

THE ULTIMATE GUIDE TO TERRORISM INSURANCE



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The threat of terrorism is constantly evolving. Hijackings or public attacks in crowded areas are still perhaps the most feared form of attack. But we're now facing new forms of terrorism, from chemical and biological compounds through to cyber-attacks.

Let's start off with this: terrorism is not likely to affect your business. It's significantly less likely than a flood, theft or a public liability claim. But should the worst happen it could devastate your business.

It's true that MI5 has more than 3,000 subjects of interest on its watch list, but 80% of the plots were disrupted by western intelligence agencies. In the UK, the chances of being killed in a terror attack is [one in 2.2million](#).

You're 275 times more likely to be killed in a traffic accident. But it's the uncertainty and brutality of terrorism that unsurprisingly strikes fear in everyone's hearts.

There have been many studies and reports [analysing the impact of terrorism](#) and the inherent fear it incites. Robert L. Leahy, Director of the Institute for Cognitive Therapy NYC, [noted that](#): "Terrorism is more a political and psychological weapon than a true military strategy to achieve the subordination and defeat of the enemy."

◆
**Less than 3% of SMEs
take up any terrorism
cover at all**

[Source: BIBA]

◆
**Only one in five
businesses have
terrorism insurance**

[Source: Pool Re]

◆
**Since March 2017,
there have been
five terror attacks
in London and
Manchester alone**

[Source: Victim Support]

◆
**84% of people think
an attack on British
cities is likely, yet only
12% of people think
there's a high chance
themselves or their
family and friends will
be hurt in an attack.**

[Source: YouGov]

◆

WHAT IS TERRORISM?

Terrorism is defined as “the systematic use of violence to create a general climate of fear in a population and thereby to bring about a particular political objective.” Terrorism is not the same as extremism, though the terms are sometimes used interchangeably. Extremism is defined as “vocal or active opposition to our fundamental values.” Whilst sometimes this can result in violence and terrorism, not all extremist groups will react in this way.



Terrorism is not a new thing. And it's not an increasing danger. Far fewer people in the UK are killed by terror now when compared to the 1980s. But it is evolving. Keeping informed of potential new types of terrorism and ensuring you won't lose your business in the aftermath of an incident is vital to minimising the impact and fear of terror.

WHAT IS 'MODERN TERRORISM'?

Advanced technology has made it possible for terrorists to launch attacks across the world. The increase in cyber weapons is likely – they're low risk, low cost and high impact compared to “traditional” methods of terrorism.

High tech car bombs or missiles can be operated without risk to the operator. As these technologies adapt and become more advanced, we may see a rise in “remote” terror attacks.

Technology also makes it much easier to find information – meaning the creation of chemical weapons and bombs aren't just left to an expert. This could lead to an increase in lone wolf amateur attacks.

The dangerous use of social media is also a key factor. It's easier than ever for terrorists to find and create resources and share propaganda to recruit new people. Recognising signs of terrorism and knowing how to report it is key to assisting the authorities in preventing attacks.

THE HISTORY OF UK TERRORISM INSURANCE

You might not think of the Gunpowder Plot of 1605 as terrorism, but historically significant acts of terrorism can be seen throughout the timeline of British history.

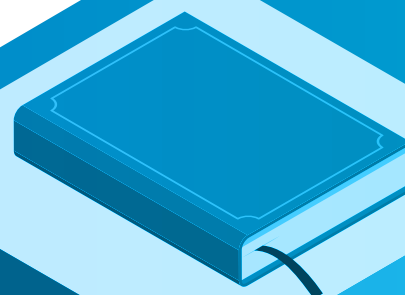
In January 1993, following the Baltic Exchange bomb, all UK insurers stopped including terrorism coverage on commercial insurance policies. Pool Reinsurance Company Limited was established as a result.

Pool Re is owned by UK property insurers but backed by a loan agreement with HM Treasury. It offers reinsurance for terrorism only when it's written in conjunction with a property or construction policy.

Specific terror cover now must be requested from an insurer, who can reinsure it to Pool Re. There are some cases where the claims process varies, but you should always discuss your claim with your insurer directly in the first instance.

Whereas in the early 90s terror cover was automatically included in many insurance policies, nowadays terror cover has to be sold separately. This means that many businesses either elect not to purchase this type of cover, or they don't know they need it. You may feel invincible, but an attack could happen to anyone.

While some commercial property policies do include various levels of terrorism cover, many of these have exclusions. Each policy could be entirely different to the next so always speak to your insurer or insurance broker to find out what cover you really need.



WHAT INSURANCE OPTIONS ARE AVAILABLE?

POOL RE MEMBERS

Nearly all UK property insurers are members of Pool Re. Any authorised insurer can request a membership but, once they join Pool Re, they cannot retain any terrorism accounts themselves. If there is a claim, the insurer can then recover the cost from a retention allocated by Pool Re.

