



ALLIANZ COMMERCIAL

# Managing the increasing threat of political violence and civil unrest

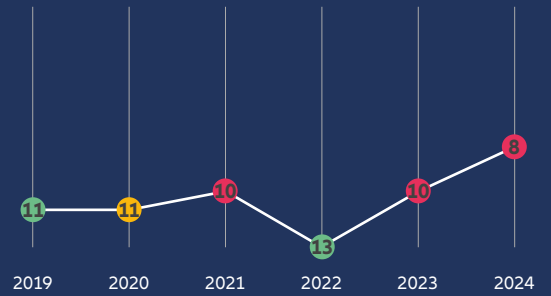
How to maintain business resilience in a volatile world

# 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.



pangarnedia / 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.





bizarro\_n / Adobe Stock



Who is Denny / 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

# The geopolitical risk landscape

Global stability in 2024 continues to be undermined by the forces of international conflict, geopolitical upheaval, economic uncertainty, and the lingering effects of the Covid-19 pandemic. Businesses need to remain vigilant about the shapeshifting nature of political violence and mindful of the risk that localized unrest could significantly impact their activities.

Risks are increasingly intersecting, crossing national boundaries or moving into international waterways. The Hamas attack on Israel in October was for many the defining moment of 2023, with the subsequent war in Gaza leading to thousands of innocent deaths and escalating beyond its defined borders. Its ripple effects continue to be felt across the world. Pro-Palestinian entities have attacked and sunk commercial vessels in the Red Sea, causing disruption to global supply chains, and launched missiles towards Israel. Protestors calling for a ceasefire have gathered around the world, while antisemitic and Islamophobic incidents have surged, particularly in Europe and the US.

Meanwhile, the war in Ukraine following Russia's full-scale invasion of the country entered its third year in February, with confirmation of a fifth term as president for Vladimir Putin in March 2024 expected to ensure there is no immediate end in sight to the conflict.

The African continent has also hit headlines in recent years and 2023 was no different, with Niger and Gabon experiencing coups. In Sudan, a civil war has led to the displacement of eight million people, including six million within the country<sup>5</sup> – the largest internal displacement crisis in the world.

One of the world's most important waterways, the South China Sea, is the site of ongoing territorial tensions between China and the Philippines over the strategically important Second Thomas Shoal reef,<sup>6</sup> and concerns have been raised about the impacts on global trade of further escalation.

Most recently, armed gangs in Haiti attempted to seize control of the country's main airport, forcing the suspension of international and domestic flights. And, at the time of publication, the country has been drifting further and further into lawlessness.

In Latin America, organized crime groups are using increasingly sophisticated methods to carry out their activities and are expanding their reach into countries that were previously peaceful, including Costa Rica, Uruguay, Chile, and Ecuador.

These events are all playing out in a year that is seeing an unprecedented 'super-cycle' of elections take place – almost half the world's population in at least 70 countries will have gone to the polls by the end of 2024, including the world's three largest democracies: the US, India, and Indonesia.

The electoral shifts of the last couple of years, which saw the election of populist or far-right leaders in Italy, Hungary, Slovakia, and Argentina, and big gains for far-right parties in Sweden and the Netherlands, could be a precursor to what will happen at the ballot box in many territories in 2024. According to the Economist Intelligence Unit,<sup>7</sup> only 43 of the 70 elections in 2024 are expected to be fully free and fair. With many of them taking place in a context of increasing authoritarianism and political cynicism, many commentators have suggested democracy itself is being tested at the ballot boxes.

Around the world, protestors are taking to the streets to express their discontent. Inflation, unemployment, wealth inequality, civil liberties, food and fuel prices, immigration, and climate anxieties are some of the drivers that have fueled their frustrations, inflaming social tensions and increasing polarization.

In recent months, farmers have aired a number of grievances in demonstrations across Europe and in India, protests against far-right politics have taken place in Germany and Austria, there have been pro-democracy rallies in Mexico, and demonstrations against proposed economic reforms in Argentina.



*“Given this global context, it is no surprise we have seen political risks and violence move up the rankings in the **Allianz Risk Barometer**, our annual survey of companies around the world,” says **Srdjan Todorovic, Head of Political Violence and Hostile Environment Solutions at Allianz Commercial**. “In the list of business risks of most concern, it has risen from number 10 to number eight, 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.*

*“The Israel-Hamas conflict is a tragedy that is still unfolding,” Todorovic adds, “but we are faced with the increased threat of regional escalation in the Middle East. Amid rising tensions and reprisal attacks, there is a risk of miscalculation leading to cross-border conflict.*

*“We anticipate 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 playing out in heightened civil unrest. 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. Businesses need to be aware of how SRCC activity is evolving and adjust their risk management strategies and business continuity plans to withstand new or different threats. Having defined, and tested, procedures in place is crucial.”*

In this report, Allianz Commercial experts scan the global risk landscape, explore the potential drivers of political violence, and share their advice on how businesses can build resilience in times of geopolitical turbulence.

## Countries that had new protests in 2023

The Global Protest Tracker from the Carnegie Endowment for International Peace shows new protests erupted in 83 countries, including China, the Democratic Republic of the Congo, Iraq, Denmark, Norway, and the Republic of Ireland.



*Note: Countries that had protests related to the Israel-Hamas war but did not experience other significant anti-government demonstrations in 2023 are not shown.*

# Political violence: the impact on business

Political violence activity can impact businesses in many ways. 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.

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.

