Pool Re has now compiled its own data on terrorist attacks since 2014, since the establishment of the so-called Caliphate.

**THREAT**

Whilst we recognise the event outside the Palace of Westminster on 14 August is being treated as potentially terrorist in nature, there have been no other terrorist attacks on the UK Mainland during the year to date. The intent of Islamist extremists, however, to inflict mass casualties in crowded places remains clear and present. The lack of successful attacks in 2018 is in stark contrast to 2017 which witnessed five successful attacks (four Islamist and one Extreme Right Wing (XRW)), resulting in 36 deaths and over 300 injured. A further 17 plots have been disrupted since March 2017. It would be too easy and premature to say that the loss of the physical, so-called Caliphate in Syria and Iraq has led to this decrease in attacks and that the threat of Daesh and al Qaeda (AQ) has diminished. The Police and MI5 currently state that one major terrorist plot is being thwarted every month.

It is therefore unsurprising that the UK threat level from Islamist extremism remains at SEVERE and is likely to remain so for the next 18 to 24 months. It is probably too early to make any predictions on what might happen next and what form ‘Daesh 2.0’ might take and, more importantly, whether we are at a ‘tipping point’ in the Islamist extremist campaign against the West. Our guest writers express their views, supported by Pool Re subject matter experts.

Dr Andrew Glazzard comments in his article that “Daesh is down but not out and, on the surface, Daesh appears to be downtrodden in Syria and Iraq and has entered, probably quite deliberately, into ‘survival mode’ as it considers its options, recuperates, regroups and rearms.” However, there have been recent incidents of increasingly brazen attacks by small groups of Daesh fighters who are now operating in cells along traditional insurgency lines. The emergence of increasingly powerful affiliates in Afghanistan, Yemen and Southeast Asia – leveraging off areas of weak governance and local issues – is evidence that the perverse ideology that it promotes is far from extinguished. The contagion effects of this ideology will continue to spread across the globe and fuel extremist behaviour. Whether these ‘foreign’ affiliates will pose a direct threat, in the near future, to the UK (as Daesh achieved during the height of the so-called Caliphate, with its ‘directed operations’ from Syria/Raqqa) remains to be seen.

Ali Soufan goes one step further by proposing that the “fracturing of Islamic State could lead to the emergence of new, and in some cases more violent and operationally capable, splinter organisations.” Soufan raises the concern that these “follow on franchise groups could ultimately develop to be highly operationally capable and focused on attacking the West, as we have seen before with the evolution of al Qaeda (AQ) in the Arabian Peninsula (AQAP) in Yemen.”

ENDURING THREAT, MATURING RESPONSE

Pool Re’s Terrorism Research and Analysis Centre (TRAC) is pleased to present its fourth Terrorism Threat and Mitigation Report.
The threat posed by terrorist use of emerging, unconventional methodologies, such as Chemical, Biological, Radiological and Nuclear (CBRN) material, cyber and drones is covered in this report. The consensus is that a number of terrorist groups have the intent to utilise a CBRN device in an attack and it is known that Daesh has tested and used chemical devices in Syria and Iraq. Both AQ and Daesh, unconstrained by what Soufan refers to “as the norms that might give other groups pause before committing an attack” have declared their intent to use either a ‘dirty bomb’ or a chemical/biological device to achieve the most lethal of attacks.

The main concern is about the growing symbiotic relationship between criminals, terrorists and non-state actors sharing ideas and technology which can be used for more offensive means.

Conrad Prince assesses the growing threat of cyber terrorism in his article, set against the context of the wider (state, state-proxy, criminal, hacktivist) cyber threat which “is growing and changing at pace.” It is highly likely that terrorist and extremist use of the internet, encryption and social media to promulgate their propaganda and attack planning will continue to be exploited. However, we are yet to see examples of terrorists or extremists using cyber means to launch effective, disruptive or destructive acts of terrorism. The main concern is about the growing symbiotic relationship between criminals, terrorists and non-state actors sharing ideas and technology which can be used for more offensive means. Encrypted messaging services, social media and on-line recipes and operational advice will continue to provide competitive advantage to terrorist groups who seek to promote their propaganda, recruit, fundraise and undertake successful attacks.

ENDURING THREAT, MATURING RESPONSE

A review of the attacks across Europe in 2017 and the first half of 2018 suggest that most attacks were undertaken by inspired or self-radicalised individuals, utilising low technology methods to inflict lethal effect. The TRAC database highlights that, across Europe, the main targets remain police, government and military figures, although attacks in the UK have been predominantly against crowded places. Andrew Glazzard comments that “homegrown terrorists, inspired and not necessarily directed by Daesh or AQ, will remain the biggest problem.” This is supported by other experts in the counter-terrorism (CT) field who predict that there will be an organic growth of ‘inspired’ terrorist groups, many of them portraying more cult and group-based behaviours than genuine followers of Islamist extremism. Anticipated attacks by returning fighters, enabled by battle hardened experience and technical competence from the front line, has yet to fully materialise in the UK, but this does not discount the possibility of it happening or the mounting of a spectacular attack by Daesh or AQ. Ali Soufan highlights one of the reasons for this being to “maintain group morale and burnish the group’s brand.” The aviation sector, be it a plane or airport, remains the most highly desired target for AQ.