OTHER INSURANCE PROVIDERS

While Pool Re's terms are fixed, other insurers may be able to offer different prices dependent on the level of cover requested. Some insurers offer cover that Pool Re can't, such as first loss sums insured (an agreed maximum sum insured per loss), loss of attraction or overseas cover. Other insurance providers might not require the Government to certify the incident as an Act of Terrorism. So if there's a hoax or a threat, you'll be covered.

If you have businesses running in ten locations, for example, but only want to insure one or two against terror cover then you need to seek out options from insurance providers. Pool Re and its members adopt an "all or nothing" policy, which might not be suited to everyone.

WHAT IS THE GOVERNMENT CONTEST SCHEME?

By 2021, an Information Sharing Platform (funded by Pool Re and delivered by Counter Terrorism Policing) will be a further tool for businesses to use.

It will enable businesses, particularly SMEs, to access up-to-date information on terrorism.

This includes risk mitigation advice, training, forums, real-time advice if an attack happens and much more.

WHAT IS THE COUNTER-TERRORISM AND BORDER SECURITY ACT 2019?

The Counter Terrorism and Border Security Act is a change in the law that is designed to strengthen the resilience of businesses if terrorism occurs.

It allows Pool Re to provide cover for Non-Damage Business Interruption.

Business Interruption cover was previously only applicable when physical damage was present, forcing the business to close for an extended period. But there was a large gap in the insurance industry for businesses forced to close due to terrorism, despite no physical damage.



MYTHS ABOUT TERRORISM

◆ I DON'T LIVE IN A CITY, SO I'M UNLIKELY TO BE AT RISK

Whilst cities are still considered key targets, terror attacks have been known to happen in urban areas too. As technology advances and the threat of cyber terrorism rises, it's likely attacks won't be confined to busy cities.

◆ I'M AN SME – MY BUSINESS WON'T BE A TARGET

No, you probably won't be. But your business may have to close due to an area being cordoned off. Terrorists aren't going to care about your small business, so it's up to you to make sure you're protected against the 'what ifs'.

◆ TERROR COVER IS TOO EXPENSIVE

As with many types of insurance, it's a risk. You might pay out for critical illness cover for decades and (hopefully) never need it. But you'd be glad of the cover if you did need to make a claim.

There are varying levels of terrorism cover and an insurance broker will be able to help decide the right level of cover for your business.

◆ THERE'S NOTHING I CAN DO TO STOP TERRORISM

Yes, this is true to some extent but how you handle terrorism can make a difference. Being prepared for all eventualities and knowing how to deal with a crisis is imperative for minimising the impact of an attack.

5 WAYS TERRORISM COULD IMPACT YOUR BUSINESS

DIRECT ATTACK

Your business could be the site of a terrorist attack. Your business could be specifically targeted, or you could be unfortunate enough to be caught up in a random attack. Either way, a direct attack can have an incredibly negative impact on your business: destroying assets, impacting staff and customers and potentially causing long-lasting damage.

SHUT DOWN AFFECTED AREAS

Even if your business has not been directly targeted by terrorism, the area your business is situated in could be cordoned off. If you are denied access to your business this could have significant financial impact.

SUPPLIERS AND CUSTOMERS AFFECTED

Even if you aren't directly involved in the attack, terrorism could still massively impact your business. If one of your biggest customers or suppliers is unfortunate enough to be involved in a terror attack, this could have knock-on effects for you too.

LOOTING POST LOSS

It's possible that, while your business is forced to close due to an incident, criminals may take the opportunity to loot the local area. Whilst devastating, it's important to keep this possibility in mind and make sure you have correct security procedures in place.

REPUTATION

If your business is in an area affected by terrorism this could have a long-lasting impact on your business. Perhaps your business faces a significant decline in business due to the declining footfall and local fear surrounding the attack. While loss of attraction cover is available, each individual risk should be assessed by an insurance broker before deciding if it is relevant and necessary for your business.

WHAT COVER SHOULD YOU CONSIDER?

SUPPLIERS & CUSTOMERS

If there is damage to your suppliers' or customer's premises, you'll be protected against any interruption this causes to your business.

PUBLIC UTILITIES

If you suffer from interruption caused as a result of damage to a gas, water, electricity or telecoms provider then you'll be covered.

DENIAL OF ACCESS

This will protect you if there has been damage in the vicinity of your premises that prevents access, usually within a 1-mile radius.

SPECIFIED OR NOTIFIABLE DISEASES

If the area around your business is affected by certain diseases, you'll be protected (such as a terrorist deploying a disease or pathogen).

LOSS OF ATTRACTION

After an attack your business may suffer from reduced footfall, attractiveness or custom due to damage within the vicinity of your business.

This will cover you for any loss of revenue.

THIRD PARTY STORAGE SITES / CONTRACT SITES

If you store property elsewhere and damage is caused by terrorism, you'll be covered for the loss and the interruption.

MATERIAL DAMAGE

This includes buildings, machinery, contents, equipment and stock.

CONSTRUCTION

This covers large construction projects, including contract or engineering works.

