016, with hotel bookings dropping 8.5%

www.bbc.co.uk, 2016

Target industries

Primarily:
- Hospitality
- Retail
- Entertainment & Sports
- Education

Market Capacity

London Lloyds capacity: circa USD50m

Capacity is subject to individual risk analysis and aggregate availability at the time of binding
Cyber

Criminals are becoming increasingly technologically articulate; the risk of malicious cyber-attack is now higher than ever for all businesses. An attack can impact a company in many ways; for those in the heavy industry sector, causing shut-down and property damage, to the potential for data breach in organisations who possess sensitive or client-personal information.

Key examples

2014 German steel mill suffered cyber attack, creating overheating and a requirement for unscheduled shut-down, generating a multi-million EUR loss.

Coverage

Trigger
- Electronic system by any group/individual acting with malicious intent
- External infiltration and compromise of security protections to a company’s electronic systems, by any group or individuals acting with terrorist motivation and/or malicious intent

Cover
- Property damage including: explosion, fire, machinery breakdown, stock
- Business interruption following a property loss, including Operators’ Extra Expense and non-damage business interruption
- Environmental liability
- Digital asset restoration – SCADA (supervisory control and data acquisition) systems and operational software
- Crisis management costs
- Bodily injury
- Threat extortion

Market Capacity

London Lloyds capacity: circa USD350m capacity is subject to individual risk analysis and aggregate availability at the time of binding.

Target industries

- Heavy industry
- Power - generation & distribution
- Oil and Gas - Upstream, Downstream, Midstream including Petrochemicals
- Mining
- Utilities
- Manufacturing & Fabrication
- Transportation
Broker Innovation: Alpha

Building on an established portfolio, the Aon Terrorism team has created a new and exclusive Terrorism and Political Violence solution – Alpha. Alpha is a truly global facility, unique to Aon and its international clients.

Outstanding coverage

Market-leading wording and broad coverage for property damage and business interruption for the following perils:

- **Terrorism** (including sabotage) &/or SRCCMD &/or Terrorism Liability
  Max Limit: USD 500 million

- **Political Violence** - Max Limit:
  USD 250 million

Extensions can also be provided beyond the market standard.

Process

Lead insurers QBE and XL Catlin compete for North America and Canada domiciled risks, whilst Chaucer and Liberty lead the International panel. Follow markets take a quota share of lead capacity. Maven has the ability to bind all markets simultaneously.

Competitive pricing

Follow markets bind at a **10% reduction** on the lead premium, offering a competitive composite premium.

Security rating

Clients are able to benefit from the expertise of **100% Lloyds capacity** and A+ Lloyd’s rated security.

Additional services

Free access to **Terrorism Tracker**, an interactive, online database of global terrorist incidents and our monthly terrorism newsletter; and a copy of, and access to, Aon’s Terrorism and Political Violence Map.

Risk. Reinsurance. Human Resources.
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