Worldwide Terrorism and Political Events and the impact on Risk Management
World Order

What’s happening? How did we get here? Why all the instability, uncertainty and change? Should my company do something to address these issues?
## Terrorism events, 2017

<table>
<thead>
<tr>
<th>Country</th>
<th>Total Incidents</th>
</tr>
</thead>
<tbody>
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<td>159</td>
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<tr>
<td>Afghanistan</td>
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**Grand Total**: 699
### Terrorism events - wait-, June 1 – October 1 2017!

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#### Grand Total: 699
Terrorism in 2017

Frequency of events is high and rising. Let’s take a look at the past recent 120 DAYS

- 699 INCIDENTS.
- 271 of were in war zones, Afghanistan, Iraq, Syria and Ukraine.
- 175 Africa.
- 75 in the Americas.
- 66 Middle East (ex Syria, Iraq but incl Turkey).
- 61 Indo-PAK region (ex Afghanistan).
- 30 Asia (inc Australia).
- 18 in Europe.
- 3 East Europe.
London- Borough Market
June 3, 2017

LONDON POLICE: 6 KILLED, 30 WOUNDED IN LONDON TERROR ATTACKS; 3 SUSPECTS KILLED BY POLICE

FOX NEWS ALERT
Alexandria VA- attempted assassination of US Congressman Scalise
June 14, 2017
Damascus Gate, Jerusalem
June 16, 2017
Temple Mount, Jerusalem- police ambushed
July 14, 2017
Hamburg- supermarket attack
July 28, 2017
Barcelona - vehicle, stabbing, bombing attacks August 17-22, 2017
London- train bombing
September 15, 2017
Terrorism in 2017

Worldwide terror events occurring almost daily in established western countries.
Lone wolf attacks, almost impossible to prevent.

Objectives:

– Take advantage of reactive media- immediate worldwide stage- get attention to their cause.
– Instill fear in the public.
– Hit vulnerable concentrations of people and tourist sites.
– Perpetrators work for groups that claim religious fervor as cause.
– Victims are innocent by-standers - wrong place at the wrong time.
– Mandate to weaponize vehicles not new but success rate causing rise in attacks.
– Recruit more followers. Why hire an ad agency for $$$$$? All you need is a crazy person and a van.
Terrorism in 2017

The affect on business operations.

• Practically speaking, probably not much affect to functional operations unless in the transportation, entertainment (arenas and public venue management) or tourism industry.

• You may be affected by-

• Public “panic” which will have ripple affect with:
  o Travel, from delays to airport shut down to government warnings and restrictions to change in the laws, like travel ban for selected population.

• The realities that there are real, deadly threats for traveling employees.
  o Protective measures and procedural change for travelling employees.
  o Liability issues and insurance coverage for employees (ADD, K&R, Evacuation, etc.)
  o Mentality and confidence of employees to go places.
  o Loss of Attraction risks.
Political Risk in 2017

Governments with new agendas as economies change and regional opportunities present themselves.

- Russia.
- China.
- USA.
- Europe.
- Korea peninsula.
- Iran.
- South Africa.
- India.
- Venezuela.
Political Risk in 2017

Europe
Political Risk in 2017

Asia
Political Risk in 2017

Americas
Political Risk in 2017

Africa
Political Risk in 2017

Middle East
Political Risk in 2017

Iran
Political Risk in 2017

Iran

- Bad history with USA who helped replace democratically elected gov’t with Shah.
- After the 1979 revolution, USA backs Iraq in Iran-Iraq war.
- Moderate government- religious clergy try to dictates policies. Twelver Shia Islam, state religion.
- Country split between Moderate and Hardliners.
- The Joint Comprehensive Plan of Action Nuclear agreement and the mentality of foreign relations (a Fatwa, Tawriya and a plane full o’ $$$- which we owed in any event).
- Economy tied to natural resources. No meaningful self-reliant industry base. Mass corruption.
- Intellectual capital drain. Schooled in the west- don’t go back.
- Nominal GDP (value of goods and services 1 yr) US $430 bn. Perspective: US military annual budget is approx. $523 bn. PPP GDP they fare better.
- Fast growing Christian community and largest Jewish community in ME, Israel aside.
- Oppose ISIS and Al Qaeda- or do they?
- Capable, dangerous military for regional influence.
Political Risk in 2017

Iran- ironically, started the downfall of Texas oil. Like Dallas in the 80’s – Iran a one trick pony- oil.
Political Risk in 2017

Russia- what’s the deal with Russia?
Political Risk in 2017

Russia- what’s the deal with Russia?

