



Australian Reinsurance Pool Corporation (2015, November 30). Terrorism risk management. Christopher Wallace, presentation. Actuaries Institute Enterprise Risk Management Seminar, Sydney 30 November 2015. At <http://www.actuaries.asn.au/Library/Events/ERM/2015/ERM2015Wallace.pdf> (retrieved 29 July 2016).

Terrorism Risk Management

Presentation: Monday, 30 November, 2015

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*This presentation has been prepared for the Actuaries Institute 2015 ERM Seminar.
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About ARPC

www.arpc.gov.au

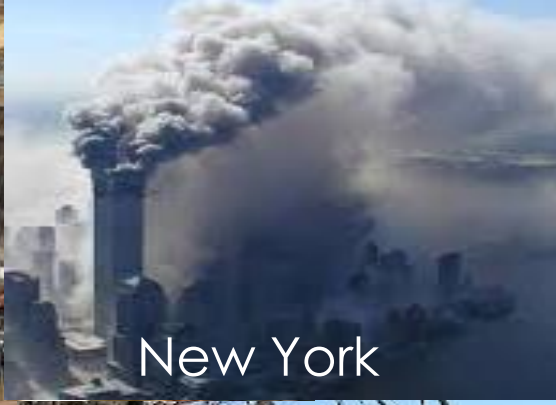
Our goal is to be a trusted advisor on terrorism and catastrophe insurance:

ARPC is a Commonwealth Corporate Entity established under the *Terrorism Insurance Act 2003*.

- | | |
|-----------------------------|-----------------|
| • Insurer clients (cedants) | 231 |
| • Retrocession reinsurers | 60 |
| • Premium income | \$128.1 million |
| • Aggregate sums insured | \$3.1 trillion |
| • Pool funding capacity | >\$13.1 billion |