## Buildings and businesses most at risk

The pattern of protests and violence over the last 10 years has clearly shown that some industries and occupancies are much more vulnerable to the full spectrum of political violence perils. Sometimes targets can be specific but, often, businesses are victims of their locality and their footprint. Targets can vary depending on the type of incident but can include:

- **Government, municipal, army or police buildings or infrastructure**
- **Transport infrastructure and hubs**
- **Retail premises**, particularly those with high value assets; pharmacies; those that are foreign-owned or represent globalization and/or the economic interests of a former colonial power
- **Private enterprises**, including those that are foreign-owned or believed to have supported an unpopular government
- **Critical assets**, such as petrol stations, or those of high value
- **Distribution centers** for critical goods and assets
- **Tourism and hospitality businesses**, including those in countries that international governments have deemed inadvisable for non-essential travel
- **Supply chains** – if disrupted, this could lead to resource nationalism as governments attempt to ensure supply of essential goods to their own countries.

## Civil unrest in 2023

### The numbers mount up

**83** countries saw new protests erupt, including China, the Democratic Republic of the Congo, Iraq, Denmark, Norway, and the Republic of Ireland<sup>8</sup>

**7** countries experienced major protests in 2023 that had not experienced them in the past five years: Denmark, French Polynesia, Mozambique, Norway, the Republic of Ireland, Suriname, and Sweden<sup>9</sup>

**\$1.3bn** Damages to infrastructure and output in Peru during protests between December 2022 and late January 2023<sup>10</sup>

**\$3bn** Economic losses suffered by Colombia in 2021 during anti-government protests<sup>11</sup>

**\$3bn** Insured losses after the 2019 demonstrations in Chile<sup>12</sup>

**\$1.9bn** Insurance claims for the South Africa riots of July 2021<sup>13</sup>

**\$2bn+** Insured losses after unrest in the US following the death of George Floyd in 2020<sup>14</sup>

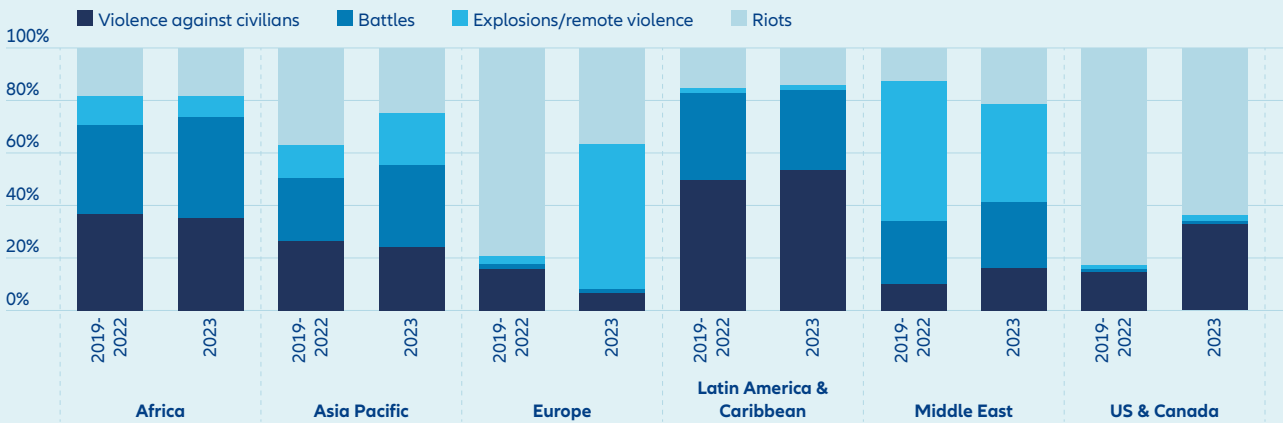
**\$1.1bn** Cost to French retailers of the Yellow Vest or Gilets Jaunes protests in 2018<sup>15</sup>

**\$1bn** Estimated insured losses from riots in France in 2023, following the shooting of teenager Nahel Merzouk by police<sup>16</sup>



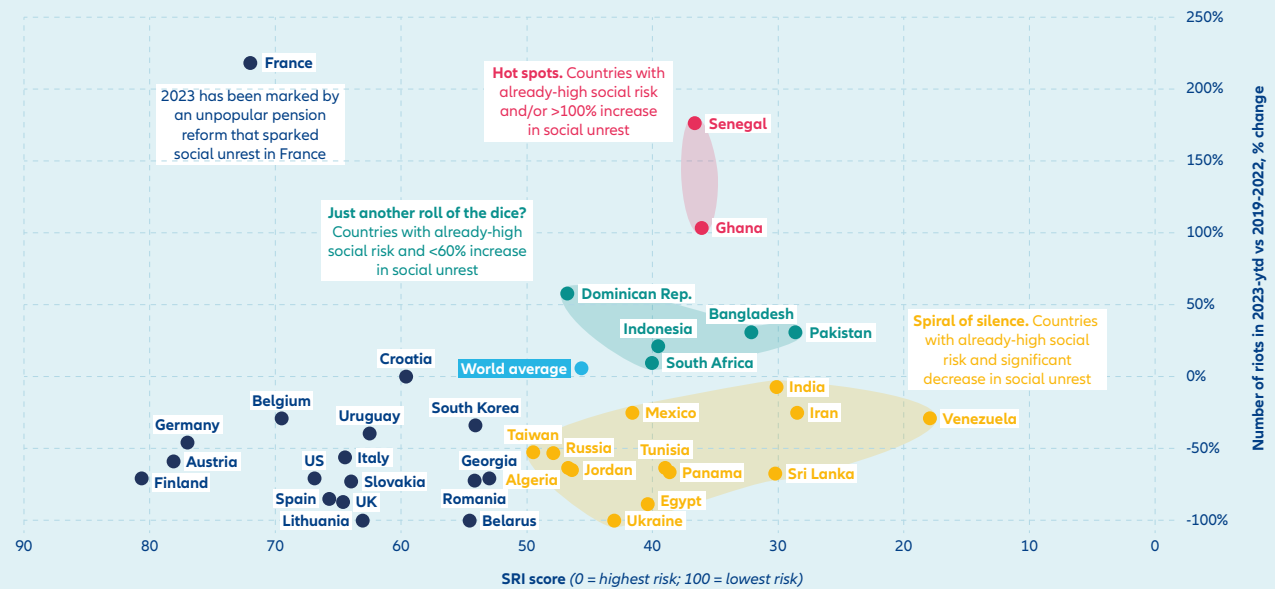
## Frequency of political violence events by type and region, January to September 2023

The nature of political violence varies markedly among regions and countries, while the patterns that lead and follow social unrest have also evolved in recent years.



