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Article

Specialist insurance advice is needed to mitigate blind spot to domestic political risk

Chris Parker • July 11, 2022

The world was a turbulent place before COVID-19, and a fearful one before Russia's invasion of Ukraine. But while repeated lockdowns subdued some of the civil unrest that simmered in the early days of the pandemic, and the war has focused minds on geopolitical risks, many of the issues that sparked social upheaval pre-COVID still remain.

In the United States, unresolved issues and deep divides have flared up as seen after the murder of George Floyd and the January 6, 2021 storming of Washington's Capitol.

THE DOMESTIC THREAT IS A BLIND SPOT FOR MANY US BUSINESSES AS THEY DISPLAY SURPRISINGLY LOW LEVELS OF CONCERN ABOUT THE RISK.

Across businesses surveyed for Beazley's 2022 Risk and Resilience report, only about a quarter listed political risk as their number one concern, and around a fifth placed war & terror as their top risk. Despite a febrile atmosphere in the US, businesses also appeared upbeat about their resilience to political risk, with 42% of leaders claiming to be 'well prepared'.

However, resilience was lower for war and terrorism risks, down 5 percentage points on the previous year at 37%. However, perhaps driven by increasing gun violence in the country, and a growing number of mass shooting incidents in recent years,1 there was notable concern among US firms in the hospitality, entertainment and leisure segment about war and terrorism risks, with 30% listing this as their main worry - up 14 percentage points on last year. When you consider that the majority of US active shooter incidents in the past decade have occurred in commercial settings, the trend makes even more sense.

That said, businesses in this sector also indicated that they feel

significantly more resilient than last year, with 50% feeling ‘well prepared’ for political risks (a 15-point increase) and 42% for war & terror risks (up 9 points), suggesting they may have learned from previous tragedies and invested in more extensive security measures.

BEFORE, DURING AND AFTER RISK MANAGEMENT AND SUPPORT IS WHAT US BUSINESS NEEDS.

Perhaps US business owners just do not believe that acts of violence are likely to occur in a location that impacts them directly.

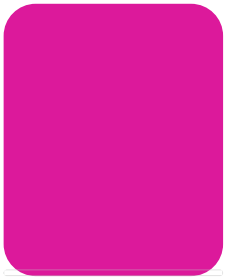
Or perhaps the withdrawal of cover for strikes, riots and civil commotion from standard US property all-risks cover, following the Black Lives Matter protests or the Capitol invasion, may have made business sceptical of the value of insurance.

In these challenging times, it has never been more important for business to be able to turn to specialist political violence insurers to access cover that includes effective before, during and after-the-event risk management and mitigation, support and counsel alongside pure financial indemnity.

As has always been the case with deadly weapon cover, the emphasis of insurance is increasingly on risk management and threat mitigation as the key factor in improving resilience. With mitigations before and during an attack taking precedence and post event financial indemnity seen as the last resort.

While insureds often feel they understand their terrorism and political violence exposures, the onus is on brokers and insurers to keep educating clients about the risks they face and the differences between commercial market coverage and mandatory government-backed programmes.

The risk assessment reports and crisis response services that clients receive in addition to their insurance coverage may prove decisive as we all face a more uncertain and potentially more violent world.



Chris Parker

Head of Terrorism and Deadly Weapons Protection

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