

LOOKING BACK HELPS US SEE THE FUTURE



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This year marks the 25th anniversary of the founding of Pool Re. In an era dominated by the threat of Islamist terrorism and the spectre of suicide attacks and mass casualty bombings and rampages, it can be easy to overlook the context in which Pool Re was created and easy too to forget that today is not the first era in which terrorism has posed strategic threats and challenges to the UK.

At first glance, however, the early 1990s did not appear to be a moment of looming crisis. Admittedly, communities caught up in the Troubles in Northern Ireland had witnessed violence on an almost daily basis, but the number of people killed and injured as a result of that violence was in long-term decline. The campaign of violence waged by the Provisional IRA (PIRA) in Northern Ireland was becoming steadily weaker and less effective. We now know, for example, that the PIRA was significantly compromised by several undercover agents at this time and the overall increasing sophistication of the security forces in Northern Ireland meant that the PIRA was struggling to carry out successful attacks. Indeed, by the early 1990s, loyalist paramilitaries in Northern Ireland were – for the first time – killing more people than the PIRA. The security forces had effectively managed the conflict down to what one politician described as ‘an acceptable level of violence’. In the words of one officer, the army now suffered more

casualties from traffic accidents than from PIRA attacks. This was an oversimplification perhaps, as containing the PIRA required a great deal of security effort and resources, but casualties were hugely reduced from the levels of the early 1970s and the PIRA's overall campaign appeared to have entered a cul-de-sac.

That changed in 1992 when on 10 April, an IRA team parked a van filled with explosives close to the Baltic Exchange in the City of London. When it detonated, the bomb caused tremendous damage – estimated at around £800 million today – and killed three people. The attack had not been intended as a mass casualty bombing. A warning had been phoned to the BBC beforehand so that the area could be cleared. Rather, the bombing represented a change in IRA strategy: to target the UK's critical economic infrastructure. Going after economic targets was not a new policy for the IRA. The IRA's instruction manual, *The Green Book*, had long told members that ‘financial’ targets were legitimate for the organisation, but such attacks had largely been restricted to businesses and local infrastructure in Northern Ireland. Considerable harm was caused. By 1992, approximately 10,000 IRA bombs had been detonated in Northern Ireland over the preceding 20 years and these, combined, caused over £800 million worth of damage. This figure was eclipsed by the Baltic Exchange bomb, however, where one vehicle bomb in London caused more economic harm than 20 years of bombings in Ulster. The lesson was not lost on the IRA, who made targeting high-profile economic targets in London a major element of their strategy for the rest of the 1990s. In April 1993, the IRA used a truck to carry a 2,300lb fertilizer bomb into Bishopsgate, the financial heart of London. The resulting blast was much bigger than the Baltic Exchange attack and the explosion caused damage again estimated by some at around £1 billion to buildings, housing and prestige foreign and domestic groups like Nat West Bank, Hong Kong and Shanghai Bank, Barclay's Bank and the Abu Dhabi Investment Bank.

Such attacks placed enormous pressure on the UK Government and economy. The scale of the economic loss of the 1992 attack was unprecedented at the time, and would not be eclipsed in direct economic harm until the 9/11 attacks. Target hardening of critical financial infrastructure was one key element of the response. A so-called ‘Ring of Steel’ was erected in key financial areas in London to deter future attacks. Millions were spent installing a sophisticated OCTV system, introducing new barriers, altering transport flow into and through the area, increasing police checkpoints, as well as a host of other new measures. The transformed security arrangements in the area received wide media publicity.

Far less media attention, however, focused on the creation of Pool Re in the aftermath of the 1992 bombing. Yet, the economic shockwave of the attack led to a crisis in the insurance sector. Within a few months, the major European reinsurers had announced that terrorism risk would be excluded from their standard policies starting in January 1993. In November, a large IRA bomb was discovered and successfully defused at Canary Wharf before it could explode. In the aftermath of that attempted attack, the Association of British Insurers (ABI) issued a press statement to say it had advised its members to exclude terrorism from commercial policies in line with the new European policy. This triggered a market failure, and the inability to obtain reasonable commercial cover for terror events. In the midst of a serious and well organised campaign to target the UK's key financial districts, insurance protection seemed to be evaporating.

With the domestic business market, the national economy and the UK taxpayer left vulnerable by the gap in cover, the Government announced in December 1992 that they would provide an HM Treasury guarantee to an industry mutual, and from 1 January 1993 Pool Re began to cede terrorism risk from Member insurers and provide stabilising reinsurance cover for terror attacks against commercial property. Almost immediately required to handle claims arising from the Bishopsgate bombing, to date Pool Re's largest pay-out, the Reinsurance (Acts of Terrorism) Act 1993 passed on 27 May formally established the mutual as the UK's national terrorism reinsurance scheme, a function it has fulfilled for a quarter of a century.

The PIRA's campaign against high impact financial and economic targets in mainland Britain continued for the rest of the 1990s. On 9 February 1996, the IRA exploded a large truck bomb in Canary Wharf in London. Two people were killed and over £150 million worth of damage was caused. Four months later, the IRA detonated yet another large truck bomb but this time outside of London, striking at Manchester's city centre. The massive explosion caused £400 million worth of damage. The attacks only fully ended with the ceasefires brought about as part of the Good Friday Agreement in 1998.

Conclusion

25 years on, economic and financial infrastructure remain attractive targets for many terrorist groups. The current leader of al Qaeda, Ayman al Zawahiri, has specifically highlighted in his writings that ‘economic infrastructure’ should be the first target Islamist terrorists select in order to achieve maximum impact. While the capacity of different movements to do this will vary, it is unlikely that any major terrorist group will stay blind to the potential benefits of such attacks.