– In 1980, the global power to confront the west...but...
– It’s not 1980 anymore and the Soviet Union is gone.
– Communism to socialism to oligarch privatization to federal republic. Take your pick, economy no better either way. No plan.
– Politically reformed, economically not reformed. Well off the manufacturing capabilities of the economic powers, including India.
– Narrow economic base - commodities, agriculture, energy, arms and weapons.
– Large military, 5.3% of GDP versus 3.3% for the USA
– But USA Nominal GDP (value of goods and services 1 yr US $) $19 trillion, Russia $1.5 trillion. Versus China, their former Communist brothers who reformed economically but not politically, Nominal GDP $20 trillion.
– Perspective- Japan GDP $4.8 trillion. U.K. $2.4 trillion. India nearly $2.4 trillion.
– Perspective- Texas $1.6 trillion!!
– Perspective- for every $10 USA spend on military, they spend $1.
– Purchasing Power Parity (PPP) GDP, Russia fares better, living standards need improvement.
Political Risk in 2017

Russia- what’s the deal with Russia?

– Ukraine. Long cultural history with Russia, especially Crimea. Russian annexation of Crimea egregious and illegal, about presence on Black Sea. Russian support for rebel faction in civil conflict result of west’s reluctance to draw line in the sand. Russia agenda to hinder a democratic movement by military action- not let another former Soviet State join the EU/NATO.

– Syria. Posturing as supporter of Assad regime against “ISIS”. But really more about creating a flood of refugees that shape European politics and harm the future of the EU. If the EU fails as a nation state, Russian influence on world stage much greater. Like to show-off military might. But can’t really afford it. Don’t want another ally to fall and perhaps join the west.

– Large find of gas in Iran and Qatar they need to be piped through ally Iran, avoiding rivals Saudi Arabia, Turkey and Qatar. Will give Russia leverage on new source of European gas that will compete with Russia, Europe's largest supplier of gas.
Political Risk in 2017

Russia- what’s the deal with Russia?

- A smoke-belching Russian aircraft carrier. Half the planes don’t work........
Political Risk in 2017

Russia- The sheriff is in town. But all hat no cattle?
Political Risk in 2017

Korea peninsula
Political Risk in 2017

Korea peninsula

- Decades of diplomacy with west but no results to reign in nuclear ambitions.
- Disingenuous government, treaties negotiated in bad faith.
- Now all-out effort to accumulate technology and hardware to effectively deliver nuclear weapons.
- Oppressive government, recluse society.
- Obtain “untouchable” status at all costs. Guaranteed power and control.
- Sanctions unenforceable and ineffective.
- Either will be resolved through economic means or military.
- Long standing ties, both culturally and economically with China.
- China and North Korea have a defense pact signed 1961, but the world has changed...or has it?
- But it’s not China driving next steps, it’s South Korea.
Political Risk in 2017
South Africa - from Mandela to... Malema?

South Africa off the radar screen for many- but beware. The engine of the continents economy. European roots- if they fall- trouble! The country is engulfed with serious political turmoil and corrupt leadership. Meet Julius Malema, leader of the Economic Freedom Fighters and potential future President? An excerpt from the UK press:

…..a Hugo Chavez-wannabe, the personification of a “political entrepreneur”. Malema comes across as a ruthless revolutionary driven to harvest votes at any cost. Even though aware what he promises will destroy the economy and heap misery on his fellows. He holds up sorry Cuba and tragic Venezuela as examples of where he would like to take South Africa –
Political Risk in 2017

USA

Foreign policy a major factor on current status of world affairs:

– Philosophy to engage rivals and stand down militarily facilitated opportunities for regional challengers who have gained influence and ground on the USA over much of the decade.

– American power vacuums in Eurasia, Middle East and Asia.

– Current administration will focus to regain regional status in these areas.

– Other factors include the shifting of wealth- the rise of emerging markets, India, Asia, Emirates and the stagnant economies of the west.

– Changing demographics with population.
Political Risk in 2017

It’s all about money and power. Nothing more, nothing less.
Political Risk in 2017

USA

- USA leadership critical for the international business world.
- Excellent opportunities for USA business.
- But more importantly western business critical to local economy success.
- Economic success = happy local population.
Political Risk in 2017

Current situation gives rise to risk for:

- Employees- people. Accidental Injury, death dismemberment. In the extreme Kidnap and Ransom, evacuation, etc.
- Cyber risks.
- Liability risks, particularly in litigious countries.
- Supply chain interruption.
- Property or “brick and mortar” operations in country.
- Monetary investment in foreign enterprise.
Political Risk in 2017

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An example, our portfolio of coverage by region of risk

Emerging Market focus........

