

**November 2012 Overview of Terrorism Risk: U.S. Terrorism Risk Decreases as Global Terrorism Landscape Improves**

**Recommended Risk Outlook for use in RMS U.S. Terrorism Risk Model: RMS Standard Risk (2013)**

## AFTER BALI: SOUTHEAST ASIA UNDER THREAT

The October 2002 terrorism attack in Bali, Indonesia was one of the world's deadliest terrorist attacks of the last decade. The attacks by Indonesian suicide bombers killed 202 and injured 350 people from more than 22 countries. The joint Al-Qaeda and Jemaah Islamiyah (JI) attack in Bali was to avenge the U.S.-led coalition intervention in Afghanistan. The attack was planned and prepared by members almost all of whom were Afghan war veterans. The response of the Indonesian government, supported by the Australian Federal Police, Australia's intelligence community, and other governments was indeed decisive in controlling the terrorism threat in the region.

In the decade that followed, Indonesian police, particularly the counter terrorism tactical force Detachment 88, killed and captured nearly 800 Indonesian terrorists. During this time, JI transformed into an ideological organization and several new splinter groups emerged, including groups such as Lashkar Hisbah, Tawhid Wal Jihad and Jamaah Ansharut Tauhid (JAT). JI and JAT revisited Bali, first on October 1, 2005, when three JI suicide bombers attacked two sites in Bali, killing 26 and injuring 126. Detachment 88 killed five JAT terrorists preparing to mount operations in Bali on March 18, 2012.

Indonesia's counter terrorism efforts should be commended. Nonetheless, greater political will to fight ideological extremism—the principal driver of terrorism in Southeast Asia—is needed. There is a need to arrest the radical preachers, fine the media publications that print extremist literature, and deter those

who threaten and support political violence. Although the Indonesian legal framework to fight terrorism is sound, the framework to fight the terrorists is still weak. As such, these threat groups are not proscribed, or designated. They continue to disseminate propaganda, raise funds, and conduct training, regenerating the next wave of terrorists.

Southeast Asia has done exceptionally well compared to the U.S.-led Global War on Terrorism (GWOT) in other parts of the world. Moreover, the impact of the Arab Spring on Southeast Asia was marginal. Unlike in the Middle East, the Arab Spring did not have an appreciable impact on Muslim countries in Asia, where governments are relatively more democratic. Recently Asian Muslim politicians exercised restraint with regard to the release of the trailer "Innocence of the Muslims" which otherwise would have challenged regional harmony. However, in the future, JAT and other threat groups are also likely to operate both underground and above ground. They will continue to infiltrate political parties, social groups, and youth organizations, and invest in the social media extensively to expand their support bases. Today, the writings of the radical Jordanian cleric Abu Mohamed al Maqdisi, the mentor of Abu Musab al Zarqawi of Iraq, are gaining popularity among the extremist and terrorist circles in the region.

More violent and radical groups in Southeast Asia will fight against non-Muslims ("infidels") and Muslims who do not share their belief ("apostates"). Driven by the false belief that the

West is deliberately attacking Islam and killing Muslims, the terrorists attacked Western targets during the last decade. In the next decade, they are likely to expand attacks to include government targets, notably government officials especially judges and law enforcement, and politicians, including leaders. Extremist groups will campaign for replacing the democratic system of governance with Islamic law. More violent and radical groups will campaign for the imposition of Sharia law.

The terrorist attack on Bali a decade ago was a wake-up call for Southeast Asian governments. It demonstrated the severity of terrorism. Today, regional governments are better prepared to fight terrorism and their leaders better understand the threat posed by ideological extremism. Nevertheless, more than ever before,

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Ten years since the Bali suicide bombing, Professor Rohan Gunaratna argues that despite the stronger counter terrorism environment in Southeast Asia, terrorism risk in the region remains high.

the geostrategic developments are influencing Muslim thinking. As such the threat of terrorism will not disappear from the Southeast Asian security landscape in the short term.

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**University in Singapore and a Senior Fellow of the Fletcher School of Law and Diplomacy's Jebsen Centre for Counter Terrorism Studies. He is also the author of "Inside Al-Qaeda: Global Network of Terror" (Columbia University Press).**

## NYC FEDERAL RESERVE BOMB PLOT

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A car bomb scare at the heart of New York's Financial Center is a strong reminder of the homegrown terrorism threat in the U.S.

