

A man wearing a tan tactical vest over a light blue long-sleeved shirt and tan cargo pants is standing in front of a grey, cracked wall. He is holding a black mobile phone to his ear with his right hand, and the phone has a long, thin antenna attached to the top. His left hand is held out, palm up. To his left is a dark doorway, and above him is a window with wooden shutters. The overall scene suggests a conflict zone or a high-risk environment.

**WAR**

**ZONE**

**INSURANCE**

**+ RISK**

**MANAGEMENT**

# 5 Steps in the Risk Management Process

- ***1 – Risk Identification***
- 2 – Risk Analysis
- 3 – Risk Control
- 4 – Risk Financing
- 5 – Risk Administration

(Enterprise Risk Management, ISO 31000:2009)



# Violence and Assassination



# Kidnapping







# Terrorism







# Cargo Loss





# Expropriation of Private Assets



# Hotel Bombing





# Piracy

**IDENTIFIABLE RISKS ARE NOT  
ALWAYS PREDICTABLE**

***SITUATIONS CHANGE RAPIDLY***



# Libya 2011

## ***“Canadians left in Libya as insurer grounds plane”***

- A private insurance company nixed a charter flight secured by Canada to ferry its citizens out of Libya Thursday, stranding 105 Canadians at the Tripoli airport, the foreign ministry said.
- The move left Ottawa scrambling to find a “plan B” and by afternoon a military jumbo jet was put on standby to go in its place.
- Due to the **deteriorating security situation in Libya, a charter flight obtained to evacuate Canadians (from Tripoli) couldn’t obtain insurance**, so we’re now looking to work with our partners on other options,” Lynn Meahan, spokeswoman for Foreign Affairs Minister Lawrence Cannon, told AFP.
- *(Middle East, Short News, internet)*

# Libya 2011

## ***“Hundreds of American Evacuees Still Stuck on Ferry in Libyan Port”***

- Bad weather for a second straight day kept a ferry with several hundred Americans from being evacuated from Libya, though hopes are high that the captain will be able set sail for Malta on Friday.
- News reports from the region painted a picture of panic and desperation at the international airport in Tripoli, with up to 10,000 people reportedly trying to board planes to flee the country.
- U.S. government requests to land aircraft to pick up the citizens have been denied, State Department spokesman Philip J. Crowley told reporters in Washington.
- (AOL News, internet)

# Bahrain 2010 vs. 2011

*“Amid Unrest, Bahrain Tourism Plunges: Grand Prix Canceled, Hotels Empty”*





# Recent Events – Middle East & Africa

- Iraq
- Afghanistan
- Pakistan
- Bahrain
- Egypt
- Libya
- Sudan
- Algeria
- Somalia
- Yemen
- Gulf of Aden

Northern Africa and the Middle East





# Types of War Zone or Hostile Territory Risk

- *Property & Casualty Risk*
  - Expropriation
  - Breach of Contract
  - Forced Divestiture
  - Currency Inconvertibility
  - Political Violence
- *Human Resources Risk*
  - Life
  - Medical
  - Kidnap & Ransom
  - Emergency Repatriation
  - Pandemic
- **War Zone Perils & Hostile Territories (*Coverage is Excluded*)**
  - Political Risks
  - War
  - Terrorism
  - Piracy

**Avoid, Retain,  
Transfer or  
Finance?**

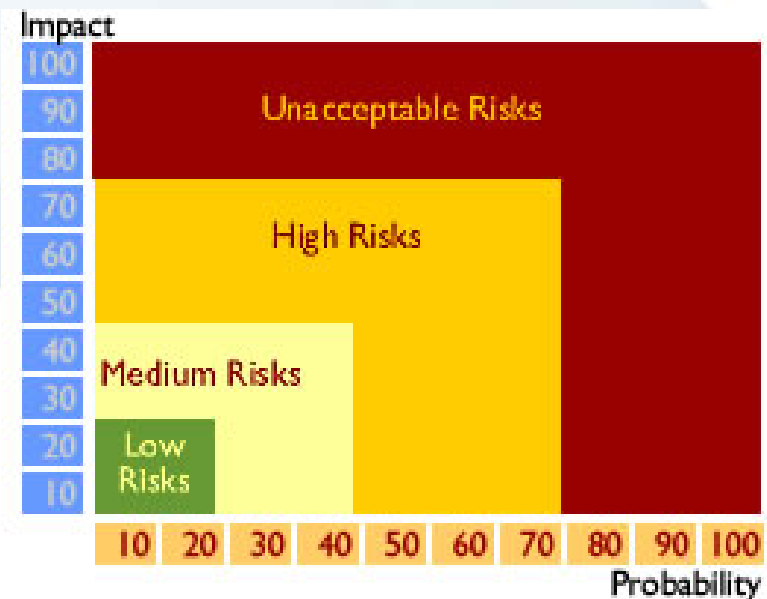
# 5 Steps in the Risk Management Process

- 1 – Risk Identification
- **2 – Risk Analysis**
- 3 – Risk Control
- 4 – Risk Financing
- 5 – Risk Administration

(Enterprise Risk Management, ISO 31000:2009)

# Risk Analysis

- **Risk Appetite** – What risk is Unacceptable Risk?
- **Risk Proposition** – Maximum Possible Gain vs. Maximum Possible Loss (MPG vs. MPL)
- **Probability** - What is the Maximum *Probable* Gain or Loss? (Speculative)
- **Risk Assessment** – How is it performed and updated?



