



ALLIANZ COMMERCIAL

# Managing the increasing threat of political violence and civil unrest

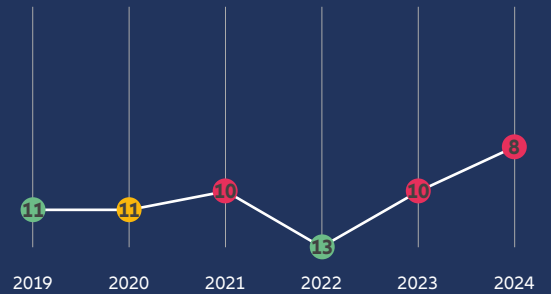
How to maintain business resilience in a volatile world

# Overview

Businesses are more concerned about political risks and violence than they have been for many years, according to the **Allianz Risk Barometer**. In the global list of business concerns, it has risen to eighth position, its highest ranking since 2017, when the business world was still adjusting to the uncertainty created by the Brexit vote in the UK and the election of Donald Trump in the US.

## Ranking history:

● Up on previous year ● No change ● Down on previous year





So many elections in one year raise concerns about the fueling of populism and polarization, with tensions playing out in heightened civil unrest.



pangamedia / Adobe Stock

Political violence activity can impact businesses in many ways. In addition to endangering the safety of employees and customers, those in the immediate vicinity of unrest can suffer business interruption losses and material damage to property or assets, while indirect damage can be inflicted on companies in the form of 'loss of attraction' or 'denial of access' to their premises.

Security and supply chains have been rocked by ongoing international conflicts, most notably in the Middle East and Ukraine, while elsewhere in the world security is being undermined by the impacts of civil war, lawlessness, and organized crime. Meanwhile, social unrest incidents around the world are on the rise. New anti-government protests erupted in 83 countries during 2023 (including in seven countries that had not experienced major protests in the past five years)<sup>1</sup>, driven by factors such as high inflation, wealth inequality, food and fuel prices, climate anxieties, and concerns about civil liberties or perceived assaults on democracy.

We anticipate further challenges to come as we move through 2024 and beyond, particularly around election related SRCC [strikes, riots, and civil commotion] events. So many elections in one year raise concerns about the fueling of populism and polarization, with tensions potentially playing out in heightened civil unrest. Analysis from Allianz Research indicates that countries with a recent increase in social unrest will be at heightened risk of this around election time, although some countries with decreasing unrest might nonetheless have hidden vulnerabilities in the run-up to often disputed elections.<sup>2</sup>

In addition, we expect to see increased activity around environmental issues, not only from activists, but also from those who are pushing back against government climate mitigation policies.

The threat landscape is evolving. In previous years, large-scale terrorist attacks were the biggest losses in the political violence and terrorism insurance space, but in certain regions this has now been overtaken by major losses from SRCC events.



brazo\_n / Adobe Stock



Who is Danny / Adobe Stock

## Trends to watch

With an unprecedented 'super-cycle' of elections in 2024, almost half the world's populations will go to the polls before the year is out. Security is a concern in many territories, not only from the threat of localized unrest but because of the wider-reaching consequences of electoral outcomes on foreign policy, trade relations, and supply chains. The headline election will be in the US in November, when a narrow result could inflame existing tensions, particularly in the battleground states that could dictate the election's outcome.

European Parliament elections in June could see radical right parties gaining votes and seats. This shift builds on electoral trends seen in Europe in 2023 and risks intensifying cultural and ideological divisions. Other potentially inflammatory elections include those in India (April/May), South Africa (May), and Mexico (June).

Widespread disaffection among voters could be exploited by misinformation created by artificial intelligence and spread via social media. Deepfakes, disinformation and repurposed imagery, as well as customized messaging, could galvanize unrest or influence small but potentially decisive parts of electorates.

Public protests have skyrocketed in recent years (incidents of civil unrest doubled in the decade 2010-2020<sup>3</sup>) and continue to create the potential for unrest and consequent losses. Recently, farmers have mobilized across Europe, attracting support from populist politicians, and prompting policy concessions from European leaders, amid fears of a 'greenlash' against net-zero transition plans. In India, too, farmers have taken to the streets, reviving a movement from 2020-21, when dozens of protestors died.

