



Arthur J. Gallagher  
BUSINESS WITHOUT BARRIERS™

# REPORT AND MARKET UPDATE

CREDIT AND POLITICAL RISK INSURANCE (CPRI)  
JANUARY 2016



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Outside the US, we use the brand name Arthur J. Gallagher.



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# CPRI MARKET UPDATE FOR JANUARY 2016

**“We talk about volatility in economics and in markets, but we should expect the same in politics.”**

**Daniel Franklin, Executive Editor, The Economist - 16 October 2015**

The Arthur J. Gallagher Market Update for January 2016 summarises the changes in line structure and tenors available from commercial political risk insurers since our last report in July 2015. The summary reflects the outcome of reinsurance negotiations where renewals have been completed in the intervening period, as well as the arrival of any new insurers who have gained approval for their business plans and obtained sufficient capital allocations. Additionally, any changes to credit agencies' rating of the insurers are detailed herein.

Following the July 2015 edition, “political risk has returned with a vengeance”; the world has experienced some significant economic and political events which have been felt and responded to by the insurance market via capacity and appetite.

Energy prices continued to drop in the latter half of 2015 with a 17% average decrease in Q3. The **oil price** notably decreased, contributed to by softening of sanctions in **Iran**. This has been further enhanced by the report submitted mid-January to the United Nations allowing for EU sanctions relief to come into immediate effect. Further easing of US sanctions could occur in 2016. Upon full relief of sanctions, Iran could begin export of its 40 million barrels in floating storage relatively quickly and raise production levels to pre-2011 sanctions competing with the current market leader nations. With the so-called **Islamic State (Daesh)** controlling most of **Syria's** oil fields and with crude being one of the group's largest sources of revenue it is expected that there will be increased political unrest from the further drop in price. In the beginning of 2016 the World Economic forum cited ‘energy price shock’ as one of its top five risks. The increased tensions between **Saudi Arabia** and Iran have led to Saudi and other Middle Eastern countries decreasing ties with Iran. More political friction is expected in Saudi due to continued internal disagreements with the heir apparent Mohammed bin Salman.

Following the terror attacks of Daesh in **Paris**, **Egypt**, **Tunisia**, **Burkina Faso** and **California**; the effort on the ‘war on terror’ is expected to rise, with an increase in economic and political pressures. However, towards the end of 2015 the **United States** could be seen as war weary with its reticence to take provocative actions; potentially leading to a more aggressive movement from hostile countries.

The effect of **El Niño** (notably on grains and edible oils) could lead to fluctuating agricultural production giving an increase for some (soy) and a decrease for others (coffee) focused upon the southern hemisphere. Due to drought, hydro power sources could be detrimentally affected by this weather pattern. **Argentina** also experienced a change in President to Mauricio Macri.

**Russia** remains in recession due to sanctions, the oil price and the fall of the rouble. US Exim Bank found it difficult to obtain its renewed licence but received formal reauthorisation in late 2015 which carries through to September 2019.

**Spain** experienced unrest following the end of bipartisan government. Additionally, the potential insolvency of Abengoa and the halting of further refinancing of its debt was reflected by its bond prices plummeting and its removal from the IBEX. Abengoa is working to reach a deal with its creditors, the result of which is expected in Q1 2016.

The rising geopolitical tensions in the South China Sea and East China Sea between **China** and its neighbours over maritime territorial disputes continue to present issues. In November **Taiwan** and the **Philippines** have pledged non-violence with respect to disputed fishing zones. China continues to develop artificial islands in order to consolidate its geographical position.

**China** continued to flood the market with steel, leading to prices decreasing. Beijing is to host the opening of the Asian Infrastructure Investment Bank, which will begin operations this year as the first international financial institution developed from scratch by Beijing.

There was also a market collapse with ‘Black Monday’ seeing an 8.49% drop in the Shanghai Stock Exchange in a day. The decreasing value of the yuan and higher risk of uprisings in the event

of increased political unrest led RBS to release “The bears have killed Goldilocks” article urging investors to sell as much as possible. The renminbi was the fifth largest currency used on SWIFT in 2015.

In **Myanmar**, successful elections in 2015 prompted an increase in economic output as a result of its geographic position, glut of natural resources, underdeveloped nature and low-cost labour force. With an aged king in **Thailand** and following 2015 riots in Bangkok, potential further civil unrest cannot be ruled out. **Japan** pushes for

conflict resolution with Russia, with the president proposing to act as chair for a G7 meeting.

