SPECIAL REPORT

TERRORISM AND POLITICAL VIOLENCE

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Terrorism and political violence

DANGEROUS TIMES
The rise of IS, the 'law of unintended consequences'

NEW TACTICS
Be prepared for the unexpected

Although it is true that the events of the Arab Spring have changed the Middle East and North Africa (MENA) region, it is perhaps more accurate to say that the process is still ongoing, since so much is still in flux.

"The Arab Spring has unleashed a lot of uncertainty that [some areas are] struggling to absorb, either economically or politically," says Anthony Skinner, director and head of MENA at Verisk Maplecroft.

Just as some historians have argued that the second world war ended only in 1989 with the collapse of the USSR, so it is impossible to know at this stage what the full impact of the political upheavals of the past five years will be or where they may yet lead.

Legacy of uncertainty
The most significant legacy of the post-2010 upheavals is uncertainty. In many instances, this has resulted in the creation of a political and security vacuum that is being filled by unpredictable, difficult-to-control and often violent extremists.

"The decline of the state structure in countries such as Libya and Syria has meant a number of non-state actors have been able to tap into weapons and other resources, and then use them to pursue their own agenda," comments Skinner.

Falling oil prices have only added to the political uncertainty. Topping the list of political risks currently facing emerging-

market investors is the increasing instability in already-fragile oil-producing countries such as Iran, Iraq and Libya, according to analysis by Aon Risk Solutions.

"Libya has become a base not only for Islamist groups at home, but as a launching pad for groups sending fighters to neighbouring states," says Skinner.

The rise of IS
The single most significant new force to emerge in recent years marches under the black flag of the Islamic State (IS) and the rise of

area across Iraq and Syria, which includes access to immense financial reserves and manpower.

"IS in Syria and Iraq is incredibly robust and the resources needed to eliminate this group are considerable," says Jonathan Wood, associate director, Global Risk Analysis, Control Risks.

He adds: "There isn't the presence of a single, cohesive force that could do so and the groups that are currently keeping IS in check, such as the Kurdish Peshmurga, have their own internal divisions."

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this group is a powerful reminder of how the 'law of unintended consequences' is increasingly shaping events across the region.

IS emerged from a loose alliance of forces opposed to president Bashar al-Assad's rule in Syria. The West now finds itself propping up the same regime it discussed taking potential military strikes against only two years ago, considering it the lesser of two evils.

Despite coalition airstrikes and the best efforts of the Iraqi army and the Kurdish Peshmurga, IS remains in control of a significant

While this situation persists, IS is having a galvanising effect on Islamists across the region and the wider world, potentially acting as an inspiration for terrorist attacks in countries from Canada to Europe.

Not only does IS make its presence felt through brutal attacks in urban centres – such as the March assault on the Bardo Museum in Tunis, which killed 21 people, including 18 tourists – it is also increasingly making full use of its ability to attack targets online many hundreds of kilometers from its headquarters in Raqqa, Syria.

In January, the 'CyberCaliphate' group hacked into the Twitter and YouTube accounts of the US Central Military Command, scrawling "I love you Isis" on the page and tweeting images of US personnel and military documents.

JM Berger, co-author of *Isis: The State of Terror*, says: "Isis [or IS] has been recruiting hackers for some time now. Some are virtual collaborators from a distance, but others have been recruited to emigrate to Syria. Activity targeting the West is just part of their portfolio. "IS has not been extremely visible yet, carrying out more sophisticated activities such as high-level cyber crime or destructive attacks, but I suspect this is just a matter of time. This is a low-cost way to publicise its cause and harass its enemies."

The region's long-standing sectarian divide is also becoming increasingly significant. The battle for hegemony between Shia and Sunni protagonists is fuelling violence through proxy warfare, insurgency and political manipulation on both sides. "[The coalition attacks on] Yemen are the most recent example of how this is playing out," says Verisk Maplecroft head of MENA Anthony Skinner. "Sectarian issues are influencing security."

Although direct military spillover into Gulf States remains unlikely, there is an increased risk of terrorist attacks given the number of fighters returning to other countries after fighting with IS in Iraq and Syria.

The key message is to be alert to the unexpected and be prepared.

EUROPE – A CHANGING RISK PROFILE

Instability is also felt closer to home, with new risks being manifested

Since 9/11, the Western world has been acutely aware of the risk of terrorism. Although political extremism may not be new to a continent that has already faced groups such as Baader-Meinhof and the IRA, the Islamic State (IS) has driven up the size and scale of attacks, bringing with it a greater ferocity, as seen in its soft targeting of civilians.