Climate change is likely to remain a key issue, with 2024 forecast to be possibly hotter than the record-breaking 2023 – a trigger that could result in more and increasingly extreme environmental protests. Activists are already intensifying their activities with a trend towards more targeted tactics and sabotage. Between 2022 and 2023, environmental activism incidents increased by around 120%.<sup>4</sup>

Businesses seeking to diversify supply chains by 'friend-shoring' or 'near-shoring' to mitigate geopolitical risks could find themselves facing hidden exposures in alternative markets. Civil unrest is the main threat but government instability and exposure to conflict are also concerns. In Latin America, businesses could be indirectly impacted by the destabilizing effects of organized crime on government resources and democracies in the region.

The number of terrorist incidents around the world in recent years has fallen, but the number of deaths has increased, with violent conflict the primary driver of activity. The attack on Moscow's Crocus City Hall in March 2024 showed the catastrophic effects on life and property damage these perils can still wreak. Terrorism risk is likely to increase in Western Europe and the USA, largely driven by the Israel-Hamas conflict leading to a radicalization of certain parts of the population in these regions, as well as the exploitation of security vacuums in certain regions of Africa.



Jacob Lund / Adobe Stock



DafSroch / Adobe Stock

## Risk management and insurance

Increasing global geopolitical instability and sustained political violence and SRCC activity around the world means businesses need to remain vigilant about the evolving nature of political violence and civil unrest risks. As unrest can now spread more quickly and widely – thanks in part to the power of social media – financial costs are mounting. Economic and insured losses from such activity can be considerable, resulting in significant losses for companies and their insurers. For example, economic and insured losses from just seven civil unrest incidents in recent years cost approximately \$13bn.

The patterns of protests and violence over the last 10 years has shown that some industries and occupancies are much more vulnerable. Sometimes targets can be specific but, often, businesses are victims of their locality and their footprint. Targets can include government buildings, transport infrastructure, retail premises, private enterprises, and distribution centers for critical goods.

Businesses need to protect their people and property with forward planning, such as ensuring safe and robust business continuity planning is in place in the event of an incident, increasing security and reducing or relocating inventory if they are highly likely to be affected by an event.

Using scenario planning and tracking risks in areas key to their operations, particularly transport and manufacturing centers, can raise businesses' awareness of where the risk of political violence or unrest might be intensifying.

Review your insurance policies. Property policies may cover political violence claims in some cases but insurers also offer specialist coverage via the political violence market.

**Economic and insured losses from just seven civil unrest incidents in recent years cost approximately**

# \$13bn

# References

- 1 Carnegie Endowment for International Peace, Protests in 2023: Widespread Citizen Anger Continues, With Sources Multiplying, December 18, 2023
- 2 Allianz Research, Allianz Social Resilience Index: From cost-of-living crisis to AI — unveiling the dynamics of social risk, October 27, 2023
- 3 Vision of Humanity, Global Peace Index 2020
- 4 Control Risks/Seerist, Ten global topics and trends to watch in 2024, January 22, 2024

## Further information and contacts

For more detailed information on political violence and terrorism insurance, please contact your regional Allianz Commercial contacts.

[commercial.allianz.com](https://commercial.allianz.com)

Email: [az.commercial.communications@allianz.com](mailto:az.commercial.communications@allianz.com)

### Disclaimer & Copyright

Copyright © 2024 Allianz Commercial / Allianz Global Corporate & Specialty SE. All rights reserved.

The material contained in this publication is designed to provide general information only. While every effort has been made to ensure that the information provided is accurate, this information is provided without any representation or warranty of any kind about its accuracy and neither Allianz Global Corporate & Specialty SE, nor any other company of Allianz Group can be held responsible for any errors or omissions.

All descriptions of insurance coverage are subject to the terms, conditions and exclusions contained in the individual policy. Any queries relating to insurance cover should be made with your local contact in underwriting and/or broker. Any references to third-party websites are provided solely as a convenience to you and not as an endorsement by Allianz of the content of such third-party websites. Neither Allianz Global Corporate & Specialty SE, nor any other company of Allianz Group is responsible for the content of such third-party websites and neither Allianz Global Corporate & Specialty SE, nor any other company of Allianz Group does make any representations regarding the content or accuracy of materials on such third-party websites.

Allianz Global Corporate & Specialty SE, Königinstraße 28, 80802 Munich, Germany.

Commercial Register: Munich, HRB 208312

April 2024