



Home Office

Rt Hon Ben Wallace MP
Minister of State for Security and
Economic Crime

2 Marsham Street
London SW1P 4DF
www.gov.uk/home-office

Neil Coyle MP
House of Commons
London
SW1A 0AA

14 August 2018

Dear Neil,

**Counter-Terrorism and Border Security Bill: Financial Resilience of
Businesses**

I am writing in response to the concern you raised in Public Bill Committee on 05 July about the number of businesses in the United Kingdom that hold terrorism insurance (Official Report, columns 172-176). I hope that this response will reassure you by outlining the steps being taken to improve the financial resilience of businesses in the United Kingdom.

As I noted during the Public Bill Committee, I am conscious of the wider impacts of terrorist attacks on surrounding communities and businesses. There are over 5.7 million businesses across the country and they each face their own unique range of threats that businesses need to ensure they are financially resilient to. As such, no one single approach will improve the resilience of all businesses across the country.

The current UK National Threat Level is SEVERE, meaning an attack is highly likely. It is therefore vital that businesses take appropriate and proportionate action to mitigate the risks to their business, staff and customers. To assist businesses with this, the National Counter Terrorism Security Office (NaCTSO) support a network of counter terrorism security advisors who work within local police forces. Their primary

role is to provide help, advice and guidance on all aspects of counter terrorism protective security to a variety of organisations in their area.

NaCTSO work closely with the Centre for the Protection of National Infrastructure (CPNI) who are the national technical authority for Protective Security and who produce a comprehensive range of publications and expert advice on physical and personnel security that help keep organisations secure. One example of CPNI guidance is the “Passport to Good Security” which helps businesses create their own effective risk management strategy that covers the identification, assessment, and mitigation of the range of threats they may face. The guidance is available for free online as well as in hard copy, and over 40,000 copies of the guidance have been distributed.

The wide range of potential threats and risks facing businesses across the country means that the insurance needs of each business must be similarly bespoke. That is why the independent regulator of the financial services sector, the Financial Conduct Authority, places requirements on insurers and insurance brokers that are built around broad principles instead of prescriptive requirements. As I referenced during the Public Bill Committee, these principles ensure customers, including businesses of all sizes, are treated fairly whatever their circumstances and given clear information when being advised on or sold an insurance product. This means that businesses should have sufficient information to be able to decide on the insurance products that best suit their circumstances.

However, it is clear that not all small businesses are aware of the benefits of insurance relative to the upfront cost. While the FCA’s regulatory framework requires insurers and insurance brokers to make sure their customers, including SMEs, are able to make informed purchasing decisions - it is clear that there is more that could be done. For example, a survey by the insurance company Arthur J. Gallagher estimated that 30% of Small and Medium Enterprises (SMEs) have insurance that would protect against the financial costs of a security related crises. This is likely to be driven by a number of factors specific to SMEs. Key among them is cost, as SMEs are known to be particularly price sensitive. This issue is likely to be in part addressed by Pool Re’s introduction of a discount for SMEs in April of this year. This required the Treasury’s consent, and is a new product with lower policy limits that is priced competitively for SMEs.

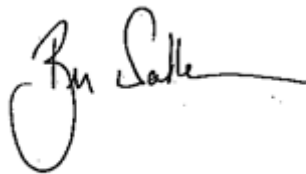
In addition, I welcome the British Insurance Brokers Association’s (BIBA) recent commitment to four actions to improve the take-up of terrorism insurance. This is an important step as BIBA’s members arrange 93% of all commercial insurance business in the UK. One of their commitments includes the creation of a new Terrorism Insurance Guide that will highlight the importance of terrorism insurance, how it works, and how Pool Re’s new SME product makes it more affordable across

the UK. HM Treasury officials will continue to work with BIBA and its members to ensure that it delivers on all of its commitments. I also intend to ask BIBA about its progress on these commitments when I meet with them later this year.

Officials at HM Treasury are also working with Pool Re, the insurance industry, small business industry bodies, and colleagues at the Home Office and the Department for Business, Energy, and Industrial Strategy, to identify opportunities for all parties to work together to improve the financial resilience of SMEs. A key step in this process was a working-level roundtable with over thirty participants from across industry and government held on 24 July. Both the Economic Secretary to the Treasury and I will be kept informed of this important work as it progresses.

I also undertook to follow up on further amendments that you tabled, namely that terrorism reinsurance arrangements should be kept under annual review by Pool Re (Col 180), and how the Government can improve the process of certifying attacks (Col 172). I will write further on these after Recess.

I am copying this letter to the Economic Secretary to the Treasury, to members of the Public Bill Committee, and I will place a copy in the library of the House.

A handwritten signature in black ink, appearing to read 'Ben Wallace', with a long horizontal stroke extending to the right.

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