Within those parameters, however, the nature of the terrorist risk has changed dramatically in 15 years, with larger-scale attacks such as truck bombs becoming less likely, even as the threat of a 'lone wolf' hitting a soft target with improvised weapons or firearms has risen. Many experts are concerned about the potential for returning jihadis with experience in Iraq and Syria to increase this risk further.

Informational risk

"The level of co-operation and information-sharing between the security services has increased dramatically over the years, together with increasing sophistication of monitoring, which has made things more difficult [for terrorist groups]," says Global Risk Analysis associate director Jonathan Wood. "However, this has come at a time where there is a growing breakdown in some aspects of society."

Of particular concern is the risk of alienation within minority elements of British and French Muslim communities. Verisk Maplecroft MENA head Anthony Skinner says: "Since 9/11, the 2004 Madrid train bombings and the 2005 London bombings, carrying out major transnational attacks has become harder.

"After many years of failing to carry out a follow-up attack, the strategy has changed to leaderless, improvised, lone-wolf attacks.

"The risk increased recently because the rise of IS has been accompanied by some sophisticated use of propaganda – especially through social media – and this may result in a rise in the number of lone-wolf attacks, although this is not yet proven."

Skinner continues: "It's not just the attack itself that is important, but the scale of the publicity afterwards: this is where social media comes in."

> ## 'Sophisticated use of propaganda – especially through social media – may result in [more] lone-wolf attacks'
>
> **Anthony Skinner,** Verisk Maplecroft

Arguably, there is more political radicalisation across Europe now than at any time since before the second world war, as support for nationalist parties and more radical movements grows in response to socioeconomic problems and a perceived failure by elites to deal with the situation or prevent the crisis.

"We're just coming out of a nasty recession that has affected people's attitudes – commercially and politically – and as a consequence, there is a lot of unrest and many minority groups are in a strong position because of this weakness," says Stuart Poole-Robb, chief executive at KCS Strategic Intelligence and Corporate Security. "The rise of nationalism in Europe is an expression of a broader and deeper instability across the world."

However, despite past attacks by groups such as the IRA, the main risk posed by rising nationalism currently comes from political instability and the increased risk of criminal-type activity such as riots, arson or attacks on individuals.

Business interruption

At a corporate level, the likelihood of being targeted by a bombing or shooting in Europe is low; the real vulnerability is business disruption here or overseas. "Organisations should ensure there are measures in place to cope with a variety of scenarios," says Wood. "However, it is also vital to ensure local communities have a stake in your business succeeding at a local level.

"Oil and gas investors should pay particular attention to unstable environments where political conditions can change rapidly, and have well-prepared crisis plans in place. They also need to be aware of their vulnerabilities in other areas.

"If local security staff go on strike and are not doing their job, all of a sudden, in an unstable context firms could face the real risk of their plant being taken over by more odious elements."

Skinner adds: "It's important to maintain situational awareness, at the sub-national level (what is happening around your project?) and at the strategic level (what is happening nationally, politically, where are sectarian relationships?).

"It is also vital to be aware of the kinds of targets at risk – and is this changing. Do attacks tend to be targeted against key assets? Or are they like to be more opportunistic?"

Key security lessons from InterContinental Hotel Group

- Situational awareness – internally and externally – is king
- Time spent on security, crisis management planning, training and testing is invaluable
- The law of unintended consequences rules, meaning teams should be able to respond appropriately
- Think before acting
- Never presume the actions of others within the organisation
- Organisational resilience is critical – it will be impossible to 'catch' everything
- Successfully navigating challenges needs leadership
- Prevent a potential crisis by identifying it as an emerging issue, and name a crisis/risk owner to take charge
- Risk management's job is to identify issues, make risk owners aware and support them in dealing with the issue
- Act responsibly and have moral courage
- Get leadership on board
- Crisis is an ideal opportunity for risk managers to demonstrate their value

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Terrorism and political violence

CASE STUDY:
InterContinental Hotels Group plc

The InterContinental Hotels Group (IHG) found itself on the front line during the 2013 political upheaval in Egypt when a mob attacked its Semiramis InterContinental Hotel in Cairo and many other assets were affected across the region. Thanks to excellent risk management, no one was killed.

John Ludlow, senior vice-president and head of Global Risk Management at the firm, says: "Political instability is of increasing concern to multinationals in that companies are becoming more and more aware of the potential effects of political instability to the wider business environment – such as business confidence, legal and regulatory constraints, financial conditions and reputation – consequently, geopolitical intelligence is of value to business as a whole, rather than only to risk management."