Source: Allianz Research, ACLED, A Bolt from the Blue? Amplified Social Risk Ahead, October 26, 2023

## Social Resilience Index (SRI) and frequency of riots in 2023-ytd vs. 2019-2022, selected countries



Source: Allianz Research, ACLED, A Bolt from the Blue? Amplified Social Risk Ahead, October 26, 2023

Allianz Research's Social Resilience Index (SRI), which encompasses 12 indicators measuring economic and social vulnerabilities for 185 countries, marked a decline in 2023, amplifying the potential for social risk. The SRI identifies underlying strengths, weaknesses and perceptions of a country's political, institutional and social frameworks, signaling susceptibility to systemic social risk that could be gamechangers with regard to politics and policymaking as well as business and investment decisions.

In the graphic above, countries labeled 'Hot Spots' are those with already high social risk, such as Ghana and Senegal, and/or a recent spike in social unrest compared to the historical average. France emerges as an outlier following the demonstrations against the pension reform in the first half of 2023, with 457 events in June alone. Countries in the 'Just Another Roll of the Dice' cluster have high social risk but a less than +60% increase in social unrest compared to the historical average. Countries in the 'Spiral of Silence' could exhibit increased unrest as their SRI shows vulnerabilities and low social resilience.



# Trends and risk drivers to watch



# The electoral 'super-cycle'

An unprecedented number of elections around the world create the potential for conflict and unrest, with rising extremism and misinformation compounding the threat.

With around half the world's population going to the polls in 2024, security is a concern in many territories, not only because of the threat of localized unrest and but because of the wider-reaching consequences of electoral outcomes on foreign policy, trade relations and supply chains.

The quality of global democracy has been waning over the past five years, according to the risk intelligence company Verisk Maplecroft, with 115 of the 198 countries assessed by its Democratic Governance Index showing an increase in risk.<sup>17</sup> In countries where democracy is backsliding, populist or autocratic leaders could be unwilling to accept defeat, show disdain for the rule of law, or undermine democratic checks and balances on political powers.

Local government officials and institutions could be at particular risk: research by ACLED shows they were the targets of more than 2,100 incidents of violence in nearly 100 countries around the world in 2022.<sup>18</sup> Direct attacks on unarmed officials accounted for over 50% of all reported events. Other common forms of violence included riots and mob attacks, property destruction, bombings, and abductions.



## All eyes on the US

The US presidential election in November 2024 is expected to be a rematch between President Biden and Donald Trump and is likely to be a close run, with the outcome depending on results in a handful of states (see chart). According to a poll published in January 2024, more than one third of Americans said Biden’s election in 2020 was “illegitimate”.<sup>19</sup> A narrow result, combined with election laws that can lead to protracted counting processes, could inflame tensions.

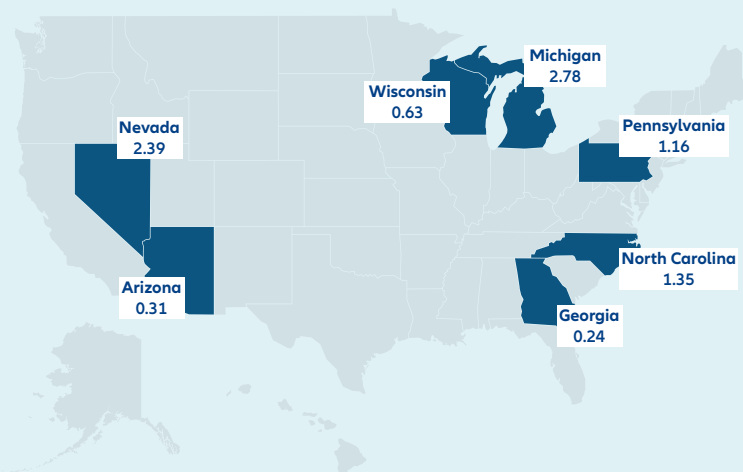
There have been significant incidences of political violence in the US in recent years, including the storming of the Capitol Building on January 6, 2021, the placement of pipe bombs at both the Democratic and Republican headquarters the night before the Capitol attack, a mass shooting in 2017 at a baseball field where Republican members of Congress were practicing, and the mailing of 16 improvised explosive devices to Democratic officials and supporters in 2018.

*“Any unrest around the November election is likely to be focused on the battleground states as well as the capital Washington DC,”* says **Srdjan Todorovic, Head of Political Violence and Hostile Environment Solutions at Allianz Commercial.**

The election should be viewed as a series of events, rather than a single event, advise risk management consultants Crisis24, a partner of Allianz Commercial, which could each spark disturbances. Following the result of the 2020 election, many stores in the US boarded up premises and heightened security in anticipation of unrest, with some industry representatives attending training on how to de-escalate tensions among customers, including those related to the election. Since then, higher levels of organization and accumulated grievances could increase the chance of more violence happening in 2024, with greater casualties than occurred on January 6, 2021. The extent of misinformation spread about the election via social media is likely to reach unprecedented heights.

### Close calls – the 2024 US presidential election

In 2020, the difference between the two main candidates was below 10 percentage points in only 14 states, including:



Source: Crisis24, Global Risk Forecast

#### Key dates





## Potential for a populist shift to the right in Europe

European elections in June may see a “sharp turn to the right”, according to a report from the European Council on Foreign Relations (ECFR),<sup>20</sup> with radical right parties gaining votes and seats across the European Union, and center-left and green parties losing votes and seats. Anti-European populists could top the polls in nine member states, including France and Italy, and come second or third in a further nine countries such as Germany, Spain, and Sweden, according to the ECFR. The far-right Identity and Democracy group is expected to emerge as the third largest group in the new parliament.