**Zambia** held a prayer day in October due to the failing price of copper; its economy mimics that of the commodities price. Gold markets appear to have peaked for the moment, with Reuters predicting a 3% fall in production this year ending a 7 year period of rising output. Various African countries experienced economic downturn due to their oil dependency – the risk of sovereign defaults in countries such as Nigeria, Angola and Ghana remains very real.

Some of the upcoming elections expected in 2016 are summarised below:

Date	Country	Comment
January	Haiti	Presidential Runoff
January	Central African Republic	Presidential and Parliamentary Runoff
February	Comoros	Presidential
February	Niger	Parliamentary, Presidential
February	Benin	Presidential
March	Benin	Presidential Runoff
March	Niger	Presidential and Parliamentary Runoff
March	Republic of the Congo	Presidential
April	Comoros	Presidential Runoff
April	Djibouti	Presidential
April	Chad	Presidential
July	Sao Tome and Principe	Presidential
August	Zambia	Legislative, Presidential

Significant CPRI market changes are summarised below:

#### **ACE (now trading as Chubb)**

ACE has acquired Chubb and will use their branding from the start of 2016 onwards.

#### **Antares**

James Thomas (previously with AIG Surety) has joined Antares in the role of Deputy Underwriter, and Rebecca King (previously with the Apollo agency at Lloyd's) has joined as Underwriting Assistant.

#### **Argo**

Jeremy Shallow has joined Argo from Aspen as the new Class Underwriter, with another senior hire to follow.

#### **AWAC**

AWAC will start writing PRI through the AW Syndicate 2232.

#### **Chaucer**

Chaucer (voted ‘Best Global Political Risk Insurance Underwriter’ in the 2015 GTR Leaders in Trade Awards) have considerably expanded their underwriting team with the hire of industry veteran Deborah Wyatt from XL Catlin who is also joined by Jonathan Bint and Patricia Kempe also from XL Catlin. This further expansion follows the recruitment of Neil Edwards as Political Risks Class Underwriter from Catlin in 2015 reporting to Senior Political Risk Underwriter Nick Kilhams.

#### **Endurance (previously Montpelier)**

The merger between Montpelier and Endurance finalised on 31st July 2015. Endurance is rated S&P A Stable.

#### **Liberty**

Liberty has strengthened its Country and Credit Risk Management team with the recruitment of Christian Crivari in London and Siew Choon in Singapore.

#### **Markel**

Nicola Marriage has joined Markel from Novae.

#### **Novae**

Stefaniya Ilina has joined from Coface as well as Gavin White.

#### **Tokio Marine Kiln**

Paul Culham is now Chief Underwriting Officer and Peter Merton has taken over his role as Active Underwriter of the Marine and Enterprise Risk division.

## COMMERCIAL MARKET OVERVIEW

Insurer: 'Company Markets'	Project Risks (CEN)		Trade Risks Political (CF)		Trade Risks Commercial (CR)		Rating(s)
	Total max per risk (USD)	Max Tenor (years)	Total max per risk (USD)	Max Tenor (years)	Total max per risk (USD)	Max Tenor (years)	
AIG	150,000,000	15	150,000,000	15	100,000,000	5	A+ [S&P]
Aspen	100,000,000	15	100,000,000	15	100,000,000	8	A [S&P]
Atradius	107,000,000	7	107,000,000	7	107,000,000	7	A [A.M. Best]
Axis	50,000,000	7	50,000,000	7	35,000,000	7	A+ [S&P]
Chubb	150,000,000	15	100,000,000	15	30,000,000	5	AA [S&P]
Starr Insurance & Reinsurance Ltd.	50,000,000	10	50,000,000	10	10,000,000	1	A [A.M. Best]
Coface	110,000,000	10	110,000,000	8	110,000,000	8	AA- [Fitch]
Euler-Hermes	125,000,000	8	125,000,000	8	125,000,000	8	AA- [S&P]
FCIA	25,000,000	7	80,000,000	7	80,000,000	7	A+ [S&P]
Fidelis	125,000,000	15	112,500,000	15	0	0	A- [AM Best]
Garant	27,000,000	7	27,000,000	7	27,000,000	7	A- [Fitch and AM Best]
Ironshore	40,000,000	7	40,000,000	7	40,000,000	7	A [A.M. Best]
Lancashire Insurance Ltd.	200,000,000	10	75,000,000	10	0	0	A- [S&P]
AWAC (LAU)	20,000,000	5	20,000,000	5	20,000,000	5	A [A.M. Best]
Liberty Mutual Insurance Europe Ltd.	100,000,000	15	100,000,000	10	100,000,000	7	A [S&P]
Markel International Insurance Company	0	0	50,000,000	7	150,000,000	5	A [S&P / Fitch]
Endurance	40,000,000	7	40,000,000	7	40,000,000	7	A- [S&P / Fitch]
Sovereign	80,000,000	15	80,000,000	15	0	0	AA [S&P / Fitch]
Swiss Re Corporate Solution	75,000,000	10	75,000,000	10	200,000,000	5	AA- [S&P]
Tokio Marine HCC	50,000,000	7	50,000,000	7	50,000,000	5	AA [S&P / Fitch]
XLCatlin	200,000,000	15	200,000,000	15	150,000,000	10	A+ [S&P / Fitch]
Zurich	150,000,000	15	150,000,000	15	75,000,000	5	AA- [S&P / Fitch]
<b>Total: 'Company Markets' Jan 2016</b>	<b>1,974,000,000</b>	<b>14%</b>	<b>1,891,500,000</b>	<b>16%</b>	<b>1,549,000,000</b>	<b>9%</b>	
<b>Total: Jul 2015</b>	<b>1,696,000,000</b>		<b>1,631,000,000</b>		<b>1,421,000,000</b>		

