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January 2010 Overview of Terrorism Risk: **Increased frequency of terrorist attack attempts on US and Europe will result in security crackdown**

Recommended Risk Outlook for use in U.S. Terrorism Risk Model: **RMS Standard (2010)**

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## **A RESURGENT AL QAEDA**

**RMS has long argued that terrorism risk is cyclical – as terrorist activity increases, so security crackdowns respond and return the situation back to an equilibrium. The recent flurry of activity is likely to dissipate in the face of increased counter-terrorism activity, but it shows that individuals and cliques inspired by Al Qaeda’s ideology remain a powerful threat, and capable of causing major losses to insurers and Western interests in general.**

Following several quieter years, 2009 was an active year for terrorist plots in the U.S, with 5 publicly documented alleged plots. It brings the number of post 9/11 known U.S. plots in the RMS terrorism database to a total of 34, an average of just over four a year. The RMS U.S. terrorism risk model standard threat outlook has a mean plot number of 4, most of which are interdicted through diligence of the intelligence services.

As far as target selection is concern, soft targets such as hotels and other commercial buildings continue to be a popular target, since many jihadi groups lack the ability to attack hard targets particularly outside of global conflict zones. Moreover, as the near success of the Christmas Day plot to bring down an airplane over Detroit would attest, jihadists continue to fixate on attacking aviation targets. These plots show the confidence of the plotters and underscore the continued intention by such groups to target the commercial aviation industry, despite high levels of security. Additional plots focusing on the aviation industry should be expected.

Al Qaeda associated groups have also become more transnational in their operational geographical scope. Associated groups such as Al Shabaab and Al Qaeda in the Arabian Peninsula have extended their reach globally. These groups are more than a local franchise of Al Qaeda. They work independently on their own, executing their own initiatives. It is likely that such regional groups associated with Al Qaeda could reach out ever further to become more transnational, perhaps even conducting attacks in the United States and Europe.

Al Qaeda also appears has adopted a new mindset. In an influential lead article in the Washington Post on January 10<sup>th</sup>, Professor Bruce Hoffman, Georgetown University, and an RMS Advisor, argues that the Al Qaeda leadership has developed a new strategy of inflicting "death by a thousand cuts" on United States, using its networking strength to compensate for its numerical weakness. One facet in this new strategy is that Al Qaeda is seeking a protracted war of attrition against the U.S. and her western allies. Hoffman argues that Al Qaeda is forcing increased costs on its adversaries, effectively threatening to bankrupt the West during this period of economic austerity, with escalating costs of maintaining the war in Afghanistan, and keeping security costs high generally.

President Obama has ordered a systematic overhaul of intelligence and security arrangements resulting from the intelligence failures that led to the recent spate of attacks. Professor Bruce Hoffman and others have called for an entire new strategy of U.S. government response to the resurgent Al Qaeda activity. In the great cycle of terrorism risk, periods of heightened attack activity are swiftly followed by periods of security focus and attack prevention. As long as the ideology of jihadism survives, Al Qaeda will continue to sponsor attack attempts across the globe, and inevitably they are likely to have some successes.

**The RMS standard outlook for terrorism risk in 2010 continues to expect attack attempt rates consistent with the long term average. The period of somewhat heightened activity seen in 2009 is still within the range of the Standard Risk Outlook, and so is the recommended outlook for use by clients.**

## CHRISTMAS DAY AIRLINER BOMB ATTEMPT IN DETROIT

**The attempt to detonate an explosive device on an American airliner as it came in to land in Detroit was narrowly avoided, thanks to the vigilance of fellow passengers and the airline crew. If it had succeeded it would have crashed a plane into the homes of families celebrating their Christmas Day. It was a calculated effort to outrage and provoke a U.S. backlash, and is a reminder of Al Qaeda's continued efforts to attack the U.S. homeland.**

Umar Farouk Abdulmutallab, a 23-year-old Nigerian, attempted to detonate an improvised explosive device (IED) he had smuggled on board a Northwest Airlines flight from Amsterdam to Detroit. The IED is believed to be comprised of an explosive charge of pentaerythritol tetranitrate (PETN). The PETN was wrapped and sewn into his undergarments. A liquid glycol-based explosive was stored in a syringe and then injected into the PETN. It was intended to detonate with an explosive shockwave shattering the aircraft hull. Fortunately, the device did not function as intended, catching fire instead of detonating. Passengers and crew members extinguished the flames and restrained Abdulmutallab, who was arrested after the aircraft landed safely in Detroit.

