

Responding to rising social unrest

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Overview

Social unrest and political activism is being seen across the globe, triggered by inequality, unemployment amidst growing concerns that civil liberties are being eroded. The situation presents significant issues for governments across the political divide.

As protests escalate, businesses and communities are inevitably caught in the crossfire, resulting in property damage, business interruption and health and safety implications.

A key challenge is the pace of acceleration and the role of social media and online networks to fuel protests and demonstrations, along with the increasingly globalized nature of the wave of discontent.

With political risk and criminal damage exposure increasing, and higher loss severity raising concerns within the global insurance community, international supply chains are being directly challenged by the growing wave of civil unrest events and political violence across the globe.

Responding to rising social unrest

There is no doubt that we are currently in a major state of flux, globally. Geopolitical tension, cost of living crises, inflation and rising social inequality have created the perfect storm. Questions are being asked: Will the current chain of events continue for the foreseeable future? Will social instability become an interconnected risk across the world's major economies? And how should the business community prepare from a critical response and risk management perspective?

A growing number of civil disturbances and politically motivated violence events in recent years, triggered by social inequality, cost of living crises, environmental concerns and a general fear that civil liberties are being eroded has presented a complex range of risks and issues for governments, security forces and emergency response services.

“A widening gap in values and equality is posing an existential challenge to both autocratic and democratic systems, as economic and social divides are translated into political ones,” notes this year's WEF Global Risks Report.¹

“Polarization of issues such as immigration, gender, reproductive rights, ethnicity, religion, climate and even secession and anarchism have characterized recent elections, referendums and protests around the world—from the United States of America and China to the Islamic Republic of Iran. More protests were observed between January and October than in all of 2021.”

The speed of mass uprisings

The pace at which politically motivated violence and civil protests can escalate, and the increasingly globalized nature of social discontent, has transformed how the risk landscape is perceived and responded to. Although it is more than a decade since the 2011 Arab Spring uprising, that saw social media being weaponized at scale for the first time, digital platforms are being used to drive polarizing agendas and disrupt otherwise peaceful demonstrations.

With countries including Russia, Sri Lanka, Vietnam, China, Malaysia, Iran and others resorting to social media and internet shutdowns to stem the tide of anti-social behavior, businesses and communities are being caught in the cross-fire, resulting in property damage, business interruption and compromised public safety. According to the 2023 Allianz Risk Barometer, political risks and violence are listed as one of the top ten risks facing businesses globally this year.²



Over the last five years, there has been a steady increase in interest from business leaders and risk professionals in advice surrounding unrest in all sectors. This has surged massively—since mass protests linked to movements after George Floyd's death in the United States, or increasingly frequent instability and civil action witnessed across France (as recently as July 2023)—particularly as violence and looting became a feature of big movements.

—*Laura Hawkes, Head of Intelligence, Gallagher Specialty*

Global civil unrest is prolific

Out of 198 countries, 101 countries have seen increased civil unrest since Q2 2022.

The Global Protest Tracker reported that in 2022, more than 70 anti-government protests were triggered by economic issues.

Europe's already serious energy and cost of living crisis worsened during the winter of 2022/2023.

Sources: Verisk Maplecroft³ and Risk and Insurance⁴

An era of discontent

Since 2017, more than 400 significant anti-government protests have erupted worldwide, according to the Carnegie Global Protest Tracker.⁵ Simmering discontent and public outrage have become the rallying call for social change.

Examples include freedom and anti-regime protests in Iran; protests and violence in Sri Lanka; Mozambique's anti-government 'Azagaia' protests; anti-pension reform riots in France; Israel's wide-ranging judicial reforms, and Peru's anti-corruption 'Pedro Castillo' demonstrations.