# Risk Analysis = 4W + 2H + 1C

- **Who** – Americans, Europeans, TCNs, Locals
- **What** – People, Assets, Money, Credit, Time, Capacity, Reputation, Brand, Image, Existence
- **Where** – Middle East, Africa, Asia, Mexico
- **Why** – Value Proposition must make sense
- **How Much** – Aggregation of people/assets
- **How Long** – Resource sustainability
- **Criticality** – Essential operations or voluntary



# Risk Analysis – Where Bad Things Tend to Happen

- Areas of Aggregation

- People
- Assets
- Resources
- ***Dependent Processes***

## *Mitigation Strategies*

R  
L  
I  
S  
S

- Redundancy
- Logistics Support Plan
- Intelligence Gathering
- Security
- Spread of Risk

- Choke Points

- Route/Critical Path
- ***Critical Elements***
- Limited Resource (water)
- Availability of Key People

CONOPS  
PLANS

# 5 Steps in the Risk Management Process

- 1 – Risk Identification
- 2 – Risk Analysis
- **3 – Risk Control**
- 4 – Risk Financing
- 5 – Risk Administration

(Enterprise Risk Management, ISO 31000:2009)

# Risk Control

- War Zone and Hostile Territory Risk is ***extremely hard to control***
- Entities with ***good leadership, solid processes, redundant systems and good partners*** perform best
- ***Good training creates predictable reactions*** in periods of crisis when thinking can be clouded
- Your ability to control risk is ***your ability to quickly react to changing risk***

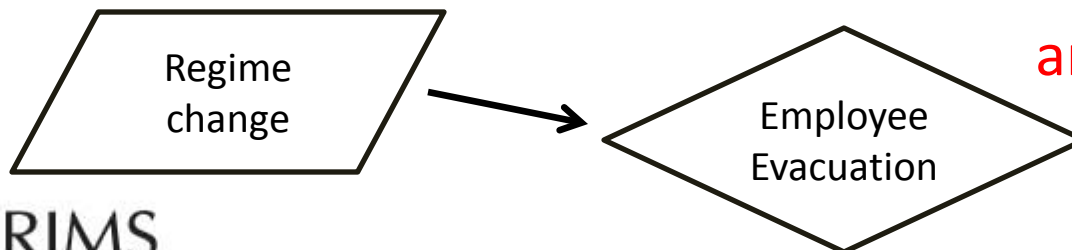
# Risk Control

- Property & Casualty

- Contracting Process Risk Assessment, Compliance and Avoidance/Mitigation (Active vs. Passive)
- Spread of Assets at Risk and Protection of Assets
- Critical Risk Information triggering predetermined Decision Points & Action

- Human Resources

- Employment/Deployment Pre-Screening
  - Medical
  - Psychological
- Pre Deployment Training
- Personal Protective Gear
- Secure Living and Traveling Conditions
- Rotation before Burnout and Bad Decision Making





# 5 Steps in the Risk Management Process

- 1 – Risk Identification
- 2 – Risk Analysis
- 3 – Risk Control
- **4 – Risk Financing**
- 5 – Risk Administration

