



TERRORISM ARE YOU AT RISK?

SPIAO WINTER WORKSHOP
FEBRUARY 22, 2019

AGENDA

- Terrorism defined
- History of Terrorism
- Why is it excluded?
- Examples of Terrorism events and the Coverage available
 - Liability
 - Property
 - Active Shooter
- Risk Management and Best Practices

NOTE: for the purpose of this presentation, we will not be addressing Cyber Terrorism, as it is typically insured under a Cyber policy.



WHAT IS TERRORISM?

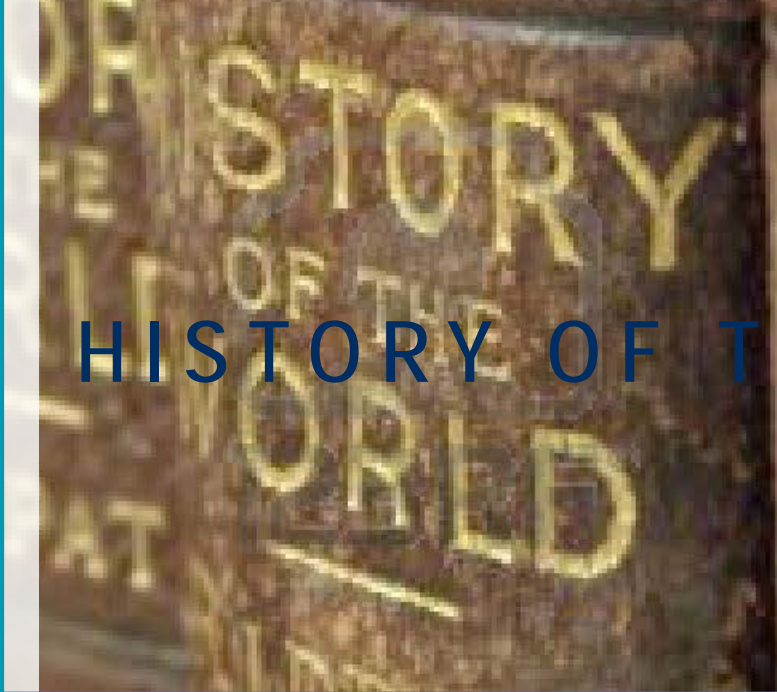
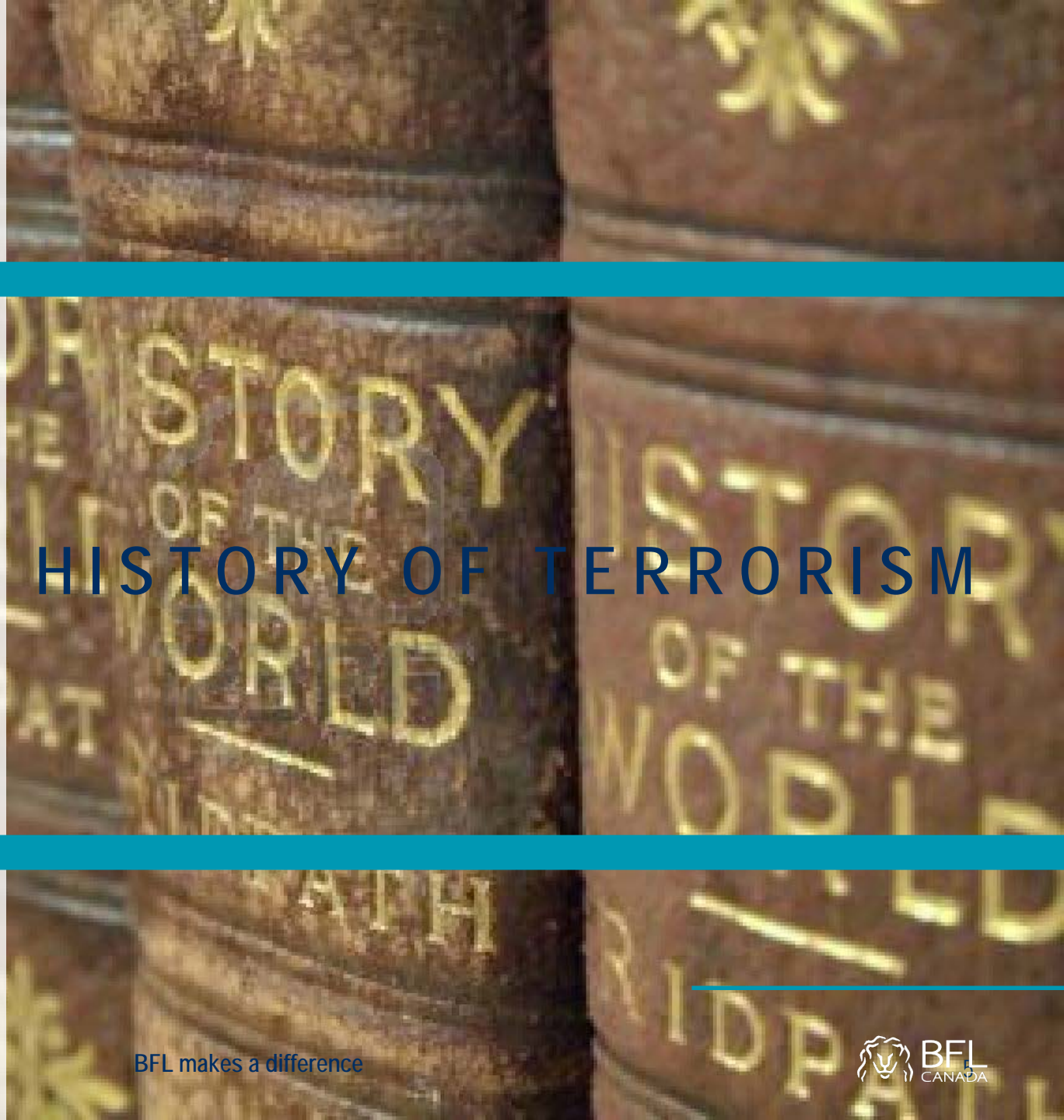