This trend builds on the political shift seen in 2023, when Italy elected a party with neo-fascist roots, Hungary re-elected Viktor Orbán, the far-right Sweden Democrats took over 20% of the votes in a general election, and the Netherlands’ Party for Freedom, led by far-right Eurosceptic Geert Wilders, won a surprise victory in November elections.

Any success of far-right parties across Europe could result in growing opposition to EU environmental, immigration and human rights policies.

However, there are also signs of pushback against the rightward shift. Since early 2024, hundreds of thousands of protestors in Germany have marched against right-wing extremism and the Alternative for Germany (AfD) party in a series of major demonstrations. Although largely peaceful, protests in Munich and Hamburg had to end early because of overcrowding. Demonstrations also took place in Austrian cities.

In Poland, pro-EU Donald Tusk was appointed Prime Minister, ending eight years of rule by the nationalist Law and Justice party, while the UK is likely to move further towards the left in a general election expected to take place later in 2024.

*“Many European governments are still challenged by socioeconomic problems stemming from the Covid-19 pandemic as well as the ongoing conflict in Ukraine. In a context of poor economic performance, populist messages can be amplified, which boosts the appeal of extremist parties.”*

*“The rise of far right and populist politics in Europe is a cause for concern because polarization and unrest within societies are fueled by fear. They undermine trust in institutions and challenge people’s sense of a common purpose built on shared values,”* says Todorovic.

*“The impacts of a political shift to the right and subsequent policy changes endure long after a political party’s term in office,”* Todorovic adds. *“They fundamentally change societies and public attitudes and make the next electoral shift to the center or left seem drastic, creating the potential for schisms and potentially violent responses from those who feel underrepresented by a regime change.”*

## Other elections to watch

The South African elections in May are a potential flashpoint. Polls indicate votes for the ruling African National Congress could dip below 50%, forcing it into a coalition – a first at national level – after being in power for 30 years.

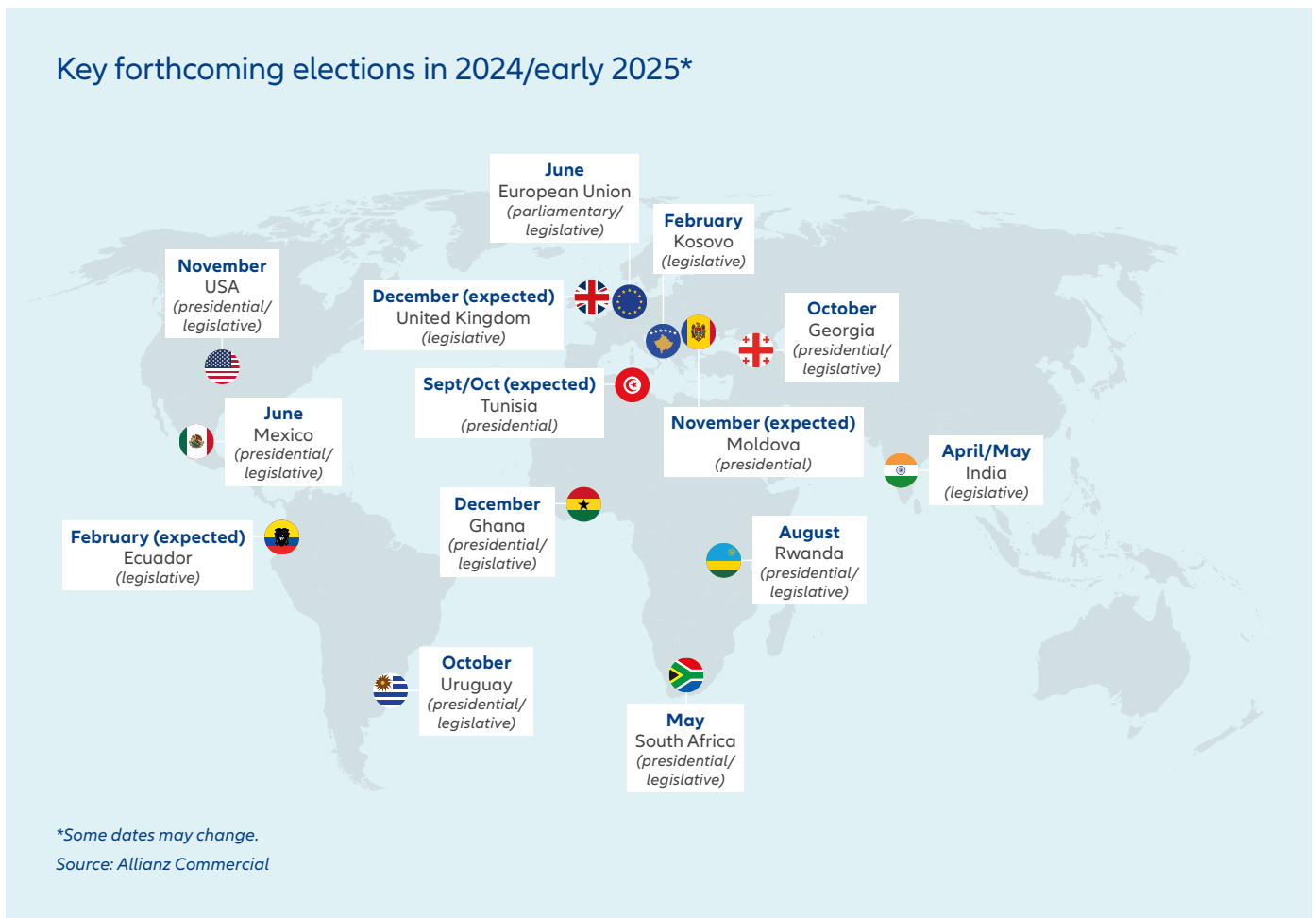
*“South Africa suffers from very high unemployment, particularly among the young, and significant wealth inequality,” says Etienne Cheret, Regional Practice Group Leader, Crisis Management for the Mediterranean and Africa Region, at Allianz Commercial. “Crime, corruption, and blackouts have caused widespread frustration. There is already a high level of disillusionment among the population, so we are watching the situation very closely.”*

Todorovic adds: *“In Mexico, where there is a general election in June, we have already seen pro-democracy protests targeting the ruling party take place across the country, so the situation there is also on our radar.”*

The Indian election is likely to be won by the popular incumbent Prime Minister Narendra Modi, his third term, but Modi has faced accusations of discrimination of minority groups, which raises the risk of ethnic and religious frictions.