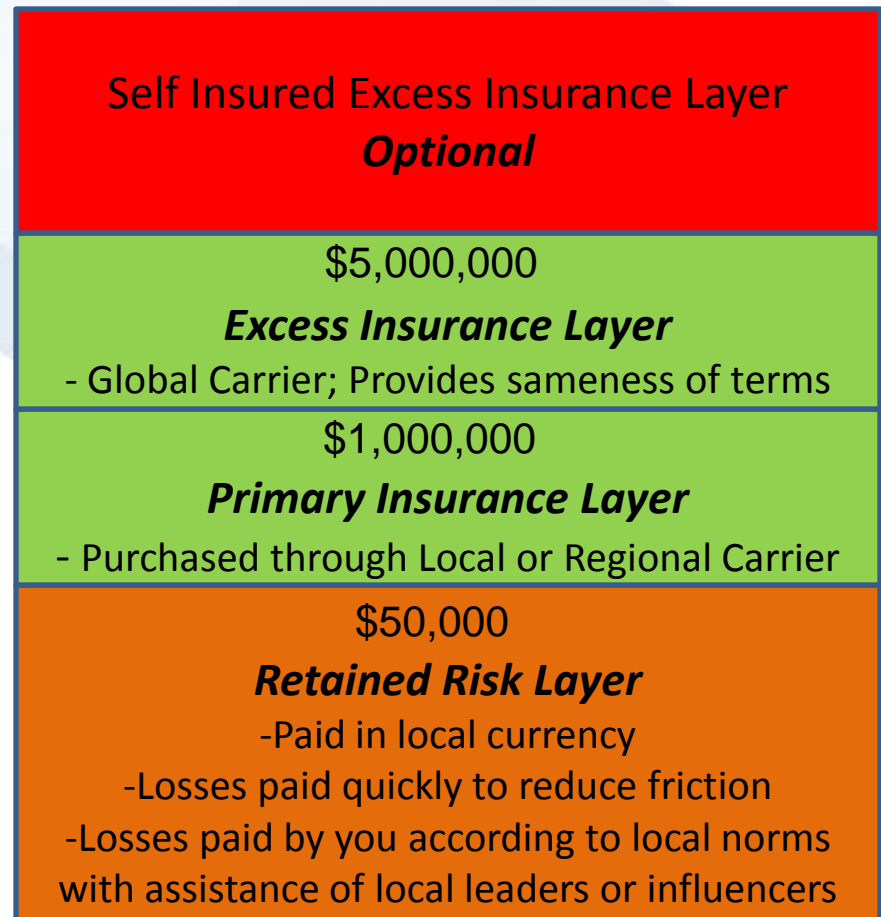
(Enterprise Risk Management, ISO 3100:2009)

# Risk Financing

- Most insurance companies exclude War Zone risks and War Zones or Hostile territories
- Available insurance products are often London Market based facultative reinsurance fronted by local or regional insurance carriers domiciled outside North America
- A combination of retention and risk financing via insurance is normally the most cost effective solution

