

# HOW WELL IS YOUR ORGANISATION PREPARED FOR A TERRORIST ATTACK?

The following article recently appeared in the journal of the Association of Insurance and Risk Managers (AIRMIC). We thank AIRMIC for their permission to reproduce it here.

The profile of terrorism risk may have fallen, but the threat remains as current as ever. Pool Re chief executive **Steve Atkins** urges organisations to ensure that their contingency plans and insurance arrangements are up-to-date.

The subjects that keep risk managers awake at night change depending on events. At the time of writing, the possibility of a flu pandemic is still top of the risk agenda, though it is starting to wane. Before that the recession dominated for several months together with the related question of insurer security.

Yet one threat is always there, even when it is dormant: terrorism. The current alert rating put out by MI5 is 'severe', which they define as 'an attack is highly likely'. To put it in context this is only one down from the highest level which is 'an attack is imminent'. So, if the World Health Organisation decision to raise the pandemic alert to phase five out of a possible six caused you to get ready for the worst, then you should be similarly prepared as far as terrorism is concerned.

Pool Re chief executive Steve Atkins believes that most AIRMIC member organisations have a good grasp of the issue, but for some, other events have distracted them from the terrorism risks and their plans may need reviewing.

"Larger companies with professional risk managers and well informed risk committees have a very good understanding of terrorism risk. It is also the case that business continuity plans are of a much higher order than they were 10 or 15 years ago," he says.

"However, with a risk like terrorism, which has been present for a long time in the U.K., it's a good idea to check that plans are fully up-to-date and fully understood internally. After 9/11 and the July 2005 bombings in London it was in everyone's mind but as time goes on, other priorities take over and attention is diverted."

Atkins says that the nature of the threat has evolved. Now the possibility of a non-conventional Chemical, Biological, Radiological and Nuclear (CBRN) terrorist attack (the subject of a recent AIRMIC briefing) has to be considered. As a general comment, the big disasters are getting bigger, be it flood, windstorm or terrorism. While naturally hoping that it will never happen, Pool Re is designed to deal with an event of a magnitude never previously witnessed, and he recommends that insureds do the same in their own planning.

"It is well nigh impossible to make reliable predictions about terrorism risk. It may seem rather odd, but once you appreciate this fact you have the right basis on which to plan," he says.

Whilst Pool Re does not offer loss prevention or mitigation advice, he suggests that companies work closely with their brokers or insurers. In addition, he says, some loss adjusters are very well informed on the subject, and there is a wealth of good information on the internet, much of it from government sources.

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From an insurance point of view, he recommends that organisations pay particular attention to their business interruption cover, **especially indemnity periods**. As many people under-estimate the time it takes to get fully up and running after an incident, **failure to look at this carefully can mean insufficient protection**.

He often speaks directly to AIRMIC members, especially those with captives in Pool Re, and is pleased to hear comments about the scheme.

“There is always going to be some tension between the flexibility the scheme can offer and the need to operate with consistency across the whole market. Most of the people I meet understand that, and appreciate the guaranteed availability of capacity, wide coverage, and security the scheme offers. Of course, everyone would prefer to pay less, but again, people understand the need to build a fund for future losses.”

He points out, however, that developing a detailed and robust rating system that accurately reflected every organisation’s risk profile would be an enormous and complex task. It would add considerably to overall cost and ultimately to the average premiums paid. Anyhow, given the unpredictable nature of terrorism and the shortage of data, he questions just how valid such a process would be.

Atkins recognises that there are good arguments for companies choosing to acquire terrorism cover via a captive or via a conventional insurer or, for that, matter a combination of the two. It depends to a large extent on individual circumstances and what fits for the particular firm.

He does, though, draw attention to the flexibility which can be an advantage of the captive route. Under the Pool Re scheme, the level and structure of terrorism cover is tied to the underlying policy. By using the captive’s freedom to buy differing levels of reinsurance cover for different types of exposure, it is possible to tailor the amount of non-terrorism cover bought from the market while maximising the terrorism cover. Whilst this is only relevant to some insureds, it can be helpful.

Overall, though, he is ‘not inundated with comments’ about Pool Re. He interprets this as a sign that the Pool Re scheme is recognised as “providing a suitable insurance response to the terrorism problem”.

He is, however, keen to receive comments on the scheme. “We deal with around 1,000 enquiries a year and our technical team has a rolling programme of member visits. In addition we aim to keep regular contact with loss adjusters and with all of the main market associations. People are not shy about making their views known and we welcome that.”

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Mark Baylis/AIRMIC News.

## PLANNING BILL CONSULTATION REQUIREMENTS

Andrew Vaux, Account Director with Freshwater U.K., examines the implications of the Planning Bill for communicating with local communities.

The Government’s White Paper, introduced in the recent Queen’s Speech, encompasses one of the biggest shake-ups in the U.K.’s planning system in recent years.