Social and political risks can be predicted to varying degrees by a range of factors, including:

- Analysis of social media activity and keywords used for online searches can be used as a social barometer and as an indicator of the timeline and intensity of anti-social events and proposed protest gatherings.
- Unemployment, social inequality, energy market instability and cost of living may trigger civil unrest and calls for change. A growing wave of protests and calls for reform across the world's major and developing economies highlight the heightened risk profile at this time.
- Elections, political agenda and government policy changes are motivators for social instability and a platform for activist response. One example would be the wave of violence and unrest following the 2022 re-election of President Macron and the pension reform agenda.

Flashpoints in Latin America

We think the next 12 months will be especially interesting for Latin American countries, given not only the recent changes to the political environment and notable 'swings to the left', but also with general elections in Guatemala, Ecuador and Argentina this year, and Mexico in July 2024.

— *Laura Hawkes, Head of Intelligence, Gallagher Specialty*

Mitigating the risks—protecting people and property

Against the backdrop of an increasingly polarized world, it is essential for organizations, crisis managers and other risk professionals to be prepared.

Social unrest and political activism hold significant implications for global business operations and economic output. Impacts are a mix of direct and indirect, including:

- **Disruption of operations:** Logistics, transportation and supply chains may all be affected by social instability. Blockades, strikes and protests can make transport difficult for goods and services, which can be an efficiency hazard for businesses. Interruption may cause delays, higher expenses and lower production.
- **Reputation damage:** Companies considered oblivious to social issues, or perceived as taking sides, may be subject to boycotts and social-media-led reputation damage. It has never been a more difficult time for organizations to maintain political impartiality. A delicate balance is required, especially when dealing with competing pressures from multiple stakeholders.⁶
- **Increased regulatory scrutiny:** Depending on jurisdiction, companies may be subject to more scrutiny and harsher laws around consumer protection, diversity and inclusion, labor standards and environmental sustainability. One example is how companies are able to comply with sanctions against certain regimes, both within their organizations and broader supply chains.⁷

Frequently targeted industries—financial services, fossil fuels and pharma—have become used to experiencing protest action against them and are best prepared in terms of continuity planning. They tend to have a well-developed internal security apparatus, links to law enforcement, and usually a myriad of external vendors on hand to provide them with anything, from intelligence and advisory to crisis management exercises and help with policies, procedures and planning.

— *Laura Hawkes, Head of Intelligence, Gallagher Specialty*





There are a range of options available to business owners and multinational organizations to manage and mitigate political and crime risks. Insurance and risk management specialists can prepare by scenario testing their crisis management response, adjusting to ensure that adequate insurance protection is in place. Reporting lines and responsibilities as part of a risk management framework should be communicated and understood. This includes prioritizing the following:

- **Protecting employees**, members of the public accessing your business premises and ensuring property security is the first priority.
- **Review security arrangements** particularly for higher risk exposed industries and/or office premises located in close proximity to major landmarks or transportation hubs. Crisis response drills and scenario testing of risk plans is also recommended, along with alarm testing and reminding employees of safe invacuation/evacuation points.
- **Activate crisis response plans** during periods of civil unrest, including introducing increased security in public spaces and office building lobbies, and advise employees and visitors to exercise caution with the option to remain at home.
- **Avoid making public statements of support** to a particular cause or demonstration, including media commentary, and remind employees to refrain from making statements on social media.
- **Monitor key events** that are likely to attract significant crowds and protest action, including religious holiday, political events and cultural landmark dates.
- It is advisable to **have a security team monitor the on-the-ground physical and political developments** when employees are **travelling for business** and to alert them to anything notable that is happening where they are located. This can include monitoring for civil unrest but also crime, terrorist attacks and even granular-level travel disruptions. There are a number of business travel apps that can assist risk and personnel managers, helping them keep track of where employees are and offering relevant updates and advice.
- Businesses should **employ routine social media monitoring** so they are informed of any planned civil disturbance situations and can ensure actions are taken to minimize the impact on normal operations. In 2022, for instance, Lloyd's of London held a virtual AGM due to concerns the building and its staff would be targeted by environmental protestors.⁹

The role of insurance

Insurance coverage for strikes, riots and civil commotion (SRCC) is generally covered under Property 'All Risks' policies. However, the increased frequency and severity of SRCC events, including those in territories that had previously been considered politically stable, has led to a reevaluation of the risk and contraction in wordings, with some insurance underwriters opting to exclude SRCC coverage from property insurance altogether.

The scope of SRCC events in insurance policy wording is relatively limited, resulting in claims disputes historically. Litigation following the 2010 Bangkok riots took a number of years to fully resolve, partly due to disagreements on the technical definition of the event and whether claims could be filed under Property or Terrorism insurance policies.

The emergence of a **specialist political risk market**, providing broad coverage for a range of events including strike action and civil protests, through to higher loss events including civil war and rioting, has been a welcome development in some quarters. Meanwhile, stand alone terrorism insurance cover is available, with capacity, pricing and terms largely determined by location, geography and threat exposure.

The industry is responding to rising social unrest in other ways. Insurance companies work with a variety of partners, including governments, security services and risk management consultants, to obtain and exchange information on the risks of political violence in the context of geopolitical and domestic friction. Through these partnerships, insurers are better able to comprehend and evaluate the constantly-evolving dangers.

The financial implications of social unrest can be significant

- In **Chile**, Walmart's reported USD500 million losses¹³ from the riots are a significant contributing factor to what could become the largest-ever political violence insurance claim. Total insurance losses reached an estimated USD2 billion.¹⁰
- In **Hong Kong**, businesses with perceived support of mainland China suffered extensive damage to premises caused by activists, with insurance losses reaching an estimated USD77 million.
- In **France**, the protracted Yellow Jackets unrest resulted in extensive property damage, business interruption and a general loss of income for many firms, with claims estimated to be in the region of USD90 million.



Resilience in an unpredictable world

As uprisings around the world continue to demonstrate, it is impossible to predict what will spark the next wave of protests or even where they are likely to erupt. Parts of the world previously considered to be politically stable have seen considerable social unrest (examples include Hong Kong and Chile), and the speed at which uprisings are now occurring makes it harder for policymakers and businesses to anticipate in advance.

In response, insurance specialists and risk managers play a critical role in providing a response to the evolving scope of social activism and politically-motivated protest events.

Moving forward, it is likely that continuing economic and political uncertainty will boil over into civil unrest and societal turmoil around the world. As recent TikTok-induced riots on London's Oxford Street¹¹ and protests in Paris and other French cities this summer again demonstrated,¹² nowhere is immune.

Businesses from all industries and of all sizes of risk becoming collateral damage during this phase of discontent and violence. Organizations most likely to emerge unscathed are those with effective crisis management plans ready to swing into action to protect people and valuable assets.

Organizations can improve their resilience with the appropriate risk financing solutions, including political violence insurance. Insurance buyers should ensure property policies include coverage for SRCC events (requesting that exclusions are written back into policies where this is possible), and seek to plug any gaps in coverage with specialist solutions. As always, these insurance considerations are best made well in advance of claims.

Citations

- 1 [Preface - Global Risks Report 2023 | World Economic Forum \(weforum.org\)](#)
- 2 [Allianz Risk Barometer: The major business risks for 2023 globally](#)
- 3 [101 countries witness rise in civil unrest in last quarter, 2023t](#)
- 4 [5 Factors Stoking the Fires of Global Unrest, According to a Recent Report by Allianz : Risk & Insurance \(riskandinsurance.com\)](#)
- 5 [Carnegie Global Protest Tracker](#)
- 6 [Companies Can't Avoid Politics — and Shouldn't Try To \(hbr.org\)](#)
- 7 [Supply chains need to be resilient to sanctions risks.: Lloyd's List \(informa.com\)](#)
- 8 [Why Cathay Pacific changed its tune on Hong Kong protests - BBC News](#)
- 9 [Protests on Thu 25 May - Lloyd's \(lloyds.com\)](#)
- 10 [The Impact of Political Risks on Businesses \(insurancejournal.com\)](#)
- 11 [How a TikTok craze led to five hours of chaos on London's busiest shopping street \(msn.com\)](#)
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