

# The changing threat of terrorism and its impact on employees and property risks



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2,507 employees

343 firefighters

72 law enforcement officers

55 military personnel

\$55 billion+ in physical damage and loss of life<sup>1</sup>

Could this happen again?<sup>2</sup>

### Definition of domestic terrorism

The Oxford Dictionaries defines terrorism as “the use of violence and intimidation in the pursuit of political aims.” Specific to the US, the US Federal Bureau of Investigation bases their definition of domestic terrorism on two main criteria: acts that are dangerous to human life and acts that are intended to intimidate, coerce or influence policy by intimidation.<sup>4</sup>

Many people may consider the Islamic State of Iraq and Syria (ISIS) or the Islamic State of Iraq and the Levant (ISIL) as a primary driver behind terrorism in the US and abroad. However, many groups other than Islamic extremists have been seen as the aggressors, including the KKK; animal-rights activists; anti-Semitic organizations; right-wing, left-wing and Christian extremists and even angry or rogue employees.<sup>5</sup>

The United States has yet to experience a terrorist event that rivals the September 11, 2001 attacks carried out by Al Qaeda extremists on New York City, Washington, DC, and Shanksville, PA. Important strides have been made in the last decade to thwart, prepare for and recover from terrorism. Yet, as a recent report from the Department of Homeland Security states, “the threat picture facing the United States is more complex and diverse than ever—demanding a constant state of alertness, ever-more sophisticated counterterrorism and cyber-protection efforts and improved resilience and preparedness by the public and private sectors.”<sup>2</sup>

The media often focuses on threats from high-profile international terrorists; however, there is an increase in self-radicalized, ‘lone-wolf’ attacks where an individual acts out against either government, businesses, religious organizations or social service providers.

The Heritage Foundation reports that as of June 2015, there have been 69 publicly known thwarted ‘terrorists’ attacks since 9/11.<sup>3</sup> Of course, the federal government and state and local authorities keep a confidential list of other thwarted attacks. But from all indications, the threats are daily and spread across all 50 states.

### New ‘soft targets’ and rise of cyberterrorism

As security measures have increased dramatically after 9/11, terrorists began directing their operations away from ‘hard’ targets such as government buildings and military installations and toward more private-sector ‘soft targets’ such as shopping malls, sports stadiums, hotels, commercial properties or anywhere an attack could successfully cause mass destruction and casualties. Even if an attack wasn’t intended to target a piece of real estate—such as the thwarted Times Square car bombing or the 2013 Boston Marathon bombings—those types of attacks make surrounding buildings and civilians vulnerable to collateral damage.

Terrorists might choose to target commercial property because of a building’s primary services, critical activities or tenants—including such institutions as banks, hospitals, manufacturing plants, communications facilities, power plants and information technology companies.

Hacking and the use of malicious code are increasingly becoming more successful methods of executing an attack for terrorists, with the CIA itself being the target of serious hacking attempts. In 2014, President Obama called cyberterrorism “the country’s biggest threat.”<sup>6</sup> The Global Risks Report 2016, published by the World Economic Forum, reports that terrorist attacks and cyberattacks are at the forefront of concern, especially among North American business executives.<sup>7</sup> One fear is that malicious code could spread widely throughout the financial system, energy grid and communications network, effectively shutting down the entire economy and country.

In 2014 testimony submitted to Congress, the FBI released the nature of some serious cyberterrorist attacks against US businesses, including five Chinese hackers illegally penetrating company networks to steal trade secrets and the theft of information from American defense contractors including Boeing.<sup>8</sup>

“Risk is everywhere today; it is the world we live in,” explains Shari Natovitz, Senior Vice President and Director of Risk Management of New York’s Silverstein Properties, developer and property manager for the new World Trade Center in New York, in a recent interview with Zurich. “We as business owners and property managers can’t control the borders, but it is our obligation to make our buildings and people as secure as possible.”



