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# ViewPoint

Analyzing Industry Issues from an Independent Perspective



## Active Shooter Events

*Trends and the Role of Insurance*

**With the evening news dominated** by all too familiar tragedy, it is clear that Active Shooter Events (ASE) are no longer an emerging risk. These events impact the lives of thousands and generate tens of millions of dollars in losses nationwide each year. In response to today's environment, the (re)insurance industry developed innovative products and services to provide aid and support in the aftermath of such events. It will take awareness and a collaborative effort from numerous parties to reduce the ongoing trend, save lives, and reduce costs borne by victims, schools, and businesses.

### ACTIVE SHOOTER DEFINITION AND TRENDS

The Department of Homeland Security defines an Active Shooter Event as "an individual is actively engaged in killing or attempting to kill people in a con-

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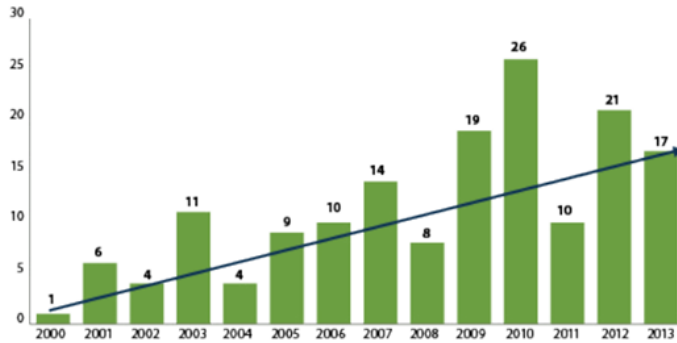
*"...70% of events take place within businesses and school buildings..."*

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fin ed and populated area; in most cases, active shooters use firearms and there is no pattern or method to their selection of victims."

Approximately 70% of events occur within businesses and school buildings. Other locations include healthcare facilities, concert halls, sports stadiums, government properties, and places of religious worship. It is important to note that active shooter events can, and do, occur at any location where large groups of people assemble.

**A Study of 160 Active Shooter Incidents in the United States Between 2000 - 2013: Incidents Annually**



Source: Federal Bureau of Investigation

Active Shooter Events have been showing an upward trend in frequency over the past two decades. Between 2000 and 2006, in the United States, an annual average of 6.4 ASE occurred. This number increased over 150% from 2007 to 2013, with an annual average occurrence of 16.4. Further, the FBI reported a combined total of 50 active shooter events for 2016 and 2017, indicating a sustained growth pattern for ASE. As the frequency continues to rise, developing a proactive approach to prevention is necessary for businesses and organizations.

**PERCEPTION OF RISK**

The Emergency Management and Safety Solution organization (EMSS) is a global leader in crisis management, which surveyed 888 organizations, including schools and businesses, to determine their perception of risk. The survey asked each participant to rank their top five external threats, with the results, as follows:

1. Active Shooter
2. Natural Disasters
3. Workplace Violence
4. Cybercrime
5. Terrorism

Active Shooter topped the list as having the highest perceived threat, on average. Respondents went on to indicate that only 79% are “somewhat” prepared and 20% are “not prepared at all.”

Conventional methods of prevention have solely relied on increased site security, such as camera systems and patrol guards. Other mechanisms include early detection for risk factors, such as identifying

the shooter before they enter the property and lockdown drills. Due to financial restrictions and lack of preparedness, these methods are only effective to a certain extent.

The crisis of an Active Shooter Event not only alters the lives of the victims, but triggers a cascade of financial burden for many, including victim families, school districts, and businesses. ASE have been responsible for up to \$50Mn of loss in a single event and a cumulative total of over \$1Bn of loss in 2014 and 2015. The cost borne by businesses and organizations largely emanates from uninsured costs.



Century 16 movie theater | Aurora, CO

**ACTIVE SHOOTER INSURANCE | FILLING THE GAP**

Traditionally, most general liability insurance policies fall short on coverage for active shooter events. General Liability policies typically cover some property damage, as well as business interruption. However, these policies may exclude coverage for visitors or bystanders. In some instances, the number of people involved may be limited. Typically only legal fees, and not judgements or damage, are covered, thereby leaving a potential gap.