## COMMERCIAL MARKET OVERVIEW

Insurer: 'Lloyd's Markets' [All Lloyd's Markets rated A+ by S&P]	Project Risks (CEN)		Trade Risks Political (CF)		Trade Risks Commercial (CR)	
	Total max per risk (USD)	Max Tenor (years)	Total max per risk (USD)	Max Tenor (years)	Total max per risk (USD)	Max Tenor (years)
Acappella Lloyd's Syn 2014	15,000,000	7	15,000,000	7	7,500,000	5
Amlin Lloyd's Syn 2001	30,000,000	5	30,000,000	5	10,000,000	3
Antares Lloyd's Syn 1274	40,000,000	10	40,000,000	10	20,000,000	7
ANV Lloyd's Syn 1861	20,000,000	7	20,000,000	7	5,000,000	1
Argo Lloyd's Syn 1200	20,000,000	10	20,000,000	10	20,000,000	7
Ark Lloyd's Syn 4020	20,000,000	7	20,000,000	7	0	0
Ascot Lloyd's Syn 1414	25,000,000	7.5	25,000,000	7.5	5,000,000	3
Aspen Lloyd's Syn 4711	60,000,000	15	60,000,000	15	60,000,000	8
Beazley Lloyd's Syn 623/2623	50,000,000	7	50,000,000	7	30,000,000	7
BRIT Lloyd's Syn 2987	30,000,000	10	30,000,000	10	30,000,000	8
Canopus Lloyd's Syn 4444	25,000,000	7	25,000,000	7	12,500,000	7
Channel Lloyd's Syn 2015	52,500,000	15	52,500,000	15	35,000,000	7
Chaucer Lloyd's Syn 1084	30,000,000	7	30,000,000	7	15,000,000	7
Chubb Lloyd's Syn 2488	150,000,000	15	100,000,000	15	30,000,000	5
Starr Lloyd's Syn 1919	50,000,000	10	50,000,000	10	10,000,000	5
Endurance Lloyd's Syn 5151	40,000,000	7	40,000,000	7	40,000,000	7
Hardy Lloyd's Syn 382	25,000,000	7	25,000,000	7	15,000,000	5
Hiscox Lloyd's Syn 33	25,000,000	5	25,000,000	10	25,000,000	5
ANV 5820 (Jubilee) Lloyd's Syn 5820	20,000,000	7	20,000,000	7	20,000,000	7
Tokio Marine Kiln Lloyd's Syn 510	60,000,000	5	40,000,000	5	40,000,000	5