It is clear that Abdulmutallab was trying to bring the plane down to crash into the city of Detroit. He was not just trying to destroy the aircraft, which he could have done more easily earlier, and instead he waited until the plane's descent before he started to detonate the explosive charge. Eye witness accounts show that he was watching the in-flight map and reportedly detonated his device some 15 minutes before they were due to touch down. A plane crashing into streets of homes at 11.30 am on Christmas Day would have outraged the U.S. and its allies and prompted a strong political response.

Insurers monitoring their terrorism risk through aggregation zoning may want to consider the potential footprint size and exposure concentrations in the areas that could have been impacted by this attack. The flight path into Detroit Metropolitan Wayne County Airport comes in over large areas of residential buildings, and, a few miles to the east, the central business district. It is unlikely that the CBD was targeted, as it is relatively small, off the direct flight path, and would have been empty on Christmas Day. The crash of a lightly-fuelled Airbus A330 aircraft of this type would have caused an area of destruction equivalent to about 150m (500 ft) radius with an area of moderate damage equivalent to a radius of about 500m (1,500 ft), but if the aircraft broke up, the damage would be in localized areas spread over potentially many kilometers. In residential areas, the crash could have killed many tens of people, and potentially hundreds, in addition to the 300 people on board the flight.

This failed plot shows clearly that jihadi communities have not given up on their efforts to damage the aviation industry and disrupt commercial travel. Commercial airliners continue to be a key target for terrorist groups. Al Qaeda is aware of the frailty of the airline industry and the impact of attacks against it on the economy. Even with increased security measures it has not been possible to stop Al Qaeda attempting repeated attacks.

The bombing device also sheds light on attack trends. It was comparable to earlier attempted attacks against civil aviation, for example the 'shoe bomber', Richard Reid, who tried to detonate explosives in his trainers with TATP aboard an airplane on 22 December 2001; and the attacks foiled in 2006 where liquid explosives were to be smuggled aboard transatlantic flights in small bottles in hand luggage. Abdulmutallab was believed to have used a syringe strapped to his thigh relying on the personal sensitivities of security screeners to pass through security. Moreover, this attack method was not unprecedented. A similar 'Person-Borne IED' technique was also used in the failed assassination of the Saudi Prince Mohammed bin Nayef in August 2009. In this case, a bomb was concealed inside the attacker's body to defeat security screening and then remotely detonated. More attacks with similar methods of deployment should be expected.

Finally, this episode serves as another ominous reminder that eliminating Afghanistan as a haven for terrorist planning is necessary but insufficient. Recently, U.S. counter terrorism officials have become increasingly concerned about Al Qaeda presence in the Arabian Peninsular and has dramatically stepped up its efforts to cooperate with Yemen and Saudi Arabia to attack the group. Internet message boards linked to Al Qaeda are encouraging fighters from across the Islamic world to flock to Yemen. In December, attacks against Al Qaeda training compounds in Yemen reportedly have resulted in the death and capture of several senior members. Intelligence reports indicate that Abdulmutallab left Yemen before the December 17 strike. Therefore, it is possible that the people who trained him were killed or apprehended in operations.

**Insurers wanting to estimate the loss potential from this terrorism scenario or wanting to compare this near-miss event with their accumulation radius settings are recommended to use a radius of 150m for 100% loss and 500m for 10-25% loss.**

## HOME-GROWN JIHADI THREAT TO THE UNITED STATES

**The series of arrest of Americans recently seen in the United States has undermined the assumption that American Muslims, unlike their European counterparts, are more resistant to radicalization. There is now strong evidence that radicalization has affected a minority of American Muslims and the threat from home-grown terrorism of jihadist inspiration has become more apparent.**

In recent months, the U.S. has experienced a rise in jihadi activity. In addition to the Detroit attempted airplane bombing, described in the previous article, there have been an increase number of arrest of American citizens on terrorism charges. The arrests include the following:

- On 20<sup>th</sup> September, FBI agents arrested two Afghan immigrants. One of the men, Najibullah Zazi, is alleged to have been trained by Al Qaeda in Pakistan and, on return to US to have planned to bomb targets in New York.
- On 24<sup>th</sup> September, a Jordanian immigrant was arrested for having parked what he believed to be a car bomb in a 60-story skyscraper in Dallas, Texas. On the same day, an American-born Islam convert was also arrested for parking a car that he believed was loaded with explosives outside a federal courthouse in Springfield, Illinois. In both cases, federal agents led them to believe they were connected with Al Qaeda and supplied them with inactive explosives.
- On 21<sup>st</sup> October, U.S. authorities indicted two New England locals with conspiracy charges. The two individuals had been actively tried to join various Al Qaeda affiliates since 2001 and had also planned attacks inside America.
- On 11<sup>th</sup> November, U.S. authorities pressed terrorism-related charges against eight men, accusing them of recruiting at least twenty Somali Americans from Minnesota to fight for Al Shabaab, a Somali guerrilla movement.
- On 21<sup>st</sup> November, U.S. authorities charged two residents of Chicago for providing material support to commit terrorist acts. According to the charges the two men had been in contact with senior leaders with several Pakistani jihadist groups.
- On 15<sup>th</sup> December, Pakistani authorities arrested five Americans in the city of Sargodha. They were believe to be in touch via the Internet with Al Qaeda-affiliated groups and intended fighting against U.S. forces in the region.

The series of arrests in the last few months have highlighted two ominous trends. First, these plots undermine the assumption that American Muslims, unlike their European counterparts, are immune to radicalisation. Many counter terrorism experts have argued that the home-grown jihadi terrorism threat in Europe is due to the inability to integrate their immigrant Muslim population and radicalisation is the subsequent by-product of the failed integration. On the other hand, the U.S. is more open to its immigrants and has been able to integrate its Muslims, making them immune to radicalisation. However, the wave of arrests seems to shed light that the reality is different, showing that radicalisation has indeed affected a minority of the Muslim population living in the U.S.

Second, while these plots are diverse in their origin and characteristics, they do indicate that the jihadi home-grown threat has evolved. With the exception of the 2006 Transatlantic Plot, plots against the U.S. homeland have been orchestrated by individuals acting independently from Al Qaeda's leadership. Without external assistance and support, most of these plots were amateurish. They lacked the basic tradecraft to mount any sort of sophisticated attack. However, recent plots have shown that plotters are trying to reach out for external support. As in the plots mentioned above, the perpetrators are now travelling overseas to establish contacts with various jihadist outfits to acquire operational skills. In the future, it is likely that a home-grown cell with the skills and knowledge obtained from Al Qaeda could reach a sufficient operational acumen to execute a successful attack against the American homeland.

**The motivation of the jihadist movement to attack American assets continues to be strong. Attacks perpetuated by home-grown jihadi groups against the U.S. will continue to be planned and executed. But U.S. security services continue to be steadfast and will strive to preserve their record of interdicting all planned attacks since 9/11.**

## **INTERNATIONAL INTELLIGENCE COOPERATION FOILS TERRORIST PLOTS ON U.S. HOMELAND**

**The disclosure of recent alleged terrorist plots against U.S. targets highlights the crucial role of the international cooperation in mitigating terrorism risk through plot interdiction.**

Although "traditional" terrorist organizations have previously operated across international borders, such as the operations of the Provisional Irish Republican Army (PIRA) in Europe, and Hizbollah in Latin America, no terrorist groups have approached the truly transnational operational reach of Al Qaeda and their affiliates, whose cells have spread throughout the world. This global presence dictates a counterterrorism that is equally transnational in nature.

Even though the U.S. has spent more than \$40 billion a year on intelligence; it relies extensively on other countries to provide her with critical information. Intelligence collaboration is not new. During the Cold War, multilateral arrangements as well as bilateral relationships between U.S. intelligence services and their foreign counterparts were integral parts of the West's struggle against the Communist Russia.

However, with the attacks of 9/11, there was an added sense of urgency for intelligence cooperation between states. After the attacks on the World Trade Center, senior British intelligence officials flew across the Atlantic to meet and offer help and support to George Tenet, and other top ranking U.S. security chiefs. Tenet described this affirmation of the special relationship as particularly touching, and the gesture of solidarity was deeply appreciated. From this time of supreme crisis to 2010, U.K. and U.S. intelligence services have been working closely to combat the Jihadi terrorist threat.

With its historical status as a haven for Islamist extremists, the U.K. is exposed to the highest Jihadi threat of any country in the western alliance. It has been subject to the largest number of terrorism plots among European countries. Rashid Rauf exemplifies the source of the heightened U.K. threat. Born in England with dual British and Pakistani citizenship, he was married to a relative of Maulana Masood Azhar, the head of Jaish-e-Mohammed, an Islamist militant group in Pakistan and Al Qaeda affiliate. On trips to Pakistan, he worked with Al Qaeda leaders to mastermind a major strike against the West: the liquid explosives aviation plot. A large U.K. surveillance operation was mounted after the discovery in June 2006 of a powdered drink and batteries in the baggage of one of the plotters, returning to England from Pakistan. After a tip-off from U.S. intelligence, Rauf was arrested in Pakistan in August 2006. However, in December 2007, he escaped from jail, possibly through the duplicity of his guards.

Following the interdiction of the liquid explosives plot, Rauf's terrorist network links have been diligently explored by both the U.K. and U.S. intelligence services. These have proved to be valuable in unclocking terrorist operatives involved in some recently disclosed alleged plots against U.S. targets. Bryant Neal Vinas, also known as Bashir al-Ameriki, met Rashid Rauf. Vinas had been in Pakistan since 2007 where he received Al Qaeda training and agreed to become a suicide bomber, plotting to blow up a train on the Long Island Rail Road inside NY's Penn Station. After Vinas was detained in Pakistan in Fall 2008, his links led to a number of arrests in Belgium, and in England, where a group of Pakistani students were taken into custody. U.K. intelligence indicated that they were part of a network including an Afghan-American, Najibullah Zazi.

Zazi was identified through an intercepted communication, and was further implicated by Bryant Neal Vinas. On the 8th anniversary of 9/11, FBI surveillance showed him in downtown Manhattan; he was arrested a week later. It is alleged that Zazi and others bought large quantities of hydrogen peroxide and acetone products from beauty supplies shops across Denver. These are key ingredients for homemade bombs of the kind which struck London's mass transit on July 7, 2005. U.S. Attorney General Eric Holder has described the alleged plot as "one of the most serious in the United States since September 11, 2001."

**The current cases of Zazi and Vinas provide evidence of Al Qaeda's capability and interest in recruiting Americans without previous terrorist links. The continuing international cooperation of intelligence services is instrumental in unraveling terrorist networks, and is maintaining a high interdiction rate for plots against western alliance homelands.**

## TERRORISM RISK IN ASIA

**Already a hotbed of radical Islamic extremism, Asia has now become a key staging centre for international terrorism surpassing the Middle East. One of the world's leading authorities on terrorism, Professor Rohan Gunaratna provides an overview of terrorism risk in Asia.**

### South Asia

While the Asia-Pacific is economically the world's fastest growing region, South Asia suffers from terrorism and ideological extremism. Heightened violence in Afghanistan and Pakistan has made South Asia the epicentre of international terrorism. The insurgent and terrorist threat in Afghanistan and Pakistan is likely to continue and even grow in 2010 and spill over to neighbouring countries. Operating out of the Federally Administered Tribal Area (FATA) located on the Afghanistan and Pakistan border, Al Qaeda-directed and inspired cells present a transnational threat that must be countered.

Al Qaeda and both the Afghan and Pakistani Taliban are working with a dozen other groups that threaten both regional and global peace. Al Qaeda and its associated groups continue to provide training and ideological inspiration to groups in Pakistan and beyond. Increasingly, Lashkar-e-Toiba leaders, members and followers are coming under the influence of Al Qaeda. In India, homegrown cells and groups assisted by Pakistan militant jihadi outfits present a growing threat.