*“The UK election is likely to be highly charged, but the culture of violent protests is not the same as in other European countries, such as France,” says Todorovic. “So far, most elections we have seen in 2024, despite a few related SRCC challenges, have passed over relatively peacefully, including those in Taiwan and Indonesia.”*

### Key forthcoming elections in 2024/early 2025\*





# The morphing of misinformation

Technology and AI are enabling ever-more sophisticated and personalized platforms to spread misinformation, with deepfakes a particular area of concern.

Manipulated and falsified information is now the most severe short-term risk the world faces, according to the World Economic Forum. Its Global Risk Report<sup>21</sup> says misinformation and disinformation could radically disrupt electoral processes in several economies, triggering civil unrest and confrontation, and deepening polarized views in societies where political opinion is entrenched.

A group of 20 tech companies, including Google, Microsoft, Meta, TikTok, IBM, Adobe, and Amazon, announced a commitment in February to adopt “reasonable precautions” to prevent the spread of AI misinformation ahead of this year’s elections. AI-generated deepfake content has already been used to interfere with the US election, when thousands of households received a fake robocall that used AI to mimic President Joe Biden in January, encouraging them not to vote in New Hampshire’s primary election. In February a deepfake news report about a supposed assassination attempt on President Macron of France spread quickly online.

Kent Walker, Google’s president for global affairs, said in an interview that given the breakneck pace of AI development there was a danger of “micro-targeted” deepfakes being customized to influence small but potentially decisive parts of the electorate through some social media platforms.<sup>22</sup>

Alongside deepfakes, there are concerns about the repurposing of existing imagery for disinformation purposes as well as convincingly crafted personalized emails or text messages.

*“Where people feel a sense of grievance or perceived injustice, receiving a compelling personalized communication could be the nudge they need to vote a certain way, or a motivation to take their frustration on to the streets,”* says **Srdjan Todorovic, Head of Political Violence and Hostile Environment Solutions at Allianz Commercial.**

*“Public disaffection with governments that have not heeded their concerns or demonstrably changed their lives for the better is driving mistrust and cynicism, which can be exploited by misinformation, undermining the legitimacy of governments and media sources. This mistrust can be stoked by populists for their own ends. There is also the additional danger that genuine evidence can in turn be dismissed as ‘fake’ by those acting in bad faith.”*



## 5bn

Number of social media users worldwide

## 5.8bn

Users expected in 2027

*Demand Sage, Social Media Users 2024 (Global Data & Statistics), March 4, 2024*



## Farmers galvanize across Europe and beyond

Farmers have protested across the continent, attracting populist support and effecting policy change.

Setting fire to hay bales, dumping manure on city streets, throwing eggs, and blocking roads with tractors. Across Europe, farmers have caused disruption as they mobilized in protest at EU environmental regulations, foreign competition, higher input costs, subsidy cuts, farm-gate prices, and bureaucracy.

The protests have amplified fears among policymakers of a 'greenlash' against net-zero regulation. Far-right parties across the bloc have embraced the protests, which highlight issues they will be playing on in the run-up to the European elections in June, including Euroscepticism and frustrations with onerous climate-change policies, excessive bureaucracy, and the attitude of so-called metropolitan elites. According to data from risk analysts Verisk Maplecroft, the countries that have been hardest hit by the farmers' protests include those already highly ranked for risk of civil unrest (see map on page 17).

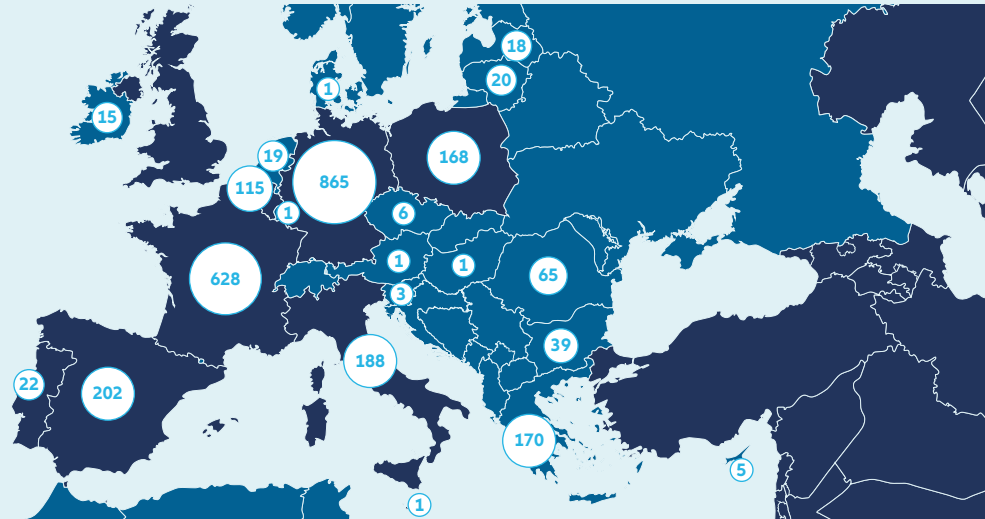
*"We've seen certain governments in Europe move quickly to meet environmental pledges, but their plans risk being derailed if the agricultural sector and rural communities believe they are being asked to shoulder an unfair burden," says Etienne Cheret, Regional Practice Group Leader, Crisis Management for the Mediterranean and Africa Region, at Allianz Commercial. "At a time when food security is a critical issue in the world, farmers have a very strong hand. Agricultural communities are under pressure from many sources, and their discontent risks being exploited as political capital, which could further heighten risk of unrest and polarization."*

## Civil unrest and farmers' protests in Europe, 2024

The countries most impacted by demonstrating farmers include France, Germany, Spain, Italy and Poland, which already ranked very highly for civil unrest.