## COMMERCIAL MARKET OVERVIEW continued

Insurer: 'Lloyd's Markets' [All Lloyd's Markets rated A+ by S&P]	Project Risks (CEN)		Trade Risks Political (CF)		Trade Risks Commercial (CR)	
	Total max per risk (USD)	Max Tenor (years)	Total max per risk (USD)	Max Tenor (years)	Total max per risk (USD)	Max Tenor (years)
Liberty Syn Mgmt Lloyd's Syn 4472	100,000,000	15	100,000,000	10	100,000,000	7
Marketform Lloyd's Syn 2468	40,000,000	10	40,000,000	10	40,000,000	10
MAP Lloyd's Syn 2791	20,000,000	3	20,000,000	3	0	0
Markel International Lloyd's Syn 3000	0	0	50,000,000	7	70,000,000	5
Novae Lloyd's Syn 2007	50,000,000	10	50,000,000	10	30,000,000	10
Nexus CIFS Lloyd's Syn 4472 / 2001 / 1206 / 1955'	0	0	20,000,000	5	20,000,000	5
O'Farrell Lloyd's Syn 1036	20,000,000	5	20,000,000	5	0	0
Pembroke Lloyd's Syn 4000	15,000,000	10	15,000,000	10	12,500,000	7
Talbot Lloyd's Syn 1183	40,000,000	7	40,000,000	7	20,000,000	7
StarStone Lloyd's Syn 1301	5,000,000	3	0	0	0	
WR Berkley Lloyd's Syn 1967	7,500,000	5	5,000,000	5	0	0
XL Catlin Lloyd's Syn 1209 / 2003	200,000,000	15	200,000,000	15	150,000,000	10
<b>Total:</b> 'Lloyd's Markets Jan 2016'	<b>1,285,000,000</b>	<b>20%</b>	<b>1,277,500,000</b>	<b>21%</b>	<b>872,500,000</b>	<b>21%</b>
<b>Total:</b> <b>Jul 2015</b>	<b>1,070,000,000</b>		<b>1,060,000,000</b>		<b>723,000,000</b>	



## AVAILABLE MARKET CAPACITY – JANUARY 2016

(Total possible maximum USD per risk)

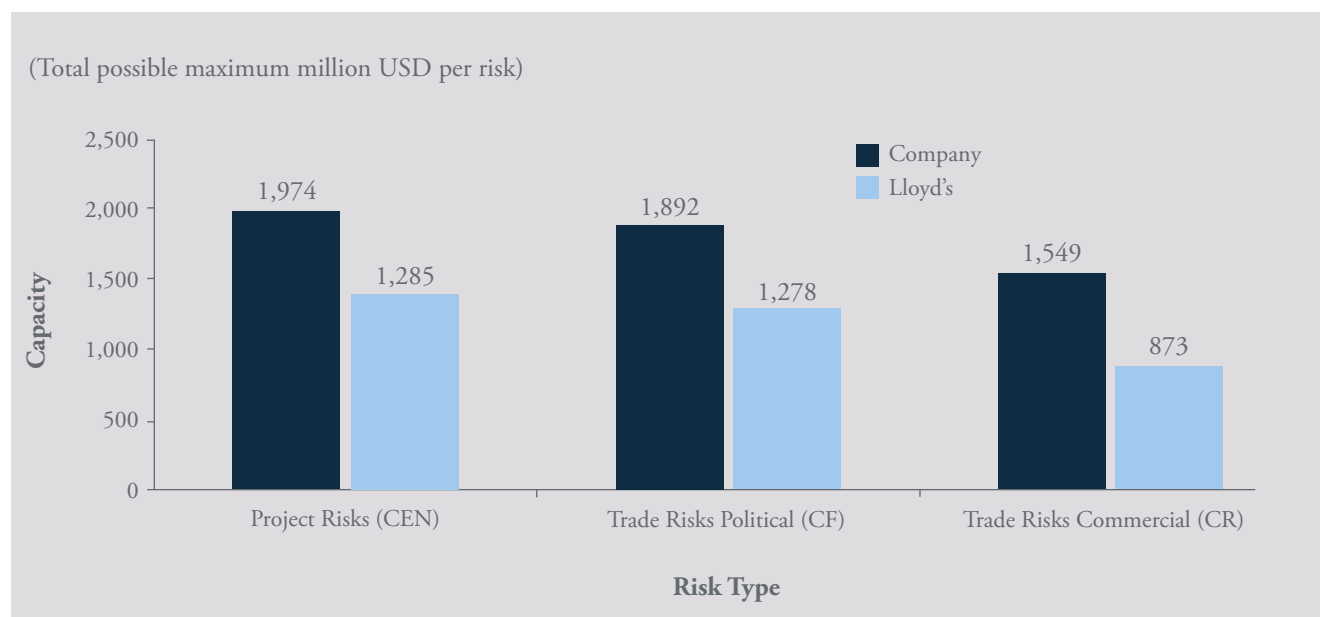
	Project Risks (CEN)		Trade Risks Political (CF)		Trade Risks Commercial (CR)	
Company	1,974,000,000		1,891,500,000		1,549,000,000	
Lloyd's	1,285,000,000		1,277,500,000		872,500,000	
<b>Total*</b>	<b>2,659,000,000</b>	<b>19%</b>	<b>2,609,000,000</b>	<b>19%</b>	<b>2,001,500,000</b>	<b>12%</b>
<b>Total: Jul 2015*</b>	<b>2,226,000,000</b>		<b>2,196,000,000</b>		<b>1,794,000,000</b>	