Bangladesh's Rapid Action Battalion and its Directorate General of Forces Intelligence have reduced the threat by neutralising several foreign and local terrorist cells. However, as there is no sustained programme to engage the Muslim community and rehabilitate the terrorists in custody, the threat of terrorism and extremism persists in Bangladesh. With Maldivians joining Al Qaeda, including a suicide attack by a Maldivian in Pakistan, the threat to the Maldives is also growing.

### Southeast Asia

In Southeast Asia, the threat has been dramatically reduced with the decapitation and arrest of key Al Qaeda-linked Jemaah Islamiyah (JI) leaders. Although several other groups are emerging in Indonesia, Detachment 88 -- Indonesia's elite counter terrorism organization -- is capable of managing the operational threat. Nonetheless, with the failure of Indonesia to develop effective counter ideological programmes in community engagement and terrorist rehabilitation, the threat in Indonesia is likely to persist. It is absolutely necessary to proscribe JI and retry the JI leadership responsible for the 2002 Bali bombings and other attacks in Indonesia.

In the Southern Philippines and Thailand, the Abu Sayyaf Group (ASG) and a few ethno-nationalist Muslim groups continue to fight their respective governments. While it is paramount for the Philippine government to revive the peace process with the Moro Islamic Liberation Front (MILF), United States and Australian collaboration is essential to dismantle the Al Qaeda-linked ASG. Thailand is likely to remain the most violent conflict zone in Southeast Asia.

### Northeast Asia

In the Asia-Pacific, the most stable sub-region is Northeast Asia. Except in Xingjiang where the Al Qaeda-linked Eastern Turkistan Islamic Movement (ETIM) is based, there are no threat groups in Northeast Asia. After the Urumqi riots in July 2009, polarisation of the Uighur Muslims and Han Chinese increased ETIM's support base. The Al Qaeda-linked ETIM's capacity to operate in Xingjiang and elsewhere in China and Hong Kong has grown. By and large, the Central Asian region has remained stable and is likely to remain so.

### Central Asia

Although the operational threat has been contained in Uzbekistan, the ideological penetration and the threat of Hizb-ut Tahrir and its violent splinter, Al Akramia, continue to grow. The lack of understanding of the West in the ideological dimension of these groups has created an opportunity for these groups to survive and revive. The situation in Kirgizstan, a nation that lacks the capacity to fight, is the most serious. Tajikistan and other Central Asian states have managed threats from terrorism well. Nonetheless, ideological extremism continues to politicise and radicalise a new generation of recruits for the local and global fight.

### Conclusion

Today, almost all the Muslim countries face the threat from extremist or terrorist groups. On the operational spectrum, the counter terrorism tactical forces and security and intelligence services in Asia continue to receive guidance and work with their more experienced counterparts from the US, UK, and Australia. On the ideological spectrum, some

governments in Asia have developed strategic capabilities to reach out to their Muslim communities. As the threat continues to expand, it is paramount for governments to work closely with the Muslim community leaders to help their communities from the ideological penetration of Al Qaeda and its associated groups in Asia.

**Professor Rohan Gunaratna, a leading terrorism expert who is regarded as one of the world's foremost authorities on Al Qaeda, provides an appraisal of the current global terrorism threat. Professor Gunaratna is the head of the International Centre for Political Violence and Terrorism Research at the Nanyang Technological 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].**

**OTHER DEVELOPMENTS**

**95 civilians were killed and dozens wounded when a suicide bomber detonated an explosives-laden van at an outdoor volleyball game in northwestern Pakistan, January 1, 2010.** This was the deadliest attack in the country for more than two months. The attack appeared to be retaliation against residents who formed militias to drive the militants out of the area. The effect of the blast was equivalent to over 600 pounds (300 kg) of TNT. The blast underscores the difficulty Pakistan has had in stopping militants whose reach extends far beyond Pakistan's lawless tribal belt.

**A suicide bomber killed at least 50 people and wounded as many as 200 civilians, December 3, 2009.** The bomb was set off at the Shamow Hotel during a university graduation ceremony. The explosion also killed three senior government ministers. The Al-Shabaab militia, a rebel group linked to Al Qaeda is believed to be responsible for the attack. This was the worst attack since June 2009, when members of the Al-Shabaab killed the security minister and at least 30 civilians.