Washington



New York



Mumbai



Oslo



Algeria



Bali



Nairobi



Boston



London



Madrid



Terrorism is a man-made catastrophe

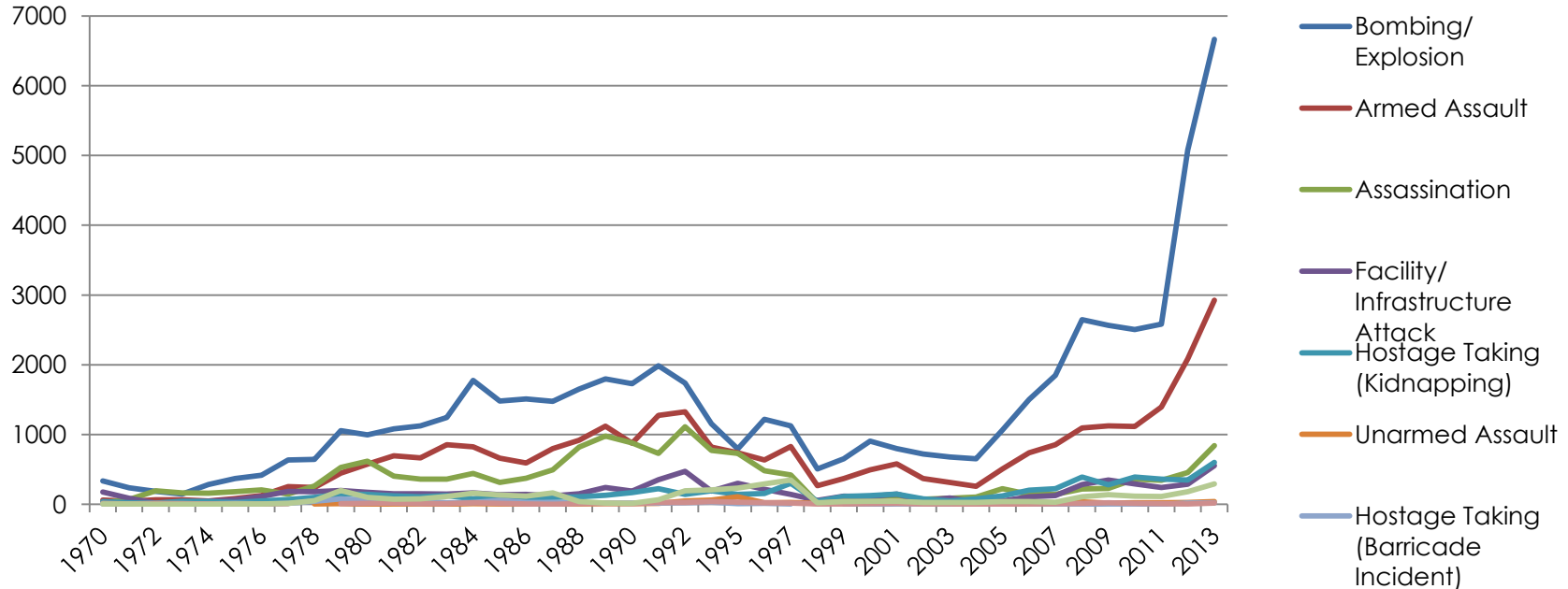


A terrorist attack is a catastrophe, but it has different attributes to a natural catastrophe as an insured peril:

- it can be a *low likelihood* but *high consequence* event;
- small or large, these events can have enormous psychological impact
- frequency cannot be predicted – uncertain;
- severity can be catastrophic in scale – certain;
- losses can be disproportionate to the size of effort to undertake;
- losses are influenced by and mitigated by the security environment; and
- can happen anywhere, with a wide variety of targets.

Global Terrorism Database - Trend

Terrorist attacks have increased fourfold in the last decade. The GTD by University of Maryland shows the frequency of terrorist attacks has increased significantly over the last decade, mostly attributable to bombings and to a lesser extent, armed assaults.





Likelihood: ASIO Assessment

"Never before has terrorism been such a direct and immediate threat to our nation and our people."

ASIO Director-General Duncan Lewis in the 2014-2015 ASIO Report to Parliament.

ASIO Assessment 2014/15 (continued)

www.asio.gov.au

- The Syria and Iraq conflict continues to play directly into the terrorism threat in Australia
- While the rapid growth and capability of Islamic State has brought new energy and urgency to the violent extremist agenda, other jihadist groups like al-Qa'ida remain a threat.
- The most likely scenario for an attack in Australia is a low capability attack perpetrated by a lone actor or small group, but the threat of a complex attack, such as a mass shooting or a large explosive device, also persists.
- The ability of Islamic State to influence and recruit new members via innovative use of social media is of particular concern due to its resonance with teenagers aged 14 to 19.

- ASIO has more than 400 high priority counter terrorism investigations underway, a 100% increase on last year.

In particular, ASIO is currently investigating:
 - 120 Australians offshore fighting with or supporting Islamic extremist groups in Iraq and Syria.
 - Around 170 people in Australia who are supporting Syria and Iraq extremist groups.
 - And, since 2012, ASIO has recommended the cancellation of 135 passports of individuals linked to Syria/Iraq extremists
- In the past year, ASIO has investigated two terrorist attacks and actively engaged in thwarting six other planned attacks in Australia.

Sources: 2014/15 ASIO Report to Parliament; and ASIO Director-General's address to the Security in Government Conference 01/09/2015