On October 17, 2012, U.S. authorities arrested Quazi Mohammad Rezwanul Ahsan Nafis, a Bangladeshi national on an American student visa after Nafis allegedly tried to detonate what he thought was a 1,000-lb car bomb at the Federal Reserve building in New York City. Nafis packed the explosives in trash bins in a Long Island warehouse and then loaded the material into a Chevrolet Astro Van. He armed the explosive device

using a cell phone as the detonator and connecting the wires linking the detonator to the explosive materials. Fortunately, the improvised explosive device (IED) was inert, part of an undercover "sting" operation by the federal authorities and the New York Police Department.

It is still unclear whether Nafis had ties with any terrorism groups such as Al-Qaeda, but according

to the authorities his views were in part shaped by the sermons of the American-born Yemeni imam, Anwar Awlaki, who was killed in a drone attack in September 2011.

In recent years, homegrown jihadi operatives in the U.S. have been more active. These "self-starters" are inspired by Al-Qaeda or its associated groups but may have little or no actual connection to these militant organizations. Homegrown jihadis represent the broadest layer of the Al-Qaeda network and tend to be radicalized segments of migrant and diaspora communities. Nafis conforms to the model of decentralized terrorism-inspired groups such as Al-Qaeda. This concept is defined by key Al-Qaeda strategist Mustafa Al-Suri's doctrine of nizam la tanzim (system, not organization). In Suri's view, the future of jihad consists of small autonomous groups having decentralized organizational

**Licensees of the RiskLink® Terrorism Scenario Model or the U.S. Probabilistic Terrorism Model (PTM) wanting to assess the potential impact of the attempted attack at the Federal Reserve Bank of New York building (Target ID 23419) are advised to use the 1-ton car bomb scenario (ID 110) – this will produce a conservative loss estimate for the event as even if the improvised explosive device (IED) was genuine, the TNT yield would likely to be less.**

structures with no official links to Al-Qaeda leadership, so that even if the senior hierarchy was dismantled, the threat from Al-Qaeda would persist. Due to the highly decentralized structure of the homegrown groups, they are extremely difficult to identify and apprehend. The problem is further compounded if the homegrown operative is a “lone wolf” who does not seek external help.

This failed terrorism plot is consistent with the attack trends and target preferences incorporated in the RMS U.S. Terrorism Model. RMS assesses that terrorist groups in the U.S. will most likely use an improvised explosive device (IED) in densely populated urban areas and this unsuccessful plot at the Federal Reserve building clearly illustrates this point. Government buildings such as the Federal Reserve are at risk because of the powerful symbolic significance of such strikes; their international accessibility; and the focal point they provide for jihadists to direct their anger. Also consistent with RMS’ terrorism modeling is the timing of the detonation, which indicates that Nafis intended to cause a mass casualty event. Nafis was arrested at 8:15 a.m., morning rush hour, after he attempted to detonate

the car bomb.

In addition to his plans to detonate a bomb at the Federal Reserve Bank in New York City, Nafis confessed that he also considered assassinating President Obama and attacking the New York Stock Exchange.

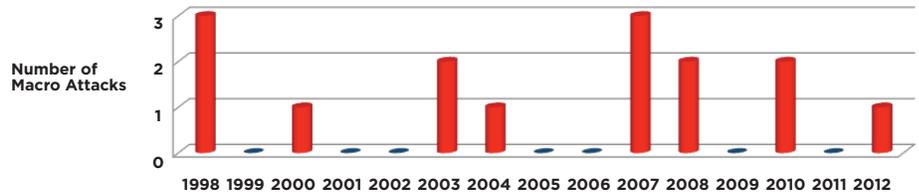
Homegrown plots against the U.S. homeland have been orchestrated by individuals acting independent of Al-Qaeda’s leadership. Without external assistance, most of these plots have been amateurish at best, as the perpetrators lacked the basic tradecraft to mount a sophisticated attack. However, recent plots have shown that plotters are trying to reach out for external support—Nafis himself was trying to reach out to fellow-jihadist outfits to acquire operational skills. His attack once again demonstrates that terrorists remain ambitious in their attack modes. Fortunately in this case, Nafis’ ambition outstripped his technical capabilities. In the future, it is likely that a homegrown terrorist cell with the skills and knowledge obtained from Al-Qaeda or another terrorist group could reach sufficient operational acumen to execute a successful attack against the U.S. homeland.

