

Gun violence insurance must extend far beyond traditional risk transfer

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After 417 mass shootings in North America in one year, 2019 gained the inauspicious honour of recording the highest number of events in 20 years, but it did not hold it for long. In 2020 the toll increased a staggering 50% to 611.

In addition to mass shootings (classed as an event in which four or more people die or are injured as a result of firearm misuse), “regular” shootings between 2019 and 2020 also increased 10% to 43,500 according to the Gun Violence Archive. None of these statistics factor in other terror or politically motivated tragedies like knife crime or fatalities caused by a vehicle.

These figures paint a sobering picture. Consequently, it is not an oversimplification to say demand from corporations for effective risk mitigation against global terrorism, as well as

political violence is being keenly felt all over the globe. The Middle East market is experiencing an uptick in political violence in Yemen, Lebanon and Libya. In some parts of Latin America we are seeing widespread civil commotion. Africa, too, is experiencing ongoing civil unrest and coups. Even New Zealand, a country perceived as “safer”, experienced the Christchurch mosque shootings in 2019 in which 51 people lost their lives.

Evolution essential

Insurance policies covering global terrorism and political violence risks, as we understand them today, have had to evolve in response to the changing demands of customers. As each tragic event unfolds, more is learned about the best way to mitigate risk.

Throughout the shifting political landscape of recent years, the London market has helped large global companies, educational institutions and governmental entities. Disturbingly, but not

surprisingly, these organisations have all experienced tragedies including targeted attacks, mass shootings and the fallout from riots and civil commotion.

It would be hard to underplay the highly charged environment in North America at present. A combination of pandemic, lockdowns, resentment at government intervention in everyday life, political and social unrest (as seen with the Capitol riots) and racial justice protests have stoked tension and reflected deep divisions and grievances.

As this trend continues to shift upwards, it is vital for the insurance industry to play its part. The key is not just to sell products, but to support and educate our clients to help prevent and mitigate these acts of violence. Faced with worsening violence and ever-present threats, our clients need the most robust risk management services, combined with practical preventative measures, to stop tragedies before they can play out.

Indeed, buyers of insurance and brokers all know their respective industries well and the risk carriers' actuaries and claims managers work feverishly to keep ahead of ongoing trends. But all too often, the potential threat of an act of terror or violence still falls within the "it won't happen to us" or "I'm sure it's covered under my policy" category. We need to change that mindset.

It is for this reason that global terrorism and political violence risk mitigation solutions should only really be explored through a very nuanced lens. Not only do physical assets like buildings and infrastructure need protecting, but human liabilities do too. The opportunities and challenges are legion and the industry has a moral obligation to educate buyers and brokers.

Industry task is clear

Our task is to educate brokers and buyers that appropriate cover must include crisis response capability and, crucially, pre-event advice. Pre-event intervention means assessing a customer's unique situation at the point of

agreement and, with the appropriate third-party advice, giving recommendations as to how an organisation can prevent risks from precipitating in the first place.

The hope is if an organisation knows how to manage complex employment issues such as redundancy or disciplinary matters professionally and sensitively, it stands a better chance of preventing problems and potentially violent responses later down the line. With the right kind of intervention, it can be possible to prevent a tragedy from happening.

Evolving legislation regarding possession of weapons and gun control in North America is an area that should be observed closely. In Texas on September 1, the Permitless Carry Bill is due to come into effect, allowing gun owners to carry a handgun without the need for a licence or to take part in firearms training. It is very possible other states may follow this extension of the Second Amendment.

Against this backdrop, we expect to see more entrants into the global political violence and deadly weapons insurance space, which may have the effect of driving greater product innovation and development to the benefit of insurance buyers.

To meet demand, now and in the future, we are likely to need more capacity to ensure our customers are fully covered, however, insurance solutions in this space must extend far beyond traditional risk transfer: this is an area where our expertise and experience in risk management and prevention can provide crucial support to clients when they really need it most.



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