Australian Threat Level System - *Existing*

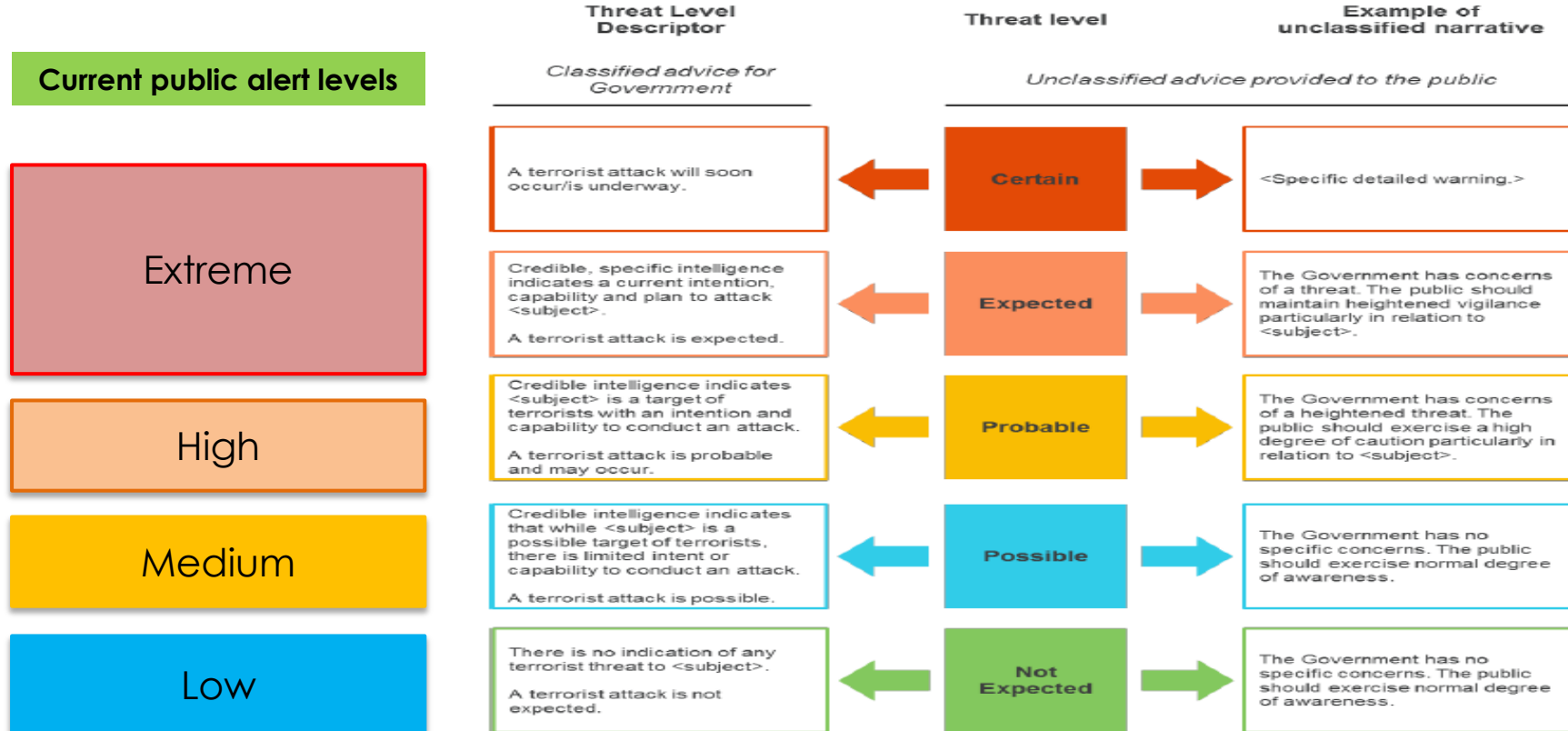
<http://www.nationalsecurity.gov.au/Securityandyourcommunity/Pages/NationalTerrorismPublicAlertSystem.aspx>

“Security and intelligence agencies are concerned about the increasing number of Australians working with, connected to, or inspired by terrorist groups such as ISIL, Jabhat al-Nusrah, and al-Qaeda”.*

- Australia is at **HIGH** level of alert (since 12/09/2014).
- The National Terrorism Public Alert System is a range of four levels that communicate an assessed risk of terrorist threat to Australia. The four levels are:
 - low**—terrorist attack is not expected
 - medium**—terrorist attack could occur
 - high—terrorist attack is likely**
 - extreme**—terrorist attack is imminent or has occurred.

*Source: 12 September, 2014 Joint Media Release: Prime Minister the Hon Tony Abbott MP and Attorney-General Senator the Hon George Brandis QC
National terrorism public alert level raised to high.

New alert system-in place by end 2015





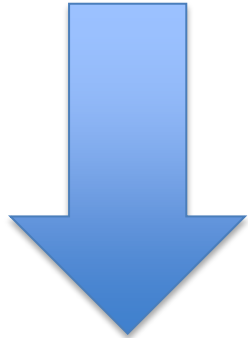
What is Risk Management?