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WHAT IS TERRORISM?

“An ideologically motivated, unlawful act or acts, including but not limited to the use of violence or force or threat of violence or force, committed by or on behalf of any group(s), organization(s) or government(s) for the purpose of influencing any government and/or instilling fear in the public or a section of the public.”



HISTORY OF TERRORISM

HOW LONG HAS “TERRORISM” EXISTED?

According to Wikipedia, the first documented incident that would fit under the modern day terrorism definition occurred on **November 5, 1605**.

A group of English Catholics led by Robert Catesby plotted to bomb the House of Lords in order to kill King James I, with the goal of installing 9-year-old Princess Elizabeth as the Catholic head of state.

The explosives were discovered a day before the planned detonation, and the conspirators were either killed in battle or executed for treason.

HOW LONG HAS “TERRORISM” EXISTED?

Wikipedia further documents 15 terrorism incidents taking place during the 1800's, including:

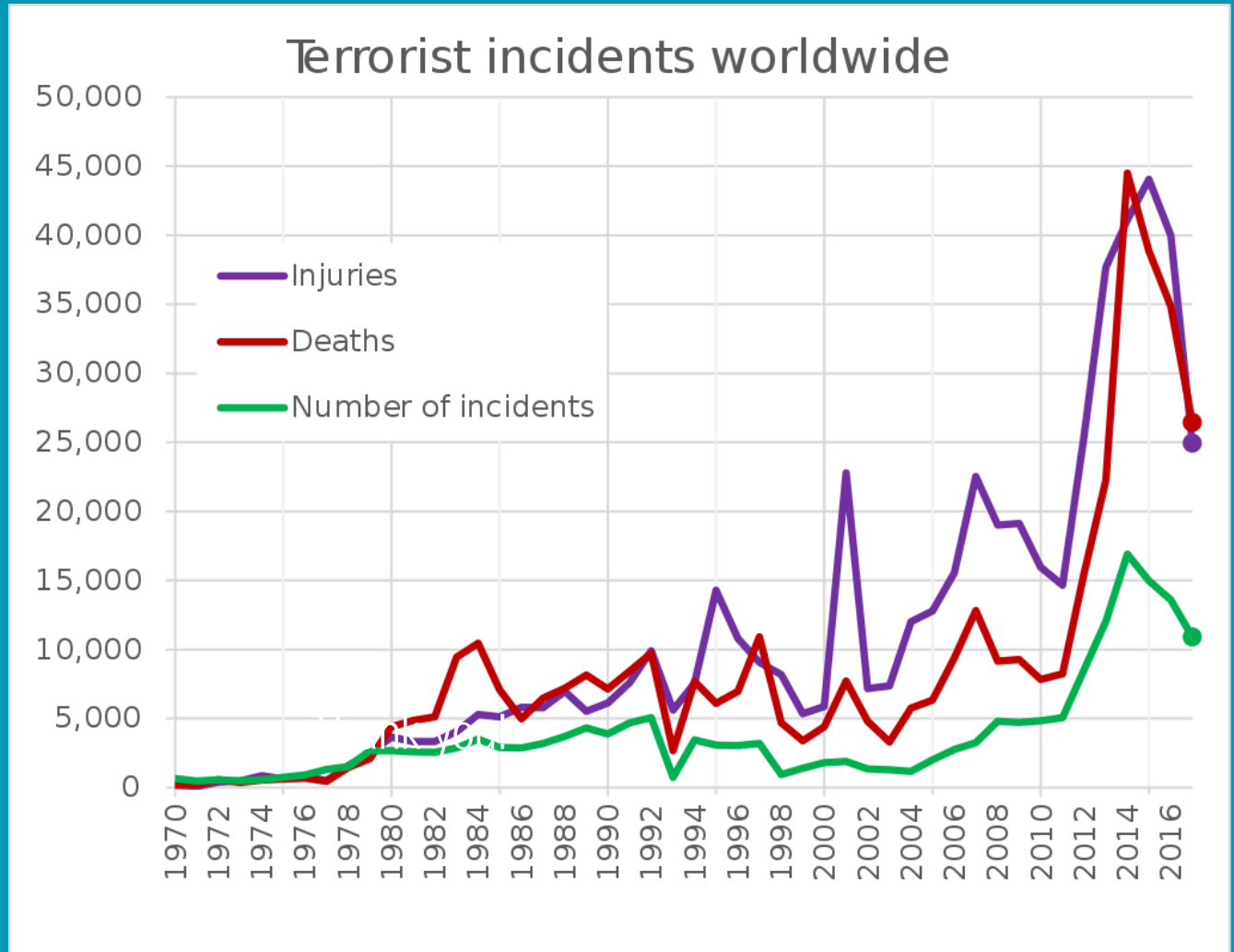
- Several assassinations (or attempts) of heads of state
 - Abraham Lincoln
 - Alexander II of Russia
 - French president Marie Francois Sadi Carnot
 - Prime Minister of Spain Antonio Canovas del Castillo
- Approximately 3,000 murders carried out by the Ku Klux Klan to help re-establish legitimized segregation
- Hijacking of the Ottoman Bank (Turkey) to bring attention to the massacres of Armenians instigated by the Sultan
- Multiple bombings, a shooting, and a prison escape

THE EVOLUTION OF “TERRORISM”

According to Wikipedia:

- Pre-1800: one documented event
- 1800 – 1899: 15 documented events (one every 6.7 years)
- 1900 – 1929: 22 documented events (one every 1.4 years)
- 1930 – 1949: 11 documented events (one every 1.7 years)
- 1950 – 1969: 20 documented events (one every 0.95 years)
- 1970 – Present: **35 events in 1970 alone**
- Listed by year until 2011, then by half year until 2015, then by month (**January 2015 documents 39 events**)

What does this mean?



By Phoenix7777 - Own workData source: *National Consortium for the Study of Terrorism and Responses to Terrorism. (2017). Global Terrorism Database (globalterrorismdb_0617dist.xlsx). Retrieved from <https://www.start.umd.edu/gtd> University of Maryland*National Consortium for the Study of Terrorism and Responses to Terrorism. (2017). Global Terrorism Database (gtd1993_0617dist.xlsx). Retrieved from <https://www.start.umd.edu/gtd> University of Maryland, CC BY-SA 4.0, <https://commons.wikimedia.org/w/index.php?curid=50050603>



WHY IS TERRORISM EXCLUDED?

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Industry of Evolution

Insurance is an industry of evolution. As risks emerge and develop, so do insurance products.

- In the 20th Century, Property and Casualty policies already excluded War, Riot, Insurrection, etc. as “uninsurable” risks
- 9 / 11 provided an example of a man-made catastrophic event, the immense scope of which insurers had not predicted
- Terrorist events are now more commonplace and require specialized coverage



20th Century Insurance



20th Century

Traditional thinking

- Insurers do not want to insure events where the loss would be so great as to bankrupt them.
- Typically policies exclude war, riot, insurrection as these are man-made catastrophic events.
- Terrorism was not a defined peril under property or casualty insurance policies.
- Although Terrorism events had taken place prior to 9 / 11, the potential for massive catastrophic loss had not yet been realized by the insurance industry

Late 20th Century Terrorism



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Late 20th Century Terrorism

February 26, 1993 – At 12:18 pm EST, a bomb explodes on the second subterranean level of Vista Hotel's public parking garage, below the 2 World Trade Center building. Six people were killed and more than 1,000 injured. 50,000 people were evacuated.

September 26, 2005 – a jury begins hearing arguments about whether the owners of the WTC should be held liable. Hundreds of affected businesses and survivors allege in the lawsuit that the Port Authority of New York and New Jersey failed to implement expert recommendations to end public access to an underground parking garage. Ruled the PA was negligent and appeal upheld the ruling.

February 20, 2009 – first trial involving a victim (Linda Nash) opens. She seeks USD 8 million in damages for injuries suffered.

March 12, 2009 – jury awards Nash USD 5.46 million, dismissed in 2012, restored in 2015

Late 20th Century Terrorism

1966 to 1980 – 10 separate incidents in Canada, all relating to Cuba

1989 – Ecole Polytechnique Massacre where Marc Lepine claimed he was “fighting feminism” when he shot and killed 14 young women

1995 – Oklahoma City truck bombing carried out by Timothy McVeigh destroyed the Murrah Federal Building, killed 168 people and injured more than 680 others. Damaged 324 buildings, destroyed 86 cars, and caused an estimated \$652 million in damages

1996 Olympics – Army of God member Eric Rudolph detonates a pipe bomb at Atlanta’s Centennial Park hoping to cancel the Olympics due to his anger over the US government’s sanctioning of abortion.

Late 1970’s to mid-1990’s – the Unabomber, Ted Kaczynski, mailed his targets more than a dozen bombs that killed three people and injured many others.

March 1997 – Osama bin Laden gives first television interview in which he declares war on the United States to a Western audience. In 1998, al-Qaeda suicide bombers drive truck bombs toward the US embassies in Kenya and Tanzania, and more than 200 people are killed.

September 11, 2001



Human
Loss

Unprecedented losses

- Attacks killed 2,996 people, including 411 emergency service workers
- Could have been less? 9-1-1 operators advised South Tower victims not to descend stairs
- Does not include others succumbing to related cancer and respiratory diseases following the attacks
- EPA did not determine that air quality had returned to pre-9/11 levels until June 2002
- More than 6,000 injured

September 11, 2001



Physical
Loss

Unprecedented losses

- Excess of USD 10 billion in infrastructure and property damage
- Twin Towers, WTC 3 and 7 destroyed; WTC 4, 5 and 6 severely damaged
- Deutsche Bank building later condemned as uninhabitable due to toxic conditions
- The last fires at the WTC site were extinguished on December 20th – 100 days after the attacks
- **Some rebuilds have only just been completed**

September 11, 2001



Economic
Loss

Unprecedented losses

- Stock exchanges remained closed until September 17th
- Dow Jones fell, and US stocks lost \$1.4 trillion in valuation that week
- In NYC, about 430,000 job-months and \$2.8 billion in wages were lost in the first 3 months following
- 18,000 small businesses destroyed or displaced
- 31,900,000 square feet of Lower Manhattan office space damaged or destroyed
- North American air space closed for several days

September 11, 2001



Unprecedented losses

- **\$11 billion** in Business Interruption
- **\$9.6 billion** in Property
- **\$7.5 billion** in Liability
- **\$1.8 billion** in Workers Compensation
- **\$2.5 billion** in other losses
- 4 reinsurers suffered losses greater than **\$2 billion** each

21st Century Terrorism



Terrorism Excluded

- January 1, 2002 reinsurance treaties were amended to exclude the peril of Terrorism and have continued since
- Affects both Property and Casualty insurance policies
- Coverage is available, but only through a select few companies, as well as Lloyds
- May be purchased as a stand alone policy or as an extension to an existing policy (if the existing insurer will cover Terrorism)

21st Century Terrorism in Canada

2006 Ontario terrorism plot – 18 terrorists arrested for planning to detonate truck bombs, open fire in a crowded area, storm the CBC, the Canadian Parliament building, CSIS headquarters, and the Peace Tower, to take hostages and behead the Prime Minister

October 2008 to July 2009 – Six natural gas pipelines in Dawson Creek, BC bombed after letters sent to local newspaper opposing the gas industry

June 4, 2014 – three RCMP officers are fatally shot and two others wounded in Moncton, NB by Justin Bourque.

October 22, 2014 – Michael Zehaf-Bibeau fatally shot Corporal Nathan Cirillo, sentry at the Canadian National War Memorial, then forced his way into the Parliament building, where he had a shootout with parliament security personnel.

March 5, 2015 – four Conservative MPs receive letters with white powder (Anthrax hoaxes) with the message “Conservatives, you will be annihilated”

21st Century Terrorism in Canada

August 10, 2016 – Aaron Driver was killed in Strathroy, ON in a confrontation with police after detonating an explosive in the back seat of a taxi. Driver had made a “martyrdom” video and was planning an attack on an urban area.

January 29, 2017 – one gunman opens fire on Muslim worshippers during evening prayer at the Islamic Cultural Centre mosque in Quebec City. 6 people are killed, and 19 injured.

September 30, 2017 – Abdulahi Sharif drives into Edmonton police constable Mike Chernyk, then stabs him. He then flees and strikes four pedestrians with his rental truck during a police pursuit.

April 23, 2018 – Alex Minassian drives a van for about a mile along a crowded Toronto sidewalk, killing 10 people and injuring 13 others (not declared a Terrorist event).

July 22, 2018 – 14 people are shot, two fatally, when Faisal Hussain opens fire on Danforth Avenue in the Greektown neighbourhood of Toronto

21st Century Terrorism - Shootings

April 16, 2007 – Virginia Tech Shooting, where Seung-Hui Cho shot 49 people, killing 32

December 14, 2012 – Adam Lanza fatally shot 20 children and 6 adult staff members at Sandy Hook Elementary School.

January 7, 2015 – the Kouachi brothers forced their way in to the offices of Charlie Hebdo in Paris. Armed with rifles and other weapons, they killed 12 people and injured 11 others.

June 12, 2016 – Omar Mateen killed 49 people and wounded 53 others at a gay nightclub in Orlando, Florida.

October 1, 2017 – Stephen Paddock fired over 1,100 rounds from his hotel suite on the Las Vegas Strip, killing 58 people and leaving 851 injured (more than 400 by gunfire but hundreds more in the ensuing panic)

November 5, 2017 – Devin Patrick Kelley kills 26 and injures 20 at the First Baptist Church in Sutherland Springs, Texas.

February 14, 2018 – Stoneman Douglas HS shooting in Parkland, FL, where 17 students and staff members were killed by Nikolas Cruz, and 17 injured.

21st Century Terrorism - Bombings

March 11, 2004 Madrid train bombings – killed 191 people and wounded 1,800. The attacks were directed by an al-Qaeda terrorist cell.

July 7, 2005 London bombings – four Islamic terrorists separately detonated three bombs aboard London Underground trains, and a fourth bomb on a double-decker bus. 52 civilians were killed and 700 more were injured. Later, a dozen unexploded bombs were located in a car in North London.

July 22, 2011 Norway attacks – Anders Behring Breivik completed two attacks; the first a car bomb explosion killing eight people and injuring at least 209 others; the second less than 2 hours later at a summer camp where he opened fire and killed 69, injuring more than 110 others. A 2012 report concluded that Norway's police could have prevented the bombing, and that measures to prevent the second attack and mitigate adverse effects should have been implemented.

April 15, 2013 Boston Marathon – twin bomb blasts explode near the finish line of the Boston Marathon, killing three and wounding at least 264.

November 13, 2015 Paris attacks – a series of six coordinated attacks starting with three suicide bombers at a football match, followed by several mass shootings and a suicide bombing at various cafes and restaurants, and ending with another mass shooting at a concert. A total of 130 people were killed with another 413 injured.

21st Century Terrorism – Vehicles

42 documented attacks in the past 19 years; 19 in the past 3 years

July 14, 2016, Nice – 19-tonne cargo truck is driven into the crowds celebrating Bastille Day on the Promenade des Anglais. 86 people are killed and 458 injured.

April 7, 2017, Stockholm – hijacked lorry drove into crowds of people before crashing into a department store. 5 killed and 14 others seriously injured.

June 3, 2017, London Bridge – van driven into pedestrians killed 8 and injured 48 others.

August 12, 2017, Charlottesville, VA – car deliberately driven into crowd of Unite the Right protesters, killing 1 and injuring 8

August 17, 2017, Barcelona – van driven into pedestrians killing 13 and injuring more than 130 others, then later a second event killing one and injury 6 others.

October 31, 2017, New York City – rented pickup truck driven into cyclists and runners for about 1.6 km, killing 8 people and injuring 11 others.



TERRORISM EXAMPLES AND COVERAGES

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Protection Against Terrorism



Terrorism Examples

Example 1: Liability

A Municipality closes a street for an annual cultural festival. A small group of people organize and successfully implement an attack on the festival using a commercial truck, with the intent to terrorize and kill festival-goers.