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The attack on the U.S. consulate in Benghazi, Libya that resulted in the death of U.S. Ambassador Christopher Stevens and three other members of his diplomatic mission has once again highlighted the risk of diplomatic facilities becoming targets for terrorist attacks.

## EMBASSY ATTACK IN BENGHAZI, LIBYA

Attacks On Diplomatic Targets Across the Globe



Attacks against embassies and other diplomatically related facilities have increased in frequency and severity over the last decade. According to the RMS historical catalog of macro terrorism attacks, since 1998 there have been more than 15 attacks on diplomatic facilities across the globe. Most notable was the Al-Qaeda embassy bombings in Tanzania and Kenya in 1998 that killed 223 people and left more than 4,000 injured.

Terrorists who seek to harm a particular nation but lack the means to attack it directly often target consulate and embassies. These targets rank high in value because of their ability to impact the functioning of the targeted government. More importantly, it sends a strong symbolic message to their supporters. Acts of terrorism will not only include besieging or bombing of diplomatic facilities but also the assassination and kidnapping of diplomats.

The attack on the U.S. consulate in Benghazi was ambitious and sophisticated. Taking the opportunity presented by the series of protests of an American-made anti-Islamic video at the consulate, the militants were able to attack under the cover of the protestors. While an opportunistic attack, U.S. security

officials acknowledged that the assault was planned in advance and was dedicated to the 11th anniversary of the September 11, 2001 attacks. The protest provided them the perfect diversion for an assault on the U.S. consulate.

With more than 20 individuals involved, the militants assaulted the buildings and diplomatic personnel with assault rifles and rocket-propelled grenades (RPGs). The attack against the consulate was planned in two waves. The first attack led to the U.S. officials being evacuated from the consulate by Libyan forces. For the second wave, an organized guerrilla-style attack was launched after Ambassador Christopher Stevens and three other members of his diplomatic mission were left in a secure location.

The failure of Libyan authorities to secure areas outside of the capital created the ideal setting for an attack. While it is still unclear who perpetrated the atrocity, multiple groups linked to Al-Qaeda have been linked to the assault. These militant groups include Al-Qaeda in the Islamic Maghreb (AQIM) and Ansar Al Sharia and “Partisans of Sharia,” a Salafist militant group operating in the eastern part of Libya. Operating

in their local domain, these groups were to conduct devastating attacks against targets. A week after the assault in Benghazi, AQIM urged their followers to attack other U.S. diplomats and embassies across the Muslim world. Macro attacks on other American diplomatic facilities cannot be discounted.

While lapses in security may have contributed to the failure of counter terrorism forces to anticipate the attack on the U.S. consulate in Benghazi, no matter the circumstance, American embassies and other overseas diplomatic facilities will

remain at greater risk of terrorist attacks because of the powerful symbolic significance of such strikes, their international accessibility, and the focal point they provide for terrorists to direct their anger. While larger diplomatic missions in high-risk areas such as in Afghanistan and Pakistan will be more securely protected, smaller posts such as in Benghazi tend to be less secure and will remain at higher risk. The threat against the lives and security of foreign diplomats abroad remains a dangerous and ongoing issue.

**Isolating target preferences is important in managing a risk portfolio within a city and across a mix of insured property types. The attack of the U.S. consulate in Benghazi is consistent with the target preferences incorporated in RMS' terrorism model. RMS grades targets according to their "utility" to terrorists, in terms of maximizing casualties, economic disruption, and symbolic destruction. Currently, the RMS Terrorism Target Database has more than 380 diplomatic facilities across 35 cities worldwide.**

## RMS TERRORISM SEMINAR 2012

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While the prospect of global terrorism risk may seem to have lessened after the death of Osama bin Laden, the road ahead will remain rough, due to new threats from cyber-terrorism and an evolving Al-Qaeda network, according to experts at RMS' Emerging Terrorism Landscape seminar on July 26, 2012 in New York City.

