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Article

Geopolitical risk spikes leaving business leaders fearing the consequences of war and inflation

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Business strategies at point of inflection as global sanctions and commodity shortages and price hikes bite

Beazley's latest Risk & Resilience research into geopolitical risk, published today, shows that events so far this year have significantly altered business leaders' perceptions of the risks they face and their resilience to those risks, which has fallen dramatically since 2021. The impact of inflation is also causing deep concerns about domestic stability alongside the fear that global tensions are increasing the threat from external forces. As business struggles to adjust to this new reality, preparedness and mitigation strategies are becoming a key focus.

Beazley's new report Spotlight on Geopolitical Risks shows that across the UK and US, few business leaders feel well able to manage current geopolitical risks. Concerns about the possible consequences of war are spiking upwards compared with last year, and in the first year we have asked the question, inflation has become a dominant issue.

The report's results paint a troubling picture.

- It is urgent that **business builds its resilience** as we face a high risk/low resilience geopolitical environment.
- **Inflation** is a dominant threat with 55% of business leaders

believing they lack the necessary resilience to deal with it, which rises to 65% in the United States.

- The proportion of business leaders ranking **war and terror** as their top risk is **up 46%** on the previous year.
- **Economic uncertainty** is **up 31%** on the year before.
- Rising prices and an unpredictable economic environment are driving **instability and civil unrest** as we have already seen in Sri Lanka, with countries such as Egypt and Turkey possibly vulnerable too.
- US business must confront the double threat of **unpredictability at home** from rising gun violence, whilst as a world superpower it is facing up to a watershed in geopolitics as its relationship with Russia and China shifts.
- Business leaders need to better understand their geopolitical risks and prepare for and seek to mitigate them where possible. Specialist political risk, trade credit and terrorism insurers have a role to play in providing appropriate cover that provides the risk mitigation that they need.

Roddy Barnett, Beazley's Head of Political Risks & Trade Credit commented:

"Against a challenging backdrop, business strategies are now at a point of inflection. Even those territories far removed from the theatre of war in Eastern Europe are feeling the impact of global sanctions and commodity shortages on risks across the board from supply chain to cyber to political risk and trade credit."

"Businesses need to know that as we face a moment of geopolitical change, which is fraught with unpredictability, they can protect overseas physical assets and their human capital both at home and abroad, by actively investing in a mixture of risk management and effective insurance cover."

All the statistics quoted in this release come from Beazley's Risk & Resilience research.

This deep dive report follows the publication of previous 'top level' risk and resilience reports that provide a benchmark for business resilience to and appetite for technology, business, political & economic and environmental risk.

About our Risk & Resilience research: During January 2022 Beazley commissioned research company Opinion Matters to survey the opinions of over 1,000 business leaders and insurance buyers of businesses based in the UK and US with international operations. With a minimum of 40 respondents per country per industry sector, respondents represented businesses operating in:

- Healthcare & life sciences
- Manufacturing
- Retail, wholesale, food & beverage
- Real estate and construction

- Hospitality, entertainment and leisure (including gaming)
- Financial institutions & professional services
- Energy and utilities (including mining)
- Public sector & education
- Tech, media & telecoms
- Marine & warehousing

Of the firms surveyed in both the US and the UK there was an equal split of respondents across company sizes of: $250,000 - $1 million, $1,000,001 - $10 million,

$10,000,001 - $100million, $100,000,001 - $1 billion, more than $1 billion.

This research mirrored similar research undertaken in 2021, the 2021 survey covered 1,000 participants from the US and UK, from which the previous years’ figures are derived.

Note to editors:

Beazley plc (BEZ.L), is the parent company of specialist insurance businesses with operations in Europe, North America, Latin America and Asia. In 2021, Beazley underwrote gross premiums worldwide of $4,618.9 million.

Beazley manages seven Lloyd’s syndicates, all Lloyd’s syndicates are rated A by A.M. Best.

Beazley's underwriters in the United States focus on writing a range of specialist insurance products. In the admitted market, coverage is provided by Beazley Insurance Company, Inc., an A.M. Best A rated carrier licensed in all 50 states. In the surplus lines market, coverage is provided by the Beazley syndicates at Lloyd's.

Beazley's European insurance company, Beazley Insurance dac, is regulated by the Central Bank of Ireland and is A rated by A.M. Best and A+ by Fitch.

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