- The discipline of risk management as described in the Australian Standard AS/NZS 4360 and in International Standard ISO 31000 presents a risk level as ***a combination of a probability of an occurrence combined with a consequence level of the occurrence***

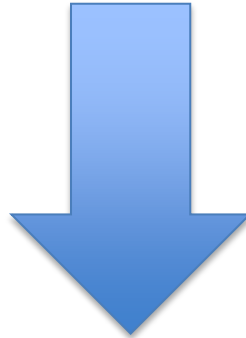


The gap in the old and new terror threat level system is they don't consider consequences

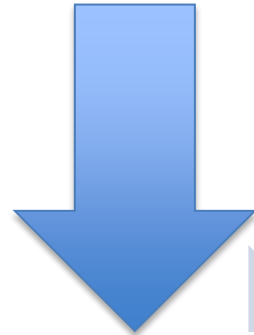
For
ARPC's
clients:



Property
damage



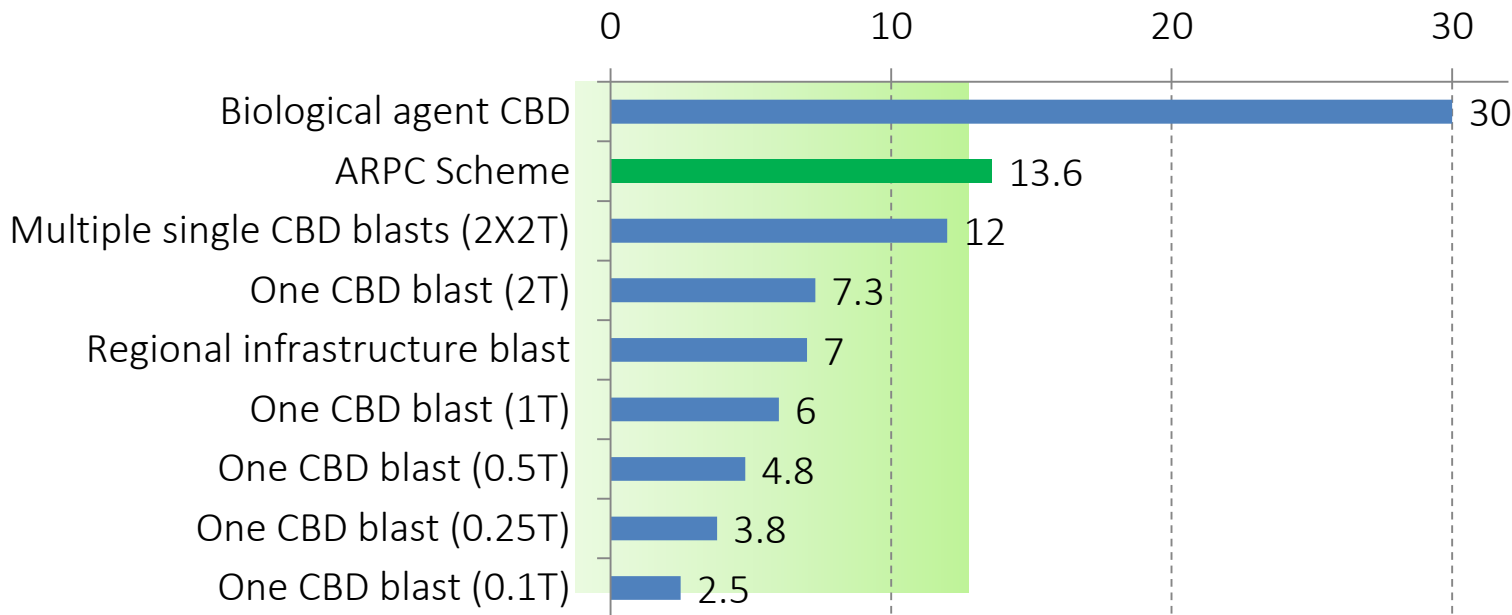
Business
interruption



Prevention
of access

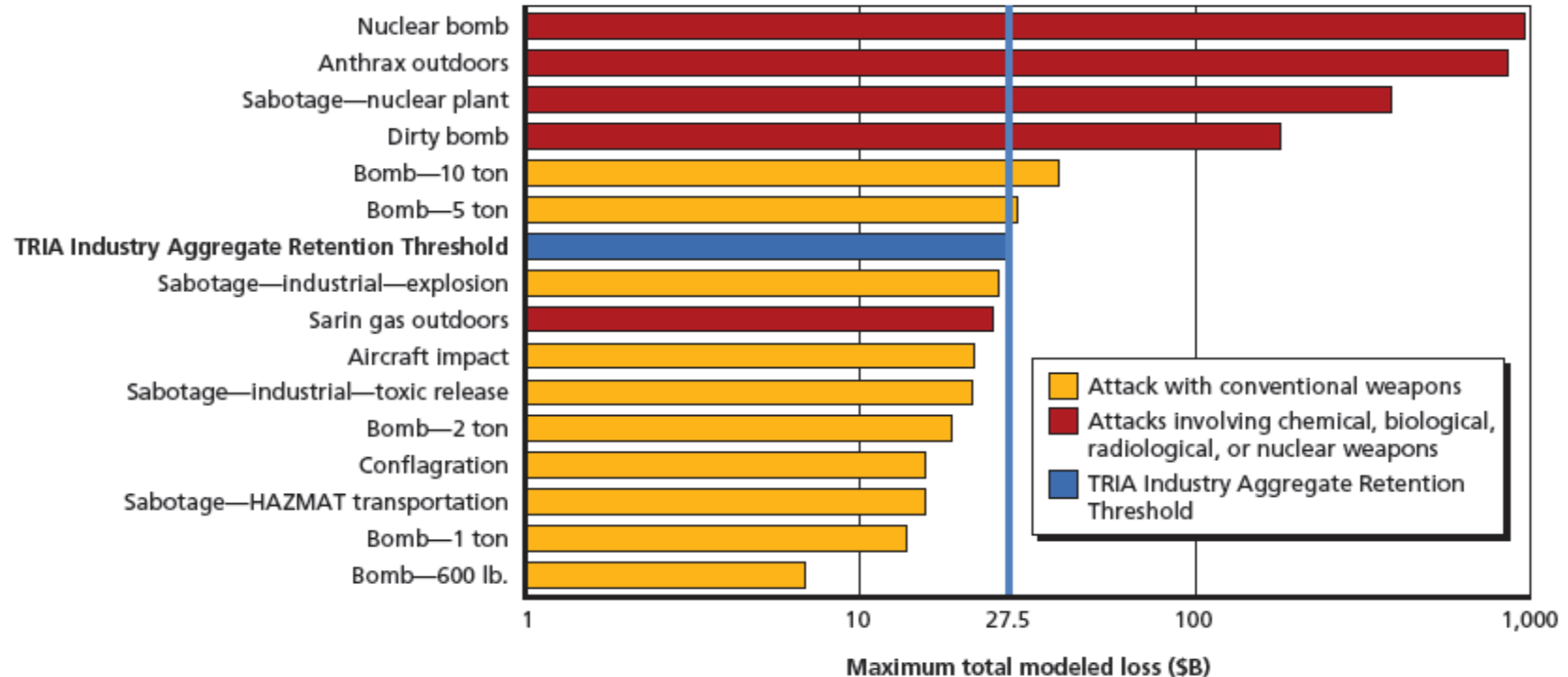
Australian terrorism insured loss estimates

ARPC modelling shows insured losses for blasts and plumes can be catastrophic in scale. ARPC funding capacity of \$13.1 billion is sufficient for single blasts and potentially **two** or more large blasts in **one** CBD.



US Terrorism insured loss estimates

Figure 4. Estimates for the Maximum Total Modeled Losses from Attack Scenarios Represented in the Risk Management Solutions Terrorism Risk Model



SOURCE: RMS Terrorism Risk Model, 2013.



What are some of the risks for your organisation?

Proximity:

CBD; major sporting fixtures; major events; public transport

Public access:

Building or floor

Industry:

High profile and/or target for activists

Internal:

Disgruntled employee; or employee domestic/family issue



Mitigation

Crisis Management planning

Your crisis management plan should cover **three stages**:

- 1. Preparation and identification** — planning for and identifying a crisis event;
- 2. Response** — the planned response to a crisis; and
- 3. Recovery** — the process of returning to normal operations.

If there is an event, content should include:

- What the crisis management team should do *immediately*.
- Details of all relevant processes and procedures.
- A key contacts directory, all pro-forma letters, media releases, event logs and any other relevant collateral.

Documents should be easy to find and understand



PASSPORT TO GOOD SECURITY FOR SENIOR EXECUTIVES*



*** Author: Centre for the Protection of National Infrastructure (CPNI) <http://www.cpni.gov.uk/>**

CPNI is the UK Government authority which provides protective security advice to businesses and organisations across the national infrastructure.