It aims to introduce a system which will speed up the current planning process and give individuals more opportunities to have a say on proposals for developments which have the potential to impact on their homes, communities, access to amenities and quality of life. The Government’s stated vision, outlined in the White Paper, is “**for a planning system which supports vibrant, healthy sustainable communities, promotes the U.K.’s international competitiveness, and enables the infrastructure which is vital to our quality of life to be provided in a way that is integrated with the delivery of other**

**sustainable development objectives, and ensures that local communities and members of the public can make their views heard**”.

But whilst the Planning Bill aims to create a planning system which is fairer and more transparent and accountable, what implications does it have for promoters who are developing particular schemes, particularly in an environment where opponents of the Bill believe it is intended to reduce not increase an affected community’s say in local matters?

A key element of the Planning Bill is the introduction of a number of requirements for developers to consult with affected audiences before their plans are considered and determined. Despite what communities fear and cynics

suggest, the Government does want to ensure interested parties – in particular local authorities and affected communities where significant infrastructure projects are being proposed – have the opportunity to express their views about the development. Promoters are now required to consult the public and, in particular, affected land owners and local communities before submitting a planning application. The Government believes the project development stage is the point at which the local authority, local community, their Members of Parliament and other directly affected parties have the greatest contribution to make. It is vital that these parties are consulted at an early stage of a project's development, so that they can express their views about how projects are developed and influence a promoter's proposal.

There are five key levels of engagement:

- **Informing people** – raising awareness and understanding, communicating about the project and its progress.
- **Consulting people** – obtaining feedback on plans and proposals, and gauging opinion about key issues or options.
- **Involving people** – enabling the community to contribute ideas.
- **Acting together** – working in partnership with the community to develop options and determine a preferred option and identify possible solutions to identified issues.
- **Empowerment** – enabling stakeholder-led development processes, and placing the ultimate decision in the hands of the community.

If they cannot demonstrate that they have properly engaged with affected parties, developers and project managers will not even see their schemes get off-the-ground, let alone be managed on time, on budget. So what can promoters do to ensure they meet the new requirements for community engagement and be seen to adhere to 'best practice' throughout the engagement process?

The checklist below offers some advice:

- **Identify your audiences – statutory and non-statutory – often not the obvious ones.** For example a large infrastructure project might not just

affect immediate neighbours. It can affect people who travel into the area (e.g. if it's a tourist destination) and can involve special interest groups (e.g. conservation groups, environmental groups etc.).

- **Consider what you want to achieve** – this will help you devise your strategy and shape your core messages.
- **Consult widely throughout the process.** Set realistic timescales for consulting and for consultees to submit responses. If they feel there hasn't been enough time they'll quickly become extremely sceptical of the consultation exercise, labeling it a fait accompli and 'tick box' exercise.
- **Ensure all communication is tailored to reach all audiences** (e.g. available in different languages, different formats etc.).
- **Consider the most effective tools to reach your audiences** – e.g. written consultation, stakeholder and/or public meetings, web forums, public surveys, focus groups, targeted leaflet campaigns, the media etc. All methods are credible, provided they are used appropriately. Determining the right approach will be influenced by the purpose of engagement (e.g. to inform, consult, involve or collaborate); the stakeholders to be involved and their specific needs, expectation and existing knowledge; and the time and resources available. It's important to remember that organisations and individuals are likely to want to be involved in different ways. Some actively seek to be involved and expect more participatory engagement opportunities whilst others may simply wish to be made aware of the project's progress.
- **Be clear about what the proposals are, who may be affected, what questions are being asked and the timescale for responses.** Clearly state the deadline for responses and any alternative ways of contributing to the process e.g. written replies, completing response forms, completing on-line responses etc.
- **Give feedback regarding the responses received and how the consultation process influenced the policy.** Ensure consultees feel their voices have been heard. Even if not fully taken on board they should feel their views have been given consideration. Again, this will make them value the consultation exercise instead of them believing it's a 'tick box sham'.



Whilst at first sight these new consultation requirements may appear to be somewhat of a burden, there are clear benefits for adopting 'best practice' and adhering to the new measures;

- It allows stakeholders to influence the way projects are developed by providing feedback on potential options and the design development process.
- It helps promoters identify projects or project options which are unsuitable and not worth developing further – stakeholders can provide important information about the economic, social and environmental impacts of a scheme
- It allows potential mitigating measures to be considered and, in some cases, built into the project before an application is submitted.
- It helps local people to better understand what a particular project means for them and allows concerns resulting from misunderstandings to be resolved early.
- It reduces the potential for costly delays later in the process and enables applications to proceed more smoothly through the formal stages of consideration and determination.
- It enhances your reputation – and provides a good insurance for your future plans.

**Freshwater U.K. is a leading national marketing and communications network with a wealth of experience in advising major private and public sector bodies on their Community Relations and Public Relations strategies.**

If you would like to discuss any aspect of the issues discussed in this newsletter, please contact your usual Account Director or any of the contacts shown.

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