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Geopolitical Risk in Uncertain Times

Alex Hill • December 03, 2024

2024 has been a year of exceptional democratic engagement. Voters across over sixty countries have headed to the polls1. Unfortunately, the polarisation of today's electorate means that points of political change and differing views can boil over into acts of violence, which in turn can cause business disruption for firms caught up in hostilities or in the vicinity of incidents.

Given the volume of elections around the world this year, it is little surprise that **32%** of the global business leaders we surveyed in January 20242 cited political risk as their top risk this year. In addition, **71%** agreed3 that this year's elections would have an impact on their businesses' ability to trade internationally.

When attempting to navigate strikes, riots and civil commotion (SRCC) risk that can follow a change of government, organisations, particularly ones based in high footfall locations, should consider the potential impact on their business operations. If a SRCC event or act of terrorism occurs near their business' premises rendering it inaccessible for an extended period of time, the resulting disruption to their normal trading, safety issues for employees and customers and likely negative impact on their bottom line, could be significant.

Managing the fallout

While outbreaks of violence can be hard to predict, historical precedents can provide useful reference points. There are certain risk factors that increase the likelihood of being caught up in a SRCC event or an act of violence or terrorism, either directly or as collateral damage. For example, businesses in close proximity to government assets, (or businesses with a perceived governmental affiliation) which protesters and terrorists tend to target, risk being caught in the crossfire. Business interruption risk, the inability to access business premises or to trade as usual, was cited by **17%** of the global executives we surveyed as the number one business risk they face this

year.

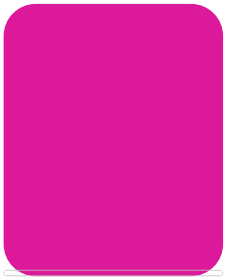
While **34%** of the surveyed global executives predict a high-risk operating environment in 2025, down from **42%** in 2024, businesses must not lose sight of the need to adopt a proactive approach to risk management and learn from previous events.

With the spotlight on elections this year, the threat posed by fringe groups or disenchanted voters has dominated focus. However, this does not mean that the threat posed by ‘lone wolf’ or state sponsored terrorists has diminished. With global geopolitical tensions running high, and intelligence agencies warning of increased acts of sabotage in Europe as Russia steps up hostilities against Western countries supporting Ukraine4, and with other conflicts around the world resulting in activist marches and demonstrations, companies need to be on the alert for associated disruption.

SRCC and political violence and terrorism events are inherently volatile and can cause significant disruption. Hoping for the best, while planning for the worst is critical. Firms need to consider the impact on their physical locations, their customers and employees as well as their income and have robust risk mitigation plans in place. Insurers with previous experience of managing SRCC claims arising from acts of political violence and terrorism can bring insight into the appropriate steps to take in these uncertain times to help build resilience to these risks.

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[1] Elections Around the World in 2024 | TIME

[2] beazley.com/en-US/news-and-events/spotlight-on-boardroom-risk-2024/methodology/

[3] ‘Strongly and somewhat’ answers combined

[4] Intelligence Agencies Warn Defense Industrial Base of Russian Sabotage Operations

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