Notes:

\*Totals do not 'double count' the Company and Lloyd's lines of Chubb, Aspen, XL Catlin, CV Star, Endurance, Liberty and Market which can be written via either their Company or Lloyd's syndicate

## AVAILABLE MARKET CAPACITY – JANUARY 2016

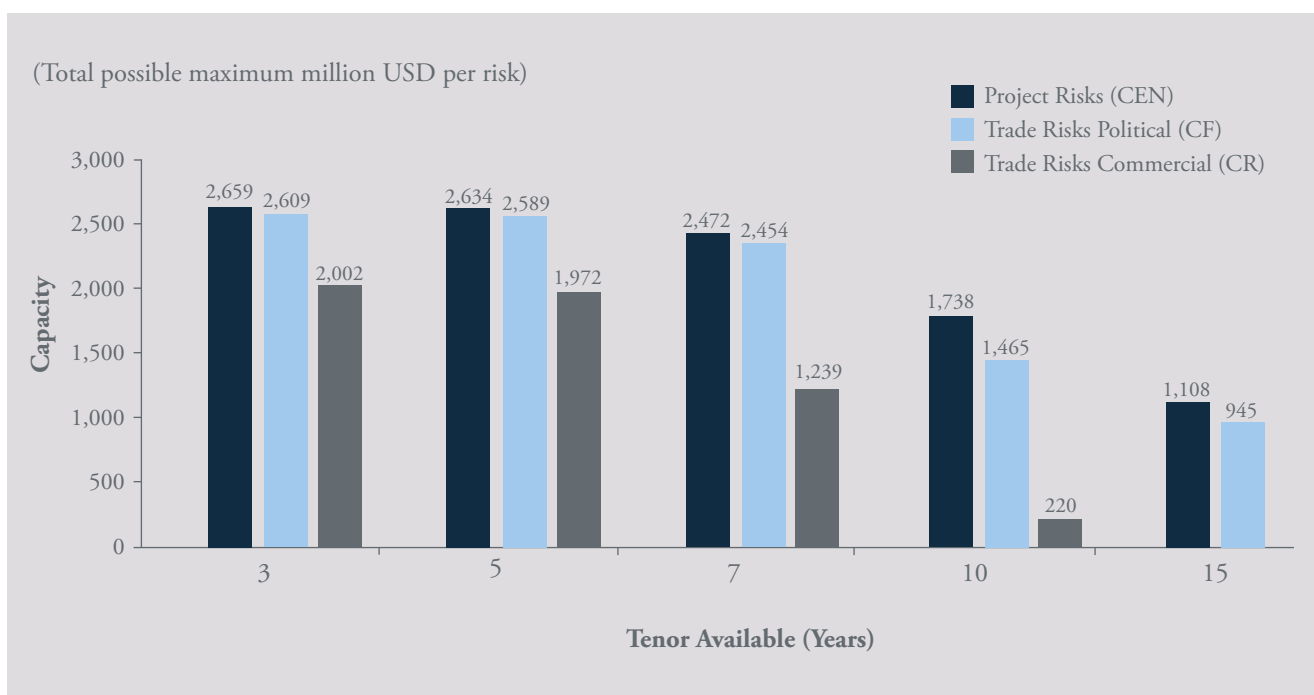
(Total possible maximum million USD per risk)



# TOTAL CAPACITY AVAILABLE BY TENOR – JANUARY 2016

(Total possible maximum USD per risk)

Max Tenor (years)	Project Risks (CEN)	Trade Risks Political (CF)	Trade Risks Commercial (CR)
15	1,107,500,000	945,000,000	0
10	1,737,500,000	1,465,000,000	220,000,000
7	2,471,500,000	2,454,000,000	1,239,000,000
5	2,634,000,000	2,589,000,000	1,971,500,000
3	2,659,000,000	2,609,000,000	2,001,500,000



# AVAILABLE MARKET CAPACITY COMPARISON

(Total possible maximum million USD per risk)

