

**AIR Worldwide Releases  
Terrorism Loss Estimation  
Model to Analyze Financial  
Impact of Terrorist Attacks  
on Insurers, Reinsurers, and  
Corporations**

AIR Worldwide Corp. (AIR), the technological leader in catastrophe modeling and weather risk management, has released the AIR Terrorism Loss Estimation Model. The new catastrophe model, the first commercially available probabilistic model of its kind, can estimate the financial impact of insured property and workers' compensation losses from potential future terrorist attacks in the United States.

"Exposure to terrorism is a significant risk and the lack of comprehensive and affordable terrorism coverage is hurting U.S. businesses," said Karen Clark, president and CEO of AIR

Worldwide Corp., a subsidiary of Insurance Services Office, Inc. (ISO). "The problem is the current uncertainty about coverage, exclusions, and price," said Clark. The new AIR model helps insurers and reinsurers quantify their risks, assess coverage and exclusions, estimate financial impact of attacks, support pricing decisions, and improve overall portfolio management.

The model analyzes various threats posed by domestic extremists, formal international and state-sponsored terrorist organizations, and loosely affiliated networks. It examines the full range of potential conventional attacks, including air crash and bomb blast, and their impact on insurers' and reinsurers' books of business. AIR is also examining non-conventional weapons including chemical, biological, radiological, and nuclear.

AIR has been modeling natural cat-

astrophes since 1987. The terrorism model is similar in structure. It considers frequency and severity of attacks, likely targets and the impacts on both the intended targets, and on surrounding structures—all within a fully probabilistic framework.

**RMS Launches Game  
Theory-Based Terrorism  
Risk Model**

Risk Management Solutions (RMS) has launched its U.S. Terrorism Risk model, a model designed to assist property, workers' compensation, and life insurers and reinsurers in quantifying the risk from catastrophic terrorist attacks. The model was developed with input from, and in collaboration with, experts in terrorism, weapons systems, and security from the United States and around the world. Advisers included representatives from the Centre for the Study of Terrorism and Political Violence (CSTPV); the University of St. Andrews; Jane's, a premier provider of information and consulting services on defense, intelligence, and security issues; and RAND Public Safety and Justice. An expert elicitation with senior U.S. government officials from the CIA-sponsored Homeland Security Forum was also instrumental in development of the model.

Hemant Shah, president and CEO of RMS, said that at the heart of the model is the application of Game Theory, an approach popularized by the film *A Beautiful Mind*, which suggests that the likelihood, and targets, of a future al Qaeda attack can be modeled by understanding the operational and behavioral characteristics of the terrorists' organization. Dr. Gordon Woo, the RMS mathematician who was the architect of the RMS model, indicated "in a similar way to the flow of water, which seeks the path of least resistance, the flow of al Qaeda activity is towards weapons and targets that present the lowest technical, logistical, and security barriers to mission success." ●