The theme of this year's seminar focused on the adaptive nature of the terrorism threat in the post-bin Laden era. The invited speakers for this year's seminar included Rick Wesson, CEO of Support Intelligence LLC, a cyber-terrorism expert, and Bruce Hoffman, professor of security studies at Georgetown University. During

Wesson's talk, "Extreme Cyber-Risk Scenarios," Wesson detailed several possible scenarios in which attacks made over computer networks could threaten not only the private or public IT infrastructure, but also could cause a wide range of physical damage. Attacks on industrial, defense, public utility, and other critical industrial

control software have already proved possible. Wesson noted that these attacks not only generate significant insured loss but there has been an increasing trend in such attacks over the past several years.

Apart from the threat of cyber-terrorism, Al-Qaeda continues to be a menace, even as it struggles with setbacks such as the deaths of recent top leadership. While RMS has projected a reduced number of possible annual attacks in its terrorism outlook, the reduction does not imply that Al-Qaeda is going away any time soon. While setbacks have weakened the group, Al-Qaeda has shown a remarkable ability to adapt itself and opportunistically leverage new tactics, said Professor Bruce Hoffman during the session "Patterns in Terrorism and Probable Impact: An Assessment of Al-Qaeda."

Professor Hoffman also argued that the killings of Osama bin Laden and the American jihadi ideologue Anwar al-Awlaki will not dampen Al-Qaeda's abilities to carry out attacks, nor its political advocacy and targeted

recruitment of disenfranchised professionals. "Profound challenges and potential new threats remain," said Professor Hoffman, who noted that terrorism should be seen as a permanent fixture in the 21st century.

In a later session, Robert Muir-Wood, RMS' chief research officer, and Gordon Woo, catastrophist and lead architect of RMS' terrorism model, outlined some ramifications to U.S. terrorism risk arising from the changes in Al-Qaeda's approach. As the terrorism threat will mostly come from individual operatives with limited technical acumen, simple conventional attacks will remain the weapon of choice, they said. While such weapons have limited range, they can potentially cause significant property damage and inflict a number of casualties. Smaller but still deadly plots that circumvent security measures, such as car bombs in metropolitan areas, are the more likely attack scenarios, they said.

Homegrown operatives have tended to show poor operational skill. To date, a majority of the homegrown terror plots have been crude attempts by operatives lacking the sophistication and experience needed to mount

a successful macro attack in the country. Despite the obstacles and technical challenges, Al-Qaeda and its affiliates continue to show interest in acquiring a chemical, biological, radiological, or nuclear arsenal. This is mainly due to the potential for high-severity outcomes that conventional attacks cannot replicate. The possible collapse of the Bashar Assad's regime in Syria could also put chemical and biological weapons within closer reach of terrorist groups such as Al-Qaeda, Hoffman noted during the conference, even as more skilled professionals are recruited at the local level.

Terrorism risk in the U.S. has decreased due to a stronger counter terrorism environment, but the threat is highly adaptive and cannot be underestimated. The U.S. homeland will continue to remain a primary target for many terrorist groups. Thus, terrorism risk in the post-bin Laden era should still be in the forefront of concerns of insurers, as according to Claire Souch, vice president of model solutions at RMS, "significant threats and deep uncertainties remain in modeling terrorism risk."

**This year's terrorism seminar represents the 11th hosted by RMS, with the first held one year after the September 11, 2001 attacks. Each year, the seminar provides an opportunity for our clients to gain a broader understanding of the evolving global terrorism landscape and its impact on the insurance industry. This half-day event brought together the world's leading terrorism experts and more than 200 RMS clients to discuss how the terrorism risk landscape has changed globally and the likely impact on the insurance industry.**

## OTHER DEVELOPMENTS

### **Three suspected terrorists in Spain were arrested for plotting to bomb a Gibraltar-area shopping mall. (August 2, 2012).**

According to Spanish authorities, the three individuals intended to align their attacks with the London Olympic Games. It is alleged that they were testing a remote-controlled plane as a potential bomber. It is not the first time that terrorists have sought to use remote-controlled aircraft in terrorist plots. In July 2012, Rezwan Ferdaus pleaded guilty in attempting to fly an explosives-laden remote-controlled plane into the

Pentagon and U.S. Capitol Building.