## January 2001 to January 2016

Project Risks (CFEN)	Sep-01	Jan-02	Jan-03	Jan-04	Jan-05	Jan-06	Jan-07	Jan-07	Jan-08	Jan-08	Jan-09	Jan-09	Jan-10	Jan-10	Jan-11	Jan-11	Jan-12	Jan-12	Jan-13	Jan-13	Jan-14	Jan-14	Jan-15	Jan-15	Jan-16	
Company	580	564	495	495	470	490	515	545	660	855	840	870	920	920	795	865	985	1,015	1,233	1,285	1,324	1,493	1,608	1,618	1,696	1,974
Lloyd's	574	274	278	280	318	335	368	388	423	453	478	560	593	593	633	643	622	743	762	778	912.5	938	1,035	1,070	1,285	
Total	1,154	837	773	775	788	825	883	933	1,083	1,228	1,238	1,350	1,348	1,223	1,293	1,333	1,382	1,646	1,688	1,742	2,016	2,216	2,123	2,301	2,659	

Trade Risks Political (CF)	Sep-01	Jan-02	Jan-03	Jan-04	Jan-05	Jan-06	Jan-07	Jan-07	Jan-08	Jan-08	Jan-09	Jan-09	Jan-10	Jan-10	Jan-11	Jan-11	Jan-12	Jan-12	Jan-13	Jan-13	Jan-14	Jan-14	Jan-15	Jan-15	Jan-16
Company	268	331	318	318	310	405	440	480	530	735	720	750	800	745	865	948	1,085	1,195	1,247	1,291	1,360	1,515	1,615	1,631	1,892
Lloyd's	389	188	203	195	239	256	297	332	347	377	381	456	502	510	560	570	545	675	695	703	845	952	1,035	1,060	1,278
Total	657	519	520	513	549	661	737	812	877	1,052	1,041	1,146	1,157	1,110	1,240	1,268	1,420	1,565	1,607	1,659	1,885	2,022	2,155	2,196	2,609

Trade Risks Commercial (CR)	Sep-01	Jan-02	Jan-03	Jan-04	Jan-05	Jan-06	Jan-07	Jan-07	Jan-08	Jan-08	Jan-09	Jan-09	Jan-10	Jan-10	Jan-11	Jan-11	Jan-12	Jan-12	Jan-13	Jan-13	Jan-14	Jan-14	Jan-15	Jan-15	Jan-16
Company	-	-	195	185	175	255	255	300	335	445	420	450	500	505	550	658	820	955	987	1,036	1,080	1,185	1,405	1,405	1,549
Lloyd's	-	-	73	87	79	103	167	190	208	238	251	307	346	341	353	658	338	453	455	457	544	634	703	723	873
Total	-	-	268	242	254	358	422	490	543	653	641	727	731	731	768	865	998	1,158	1,177	1,228	1,379	1,559	1,758	1,794	2,002

Notes:

\*Totals do not 'double count' the Company and Lloyd's lines of Chubb, Aspen, XL Catlin, CV Star, Endurance, Liberty and Markel which can be written via either their Company or Lloyd's syndicate

## EMERGING MARKETS COUNTRY RISK RATINGS

The following pages analyse the Country Risk Ratings, compiled by IHS Global Insight, of various Emerging Markets. We compare the Overall Risk Ratings and the Political Risk Ratings as at the time of publication of this Market Report. These countries have been selected from the International Monetary Fund's World Economic Outlook for Emerging and Developing Economies.

Risk Rating	Risk Description
0.75 – 1.24	Insignificant
1.25 – 1.74	Negligible
1.75 – 1.99	Low
2.00 – 2.49	Moderate
2.50 – 2.99	Medium
3.00 – 3.49	Significant
3.50 – 3.99	High
4.00 – 4.49	Very High
4.50 – 6.99	Extreme
7.00 – 10.00	Very Extreme

**Overall Risk Ratings** take into account six components: Political, Economic, Legal, Tax, Operational and Security. These ratings are principally measuring stability.