Percentage of $ 31.3 billion

- Africa: 19.3%
- Asia Pacific: 17.1%
- Central & S. America: 14.2%
- Eastern Europe: 14.3%
- Middle East: 10.3%
- Western Europe: 7.2%
- North America: 2.2%
- Multi-Country: 14.2%
## Property Based Political Violence (PV) and Political Risk Overview

<table>
<thead>
<tr>
<th>Non-political RSMDCC*</th>
<th>Political RSMDCC</th>
<th>Terrorism</th>
<th>Insurrection Rebellion &amp; Revolution</th>
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<tbody>
<tr>
<td>London 2011 riots</td>
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* RSMDCC = Riots, Strikes, Malicious Damage & Civil Commotion
Post 9/11 General Property Insurance

Non-political RSMDCC*  | Political RSMDCC  | Terrorism  | Insurrection Rebellion & Revolution  | War/Civil War  | Confiscation Govt. Action

Covered

Excluded

London 2011 riots  | Greece Thailand Ukraine  | 9/11 Nairobi  | Egypt Ukraine  | Libya Syria  | Venezuela Ukraine, Bolivia, etc

* RSMDCC = Riots, Strikes, Malicious Damage & Civil Commotion
Post 9/11 Stand Alone Terrorism Cover
T3 / LMA 3030

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Political Risks

Confiscation- The right way to do it!
Arab Spring Political Violence Loss
Ukraine: People’s Republic of Donetsk

What a “normal” political risk claim might look like
Ukraine: People’s Republic of Donetsk
A political risk loss can also look like this
Property “war risk” losses – physical loss or damage

Physical Damage
Property “war risk” losses – forced abandonment / loss of use

- Physical Damage
- Abandonment
Property “war risk” losses - takings: confiscation, capture, seizure

- Physical Damage
- Abandonment
- Takings
Political Risk/Political Violence/Terrorism

“war risks on land”
# Property Based Political Violence (PV) and Political Risk Overview

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The right way to do it - War Risks on Land

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Included
- Destruction by Govt.
- Confiscation
- Capture
- Seizure
- Abandonment
- Loss of Use

Excluded
- 5 Grt Powers War
- Nuclear/bio/chem

* RSMDCC = Riots, Strikes, Malicious Damage & Civil Commotion
Business Interruption

• Extra Expense
  • Additional out-of-pocket expense incurred after a property loss to avoid a BI loss

• Business Interruption
  • Loss of Continuing Expenses due to decline in Income during a period of reduced operations/sales after a property loss at Insured’s premise(s)

• Contingent Business Interruption
  • Loss of Continuing Expenses due to decline in Income during a period of reduced operations/sales after a property loss at Supplier’s or other 3rd party premise(s)

• Loss of Market
  • Reduced Income after a resumption of full operations due to loss of market share caused by a Business Interruption loss

• Loss of Attraction
  • Loss of Income due to reduced demand for a product/service caused by an Insured Peril (earthquake, terrorism, war), but where the Insured has NOT suffered any property loss that inhibits its ability to deliver the product/service
Political Risks- a proper way to utilize insurance capital

Terrorism and War Risks on Land

• Insured: XYZ
• Interest: Insured Property (property damage, takings, loss of use) and BI
• Insured Countries:
  • Section 1: Sabotage & Terrorism only
    • N. America and European Union Countries
  • Section 2: All perils
    • Rest of the World
• Policy Period: say 3 years, non-cancellable
  • Annual cancel / rewrite subject agreement
• Policy Limit: $ 100 million
• Deductible: to be agreed / per Occurrence
• Premium: Fixed

• Insured Perils
  • Riots, Strikes, Civil Commotion
  • Malicious Damage
  • Sabotage & Terrorism
  • Insurrection, revolution, rebellion
  • Coup d’Etat & Mutiny
  • War & Civil War
  • Destruction by Government/Derelict Weapons
  • Capture & Seizure
  • Confiscation & Expropriation
  • Abandonment
  • Deprivation
  • Sanctions

• Basis of Settlement
  • Property: Replacement Cost
  • BI: Loss of Income / Extra Expense
Worldwide Terrorism and Political Events and the impact on Risk Management