In response, insurers are beginning to offer an assortment of Active Shooter Insurance. The intention is to alleviate some of the financial loss as well as proactively focus on safety and protection throughout schools and businesses nationwide. Originally thought of as a school product, due to the availability of data, coverage is now offered to a variety of businesses, hotels, restaurants, religious institutions, and events.

This enhanced coverage may include:

- Onsite Vulnerability Assessment;
- Training Tools;
- Crisis Management Services;
- Counseling;
- Media Consultants;
- Funeral Costs;
- Property Damage;
- Business Interruption (even with little property damage);
- Legal Fees, regardless of liability;
- Medical Expenses borne by the families of victims.

The cost ranges, in broad terms, from \$1,400—\$1,800 for \$1Mn of coverage and up to \$175,000 for \$20Mn of protection. Carriers such as Beazley, Hiscox Ltd., and XL are active in this space. Risk managers may begin viewing the coverage as an integral part of their organizational plan. To this point, within 6 weeks after the Stoneman Douglas High School shooting on February 14, 2018, seven school districts in South Florida bought at least \$3Mn worth of Active Shooter Insurance.

### **ANALYZING THE RISK | RISK TERRAIN MODELING**

Active shooter events have long been thought to be highly unpredictable and random. With the advancement of technology and the concentrated effort of preventing ASE, the use of Risk Terrain Modeling (RTM) is evolving into a tool to identify locations prone to Active Shooter Events.

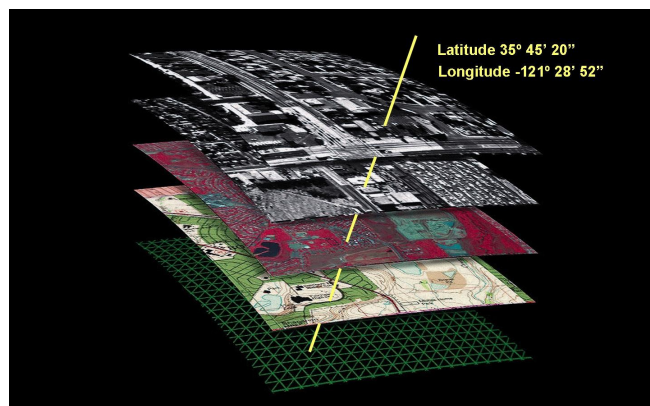
Traditionally, Risk Terrain Modeling is a law enforcement tool to analyze crime and assess risk in a specific neighborhood or location. Joel Caplan, a retired police officer and Social Welfare PhD (University of Pennsylvania), developed the tool, which uses Geographic Information Systems (GIS) to determine if an area is prone to crime or ASE through meta-analysis and empirical methods. Meta-analysis is utilizing several studies to give credibility to overall findings, by taking a weighted average of each individual study's results.

RTM analyzes landscape and the environment, rather than individuals, to identify features that enable crime.

These risk factors may be:

- Nonresidential location density—Common targets include locations that caused stress for the shooter, such as business or school;
- Location type—FBI indicates that 70% of ASE occur in businesses or schools;
- Distance from police stations—Outcome may be influenced by action of responding police.

Weights are applied to risk factors that relate to crime incidents. The chosen risk factors become layers within the model. These layers are overlaid to establish the highest density of risk factors with the highest combined weights. This process allows a digital image to be created through the GIS which shows the areas that are considered to be “hotspots” on the map.



### **CONCLUSION**

Advancements in Risk Terrain Modeling may be on the forefront of assessing crime on all levels, including Active Shooter Events. The implementation of Active Shooter Insurance throughout the re/insurance industry is a step in the right direction not only for providing additional support to clients, but for the protection and awareness of these traumatic events. As potential risks continue to emerge, the industry will continue to evolve and respond, and Holborn with it.



Holborn Corporation is an independent reinsurance brokerage firm, which was founded in 1920 and is headquartered in New York. Through the adoption of an Employee Stock Ownership Plan (ESOP) in 1998, it became exclusively owned by its employees. For additional information, please visit our