**Political Risk Ratings** analyse four factors:

- Institutional performance
- Representation of the population and organised interests
- Internal political consensus
- External political consensus

### Sub-Sahara Africa

	Overall Risk			Political Risk		
	at 01 Jul 2015	at 01 Jan 2016		at 01 Jul 2015	at 01 Jan 2016	
Burkina Faso	3.00	2.90	↓	2.90	3.00	↑
Côte d'Ivoire	2.50	2.50	—	2.10	2.10	—
Congo (DRC)	3.90	4.00	↑	3.50	4.10	↑
Ghana	2.60	2.50	↓	2.50	2.20	↓
Kenya	2.70	2.70	—	2.30	2.30	—
Liberia	3.30	3.20	↓	3.00	3.00	—
Nigeria	3.60	3.60	—	2.90	2.80	↓
Sierra Leone	2.90	2.80	↓	2.60	2.60	—
South Africa	2.30	2.40	↑	1.90	1.90	—
Tanzania	2.80	2.80	—	1.60	1.70	↑

# EMERGING MARKETS COUNTRY RISK RATINGS

## Asia Pacific

	Overall Risk			Political Risk		
	at 01 Jul 2015	at 01 Jan 2016		at 01 Jul 2015	at 01 Jan 2016	
Cambodia	2.20	2.20	—	1.40	1.40	—
China	2.00	2.10	↑	1.40	1.50	↑
India	2.50	2.50	—	2.30	2.40	↑
Indonesia	2.20	2.20	—	1.70	1.60	↓
Laos	2.20	2.20	—	1.40	1.40	—
Pakistan	2.90	2.90	—	2.80	2.80	—
PNG	2.50	2.60	↑	2.30	2.30	—
Philippines	2.10	2.10	—	1.20	1.30	↑
Thailand	2.00	2.10	↑	1.80	2.10	↑
Vietnam	1.90	1.80	↓	1.00	1.00	—

## Europe and CIS

	Overall Risk			Political Risk		
	at 01 Jul 2015	at 01 Jan 2016		at 01 Jul 2015	at 01 Jan 2016	
Belarus	2.50	2.70	↑	2.70	2.10	↓
Czech Rep	1.30	1.30	—	1.50	1.50	—
Greece	2.40	2.40	—	2.80	2.80	—
Kazakhstan	2.30	2.40	↑	1.80	1.90	↑
Kyrgyzstan	3.50	3.50	—	3.20	3.00	↓
Poland	1.40	1.50	↑	1.40	1.80	↑
Romania	2.00	1.90	↓	2.30	2.10	↓
Russia	2.80	3.10	↑	2.30	2.50	↑
Slovakia	1.30	1.30	—	1.20	1.20	—
Ukraine	3.70	3.40	↓	3.60	3.60	—

# EMERGING MARKETS COUNTRY RISK RATINGS

## Latin America and Caribbean

	Overall Risk			Political Risk		
	at 01 Jul 2015	at 01 Jan 2016		at 01 Jul 2015	at 01 Jan 2016	
Argentina	3.30	2.80	↓	2.60	2.30	↓
Bolivia	3.20	3.30	↑	2.80	2.80	—
Brazil	2.00	2.20	↑	1.60	2.10	↑
Colombia	2.20	2.10	↓	2.30	2.20	↓
Dom Rep	2.00	2.00	—	2.10	2.10	—
Ecuador	3.10	3.10	—	2.50	2.50	—
Guatemala	2.60	2.70	↑	3.50	3.60	↑
Nicaragua	2.60	2.60	—	2.20	2.20	—
Peru	2.10	2.10	—	2.30	2.30	—
Venezuela	4.40	4.40	—	3.90	3.90	—

## Middle East and North Africa

	Overall Risk			Political Risk		
	at 01 Jul 2015	at 01 Jan 2016		at 01 Jul 2015	at 01 Jan 2016	
Algeria	3.20	3.40	↑	2.90	2.90	—
Bahrain	2.10	2.10	—	2.00	2.00	—
Egypt	3.40	3.40	—	3.00	3.10	↑
Kuwait	2.10	2.10	—	2.10	2.20	↑
Lebanon	3.20	3.20	—	3.20	3.30	↑
Libya	5.70	5.60	↓	7.00	6.90	↓
Saudi Arabia	2.20	2.20	—	2.00	2.30	↑
Tunisia	2.30	2.30	—	2.40	2.60	↑
UAE	1.30	1.30	—	0.90	0.90	—
Yemen	5.60	5.60	—	6.30	6.30	—

## POTENTIAL TERRORISM TRENDS FOR 2016

What follows is a prediction of potential terrorism trends for 2016. Our new Crisis management team together with their partners IMSL make these predictions:

- **Justin Priestley GM**, is a director of Arthur J. Gallagher's Crisis Management Division responsible for its consulting practice, who spent ten years in the British Army involved in Counter Terrorism and Bomb Disposal Duties. Justin was responsible for Bomb Disposal for the UK Special Forces and was involved in the National Contingency Plans for involving weapons of mass destruction.
- **Professor Steve Johnson**, who lectures on disaster management at Georgetown University and who is on the UN list of Counter-Terrorist experts.
- **Charles McMinn**, who is a leading intelligence consultant and IMSL terrorism specialist and who currently leads Opens Source intelligence tradecraft development for the UK MoD.
- **Roger Davies MBE QGM**, another member of the UN list of Counter – Terrorist experts, and who has briefed the US House Armed Services Committee on future IED trends.
- **Pete Norton GC**, former IED investigation lead in Baghdad and Project Lead for a US government funded IMSL project analysing IED trends.
- **Kitty Medcalf**, Lead Analyst at IMSL.
- **Simon Potter**, IED Analyst also at IMSL.

Our broad predictions are as follows

1. We will likely see more “multiple, complex” attacks such as seen in Paris in November 2015, Mumbai a few years ago and in Jakarta most recently. These are being classified as “Marauding Terrorist Active Shooter” (MTAS) attacks. Such attacks have been

responsible for a significant number of casualties in recent months. These attacks impact a whole city rather than a confined area and are designed to stretch responding emergency services to the limit and beyond. They require little technology, just dedicated jihadist terrorists. UK is a possible target for such attacks, but mainland Europe, particularly those countries with large numbers of nationals already fighting with Daesh in Iraq and Syria such as Belgium and Norway. Other likely locations for MTAS type attacks are across North Africa and the Sahel. These attacks use automatic weapons, often supported by body-worn suicide bombs. IMSL assesses that there are patterns discernible in the size of area of a city that might be affected by such attacks (in terms of the likely distance between individual targets within the overall incident) and are undertaking analysis of this characteristic for Arthur J. Gallagher. Most likely venues will be public transport and population-dense locations, and areas which will gain maximum publicity and disruption.

2. Continuing mass casualty attacks as part of a developing Sunni/Shia conflict (energised by the political stresses between Iran and Saudi Arabia). Typically these attacks will be vehicle bombs placed close to mosques of one or the other Muslim divide, typically within Middle Eastern countries where both exist together. We may expect to see the size of these devices increase, given certain trends evident in 2015. We are seeing continued evidence of attempts to improve the lethality of vehicle bombs by a variety of technical means, increase in explosive quantity and the addition of certain additives.

## POTENTIAL TERRORISM TRENDS FOR 2016 (CONT.)

3. We expect revolutionary, then evolutionary use of new vectors for attack. Specifically we expect small drones to be further used to introduce hazardous payloads in three dimensions, at speed, circumventing typically 2-dimensional security measures. We are seeing small consumer drones supporting Daesh attacks in Syria and we expect that this capability and the skills associated with such use will be employed, perhaps with hazardous payloads, elsewhere in the world. This is very likely to be a theme for 2016 and beyond.
4. With tensions rising in Europe resulting from the influx of refugees, there is some potential for some upsurge in right wing violence. Although a repeat of the scale of attack seen in Norway perpetrated by Anders Breivik is possible, we expect attacks to be more limited, but could increase in number. Targets are hard to discern, but could include sites of worship, refugee centres etc. Additionally, we see a growth of extreme right groups threatening violence in Ukraine in particular, for a variety of complex reasons. Some of these Ukrainian extremists are active in supporting Kurdish forces against Daesh in Syria and will pick up skills which might be used back in Europe
5. With regard to broader threats from Daesh, we feel they will be under increasing pressure in Iraq and Syria and will have less freedom of action. However we expect increasing activity from them elsewhere. The perpetrators of such attacks will likely originate from the nation under attack but will have gained expertise while serving with Daesh in Iraq and Syria. Attacks are likely to include vehicle bombs. We think that increased security will make interdiction and prevention of such attacks during their preparation more likely, but this will highlight a real threat.
6. Continued activity by Boko Haram in Nigeria and neighbouring countries is likely to keep that group the most lethal during 2016.
7. Turkey is also likely to remain a terrorist hotspot with both Kurdish and Daesh militants predicted to conduct increasing numbers of attacks this year.
8. Low level, limited attacks by Islamic extremists with edged weapons, could occur in a broad range of countries. Again the most likely countries are those with large numbers of nations already active within Syria and Iraq.
9. The cause of destruction of the Russian passenger aircraft over the Sinai last year has yet to be conclusively confirmed. Daesh, and elements of the Al Qaeda network, will continue to aspire to this type of attack but what priority they assign aviation terrorism is unclear, particularly with easier targets available.

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