### **The U.S. House Financial Services Committee's Subcommittee on Insurance, Housing and Community Opportunity held a hearing on the Terrorism Risk Insurance Extension Act (TRIA), (September 11, 2012).**

The hearing brought together a diverse group of industry experts to comment on the status of the U.S. terrorism insurance industry and the effect of the terrorism insurance legislation. This law was originally enacted in response to the severe market disruptions following the attacks on September 11, 2001.

The program was later extended and modified in 2005 and again in 2007, with its latest expiration set for December 2014. This hearing is the first on the issue since the last reauthorization effort in 2007.

### **Adel Daoud, an 18-year-old American was arrested for trying to detonate what he believed was a car bomb outside a downtown bar in Chicago, Illinois, (September 15, 2012).**

Daoud parked his Jeep Cherokee in front of a bar and attempted to detonate the device by pressing a triggering mechanism. He was then subsequently arrested. According to

the affidavit, U.S. authorities began monitoring Daoud after he posted material online about violent jihad. Undercover FBI agents contacted him in response to the web postings and offered to assist him in obtaining explosive materials for a car bomb attack. Daoud has been charged with one count of an attempt to use a weapon of mass destruction and one count of attempting to damage and destroy a building by means of an explosive.

**After losing a legal battle to avoid extradition to the United States, the British's High Court ruled that the Egyptian-born cleric Abu Hamza Masri can be extradited immediately (October 2, 2012).** The one-armed alleged terrorist was instrumental in making the London's Finsbury Park

Mosque into a training ground for radical Islamic militants during the 1990s. He is wanted in the U.S. on the list of charges that include conspiring to set up a terrorist training camp in Oregon and providing material support to Al-Qaeda and the Taliban.

**Two coordinated explosions tore through Syria's largest city, Aleppo, killing 48 and wounding nearly 100 others. (October 3, 2012).** The strikes were carried out by suicide bombers driving cars packing more than half a ton of explosives at the city center of the city of Aleppo. The blasts destroyed a military officers' club and two nearby hotels. The Al Nusra Front, a salafi militant group operating in Syria, later claimed responsibility for the blasts in a written statement. The group said it targeted the army's

officers club, the Amir Hotel, and the Touristic Hotel, identifying each as being either command centers or barracks for security forces or pro-government militias.

**Eleven individuals were arrested in a raid by Indonesia security forces. (October 28, 2012)** They have been accused of planning to bomb the U.S. embassy in the capital; the United States Consulate in eastern Java; a plaza in front of the Australian Embassy in Jakarta; and a building that houses the Indonesian headquarters of Freeport-McMoRan in Jakarta. The raids in four separate locations in Indonesia resulted in the discovery of number of bombs, explosive material, bomb-making manuals, as well as firearms.

## RMS TERRORISM SOLUTIONS

The RMS® Probabilistic Terrorism Model 3.1.2 will be released in July 2012.

Key features include:

- Updated analysis of terrorism risk from terrorist organizations
- Conventional and CBRN attack modes
- Multiple risk outlooks for the U.S. terrorism threat environment in 2013: expected as well as increased and decreased risk perspectives
- Coverage for all U.S. cities as well as ten major commercial centers across the globe: London (U.K.); Toronto and Montreal (Canada); Milan, Vatican and Rome (Italy); Copenhagen (Denmark); Ankara and Istanbul (Turkey); and Dublin (Ireland).

RiskLink® and RiskBrowser® 11.0, released in February 2011, include worldwide capability for exposure and accumulation management and modeling terrorism scenarios, with geocoding available for over 150 countries.

### ABOUT RMS

RMS is the world's leading provider of products, services, and expertise for the quantification and management of catastrophe risk. More than 400 leading insurers, reinsurers, trading companies, and other financial institutions rely on RMS models to quantify, analyze, and transfer risk. As an established provider of risk modeling to companies across all market segments, RMS provides solutions that can be trusted as reliable benchmarks for strategic pricing, risk management, and risk transfer decisions.

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