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Article

Avoiding the Centre of Attention – Countering the Threat of Political Violence in an Election Year

Alex Hill • April 16, 2024

Where and when politics will turn violent can be hard to predict. Yet, history serves as a useful guide. With many polarised elections taking place in 2024, tensions are likely to be running high. So, businesses located in city centres near high-traffic areas should prepare for the risk linked to political rhetoric leading to physical confrontation, civil commotion, and violence in the run-up, during and post a political result.

Government and municipal buildings typically serve as the lightning rod for rioters' anger. Whether this is on Embassy Row or next to a seat of parliament, a company's domestic headquarters, flagship store or high-end hotel, may end up in the middle of a protest. However, not all third-party businesses are treated equally. Some companies, by virtue of their home country or industry type, are more likely to find themselves caught up in the maelstrom.

Our recent Risk & Resilience research undertaken in January 2024, revealed that over a third (36%) of global business leaders believe they currently operate in a high-risk environment, up from 31% last year, with the unprecedented election year undoubtedly focusing their minds on the risks which politics pose to their businesses. Our data also showed that 25% of business leaders report feeling unprepared to anticipate and respond to political risk, up from 23% last year.

With over 60 elections taking place around the world this year[1], some of which are particularly highly charged, businesses should take stock, assess their vulnerability and make appropriate contingency plans where necessary.

No such thing as a one size fits all approach to mitigating political risk and violence

Historical examples of civil unrest linked to elections have shown that government assets, such as courthouses, municipal buildings, and police stations, tend to be the main target of protestors' anger. Proximity to these assets leaves businesses of all sizes and types at risk of being caught up in the collateral damage.

Retailers face challenges, with riots and civil commotions breaking out around elections often descending into widespread looting, whilst simultaneously causing significant property losses. Those that sell valuable goods which can be easily transported, used, consumed, or resold, such as clothing, technology or alcohol are typically the most at risk. Understandably, over a quarter (26%) of global business leaders in the manufacturing, retail, wholesale and food and beverage industry we surveyed cited political risk as the biggest threat they will face this year. Almost a third (32%) reported feeling unprepared to anticipate and respond. However, the retail sector is not alone in feeling exposed to political risks, with over a third (35%) of business leaders in the healthcare and life sciences industry reporting that they perceive politically motivated attacks and wider political risk as the greatest areas of concern to their businesses this year.

If a business has any foreign ties in territories where violence is occurring, it could potentially make its premises a target for protestors' anger. For example, Western businesses operating in the Middle East face particular challenges due to geopolitical tensions and rely upon stringent security measures to protect themselves. With this in mind – no wonder almost a quarter (23%) of global business leaders plan to review the security of their overseas operations this year, rising to 27% among financial institutions and professional services firms.

Political protests spiralling out of control

While there are many recent examples of political violence breaking out around elections, the events on Capitol Hill in January 2021 remain front of mind. The US presidential election this November, which sees Biden and Trump facing each other again, is raising the threat of political violence in the US in the run-up, during and post the election, regardless of the result.

This year, already, deadly violence and allegations of election misconduct plagued the voting in Pakistan, Iraq, Bolivia, Belarus, and Thailand and the recent horrific fighting and situation in Haiti, is a stark reminder of what can happen when violent opposing groups seek to depose a political leader.

Outbreaks of political violence are not restricted to elections. Protests in France last Spring following the political decision to change the pension age from 62 to 64, resulted in violent protests in Paris and across the country[2]. In 2021, sparked by the arrest of former president Jacob Zuma, various cities in South Africa quickly descended into widespread looting and caused significant property damage[3]. While the support which some political parties or individuals retain can mean violence is a distinct possibility, some instances can occur with little to no warning or precedent. For example, in 2019 there was widespread

rioting in Chile following a $0.04 rise in public transportation fares which resulted in significant property losses[4].

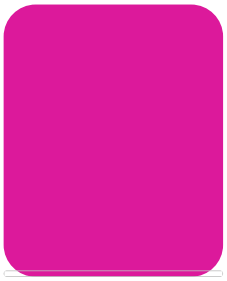
Market capacity

Given the scale of political change that could potentially take place this year, 23% of global businesses are planning to explore insurance options that include risk and crisis management this year, rising to 27% among businesses in the manufacturing, retail, wholesale and food and beverage sectors. However, the sheer volume of potential flashpoints presents issues. Market capacity and appetite are finite, and we are seeing this with many commercial property insurance policies removing strikes, riots and civil commotion (SRCC) cover from them. Making the requirement for specialist, standalone cover necessary for many businesses.

As we get closer to more contentious elections such as this year's US presidential one – SRCC coverage will be harder to get, and more expensive. Firms will need to demonstrate they have proactive risk management processes in place to become a more attractive risk amid a finite appetite from capacity providers.

The message is clear – be prepared and act sooner rather than later to implement risk mitigation plans, which if possible include cover provided by a quality insurer with an experienced claims team that can work with you to pay valid claims quickly and get your business back on track as fast as possible.

For more information on political risk and terrorism and political violence insurance please click below:



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[1] https://time.com/6550920/world-elections-2024/

[2] https://www.bbc.co.uk/news/world-europe-64984374#

[3] https://www.reuters.com/article/idUSKBN2EK1WM/

[4] https://www.vox.com/world/2019/10/29/20938402/santiago-chile-protests-2019-riots-metro-fare-pinera

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