Geopolitical complexity
IHG has seen geopolitical instability diversifying and becoming increasingly complex, with political and economic uncertainties creating a context in which Ludlow argues that kinetic threats and risks, such as terrorism, insurgency and political violence, can flourish.

"The challenge for IHG was protecting our hotels, guests and employees from the political violence that accompanied these transitions and the heightened ambient security environment borne of the political instability.

"A secondary challenge was continuing to operate safe and secure hotels and resorts, while also being able to pay salaries during extended periods of significantly reduced revenue and securing a constant delivery of essential supplies."

To do this, IHG has developed an intelligence-led, threat-based approach to security underpinning a risk-based approach to protecting IHG's interests, assets, people and reputation. "Intelligence, and the situational awareness that this brings, is a key component of managing these risks," says Ludlow. "IHG is constantly looking for ways to increase the span and effectiveness of its security intelligence capability to assess how current geopolitical situations may evolve and affect its current operations and then predict likely new situations and their likely course."

There has been a significant increase in security resourcing and an increase in staff from two to 17 since 2007.

"IHG also has a formal threat management system that disseminates threat information and provides mitigating action advice," says Ludlow.

"This is underpinned by a 'Hotel Security Categorisation System', which ensures that hotels in high-risk areas are designed and operated appropriately to the ambient threat environment and a 'Hotel Security Alert System' that ensures hotels can respond appropriately to short-term dynamic threats.

"Additionally, IHG has a network of approximately 600 security managers and champions who work as a security community to provide on-the-ground situation reports and information gained from local contacts.

"At the strategic level, the security team liaises with governmental security agencies and other corporate security teams around the globe. Intelligence is also provided by a number of commercial security providers."

Travel risk management
In response to the Cairo events in 2013, IHG reviewed and refreshed its crisis management programme.

"We designed [the programme] in a stage to respond to what is referred to as 'Emerging Issues', seeking to formally respond to issues that have the potential to become crises in order to prevent them," says Ludlow.

"This approach puts IHG on the front foot and enables it to proactively respond to intelligence or situations."

IHG also has in place a well-developed 'Employee Traveller Risk Management Programme' that tracks IHG customers and provides travel-risk support to travellers in both high- and very high-risk countries. **SR**

PIERS GREGORY
Head of terrorism underwriting, ACE Overseas General

After 9/11, terrorism was thrust onto the corporate risk agenda for businesses across the globe. The main challenge for risk managers currently is how to prepare companies for an increasingly threatening world in which terrorism and political violence are real and changing threats.

Now, clients are moving away from seeking narrow terrorism insurance cover in favour of comprehensive solutions that cover the full range of risks: political instability, perceived injustice, populist politics and economic hardship in parts of Europe, coupled with the spin-off from brutal geopolitical conflict in parts of the Middle East and Eurasia. The range of risks is also growing, from violent attacks that include riots to shootings and arson and to large-scale bombings.

These can potentially affect every area of a business, from security and health and safety to day-to-day operations and even long-term strategy. How should a company adapt if key markets become untenable? What if airlines abandon certain routes or the infrastructure, such as roads, is damaged? What if damage to banks were to affect payroll or supply chains could be disrupted by difficulty in making payments?

Risk managers are increasingly recognised as key business assets. As such, they need to be on top of the insurance solutions available and understand the different types of cover, as well as potential gaps.

Despite the proven inadequacy of standard property damage, business interruption cover and terrorism cover, a worryingly high number of firms still seems unaware of the gaps in their existing policies. In an increasingly politicised world, it may be hard to establish exactly when a riot, for example, moves from being purely criminal to politically motivated, and hence could be excluded from cover. For example, was the damage caused by students protesting tuition cuts in the UK in 2010 political or criminal? The answer depends on the interpretation of terms – strict definitions could leave firms unwittingly exposed.

"It won't happen here" is no longer a tenable reason for not buying terrorism cover or political violence insurance, since the threats in Europe are evolving as many businesses expand their footprint into less-familiar and stable territories. Few countries remain unaffected by terror attacks or politically inspired unrest and hardly any would consider themselves free from the risk of collateral damage.

Therefore, risk managers need to understand exactly what their changing exposures are, what insurance cover they actually have, what the wordings on these policies mean and where the gaps are. Only by doing so can they be sure to have the right protection in place to defend business operations.

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