### Civil Unrest Index 2024-Q1

- Very high risk (0.00-2.50)
  - High risk (2.50-5.00)
  - Medium risk (5.00-7.50)
  - Low risk (7.50-10.00)
- Number of farmer protests  
1 January-2 February 2024



Source: Verisk Maplecroft, ACLED, Europe 5 Risks to Watch

The farmers have already succeeded in bringing about policy shifts. French Prime Minister Gabriel Attal has pledged a new law to strengthen farmers' positions in negotiations with retailers and safeguard their salaries, while concessions from the EU include shelving an anti-pesticide proposal the European Commission President Ursula von der Leyen said had "become a symbol of polarization", as well as shielding farmers from cheaper products from Ukraine.

In India, farmers have also been marching, demanding guaranteed prices for their crops. In February, police fired tear gas at protestors to try and prevent them reaching the capital New Delhi. Authorities have also erected roadblocks and suspended internet services in some areas. A government proposal of a five-year contract for guaranteed prices for certain crops was rejected by farming leaders in mid-February.

The recent protests have revived a movement from 2020-21, when thousands of farmers camped on the outskirts of New Delhi for over a year in protest at agricultural laws which the government later repealed.<sup>23</sup> Protestors say the government has not kept the promises made to them during these previous protests, when dozens of farmers died due to weather conditions and Covid-19.



We've seen certain governments in Europe move quickly to meet environmental pledges, but their plans risk being derailed if the agricultural sector and rural communities believe they are being asked to shoulder an unfair burden



# Climate change will intensify protests

Record temperatures will likely motivate further environmental protests by activists using more sophisticated tactics.

With 2023 the hottest year on record and 2024 forecast to likely be even hotter, the climate emergency grows ever more acute. Between 2022 and 2023, environmental activism incidents increased by around 120%, according to risk intelligence firm Seerist (see chart), and climate activists are expected to intensify their efforts going forward, using more disruptive tactics to further their cause.

*“Government inaction over climate policies or the rowing back on net-zero commitments could galvanize environmental activism,” says Srdjan Todorovic, Head of Political Violence and Hostile Environment Solutions at Allianz Commercial. “As well as the high-profile protests we’ve seen up until now, such as the blocking of airports or road blockades, we anticipate a trend towards using more targeted tactics. There is a chance that more environmental protests could escalate from acts of nuisance to larger criminal acts.”*

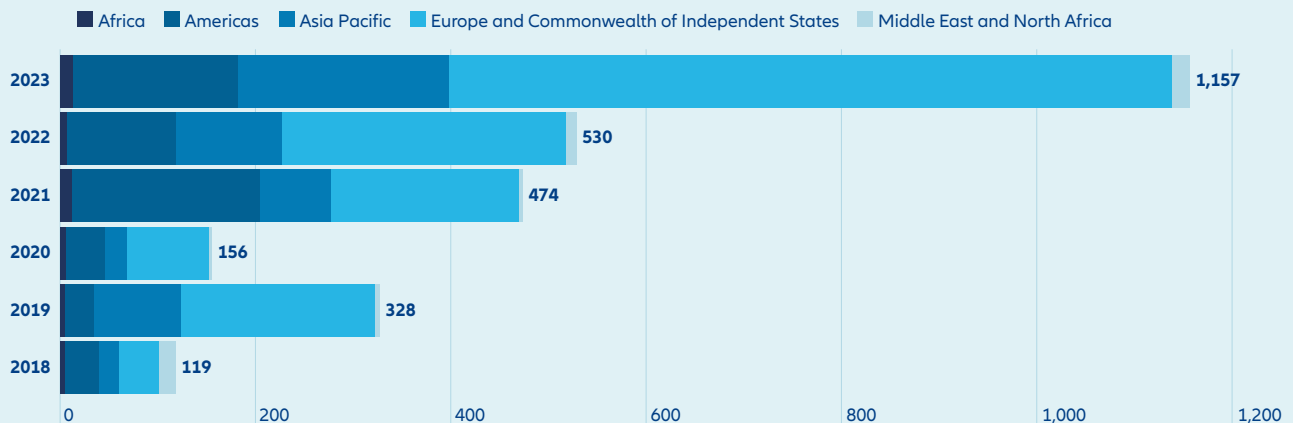
In Berlin, Germany, a left-wing extremist group called Vulkan claimed responsibility for an arson attack on an electricity pylon, which suspended production at a local Tesla plant in March 2024.

Another activist group in Germany, Last Generation, announced in January that they would no longer superglue themselves to streets – their trademark practice – and that instead from March, they would move from “splitting up into small groups and blockading the streets” to convening “disobedient assemblies together with many people.” They plan to “publicly confront politicians and other decision-makers in front of the cameras.”<sup>24</sup>

Activists could increasingly target individuals – as was seen with the case of an Australian energy executive whose family home was targeted in 2023<sup>25</sup> – including politicians. In 2023, Just Stop Oil activists gathered outside the homes of British Prime Minister Rishi Sunak and Sir Keir Starmer, the leader of the opposition Labour Party in the UK. Companies, governments, transport, and infrastructure remain targets.

