

# Is Terrorism the New Normal for Insurers?



## Summary:

*The most important response by insurers: They take steps -- risk management services -- to help prevent losses from occurring.*

*By: Patrick Hirigoyen*

After several mass shootings across the U.S. — in Orlando, San Bernardino, Charleston and elsewhere that, whatever the motivation, created terror — the insurance industry is responding with new “standalone terrorism” coverage. Does this reflect a level of acceptance of such incidents, and of gun violence, as a “new normal,” something we’ll just need to live with? I don’t think so. In fact, the responses of insurers illustrate their key role: helping individuals, businesses and other organizations deal with unforeseen harm and tragedy, and recover from it. As cited by [Carrier Management](#) See also: [How to Develop Plan on Terrorism Risks](#) The other factor is the lack of clarity regarding what’s covered by commercial general liability insurance. In the same article, John Powter, president of GDP Advisors in McKinney, Texas, [says](#) the general liability part of a commercial policy doesn’t clearly cover or exclude active shooter incidents. “There is a concern, or gray area, with the general liability policy — in reality, it was never designed to cover an active shooter incident,” he said. **The shift in the nature of terror** Earlier this year, [Insurance Business](#) [reported](#) on research by KPMG that noted that the changing nature of ideologically motivated crime has yet to be addressed by insurance coverages. “There is a shift in the nature of terror,” the publication quoted KPMG partner Paul Merrey as saying. “In the 1990s, it was about property damage. The incidents we’re seeing now are about maximizing casualties. There is a gap between what insurers are providing cover for and what customers actually want.” He added that the gap will “go from a gray area to excluded,” as was the case with cyber risks — which, in turn, led to entirely new cyber risk insurance. In a similar response, insurers introduced new standalone terrorism insurance earlier this year. Bermuda-based insurer XL Catlin introduced an “active assailant” policy in February. The policy provides “time element” coverage, which includes business interruption and extra expense coverage. Ben Tucker, head of U.S. terrorism and political violence insurance for the company, [told Insurance Business](#) that “the level of awareness is increasing quite dramatically, and it’s not limited to large-risk management types of exposures.” The company has received inquiries about the coverage from agents and brokers representing



school districts, public buildings and small hospitality firms. The policy, the publication reported, is triggered when an event involving a handheld weapon affects three or more people. In this policy, "affects" has a broad definition: a person affected could simply be a witness to such an event. GDP Advisors in February introduced an Active Shooter Insurance Program underwritten through Lloyd's of London. Powter [told \*Carrier Management\*](#) that the coverage originally was intended for educational institutions, but soon after it was launched GDP received inquiries from banks, hotels, sports venues, amusement parks and other businesses. **The real value: preventing injuries and losses** Powter added that the "real value of the policy" is in its provision of risk management and crisis response services. Those are important, he said, because many businesses and educational institutions are now learning how to best respond if an incident occurs at their facility. And that's perhaps the most important response by insurers. When they insure any organizations, insurers take steps -- risk management services -- to help prevent losses from occurring. Those services are especially valuable to businesses and other entities that have purchased active assailant coverage. Students and teachers at schools where shootings have occurred said that the safety drills and procedures they practiced helped to minimize injuries and losses and, perhaps, save lives. Does coverage for such attacks imply an acceptance of them? Only in the same sense that other types of insurance imply an acceptance of fires, storms or other natural disasters. They're incidents that could happen, and require specific safeguards, preparation and insurance. **See also: [How to Find Coverage for Terrorism Risks](#)** Society must address the threat of terrorism, whether via large attacks or the actions of one individual. Anyone who follows the news is familiar with the many options being discussed and debated by policymakers. But as those threats persist, insurers must deliver both preventive measures and coverage for damages, whether to property or the psyches of survivors and witnesses. That's the type of response we expect from insurance companies.



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