**Militants in Iraq attacked two government buildings, killing 155 people while injuring at least 721 people, October 25, 2009.** Vehicles filled with more than 1,000 kg of TNT were detonated at the Baghdad provincial headquarters building and the federal Ministry of Justice. This was the deadliest attack in Iraq for 2009. This attack has served as a reminder that the situation in Iraq, as in Afghanistan, remains tenuous. Responsibility for this bombing was claimed by the Islamic State of Iraq, an umbrella group that includes Al Qaeda in Mesopotamia, a largely Iraqi group with some foreign leadership.

**Khalid Sheik Mohammed, the self-proclaimed mastermind of the Sept. 11, 2001, attacks, and four co-conspirators will be tried at a federal courthouse in lower Manhattan, November 14, 2009.** Prosecutors are expected to seek the death penalty for Mr. Mohammed and four others accused. The decision to bring the alleged plotters to a New York City courtroom has sparked criticism on a number of fronts, ranging from concerns about security to worries about baring state secrets. A trial date has yet to be set by the U.S. Attorney General office.

## FORTHCOMING RMS EVENTS

### RMS Client Conference

**April 27 – April 30, 2010**

Please mark you calendars for the 2010 RMS Client Conference. This year our annual conference will be held at the Doral Resort & Spa in Miami, Florida.

Advance registration required. Additional details and registration information available at <http://www.rms.com>

### RMS U.K. Terrorism Seminar, London

**Tuesday, April 13, 2010**

RMS will be hosting a terrorism seminar on international terrorism risk for our clients where we provide an opportunity to hear first hand from some of the world's leading terrorism experts. The seminar will be held at the Lloyd's of London Old Library, London, UK.

Advance registration required. Additional details and registration information will be released shortly.

### RMS U.S. Terrorism Seminar, New York

**Wednesday, July 14, 2010**

Please mark you calendars for the the RMS U.S. Terrorism Semianr. This year our terrorism annual conference will be held at the Landmark Hudson Theatre, Millennium Broadway Hotel, New York, New York.

Advance registration required. Additional details and registration information will be released shortly.

## RMS TERRORISM PRODUCTS

***U.S. Probabilistic Terrorism Risk Model Version 2.8***, was released in August 2009 and incorporates parameterization for terrorism risk in the United States in 2010. Some of the primary features include:

- Updated analysis of terrorism risk from foreign and domestic terrorist organizations
- Conventional and CBRN attack modes
- Multiple Risk Outlooks for the terrorism threat environment in 2010: expected as well as increased and decreased risk perspectives

New documentation *U.S. Terrorism Risk Model: Parameterization for 2010*, is available to clients on request.

***International Probabilistic Terrorism Risk Model*** provides event-based stochastic modeling of terrorism attacks using the methodology developed for the US Probabilistic Terrorism Risk Model. It covers nine major commercial centres worldwide: London (UK); Toronto and Montreal (Canada); Milan and Rome (Italy); Copenhagen (Denmark); Ankara and Istanbul (Turkey); and Dublin (Eire). Industry loss curves for major national terrorism pools worldwide will also be released independently as part of

*Scheduled for release in 2010; Release date to be announced*

***RiskLink® and RiskBrowser® Version 9.0***, were released in August 2009 and include worldwide capability for exposure and accumulation management and modeling terrorism scenarios with geocoding available in over 150 countries, including street-level resolution for Western Europe.

***Global Terrorism Risk Model Version 2.8***, was released in August 2009 and includes coverage of 228 countries, incorporating site-specific EP curves and portfolio management capability. Modeling provides terrorism loss rates for insured assets by class, city, and ownership anywhere in the world. Risk assessment is available for both property and human exposures. This is the last version of this licensable product, as the International Probabilistic Terrorism Risk Model is scheduled for release in 2010.

***Terrorism Risk Management System Version 1.1, released in April 2009 is a visualization tool*** designed for underwriters and portfolio managers to gain greater insight into their exposure to terrorism risk and make more informed decisions. The Terrorism Risk Management System has been designed to simplify the visualization of quantitative and qualitative data along with contextualized terrorism-specific data layers.

***Terrorism & Security Risk Manager*** is an online information service for insurers and risk managers, linked to the RMS Global Terrorism Risk Model. It is produced in collaboration with Jane's Information Group, the leading independent provider of defense and security information.