## Environmental activism incidents, 2018-12 December 2023

More environmental activism incidents were recorded in 2023 than in 2022 and 2021 combined



Source: Control Risks/Seerist, Ten global topics and trends to watch in 2024

# Friend-shoring and near-shoring hubs introduce new risks

Efforts to diversify supply chains to mitigate geopolitical risks could reveal hidden hazards in alternative markets.

As multinational firms look to diversify their supply chains into alternative markets to avoid geopolitical exposures, they are increasingly looking to 'near-shoring' or 'friend-shoring' as a solution. Near-shoring involves bringing production to a location closer to the point of sale, while friend-shoring locates production in countries deemed geopolitical allies.

However, companies could face rising political and security risks as a result of this pivot. An analysis of five-year trends in 40 emerging markets, including key manufacturing hubs such as Indonesia, Mexico, Poland, Thailand, and Turkey, reveals increasing risk across a combination of issues in 27 of the countries, according to risk intelligence firm, Verisk Maplecroft.<sup>26</sup>

Among the emerging markets, civil unrest is the main cause for concern, but government instability and exposure to conflict and terrorism also pose a threat.

Over three quarters of the emerging markets have seen a rise in civil unrest over the last five years, including Bangladesh, where textile workers forced the closure of hundreds of factories in wage-related protests in November 2023, and Indonesia, where protests broke out at the end of 2023 over minimum wage levels. Verisk research also highlights Mexico, which recently overtook China as the primary source of goods to the US, as the fifth highest risk country globally for civil unrest over the next 12 months. This is of particular concern where blockades and protests on commercial highways around urban hubs could disrupt the movement of goods and people.

Hungary, Poland, and Slovenia have also seen their political risk scores deteriorate over the last five years, including civil unrest and government instability since the start of the Ukraine conflict in 2022.

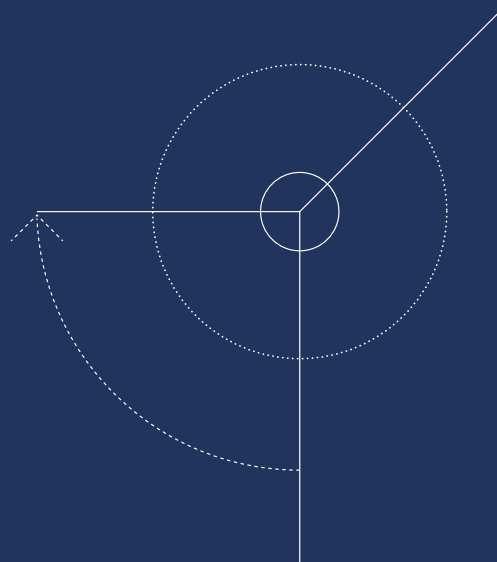
The Israel-Hamas war has thrown the vulnerabilities of international logistics into sharp relief, with attacks on commercial vessels in the Red Sea by Houthi rebels compelling shipping companies to find alternative routes, which are longer and costlier.

Asia-Pacific remains a key area of strategic competition, leaving supply chains exposed to a geopolitical push/pull between the US and China. The continuing use of trade and investment strategies by the world's two superpowers to increase their sway in Asia Pacific and the Global South will force many countries to walk a neutral line to derive maximum benefits, according to Verisk Maplecroft.

**Srdjan Todorovic, Head of Political Violence and Hostile Environment Solutions at Allianz Commercial,** observes:

*"In a volatile risk landscape, supply chain professionals are keen to establish certainty wherever possible, using scenario planning and monitoring risks in areas key to their operations. But with so many businesses seeking stability by diversifying supply chains, many face competition for limited resources. In some ways, the march to globalization over the last 60 years has become both our problem and potentially our solution. We cannot dismantle our supply chains quickly, but how much do we really want to? Although economic interdependence is no guarantee of peace, international trade does create a powerful incentive to maintain positive relations with foreign trading partners."*

*"However, it is not only geopolitical instability that necessitates a rethinking of our supply chains. Businesses should be mindful of reducing their exposures to natural catastrophes as climate change is intensifying extreme weather events and heightening supply chain fragilities,"* Todorovic concludes.



# Organized crime evolves in Latin America

Businesses operating or diversifying into Latin America face an increasing risk from organized criminal groups and street gangs, while the election of populist governments could result in democratic erosion.

The security situation in many Latin American locations has deteriorated as criminal organizations expand their reach geographically and use increasingly sophisticated methods in their activities.

Organized crime in Mexico has escalated from the northern and coastal regions to include southern areas, with traffickers expanding their presence across borders into previously peaceful countries such as Costa Rica, Chile, Ecuador, and Uruguay. They are also deepening their ties to groups in other countries, including Colombia and Ecuador, using local gangs as proxies.

Ecuador has seen a marked deterioration in security, with a homicide rate that increased fivefold between 2016 and 2022.<sup>27</sup> In January, masked gunmen stormed a TV station during a live broadcast before being overpowered by soldiers. Criminal groups in Brazil are consolidating and expanding from street gangs to international drug traffickers and into other black markets.

In addition to the drugs trade, criminal gangs are involved in scams, theft, extortion, counterfeiting and kidnapping. In Mexico, they are using highly developed tactics to carry out their activities, including attacking security forces with improvised explosive devices and using drones to drop grenades on targets.

As well as the cost to human life and business, the other indirect casualty from the region's drug cartels could be the strength of democratic institutions. Latin Americans weary of rising crime have elected illiberal governments or are advocating authoritarian anti-crime measures such as those carried out by President Nayib Bukele in El Salvador, where an estimated 75,000 people have been arrested under emergency measures that have been repeatedly extended.<sup>28</sup> The leader has been accused of human rights violations, but crime rates have fallen dramatically, and he won a landslide victory to be re-elected in February 2024. Bukele has also become a role model for other politicians in Latin America, and his zero-tolerance policies are seen by many people in the region as an acceptable trade-off for security.

