



In the Eye of the Storm

An Update: Managing
Terrorism and Asymmetric
Threats during Covid-19

AN UPDATE: MANAGING TERRORISM AND ASYMMETRIC THREATS

As part of our ongoing collaboration, the teams from START and CHC Global have been holding a series of managed discussions to consider the potential impacts of Covid-19 on terrorism and asymmetric threats. In May 2020, we jointly published the paper “100 Days Later”, which received wide readership across the insurance, risk and policy making communities.

<https://www.start.umd.edu/news/100-days-later-covid-19-implications-managing-terrorism-and-asymmetric-threats>



IN THE EYE OF THE STORM

As we enter the Northern Hemisphere winter, we have elected to update our assessment. This report is published somewhere between the first global wave of Covid and an expected second wave crest. We believe that the perspective during this “lull” - the eye of the storm – may be important. In order to provide structure to our analysis, we have considered what has changed, what is uncertain and what organizations can practically do in response. Our focus remains on terrorism and other malicious and security risks, many of which sit in the higher impact zones of the risk register.

In our “100 Days Later” paper we identified three strategic imperatives, which remain relevant to senior leaders:

- 1. Honest Risk Assessment.** Organizations should revisit their all hazards risk assessments, in the context of the lessons identified during response to Covid-19 to date. Perils which sit in the high severity corner of the risk register should be revisited with a straightforward assessment. There should be a coherent link between the potential magnitude of a risk, and an organization’s plans to mitigate, respond to and recover from such an event. These risks tend to be persistent, complex, and inevitable.
- 2. Event Agnostic Resilience.** Whilst we focus primarily on terrorism and malicious act threats, the current uncertainty warrants an all hazards approach to resilience. Recovery plans should consider how to recover in the event of disruption or absence of key people, infrastructure, systems or data. The focus should be on robust and flexible response and recovery options, rather than narrow, scenario-led arrangements. Given the inevitable occurrences of risks which cannot be prevented, investment in intentional resilience mechanisms and relationships are necessary.
- 3. Public – Private Partnerships.** Response to major crises, and especially population-centric emergencies, require effective coordination between the public and private sectors – including risk financing. The immediate requirement is for improved dialogue, which should lead to more coherent cross-sector planning and coordination. Both parties still have much to learn to build trust, become confident in their contemporary’s strengths and acknowledge their own limitations. Furthermore, the severity of the pandemic cannot be controlled by governments alone; individual and community behaviours will dictate its severity. Institutions that can empower, positive influencers and undermine malicious influencers will be most successful.

THE DISLOCATION OF CHANGE

Since the initial lockdowns, there have been significant strategic changes across developed economies. In the absence of Covid-19, the shift to the fusion of workplaces and technology, as well as the blurring of lines between physical and digital associated with the fourth industrial revolution, may have taken a decade to embed. The pace of change is such that many macro impacts are now effectively a *fait accompli*, but have yet to manifest fully, including the associated widespread redundancies.

Some of the social, economic and technological adjustments made to enable infection control are reversible, and many leaders and populations continue to grasp for a “return to normal.” But the enormity and complexity of the Covid-19 pandemic - from the nature of the virus to the levels of debt incurred - means that many changes are structural and will not be turned back. This will create both uncertainty and opportunity that will lead to failures, innovations and ultimately, to significant change. Leaders and institutions are therefore navigating seas flowing simultaneously in opposite directions; and these fluid dynamics will intercede politically, economically and socially.

Fixated by the immediate requirements to respond to the evolving operational challenges precipitated by Covid-19, many institutions and governments have yet to make sense of the changed operating environment. The situation has been further obfuscated by misinformation and disinformation that has arisen from ill-informed but vocal commentators, or malicious actors. There has been little opportunity for organizations to reorient to the changed circumstances, and especially for large institutions with decision-action cycles slower than the pace of change.

Many organizations are only now making adjustments to their strategic planning assumptions or their operating models. Others may have reoriented based on assumptions that have yet to materialize, and may not materialize. Organizations orienting to a future beyond the crisis based on optimistic assumptions regarding an effective vaccine, herd immunity, or the universal adoption of transmission-reducing behaviours may fail to appreciate that we are only in the eye of the storm. There is no guarantee that these organizations will survive to see the future they are preparing for.

The complex and evolving nature of the crisis means that, in most cases, it is not yet possible for organizations to adequately quantify the impacts, or the possible interdependencies between concurrently looming perils. Decisive decision making during a time of such strategic uncertainty, where agility is highly valued, may feel like a major risk for larger institutions or those with complex governance structures. On the other hand, a “wait and see” approach also carries significant and underappreciated risks given the likelihood of concurrent crises.

Profound unpredictability means that it is difficult to understand the co-dependencies between the many political, economic, societal, technological, legal or environmental risks. There is no reasonable method to model how a multitude of potentially concurrent events might interact with, or exacerbate, health issues or the activities of malicious actors. Leaders at all levels are currently presented with critical levels of uncertainty.

OPERATIONAL QUESTIONS FOR LEADERS

"We have been through too much frustration and hardship just to settle for the status quo ante – to think that life can go on as it was before the plague; and it will not. Because history teaches us that events of this magnitude – wars, famines, plagues; events that affect the vast bulk of humanity, as this virus has – they do not just come and go."

Prime Minister Boris Johnson 6th October 2020

We have identified three areas for discussion which leaders may find useful to examine with their teams:

1. What might our future look like? As the British Prime Minister identified, there can be no reasonable expectation of a return to normal. Even if a vaccine of unknown effectiveness becomes widely available in the first or second quarter of 2021, too many of the changes which have occurred are irreversible, and the coming months may be more damaging than what came before. Developed economies now carry levels of structural debt not seen for generations. Societal expectations that Covid will be “over,” or that institutions will be able to “make whole” those who have experienced losses are unrealistic. Even though the situation is complex and evolving, organizations should make best efforts now to determine what their future looks like, or better, to engage in “multiple futures” planning to consider the challenges, as well as the opportunities in front of them.

2. Are we ready for concurrent crises? It is impossible to predict the future, but the ‘law of large numbers’ suggests that it is credible to expect some form of significant crisis to run parallel – and interact with – Covid-19 at some point over the Winter. This precautionary principle requires that organizations make genuine and urgent preparations to ensure that their resilience arrangements are well rehearsed and widely understood. In the insurance context, financial institutions which have had to pay large losses often draw on (re)insurance arrangements to replenish an exhausted balance sheet. All organizations should consider how they might now credibly resource another crisis and serve their employees and clients, immediately after creating significant debt and drawing on resilience plans. Given the potential for a contested US election, organizations within America and elsewhere should not assume a competent US government response, nor dismiss the possibility that US government actions exacerbate emergent crises.

3. How are we exposed to malicious actors? Recent and anticipated social, political and economic circumstances provide optimal conditions for malicious actors to recruit, plan and execute. This includes organized crime, terrorists, state sponsored or affiliated actors and aggressor Nation States. Strategic uncertainty and heightened grievances make the narratives that support violent radicalisation and polarizing influence operations attractive. Wedge issues, and the seams between organizations, races and ethnicities, or political parties are especially attractive because the pandemic has stretched thin the fabric of our societies. Nation-states and populations are “pre-stressed” and unusually vulnerable. Organizations should consider in detail where they are vulnerable to those aggressors who might reasonably be expected to target them, and to consider events where, whilst not targeted, they might suffer collateral damage. Understanding that societal cohesion and resilience are critical to successful public sector programs and private sector markets, organizations should also proactively foster these communal strengths and blunt the divisive tactics of malicious actors.

THE 'GRAND-STRATEGIC' CHALLENGE

As bureaucracies have modernized, they have identified the value of interdisciplinary and interagency approaches to address complex problems that interact negatively with, and exacerbate, other problems. Labouring against bureaucratic inertia, these “cross structural” efforts are often short-lived, or they occur across disciplines within one organization or sector. The multifaceted Covid-19 pandemic - much like the ISIS bloodletting and related refugee crisis, or the hostile foreign influence operations that challenge Western democracies - provides another example of how 20th century bureaucracies struggle to meet multi-faceted 21st century challenges.

Many of the catastrophic risks in the upper right-hand corner of the risk register are related to grand challenges: climate change; sectarianism; polarization; and inequality, including health inequality. By their very nature, these challenges generate either many windows of opportunity (because they are recurring) or long windows of opportunity (because they are systemic) for negative interactions with other challenges to occur.

Leaders in the public sector and large corporations must consider whether existing structures and approaches are appropriate to deal with enduring grand challenges, given the increasing complexity and fragility of our societies and economies. In the coming decades, we can reasonably expect fate to unleash inevitable grey rhinos which will trample across all facets of our individual, communal, national, economic, political, legal, and international lives.

Competing with aggressors and navigating concurrent crises in the 21st century is going to require the public and private sectors to organize around these grand challenges more effectively than they have in the past. Governments, that have become addicted to the strength of their hard power may require a fundamental reconsideration of “resilient power”; the ability to influence populations to act in the best interest of their community over time, manage uncertainty, and allocate resources to recovering after inevitable negative events.

In the private sector, we have seen how Covid-19 is both a systematic and a systemic issue, that is both interrelated to other challenges and may well cause the downfall of a number of hitherto significant and stable sectors. Commercial organizations will need to become more effective at understanding their exposure to systemic risks and improve their agility in responding to crises. In an epoch where uncertainty and change are enduring factors, the required shift in approaches to leadership and management may be uncomfortable, or challenge vested interests.

The uncertainty induced by the current crisis will not be unique to Covid-19. Other systematic and systemic risks are waiting in the wings. Public sector leaders are presented with the grand challenge of creating bureaucracies which are more relevant for the 21st century. Private sector leaders have the task of delivering major changes to ensure resilience in the face of these risks. They also need to equip their institutions with the situational awareness and agility to thrive in markets which may be profoundly volatile, and subject to radical and unexpected change.

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