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# Trends in Transnational Terrorism and Implications for U.S. National Security and U.S. Terrorism Risk Insurance Act

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## **Abstract**

The unprecedented losses brought about by the attacks of 11 September 2001 have cast the issue of terrorism risk insurance into sharp relief. In particular, it has raised questions as to whether attacks on this scale are an insurable risk and the extent to which the private insurance industry is able and/or willing to price such risks

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investigating ways to increase the take-up rates of terrorism insurance by lowering its cost to the customer. An oversight board mandated to evaluate the Act's performance and relevance to evolving terrorist trends would also be useful.

# Notes

- 1. Peter Chalk, Bruce Hoffman, Robert Reville, and Anna-Britt Kasupski, Trends in Terrorism. Threats to the United States and the Future of the Terrorism Risk Insurance Act (Santa Monica, CA: RAND, 2005), p. 1.
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- 4. It should be noted, however, that the TRIA mechanism stipulates that primary insurers are responsible for a deductible, which they must pay in advance of any federal reinsurance. In 2005, this figure was calculated as 15 percent of a group's direct earned premiums on commercial property and casualty policies during the previous year. The figure was revised and increased to 17.5 percent in 2006. Chalk et al., Trends in Terrorism, p. 6; AON, "The U.S. Extends the Terrorism Risk Insurance Act (TRIA) Until December 31, 2007," Global Risk Alert, January 2006.

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- 8. During the first nine months of 2002, rates for property insurance declined by an average of between 50 and 75 percent and since 2003 have continued to fall by roughly one-half. See Congressional Budget Office, Federal Terrorism Reinsurance: An Update (Washington, DC: Congress of the United States, January 2005); Jeffery Brown et al., "An Empirical Analysis of the Economic Impact of Federal Terrorism Reinsurance," Journal of Monetary Economics 51 (July 2004), pp. 861–898; and Christine Seth, "Reinsurers Cut Rates Despite Losses," The Times (UK), 20 January 2005.
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- 10. For more on the anti-globalization movement see Joseph Stiglitz, Globalization and its Discontents (New York: W.W. Norton, 2002); "Anti-Globalization—A Spreading Phenomenon," Perspectives (Ottawa: Canadian Security Intelligence Service, Report Number 2000/08, 22 August 2000), pp. 1–3, available at (<a href="http://www.csis-scrs.gc.ca/eng/miscdocs/200008\_e.html">http://www.csis-scrs.gc.ca/eng/miscdocs/200008\_e.html</a>), last accessed 30 June 2005; Stanley Hoffman, "Clash of Civilizations," Foreign Affairs (July/August 2002), pp. 107–110; and Bob von Sternberg, "Call it Anarchism or New Left, It Has a Big Voice," The Star Tribune, 21 May 2000.

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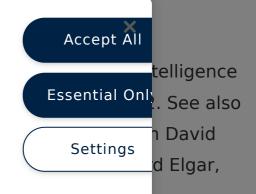
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- 17. McVeigh apparently interpreted the 1993 assault in Waco, which resulted in the deaths of 74 people, as well as the siege of an alleged White supremacist's rural cabin at Ruby Ridge, Idaho a year earlier as part of a wider federal government plan aimed at outlawing and seizing all privately owned firearms. See Hoffman, Inside Terrorism, p. 105. For a detailed account of the various incidents see James Tabor and Eugene Gallagher, Why Waco? Cults and the Battle for Religious Freedom in America (Berkeley: University of California Press, 1995).
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- 24. In an interview with Time Magazine four months after the August 1998 U.S. embassy bombings in Kenya and Tanzania, bin Laden specifically asserted that acquiring unconventional weapons of mass destruction (WMD) was a religious duty for all Muslims and one that was fully in accordance with Islamist precepts as set forth by Allah. For more on Al Qaeda's suspected WMD activities see Kimberley Resch and Matthew Osborne, WMD Terrorism and Usama Bin Laden—Special Report (Monterey, CA: Monterey Institute of International Studies, 7 March 2001), available at (<a href="http://cns.miis.edu/pubs/reports/binladen.html">http://cns.miis.edu/pubs/reports/binladen.html</a>), last accessed 30 June 2005.
- 25. Indeed, the United States has already confronted the potential specter of a dirty bomb strike instigated at the behest of a locally based Islamist seeking to further the wider cause of jihadist extremism. In June 2002, the federal government announced that it had arrested an American citizen—Jose Padilla—suspected of having been in contact with Al Qaeda and in the process of developing plans to detonate a uranium-enriched RDD. Although U.S. officials have admitted that the plot had probably not developed much past the discussion stage, they do believe that substantial initial surveillance had taken place of various attack locations, including in the region of the Capitol building. Padilla continues to be held as an enemy combatant at a Navy brig in South Carolina. For more details see Michael Richardson, A Time Bomb for Global Trade (Singapore: Institute for Southeast Asian Studies, 2004), pp. 56–58; Charles Lane,

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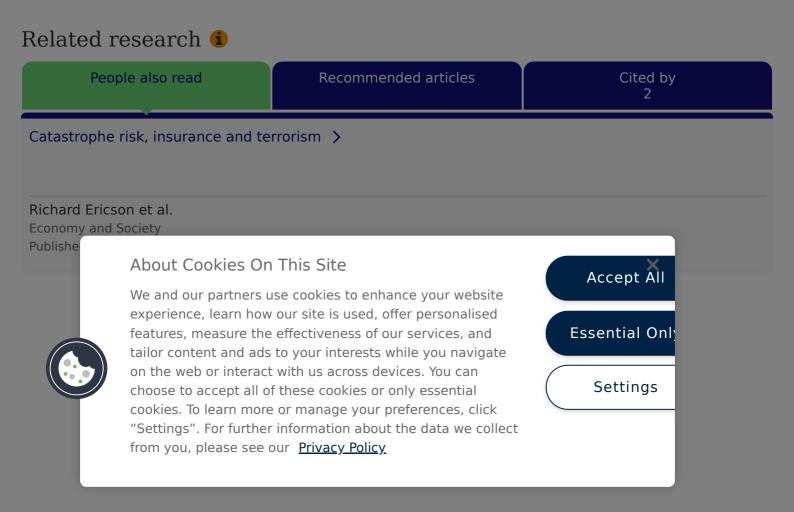
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- 30. The Congressional Budget Office (CBO) also argues Washington's reluctance to extend TRIA beyond 2007 may be indicative of a belief that the provision of free insurance is working as a disincentive for private security. See CBO, Federal Terrorism Reinsurance: An Update, pp. 13–14. See also Congressional Budget Office, Homeland Security and the Private Sector (Washington, DC: Congress of the United States, December 2004).
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