*"Criminal gangs across Latin America leave states vulnerable," says Srdjan Todorovic, Head of Political Violence and Hostile Environment Solutions at Allianz Commercial. "While the effects of criminal violence may not impact businesses in the region directly, the operational risk to firms extends beyond the political and ideological issues at play. The level of resource that tackling criminal gangs demands from governments and law enforcement agencies means the impact of organized crime can be far-reaching. And although crackdowns on crime can have immediate effects, they may not be long-lasting and there is the potential for them to be reversed under a new administration with different allegiances."*







# Terrorism risk a mixed picture

Terrorism is overwhelmingly associated with countries in conflict, but activity is expected to increase in Europe and the USA as a result of the Israel-Hamas war. Protests against events in Gaza could heighten risk of civil unrest if they escalate.

The number of deaths from terrorism increased by 22% in 2023, according to Vision of Humanity's Global Terrorism Index,<sup>29</sup> and is now at its highest level since 2017, although the number of incidents fell. 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.

Violent conflict is the primary driver of terrorism around the world, accounting for 90% of attacks, and 98% of terrorism deaths in 2023 occurred in countries in conflict. The epicenter of terrorism has moved from the Middle East and North Africa to Sub-Saharan Africa – the most affected region globally – and is largely concentrated on the Sahel region. Burkina Faso (in the Sahel) is the country most impacted by terrorism, with deaths increasing by 68% to almost 2,000 people – a quarter of all terrorist deaths globally.

Terrorism in the West has fallen to its lowest level for 15 years, with 23 attacks in 2023 (a 55% drop on 2022). The US accounted for 76% of terrorism-related deaths in Western democracies, with five out of seven attacks linked to people with far-right sympathies or connections.

*"Although we have not yet seen terrorism incidents increase in Western Europe and North America, we expect the risk of these to increase the longer the Israel-Hamas conflict continues," says Srdjan Todorovic, Head of Political Violence and Hostile Environment Solutions at Allianz Commercial. "This is primarily driven by a radicalization of certain parts of the population in these regions. Calls for violence from militant factions could embolden them. The risk is higher in countries that are deemed to be pro-Israeli."*

*"Foreign policy has been a big driver of increased terrorism activity in Europe – we have seen this in the last 15 years and it will repeat itself. In addition, we now have rising risks from the far right as well as from the extreme left and environmental sabotage."*

**Etienne Cheret, Regional Practice Group Leader, Crisis Management for the Mediterranean and Africa Region, at Allianz Commercial,** adds: *"In Africa, peacekeeping forces have been withdrawing from the Democratic Republic of Congo and Somalia as well as from countries in the unstable Sahel region [which includes Burkina Faso, Mali, and Niger]. This risks creating security vacuums, which could then be exploited by armed groups and militants. Although these vacuums are some distance from European borders, their effects will be felt in Europe, as they were when ISIS was most active in the last decade."*

# Political violence: risk management and insurance

Protect your people and property in times of upheaval with forward planning, swift action, and the right insurance cover.

The sustained political violence and strikes, riots and civil commotion (SRCC) activity in evidence around the world is a challenge not only for businesses but also for the broader insurance market because the coverage goes well beyond the political violence and terrorism class of business, says **Srdjan Todorovic, Head of Political Violence and Hostile Environment Solutions:**

*“Almost all property classes of insurance offer strikes, riots, and civil commotion coverage. The recent history of protests in Chile, South Africa, France, and in connection with the Black Lives Matter movement have demonstrated yearly the impact of the peril, which is why the super election year is being so well documented.*

*“Interest for political violence coverage continues to increase while reinsurance capacity and general appetite is reducing. Insurers continue to search for solutions to limit and better monitor their exposures as they note the deteriorating global situation. Businesses with multi-country exposures are showing a greater interest in political violence coverage than clients with smaller and simpler production and supply chains.”*

## Move fast to protect your people and property

Political violence risks are not just financial but can also impact operatives who work in or close to high-risk areas, operations, reputations and supply chains. So what can companies do to safeguard their assets and ensure business activities can continue? Allianz Commercial risk experts suggest considering the following steps when you first spot signs of any unrest or political violence that could impact your business.

- **Stay abreast of news on planned protests and government policies and implement a business continuity plan (BCP)** in advance if you do not have one in place already
- **Revise and update your BCP if needed.** Your BCP and your business processes might need amending if a regime introduces new requirements or if there is a risk of sanctions
- **Retail businesses on the high street should increase security and/or reduce inventory,** including those with high-value assets, those that are multinational or foreign-owned, petrol stations, pharmacies, and banks. Consider temporary relocation of inventory or assets if you are highly likely to be affected
- **Implement increased security measures at distribution centers**
- **Prepare for moving more services online** to support business continuity
- **Protect your supply chains** by ensuring diversity of geography and companies
- **Review your insurance policies.** Property policies may cover political violence claims in some cases but insurers also offer specialist coverage to mitigate the impact of strikes, riots and civil commotion via the specialist political violence market.

## Comparing political violence and terrorism insurance: what's what?

There are various types of insurance available to cover different political violence risk scenarios. Regardless of which type is selected, all political violence and terrorism insurance types can include the following main coverages:

### Property coverage

- Physical damage/losses sustained from an insured peril

### Business interruption/Contingent business interruption (CBI) coverage

- Reduction to gross/net earnings suffered due to the necessary interruption of a business' operations; and expenses incurred in attempting to reduce loss or increase operations elsewhere. Denial of access due to civil or military authority; supply chain issues

### Standalone terrorism and sabotage insurance

- Act of terrorism: An act or series of acts, including the use of force or violence, by any person or group(s) of persons whether acting alone or on behalf of any organization(s) committed for political, religious or ideological purposes
- Sabotage: Any wilful physical damage or destruction perpetrated for political reasons by known or unknown person(s)

### Standalone strikes, riots and civil commotion insurance

- