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How worried should US businesses be about the threat of Strikes, Riots and Civil Commotion as we head towards November?

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by Chris Parker, Head of Terrorism and Deadly Weapon Protection

If history is any indication, the US may be in for a rocky period in the lead up to the 2024 presidential election. Previous contests between the two prevailing candidates, a host of divisive issues on the line, and increasing political unrest both at home and abroad have the potential to create a perfect storm, and there is no telling which businesses may be caught in the crossfire.

None of this is new news to American businesses. Our recent Risk & Resilience research revealed that almost a third of US business leaders view political risk as the number one threat they face this year and a quarter of US business leaders surveyed feel unprepared to deal with the political risks they face. Equally notable, 25% of US business leaders reported feeling unprepared against the threat of war and terrorism. With these threats rising on executive radars, property managers must be alert to the risks.

While some commercial organizations may find their property cover to be sufficient insurance against these risks, others may find themselves to be good candidates at this time for stand-alone Strikes Riots and Civil Commotion (SRCC) policies. With the US election looming and increasing domestic protest activity, it’s essential not only for organizations to have this accelerating risk on their radars, but also for

brokers to be able to advise their clients on the options available to them.

There has been a stand-alone SRCC and terrorism market since 9/11, but appetite has varied over the years. In more recent years, the decision whether to pull SRCC coverage out of some property policies has largely been dependent on geography and the issues of the day. We saw a lot of interest in a stand-alone policy in the US four years ago in the buildup to the 2020 elections, with the heightened civil unrest of that summer causing some carriers to pull back property coverage and send the risks to the SRCC market. Outside of the US, the October 2019 strikes in Chile also raised demand for the product.

When it comes to civil unrest, brokers must be prepared to educate insureds to help them understand where their coverage is, how much they have, and whether they are adequately prepared for an event. The question of exposure should always be on minds for renewal, but it is particularly important for organizations to make sure that they are properly protected during periods of potential unrest.

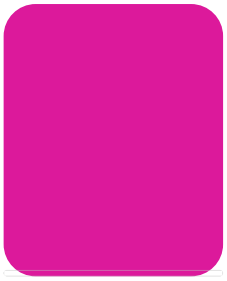
There are several key factors that organizations should take into account when assessing coverage options:

- **Consider the industry vertical and location.** A retail operation located in a city center stands more risk from knock-on rioting than an industrial facility in a remote location.
- **Examine the definition of occurrence.** The defined radius (both in terms of distance and time from the proximal event) can determine whether you are looking at one claim or several following a civil commotion.
- **Look closely at policy wording.** As with all insurance products, it's essential to understand coverage and how deductibles apply. For all-risk property policies, it's also important to note whether cover is aggregate or per occurrence, as in the case of the former, there is the potential for a civil commotion-related loss to reduce available cover for other risks.
- **Ensure that precautions have been taken to mitigate the risk.** Regardless of coverage, organizations must be responsible for proactive risk management.

In the property world, recent rate increases and climate risk are dominant headlines, so civil unrest is an issue that may take a back seat to these exposures. But in a potentially contentious election year, this is an accelerating risk, and as such, it requires more attention. Specialist markets can offer more expertise and appetite in certain parts of the world for this kind of cover, making SRCC policies strong additions for certain kinds of businesses.

Organizations should not wait for civil unrest to occur to consider their exposure, as by the time that's happened, coverage will likely have already become tighter and less available. With multiple products available to address this risk, brokers and their clients must work together to determine the best approach to meet individual needs.

In a podcast with Leaders' Edge, Beazley's Lucy Straker and Matt Westhoff discussed how risk management and insurance protection could help reduce the risks of this year of elections. Take a listen here.



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