To meet the challenge, urban centers can maintain a sustained, heightened awareness for potential terrorist attacks”

## Protecting your property and people

Making high-occupancy buildings resilient against terrorist attacks is challenging because it is difficult to estimate the actual risks or even predict how, why and when a terrorist strike might occur. “There is no predictive modeling for terrorism events,” says Silverstein’s Natovitz.

To meet the challenge, urban centers can maintain a sustained, heightened awareness for potential terrorist attacks, and second- and third-tier cities should raise the level of protection during a big event such as a game, parade, race or other situation in which a large group of people assemble. It’s important for property owners and managers to remember that under the standard of reasonable care, having a building that is open to public access comes with the responsibility to provide a reasonable level of safety and security.

Owners and managers need to determine their property’s level of risk based on the building site and purpose and then decide the appropriate terrorism mitigation approaches. For companies like Silverstein Properties, new buildings are designed with a strong commitment to life safety and robust construction to mitigate potential damages. “Our Towers contain a wide range of life safety and asset protections that go beyond code and focus on establishing elements to strengthen the buildings’ resilience,” says Natovitz. “For instance, the interior has a reinforced concrete core that is two feet thick and houses the elevators and stairwells. This core creates a stronger backbone for the building itself and offers significant protection for those using the stairs in the event of an emergency. Our pressurized stairwells also provide added protection and are wider than code requirements to allow for two exiting streams of traffic while still providing sufficient room for firefighters moving through the building.”

For existing buildings, retrofitting for additional levels of security can be achieved as part of ongoing capital improvements. Most property organizations have a five-year plan or similar to renovate existing structures. By integrating protective measures into the capital improvement plan, the costs can be better managed. Some of these protective steps include hardening of facilities, increasing redundancy, installing security systems, developing a real-time access to local police, vehicle screenings, biometric scanning for building entry and implementing cyber security measures.

The location of the building and its function should guide developers in incorporating the appropriate level of terrorist safety protections into their designs. It’s reasonable to assume that the layers of protection will differ among Manhattan, South Beach and downtown Austin.

Other key risk-mitigation areas to focus on are in the preparation, training and awareness among building staff and tenants. Well-rehearsed systems and procedures include conducting drills for evacuation of the premises; clearly designating meet-up locations; and installing real-time communication systems with public departments such as Homeland Security, FEMA and local fire and police departments.



## Role of insurance: TRIA and terrorism coverage

The Terrorism Risk Insurance Act (TRIA) was passed by Congress in 2002 and renewed most recently in early 2015. Under this program, a federal backstop is available to reimburse insurers a portion of insured losses paid as a result of an act of terrorism.

“TRIA is a lifeline to the insurance industry and the businesses that make the US economy run,” noted Jason Schupp, Head of Regulatory Affairs for Zurich. “While the property and casualty insurance industry is in the business of assuming and managing the risk of catastrophic losses, the industry’s experience with terrorism has been far more limited than with natural catastrophe events.”

Under TRIA, insurers are obligated to make available coverage against losses from terrorism on the same basis as coverage for losses from non-terrorist events. The Secretary of US Treasury must certify an event as an act of terrorism in order to trigger the program. The Secretary cannot consider an event for certification unless property and casualty losses, in the aggregate, exceed \$5 million. However, the program will make no payments under the backstop unless the event caused at least \$100 million in losses per the Terrorism Risk Insurance Program Reauthorization Act of 2015 (TRIPRA).

TRIA certainly offers a much-needed 'backstop' for insurance coverage for large-scale attacks like 9/11, but since the terrorism trend is toward smaller-scale attacks with an increasing frequency of attempts, TRIA may not kick in. That means for a large property owner or captive that suffers multiple losses in the \$40 million range, having the appropriate risk transfer through traditional insurance would be critical.

## Committing to safety and terrorist mitigation

For any property owner, developer or general contractor, it's important to understand all risk aspects related to today's increased terrorism threats. Careful attention should be paid to building safety, including structural enhancements and occupant-safety procedures. In addition, you need to fully understand your insurance coverages, making sure there are no terrorism exclusions written into the policies. A terrorist attack not only can cause loss of life and property but also damage the reputation of your organization. Having the appropriate safety procedures and level of risk coverage for your location and type of business is important for building resilience into your organization and offering your tenants and employees the reasonable amount of security due to them. While terrorism continues to be a major threat for businesses, organizations can reduce risk to employees and property by being vigilant, well informed and prepared.

For more information on helping to secure your property, go to:

<https://www.zurichna.com/propertysecurity>

## Domestic Terrorism on the rise since 9/11

Over the last decade, domestic terrorism has resulted in smaller-scale attacks—but still with costly losses of both properties and lives:

- Driver who crashed SUV into crowd of pedestrians, injuring 6 at a college campus, stated he wanted to "avenge the deaths or murders of Muslims around the world."<sup>9</sup>
- Bombing of the US Armed Forces recruiting station in Times Square, according to the FBI, was caused by explosives packed in a metal ammunition box.<sup>10</sup>
- Malware found in power grids, water and sewage systems could be activated at a later date.<sup>11</sup>
- Bombing of a Manhattan coffee shop using a crude explosive device was perpetrated by a 17-year-old paying tribute to a movie and its theme of causing mayhem. The explosion shattered windows and destroyed a bench but caused no injuries.<sup>12</sup>
- Hostage crisis at a corporate headquarters in Silver Spring, MD, resulted in the shooter taking three people hostage before being killed by police. The shooter had posted a manifesto railing against population growth and immigration prior to the shooting.<sup>13</sup>
- Bombings at the Boston Marathon finish line initially killed 3 and injured more than 180 people and later led to the killing of an MIT campus police officer, a carjacked SUV, a massive police chase and a shootout which critically wounded a Boston transit police officer and resulted in killing one of the two suspects. A note written by the living suspect was later found, stating that the bombings were in retaliation for US actions in Iraq and Afghanistan against Muslims.<sup>14</sup>
- Shootings in Las Vegas saw two police officers and one civilian killed by a couple who espoused anti-government views and who were reportedly inspired by the outcome of the Bundy standoff. Both attackers died during the shootout.<sup>15</sup>
- Hatchet attack in a New York City shopping district injured two New York City Police Department (NYPD) officers who opened fire and killed the attacker and injured a civilian. The attacker, who converted to Islam two years before the attack, had posted "anti-government, anti-Western, anti-white" messages online.<sup>16</sup>
- Cyber attack by The Guardians of Peace, a group linked to North Korea, included exposing embarrassing private emails and threatening attacks against theaters that showed a satirical film which depicted the assassination of North Korean leader Kim Jong-un.<sup>17</sup>
- Shooting at an art exhibit in Texas happened during an art exhibit hosted by an anti-Muslim group running a contest for cartoons depicting the Muslim prophet Muhammad. One officer was wounded and the two gunmen were killed by police. The attackers were motivated by the Charlie Hebdo shooting in France and the 2015 Copenhagen shooting in Denmark earlier that year.<sup>18</sup>
- Bomb threat to a hospital in Mississippi was performed by an Iranian national who allegedly made terrorist threats and assaulted two sheriff's deputies. The terrorist's actions and threats led to a two-hour closure of the I-10 Interstate near the Louisiana state line.<sup>19</sup>
- Shooting at a medical clinic in Colorado Springs, CO, was the act of one shooter armed with an assault-style rifle. Two civilians and one police officer were killed, and four civilians and five police officers were injured.<sup>20</sup>
- Shooting in San Bernardino, CA, claimed at least 31 victims, including 14 dead and 21 injured. The two suspects fled in an SUV but were later killed.<sup>21</sup>

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## Additional Resources for Building Safety and Terrorist Mitigation

Reference Guide to Mitigate Potential Terrorist Attacks Against Buildings  
Department of Homeland Security  
[www.dhs.gov](http://www.dhs.gov)

Zurich Knowledge Hub - Property Security  
<https://www.zurichna.com/propertysecurity>

TRIA Background and Requirements:  
Insurance Information Institute  
<http://www.iii.org/issue-update/terrorism-risk-and-insurance>

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