The Municipality is deemed negligent because it did not take adequate precautions to protect the public.

A Terrorism Liability policy should insure against:

- Third party claims for bodily injury or property damage resulting solely and directly from an act or acts of Terrorism
- Defence expenses resulting from such claims, including investigation, adjustment, appraisal, defence and appeal costs and expenses, as well as pre- and post-judgement interest incurred

Terrorism Examples

Features to consider in a Terrorism Liability policy:

- Typically written on a claims made form
- Bodily injury definition should include mental injury, anguish or shock that results from physical injury
- Property damage definition should include debris removal and loss of use of tangible property of a third party
- Occurrence definition will usually contain a maximum time period and radius from first Terrorism act – request the shortest time period and smallest radius available

Terrorism Examples

Example 2: Property

An elementary school is hosting its annual Holiday Concert when it receives a bomb threat from an extremist group during the performance. The building is thankfully evacuated before the bomb detonates and destroys the entire building.

A Terrorism Property Policy should insure against:

- Physical loss or damage to the building and property of every description contained within
- Loss resulting from necessary interruption of business caused by direct physical loss or damage (in this case, lost revenues and / or extra expenses to move future performances to another location)

Terrorism Examples

Features to consider in a Terrorism Property Policy:

- Broad definition of Terrorism that includes Sabotage and Malicious Acts
- Ingress/Egress and Denial of Access
- Loss of Attraction
- Brand Rehabilitation
- Security Costs
- Medical Expenses
- Counselling Costs
- Employee Re-Training Costs

Terrorism Examples

Example 3: Active Shooter

An Active Shooter opens fire at a public Council meeting, injuring several elected officials, staff and community members. The municipality is sued by the victims and their families alleging insufficient security.

An Active Shooter Policy (or extension to a Terrorism Liability Policy) should insure against:

- Damages and Claims Expenses arising out of Bodily Injury to third parties, caused by an Active Shooter Event occurring at specified locations
- May include Property Damage (see following)

Terrorism Examples

Features to consider in an Active Shooter policy:

- Broad definition of “weapon” should not be limited to firearms (make sure it includes vehicles in particular)
- Broad definition of “insured” that includes not only guests or visitors, but also employees, volunteers, students, etc.
- No casualty threshold (body deductible) – most active shooter / workplace violence events involve less than three individuals
- Pre-loss services, such as a Security Vulnerability Assessment
- Post-loss services, such as Crisis Management, Counselling, Funeral Expenses
- Broad Property Damage Extension endorsement (glass, lock replacement, debris removal, recharging fire protective equipment, business interruption, etc.)

Terrorism Risk Management

Prepare for the worst. Having a plan in place will help your employees through a crisis!

Crisis Management – develop and test an overall framework for management, response and recovery so that you can move quickly to understand and manage the impacts to people, property, and operations

Crisis Communications – have a plan to contact staff, residents, students, etc. in the event of a crisis, and make sure messages consistently reinforce the overall strategy of the crisis management team.

Emergency Response – may involve life safety, event mitigation, evacuations, and protection of physical assets

Terrorism Risk Management

Prepare for the worst. Having a plan in place will help your employees through a crisis!

Humanitarian Assistance – may include physical, social, emotional and financial help during and after an incident. Being able to offer counselling after an incident can dramatically assist in reducing volume and severity of potential liability losses

Business Continuity – should be your key concern once safety issues are handled; need a plan to manage the logistics and recovery of partially or completely interrupted critical business functions

I.T. Disaster Recovery – while not typically insured under a Terrorism policy, ensuring technology is back on track will support business continuity. A good Cyber policy should offer some services in this regard.

Terrorism Risk Management

Terror attacks are a harsh reminder of the threat of mass violence and the need to develop, maintain and exercise high-level plans for crisis management, emergency response, and business continuity.

- Define your exposures through a threat and vulnerability assessment – re-assess often
- Build an efficient business continuity plan and ensure it stays current – revisit at least annually or when a material change occurs
- Prioritize your risk mitigation strategies

Terrorism Risk Management

Make informed decisions on implementing loss control measures, such as:

- Building retaining walls / installing bollards / using Jersey barriers
- Increasing security – alarms, CCTV, lighting, sentries / patrols
- Establishing gated / monitored entryways, bag searches, metal detectors
- Your Insurer can help!





For more information on how to transfer the risk of
Terrorism through insurance, please contact:

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