It would be too easy and premature to say that the loss of the physical, so-called Caliphate in Syria and Iraq has led to this decrease in attacks and that the threat of Daesh and al-Qaeda (AQ) has diminished.

While the most determined and effective global terrorist entity remains Islamic extremism, the growth of extreme right-wing (XRW) groups and individuals and the underlying threat posed to the UK by dissident republican groups in Northern Ireland continue to concern MI5 and the CT Police. The threat posed by XRW terrorists, especially those with former military training and knowledge of explosives, could manifest itself in the form of lone attacks over the coming years as opposed to large-scale and complex spectacles. Andrew Glazzard notes that extreme right-wing groups and individuals in the UK “may become more organised” and, although the statistics for the UK lag well behind the US, there is “good reason to expect an incremental increase in the threat.” This view is also supported by Ali Soufan and Sir David Omand.

RESPONSE

The need for greater collaboration between the public and private sector has been driven by the increasing and persistent nature of the terrorist threat facing the UK. In the insurance sector, Pool Re has led on much of this thinking and, as stated in the 2018 CONTEST Review, has been acting as a conduit between the Government, business and academia, identifying appropriate initiatives which will improve the protective security of the insureds, as well as looking after our Members’ interests. Many of these initiatives involve closing the protection gaps in terrorism cover which we have identified over the last few years. Other initiatives have already been identified and these will all support our vision to build an ecosystem which will enable greater risk transfer to the commercial market. In so doing, this will enhance the UK’s economic and national security interests and, as a result, its overall resilience.

This year has been significant as it has seen the inclusion of an ‘Act of Terrorism’, which utilises a cyber trigger to cause physical damage to property, being included in our scheme. More notable is the likely inclusion of cover for non-damage business interruption (NDBI), subject to parliamentary approval. This change to the 1993 Reinsurance (Acts of Terrorism Act) will assist in the closing of the insurance gap that was highlighted during the attack at London Bridge and Borough Market in June 2017. Steve Coates, our Chief Underwriting Officer, provides more detail about the NDBI cover that is being proposed and how these changes will impact on our scheme and our Members. Pool Re, as covered later in the report, continues to invest heavily into risk management and risk mitigation initiatives, including a Vulnerability Self-Assessment Tool (VSAT), the training of Member risk engineers, improving information exchange between the public and private sectors and ongoing work with academic institutions such as Cranfield University, Cambridge Centre for Risk Studies, the Wharton School at the University of Pennsylvania and the Cass Business School.

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ENDURING THREAT, MATURING RESPONSE

continued

William Farmer, at AXA XL, traces the history of the terrorism insurance market, highlighting the key drivers that have driven demand and how the market has adapted and increased its capacity to meet current and emerging threats.

The 2018 refresh of the Government’s counter terrorism strategy, CONTEST, and its 16-year journey since its inception post 9/11 is discussed by Sir David Omand, one if its principal authors. Sir David stresses the importance of having an “essential strategic aim – to reduce the risk from terrorism to the UK and our interests overseas so that people can go about their normal lives, freely and with confidence”. In his judgement, CONTEST has achieved this aim with respect to the UK and the new version of CONTEST has evolved to meet the changing threat, while adhering to the Rule of Law. He summarises his piece by saying: “The threat has therefore mutated, but the aim of the strategy in CONTEST in countering the threat remains apt.”

By way of comparison, we asked Ali Soufan to explain how the US Administration’s global and domestic CT strategies have evolved over the same period. Soufan observes that “for the US, countering (global) terrorism has witnessed both progress and setbacks over the past 16 years.” He concludes that “few countries are as tactically proficient as the US when it comes to countering terrorism but, without question, Washington has struggled to translate counter-terrorism success into strategic victories.”

CONCLUSION

Islamist extremism will continue to pose the main threat to the UK in the foreseeable future, with Daesh remaining the most effective global entity. The risk of a spectacular attack, by either AQ or Daesh, cannot be discounted, nor can the growing threat posed by XRW terrorism.

In the light of this persistent and likely incremental increase of a multi-faceted threat Pool Re remains committed to developing its understanding of this peril in both qualitative and quantitative terms. In so doing, we are building a world class ecosystem that will allow greater risk transfer from Pool Re back to its Members, thereby improving the resilience of UK plc to terrorist action. Furthermore, we will continue to facilitate collaboration between the public and private sector, utilising all the benefits that such a partnership brings in the fight against terrorism.

We are building a world class ecosystem that will allow greater risk transfer from Pool Re back to its Members, thereby improving the resilience of UK plc to terrorist action.

Ed Butler CBE DSO
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