



THE ULTIMATE GUIDE TO TERRORISM INSURANCE: 2024 EDITION





THE ULTIMATE GUIDE TO TERRORISM INSURANCE: 2024 EDITION

The threat of terrorism is constantly evolving. Public attacks in crowded areas are still the most feared form of attack. But in 2024, we're now facing new forms of terrorism, from cyber-attacks to chemical and biological attacks.

The statistics around terror incidents are apparent. 80% of the most recent terror plots were disrupted by intelligence agencies. In the UK, the chances of being killed in a terror attack is one in 2.2 million.

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.

In the broad spectrum of threats which could affect your business, terrorism is not the most likely. Risks such as flooding, theft, or a public liability claim are more likely than a terror attack. However, the consequences of the risks that terror insurance covers are catastrophic and could devastate your business. Plus recent global activity is [expected](#) to spark a rise in terror activity in the UK.

Businesses need to incorporate terrorism insurance into their portfolio. The upcoming Martyn's Law, also known as Protect Duty, will require business to change procedures and take responsibility for terror risks. At Romero Insurance Brokers, we review the history of terrorism insurance, what could soon be asked of business by law, and what insurance options are available.

**LESS THAN 3% OF SMEs
TAKE UP ANY TERRORISM
COVER AT ALL**

Source: BIBA

*“IT’S HARD TO REMEMBER A MORE
UNSTABLE, DANGEROUS AND UNCERTAIN
WORLD... SINCE THE COLD WAR”*

Matt Jukes Met Police, Source: MET

**COUNTER-TERRORISM HAS
SEEN A 25% INCREASE IN
INTELLIGENCE IN 2024**

Source: MI5

**SINCE THE HAMAS
ATTACK ON 7TH
OCTOBER 2023,
THERE HAVE BEEN
33 TERRORISM
OFFENCE ARRESTS**

Source: Sky

**ONLY ONE
IN FIVE
BUSINESSES
HAVE
TERRORISM
INSURANCE**

Source: Pool Re

WHAT IS CLASSIFIED AS 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.” Not all extremist groups pose terror activity.

Terrorism is not new. It has roots in ancient history, contemporary history and modern history, where it is comparatively rare. However, terrorism is evolving. Authorities, laws and insurance policy makers need to be aware of emerging threats, and work to minimise the impact of fear and terror.

WHAT IS ‘MODERN TERRORISM’?

Modern terror risks are being posed by China, Russia and Iran; warns Scotland Yard. Advanced technology has made it possible for terrorists to launch attacks across the world. Cyber weapons are highly disruptive and involve data and finances, the loss of which can be devastating for a company.

High tech car bombs or missiles or drone strikes 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 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.

WHAT IS MARTYN'S LAW?

Martyn's Law is named after Martyn Hett who was killed in the 2017 terror attack at Manchester Arena. Martyn's Law aims to improve security and organisational preparedness of venues and businesses across the UK. The bill will impose requirements and actions on the part of businesses, helping to secure premises and educate staff in the wake of an attack.

The consequential Terrorism Bill – Protection of Premises will have an effect on all business premises whose capacity exceed 100, as dictated by their fire risk assessment. Martyn's Law is expected to affect a range of business types, from city centre businesses, to education centers, healthcare, leisure and gyms, libraries, museums and galleries, theatres and concert venues.

Not conforming to the new legislation will result in serious fines; up to 5% of revenue, and then 1% of yearly revenue per day for every day the business is not compliant.

WHAT WILL THE PROTECT DUTY BILL REQUIRE OF VENUES AND BUSINESSES?

Evacuation

Efficient processes relating to how people exit or escape the building is required.

Invacuation

Requirement to analyse how many people the building can shelter, and where the safest areas are.

Lockdown

Improvements to how quickly the premises can be securely locked down, including improving doors shutters and barriers. A required review of the penetrability of the building.

Communication

Required to show the ability to effectively alert staff and customers.

Other suggested implementations include Emergency action plans, Trauma kits, Counter-terrorism training, Mass alert telecommunication systems.

THE HISTORY OF TERRORISM INSURANCE IN THE UK

Terrorism in the UK stretches all the way back to the gunpowder plot in 1605, now commemorated every bonfire night.

In January 1993, following the Baltic Exchange bomb, all UK insurers stopped including terrorism coverage on commercial insurance policies. Additionally 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.