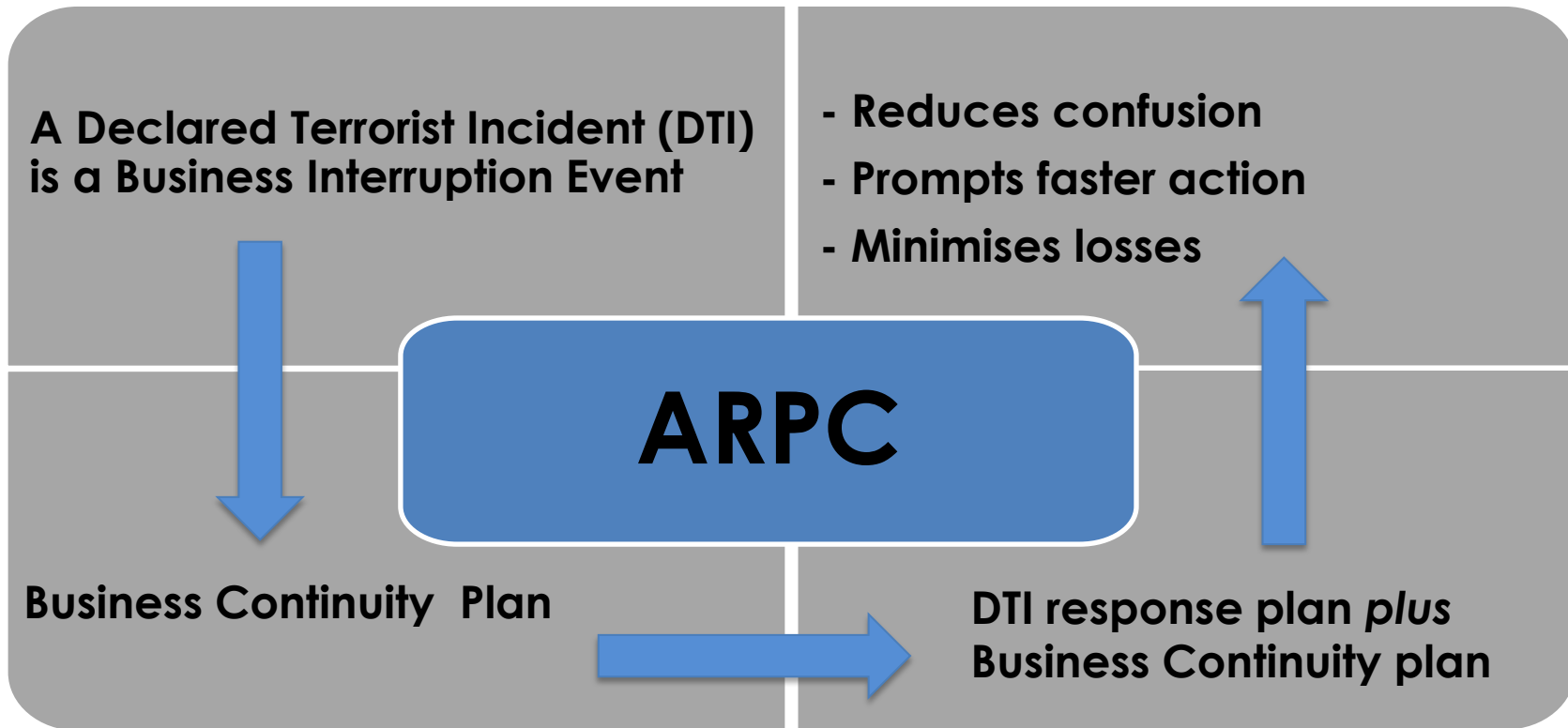


Key principles for a more secure organisation

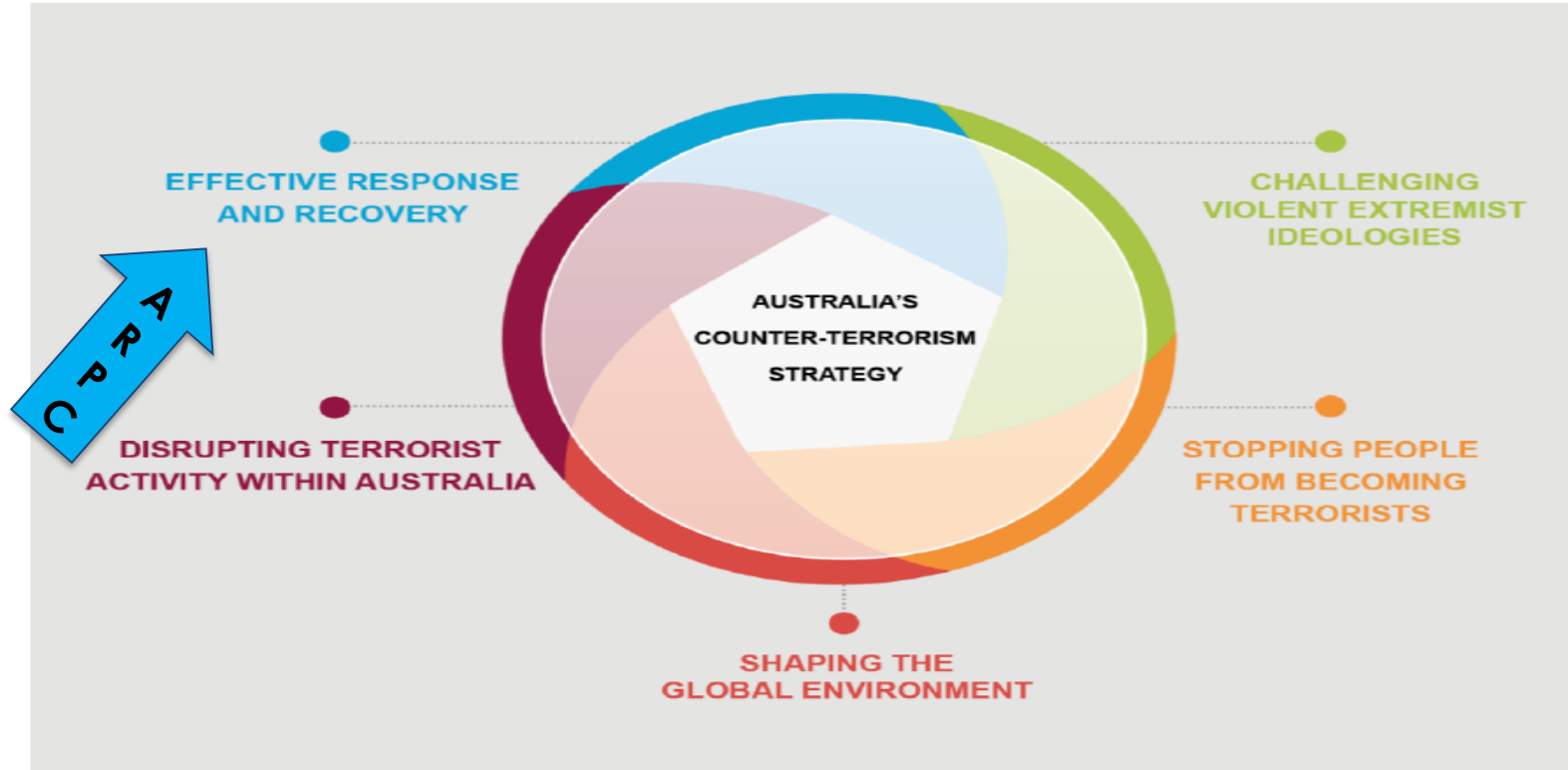
- 1) Good Governance
- 2) Identify your most valuable assets
- 3) Identify the threats
- 4) Adopt a risk management approach
- 5) Mitigate your risks
- 6) Legality, ethics and transparency
- 7) Control access
- 8) Create a strong security culture (soft measures) – “carrots”
- 9) Create a strong security culture (hard measures)- “sticks”
- 10) Protect your information
- 11) Secure sharing of information
- 12) Online social behaviour
- 13) Security pre-screening
- 14) Home and mobile working
- 15) Staff exit strategy
- 16) Build it secure
- 17) Search and screening
- 18) Business Continuity
- 19) Incident management
- 20) Emerge stronger