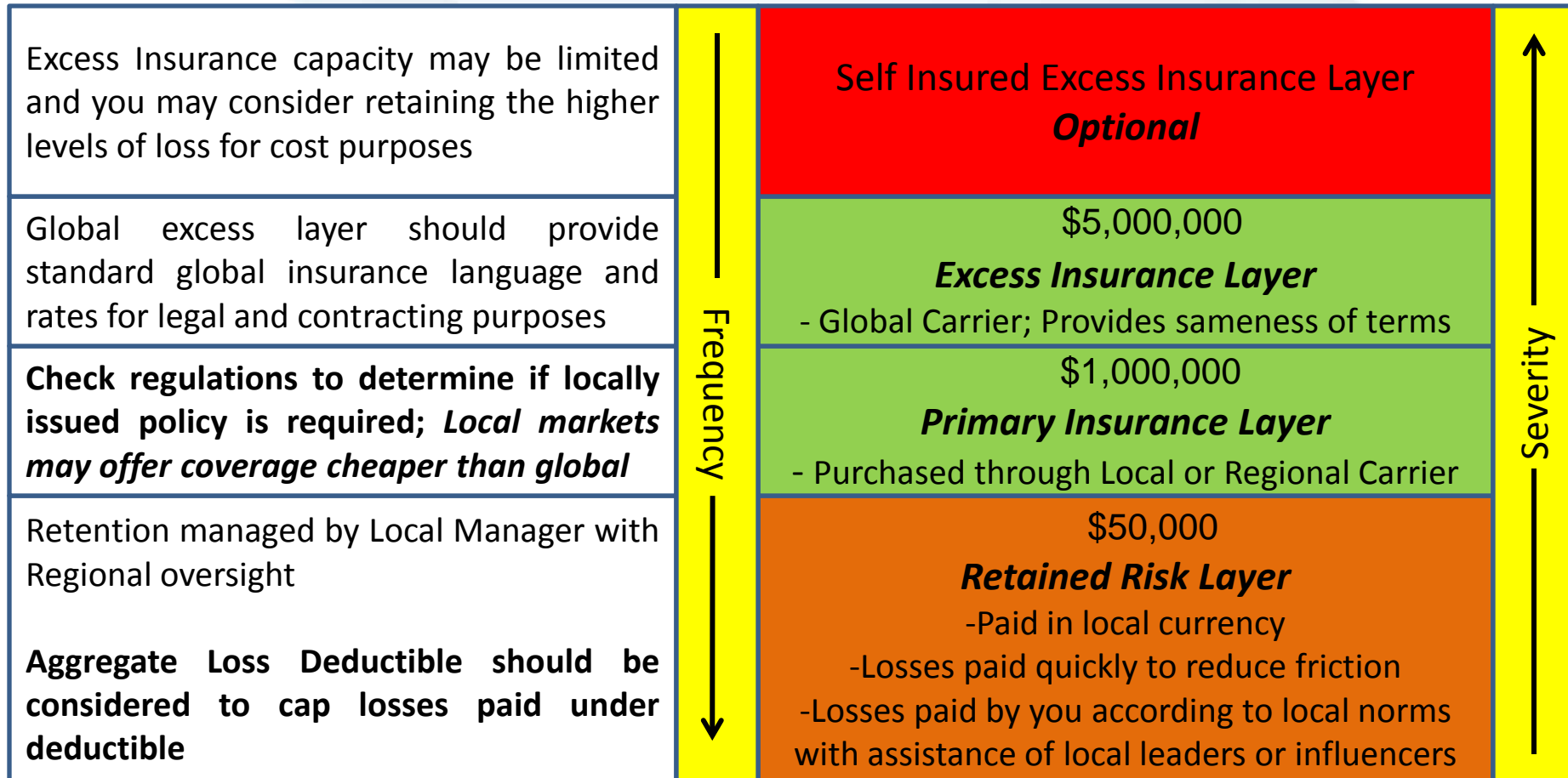
# Risk Financing - Technique

- **Retained Risk Level**
  - Predicable Losses
  - *Insurance company involvement not preferred*
- **Insurance (Primary/Excess)**
  - Cost and availability drives procurement of these layers
  - *Need for globally recognized coverage, A rated carrier, loss adjustment services and sameness of rates & terms*
- **Self Insured Excess**



# Risk Financing – Structure

## *Property and Casualty*



# Risk Financing – Structure

## *Human Risk*

### *Risk Manager Responsibility*

### *Human Resources Manager Responsibility*

Workers  
Compensation  
& Employers  
Liability  
  
(Foreign  
Voluntary)

Defense  
Base Act  
(DBA)  
  
(USL&H)

Kidnap  
&  
Ransom

Accidental  
Death &  
Dismemberment  
  
Trip Travel Cover

Short & Long  
Term Disability

Group  
Medical

Group  
Life

Services Providers – **Service Networks** – Global or Regional Coverage – **Employee Classification**

Are costs covered automatically or are costs reimbursed to Employee? Is Pre Approval Required?

Are benefits “Country of Origin” or “Country of Hire” or “Per Employment Contract”?



# Risk Financing – Claims Payment

- The purpose of Risk Financing through insurance is to transfer losses and pay claims
- The claims adjustment and payment process provide this risk transfer
- Carefully research insurance companies to ensure that they are able to adjust claims and promptly pay claims – few carriers have this capability in War Zones

# 5 Steps in the Risk Management Process

- 1 – Risk Identification
- 2 – Risk Analysis
- 3 – Risk Control
- 4 – Risk Financing
- ***5 – Risk Administration***

(Enterprise Risk Management, ISO 31000:2009)

# Risk Administration

- You will need a plan to implement and monitor the risk management strategy and insurance program in the war zone
- It is challenging to implement and monitor a plan on a 8 – 14 hour time difference
- A good risk administration plan will involve a qualified risk management contact in the Middle East that can work in conjunction with a USA or global corporate Risk Manager

# Risk Administration - Systems

- It can be helpful to utilize an RMIS system to maintain claims visibility however insurance companies may not have the ability to upload and download claims information to the system electronically
- Risk administrators with local language capabilities are important as many claim documents will not be in English



# Risk Administration – Loss Adjusting

- Third Party Loss Adjusters are the norm – insurance companies rarely have in house assets adjusting the losses in war zones
- Loss Adjusters can either work for you or the insurance company – it pays to develop a relationship early and control the adjuster
- Good Adjusters are in high demand and your claim may take a back seat to a larger client's claims – capacity is limited

# Risk Administration - Structure

- War Zone Risk:
  - Project based
  - Non Homogeneous
  - Low frequency
  - High severity
  - Special risk services required
  - Special marketing
  - Limit loss impact

## *Inside Global Program*



## *Outside Global Program*



# Summary

- War Zone and Hostile Territory Risk is unique and requires a unique approach to risk management
- Careful consideration should be given to risk structuring, retention levels, claims adjusting and risk administration
- The risk is non-standard and should be segregated to avoid impacting and polluting the overall loss picture (tail wagging the dog)

# Conclusion

- Thanks for your time and attention
- I am here all week in booth 134 if you have additional questions
- You can email questions to me at [goldsmith@riskoverwatch.com](mailto:goldsmith@riskoverwatch.com)
- As part of RIMS green initiatives, there are no printed handouts. Visit [www.RIMS.org/2011Handouts](http://www.RIMS.org/2011Handouts) to download available handouts. Printing on Demand stations are available in Level 1 Lobby of the Vancouver convention Centre, as well as in RIMS Cyber stations located in booths #227 and #1931 in the Exhibit Hall.