In present times, terrorism insurance is sold separately as an addition to policies. This means that businesses either elect not to purchase this type of cover, leaving themselves exposed, or they don't even know that they need it.

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.

TERRORISM MYTHS

“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 suburban areas too. As technology advances and the threat of cyber terrorism rises, it’s likely attacks won’t be confined to city centres.

“I’m an SME - my business won’t be a target.”

Have you considered that Your business may have to close due to an area being cordoned off when a terror attack occurs?

Terrorism insurance can cover your business interruption in the event of an attack.

“There’s nothing I can do to stop terrorism.”

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. The new Protect Duty bill will require businesses to have preparations in place, ready for a terror event.

“Terror cover is too expensive.”

As with many insurance types, there is a hope you never need to use it. But, when it is needed, you’d be glad of the cover, and are able to recover because of being able 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.

5 WAYS TERRORISM COULD IMPACT YOUR BUSINESS

By A 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.

Through the Shut Down of 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.

Through Supplier And Customer Consequences

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.

Because of 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.

By Impacting your 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 WILL TERRORISM INSURANCE COVER AGAINST?

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, such as a terrorist deploying a disease or pathogen, then you'll be financially protected.

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.

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.

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.

Business Interruption

If your building is damaged and has to close, business interruption insurance will cover any loss of revenue and income.

Cyber Terrorism

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

Non-damage Denial of Access

Even if there isn't any damage to your property, business interruption could be significant. Non-damage Denial of Access will cover financial losses if your business's entrance is obstructed or forced to close.

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.

Since 2019 and the passing of the Counter Terrorism and Border Security Act, Pool Re are able to provide cover Non-Damage Business Interruption. However Pool Re have other restrictions.

Other insurers

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 – which involves an agreed maximum sum to be insured per loss. Alternative insurers can offer loss of attraction cover, or even overseas cover. They may not require the Government to certify the incident as an Act of Terrorism, in order to pay out a claim. Hence, if the terror event turns out to be a hoax or a threat, you'll still be covered for its impact and interruption.

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.

FAQs

TERRORISM INSURANCE: YOUR QUESTIONS, ANSWERED

When will the Protect Duty Bill be made into law?

Martyn's Law is expected to become law in late 2024, however a few teething problems and inquiries need to be addressed first. The proposal has cross-party support. The bill will require a long-implementation process, expected to be around 18-24 months – so beyond 2025.

At Romero Insurance Brokers, we recommend businesses and venues start to put in place these procedures which have been confirmed will be in the bill. That way businesses get a step up on what's to come, easing the transition.

What is the difference between Terrorism Insurance 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.

Terrorism Insurance covers you for attacks that are motivated by ideology, politics or religion, whereas Active Assailant cover will provide insurance against attacks that may have a different motive. Hence, if an attack is carried out by an individual with the intent of killing or causing harm, you'll be covered.

We recommend Active Assailant cover for business with a history of gang-related crime cases or who are situated in an area with elevated levels of gang-related crime.

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.

Do all buildings need terrorism insurance?

There is currently no law that enforces a mandatory obligation to have terrorism insurance within your lease.

When a business insures its premises, terrorism cover will need to be added additionally, as it is not provided within standard buildings insurance. Standard commercial property insurance policies will not provide cover for losses caused by terrorism. Liability, inventory, building repairs, furnishings and equipment will all be included within a terrorism insurance add-on package.

FAQs

TERRORISM INSURANCE: YOUR QUESTIONS, ANSWERED

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.

Can you prepare for terrorism?

The aim of Martyn's Law is to improve the preparedness of business. Because of the nature of terror events, it is impossible for your staff to be prepared for the exact instant.

Preparedness will include security and processes based on the prediction that a terror attack will happen. It also include recognising the signs of a terror attack, and a responsibility for training staff members on what to do during a terror event.

Pool Re have developed a [Vulnerability Self-Assessment Tool](#) which offers invaluable advice to businesses. This instructs on how to secure your premises and offers a checklist to measure your business's security. If a benchmark standard is achieved, policyholders could even receive a 5% discount on their policy.

There's also the [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.

The Security Considerations Assessment includes activities such as planning, design, construction and manufacturing, as well as security-mindedness actions, and actions for the protection of personal data.

Take action. Don't let your business be an easy target for a terrorist, who will be looking out for and targeting weak points on your physical premises or network infrastructure.

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

0113 281 8110
romeroinsurance.co.uk