Process should “cut through the noise” in a crisis

ARPC served well by the processes (below) following Lindt Café incident

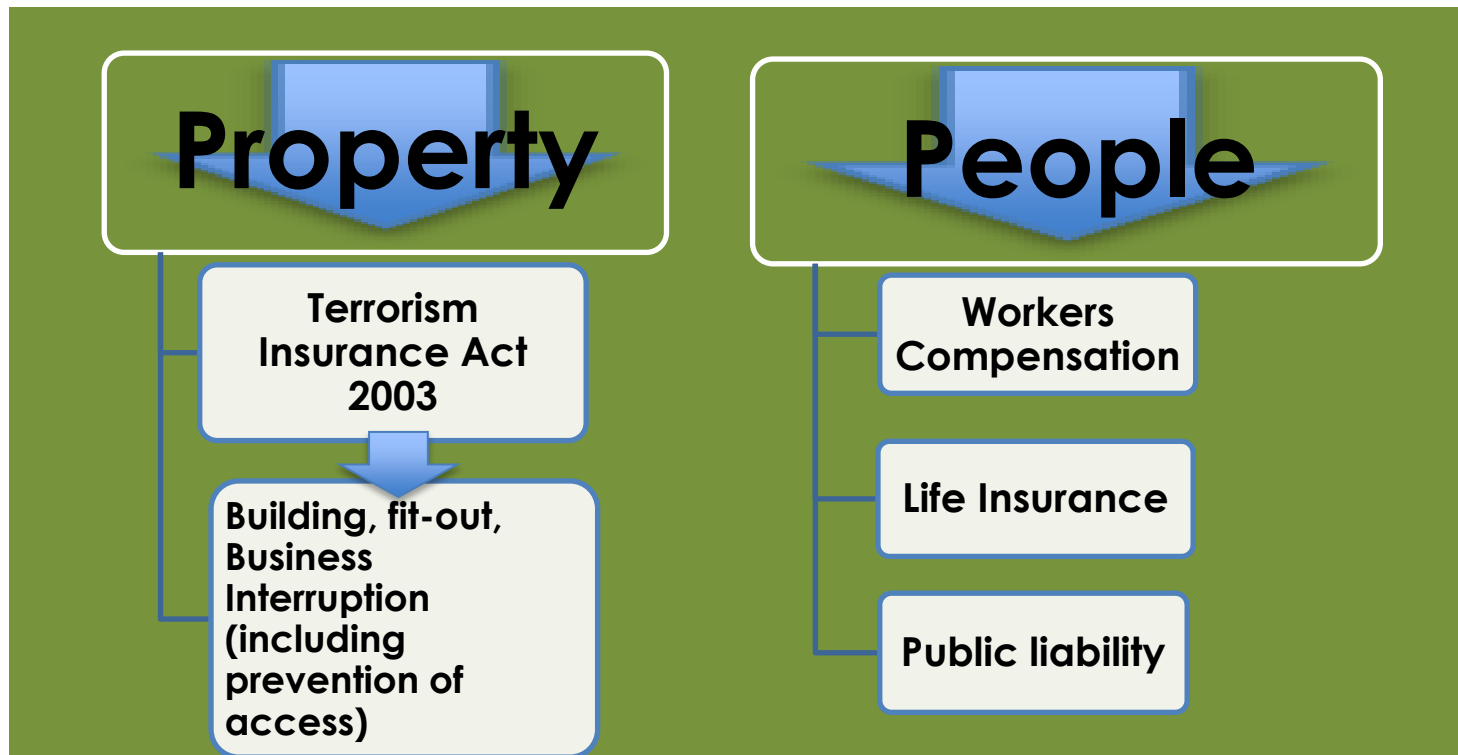


Recovery: ARPC role in national counter-terrorism



Recovery from a terrorist event

Insurance



Lessons learned from the Lindt Café siege:

- Modes of attack other than a conventional bomb blast can cause major disruption, for example, a lone actor with a gun
- Disruption to the CBD was significant
- Prevention of access for businesses was a huge issue



Sydney: 15 December 2014

What businesses should do:

- Review your Business Continuity Policy
- Make sure you have adequate coverage (\$):
 - Check that you have adequate property sum insured
 - Check that your business interruption sum insured is adequate for a major disruption
 - Check that you have an adequate prevention of access sub-limit. Also check the time period over which exclusions to the cover apply (for eg 24 hrs or longer?)
- Businesses *must* be adequately insured to be covered if a terrorism attack occurs



Key messages

- The threat of terrorism is real and increasing globally
- Terrorism is a unique risk as it is a *low likelihood* but *high consequence* event
- A company's risk management process should “cut through the noise” in a crisis.
- In Australia, business interruption, particularly prevention of access, is likely to be a greater source of economic loss than property damage as a result of terrorist attacks

*****I would like to take the opportunity to thank ARPC staff who contributed to this presentation today.**