ENGINEERING

If you have an engineering policy that includes damage caused by a fire or explosion, then you could arrange for additional terrorism cover too.

CONTINGENCY

If you had to cancel an event due to terrorism, you'll be covered for your loss of revenue and any other ramifications.

CBRN COVERAGE

This covers chemical, biological, radiological and nuclear causes.

Commercial property insurance will typically not include this type of cover, but it's worth considering if you're looking for a comprehensive terrorism policy.

MOTOR INSURANCE

The Motor Insurers' Bureau now deals with any claims arising from a vehicle being used as a terrorist weapon.

But you should still approach your original insurer with all claims, so they can escalate the claim appropriately.

LIABILITY FOR TERRORISM

Terrorism cover is often not specified in employers' liability or public liability policies.

It's assumed that, should a claim be made against a business due to them not protecting their employees adequately, they would be covered whether the incident was terror-related or not.

Some insurers will apply an inner limit to terrorism so make sure you double check your policy.

ATTACK INSURANCE

If an attack occurs that's not directly related to terrorism (such as a criminal or a violent member of the public) then you'll be covered.

It provides much less specific cover than terrorism, which could be perfectly suited to businesses looking for complete peace of mind.

CYBER TERRORISM

Since April 2018, Pool Re terrorism cover has included physical damage triggered by cyber terrorism. However, it still does not cover business interruption losses caused by cyber terrorism.

BUSINESS INTERRUPTION

If your building is damaged and has to close, Business Interruption cover will cover any loss of revenue and income.

TERRORISM NON-DAMAGE BUSINESS INTERRUPTION (NDBI) COVER

Business Interruption could be significant, even if there isn't any physical damage to your building.

You may need to purchase Non-Damage Denial of Access cover additionally in order to qualify for this specialist type of insurance.



WHAT IS CYBER TERRORISM?

Theoretically, terrorists could cause physical damage through manipulating IT systems. And non-physical damage could be even worse. Cyber terrorists could shut down business-critical systems and steal / damage valuable data.

If a terrorist were able to hack into government websites and access sensitive documents, this could be catastrophic.

It won't just affect the big businesses, either. SMEs could be identified as vulnerable, a point of entry that could make other bigger operations more vulnerable.

Loss of data or money isn't covered by terrorism insurance – so you'll need to purchase additional cyber insurance for this.

If your business has any software or computer systems, it's worth doing your homework on cyber resilience.



You can read our [cyber security whitepaper](#) for more information on this.

FAQs

WHAT IS THE DIFFERENCE BETWEEN TERRORISM COVER AND ACTIVE ASSAILANT COVER?

Active Assailant cover will insure you if the person responsible for the attack is not affiliated with a terrorist organisation. This does not include gang-related crime or armed robbery.

Where terrorism covers you for attacks that are motivated by ideology, politics or religion, Active Assailant cover will provide insurance against attacks that may have a different motive (or no clear motive at all). If an attack is carried out by an individual with the intent of killing or causing harm, you'll be covered.

WHO PAYS FOR DAMAGES CAUSED BY TERRORIST ATTACKS?

If you have adequate terrorism insurance, your insurer will pay for damages caused by terrorist attacks. If your neighbouring businesses do not have this type of insurance, they will need to pay for the repairs themselves. Whilst this will inevitably have a knock-on effect on your business, too, loss of attraction cover might help your business get through a tough time.

CAN TERRORISM BE PREVENTED?

The government have put several measures in place to prevent terrorism. On an individual level, businesses can improve their own knowledge on terror attacks. From [ACT awareness e-learning](#) through to security training packages, business owners should encourage the education of all employees in a bid to help counter terrorism.

FAQs

CAN YOU PREPARE FOR TERRORISM?

Yes, terrorism can happen out of the blue and there's no real way to predict or prevent it. But it is likely terrorists will target areas and businesses with poor security. So don't let your business be an easy target.

Pool Re have developed a [Vulnerability Self-Assessment Tool](#) which offers invaluable advice to businesses. If a benchmark standard is achieved, policyholders could even receive a 5% discount on their policy.

There's also the recently launched Security Considerations Assessment. This is a guidance for businesses put together by the Centre for the Protection of National Infrastructure. It helps support businesses against potential physical and cyber threats.

It's also useful to be able to recognise terror threats. Make sure you and your employees know what to do about suspicious items, bomb threats or safety threats caused by other members of staff. More information can be found on the Gov.uk website.

EXAMPLES

Here at Romero, clients who generally require terrorism cover are based in a city centre or an area where a potential terrorist attack is a higher threat.

In some cases, a landlord may ask a tenant (a business owner who rents an office space for example) to insure the building. This often requires additional terrorism cover if the building is based in an area of increased risk.

**IF YOU WOULD LIKE TO DISCUSS TERRORISM COVER,
PLEASE GET IN TOUCH WITH OUR AWARD-WINNING TEAM.**

**0113 281 8110 or visit
romeroinsurance.co.uk**