

TRENDING TOPICS

AUSTRALIA

WAR & TERRORISM // AUSTRALIA

Malicious assailants pose new threat to Australian businesses

If your business revenue relies on members of the public physically attending your venue, what happens if a crisis event nearby means they stay away?

Lone-wolf style malicious assailant attacks are becoming more common, and we're seeing cities respond by closing off entire streets and business districts.

Non-damage business interruption cover is a hot topic in the insurance market

“The emergence of the lone wolf-style malicious assailant attacks is posing new risks that aren’t covered by standard terrorism insurance,” says Dipam Pandit, Head of War & Terrorism, Asia Pacific.

Many Australian businesses are vulnerable to these sorts of attacks because they fall in the gap between traditional property insurance and the more recently developed terrorism insurance options.

In the wake of the September 11 terrorist attack in New York in 2001, the Australian government established an Australian terrorism insurance pool to cover all Australian insurers who provide property insurance. Known as the Australian Reinsurance Pool Corporation, the pool collects a levy from property insurers which indemnifies them for the terrorism insurance they provide clients.

While terrorism insurance isn’t compulsory for property owners, it is now included as a standard part of most policies, with the result

that most Australian commercial property is protected against terrorism attacks.

However, Pandit says the nature of the attack threat faced by business has changed.

Rather than seeing an increase in attacks like September 11 and the London and Madrid bombings, we have seen the emergency of the “lone wolf” attack.

“The threat of terror hasn’t diminished, but the way that terrorists are constructing their attacks has changed, and we’ve seen that in the UK and Europe with the fact that you have people using vehicles as weapons. We’ve seen it in the US where you have the lone wolf and the gunman incident,” Pandit says.

In Australia, a recent example is the Lindt Café hostage crisis in Sydney’s Martin Place in 2014. And in Christchurch we saw the Mosque shootings of 2019.





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Property not always the target

Beyond the lone wolf attacks, a new threat is emerging – that of the malicious assailant.

These are much like the lone wolf terrorist attacks in that they are typically carried out by an individual, but the key difference is that they are not motivated by religious, political, or ideological reasons.

Instead, the malicious assailant might be mentally unstable, disgruntled, upset with themselves or their families or feel as if they've been subjected to bullying.

As such, they are not covered by terrorism insurance. They may not be covered by property insurance either, because a lot of these attacks don't cause actual physical damage to a business.

"If you're a retailer and you're based on a street where an incident happens and you suffer no property loss, but the police or the military end up cordoning off that area for

an excessive amount of time, you would then have a potential loss of revenue where you wouldn't have people coming into your store," says Pandit.

"There's a gap in coverage on that."

Liberty Specialty Markets is moving to fill the gap with malicious assailant coverage, which sits between property and terrorism insurance.

The policy covers attacks that are not declared to be official terrorism attacks by authorities and so which aren't eligible for terrorism insurance. Often attacks by malicious assailants don't target property or landmarks in the way some terrorist attacks do, but rather try to harm individuals as a way of attracting attention. "We're able to be the first port of call in those scenarios," says Pandit.





If it's not an official terrorism event, malicious assailant cover can fill the gap between property and terrorism covers

“Non-damage business interruption cover protects clients who are concerned that their business could be impacted through an incident, whilst suffering no physical damage.”

– Dipam Pandit, Head of War & Terrorism, Asia Pacific



CLOSED



Keeping the public away from businesses

These sorts of attacks can cause significant business interruption and losses, even if there is no damage to the business itself and the business wasn't the target. "That's what we now term non-damage business interruption which is quite a hot topic in the insurance market at the moment. This is where clients are concerned that an incident could take place, they suffer no physical damage, but their business has an impact through that incident," says Pandit.

Other impacts on the business can include relocation costs, if staff or customers need to be temporarily moved to other premises, as well as the expenses incurred in a public relations campaign to try to bring the public back to the business after an attack.

Pandit says the policy is based on the fact that any attack in Australia is unlikely to come from a well planned and coordinated foreign terror group.

"When we try and underwrite and analyse the Australian market for the chance of a terrorism attack, we generally think that the threat is low. If there's going to be an attack,

it's going to be a domestic attack – someone who's been potentially turned by watching YouTube videos and radicalised on that basis," Pandit says.

"In terms of foreign insurgents coming into the country with the fact of how isolated Australia is and how good the border control is, in our opinion it's very difficult for there to be a foreign attack on Australian soil."

While criminal activity such as gang fights or muggings are excluded from the policy, the definition of malicious assailant has been kept deliberately broad.

Pandit says the business most likely to suffer an adverse impact from these sorts of attacks are those whose revenue relies on members of the public attending their presence, such as bricks-and-mortar retailers, hotels, theme parks, casinos and stadiums.

The coverage option is part of a larger product upgrade in Liberty's global Terrorism capabilities.



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If you're looking for more information on malicious assailant product, please get in touch with our specialist War & Terrorism underwriters. Our full team is listed on our websites.

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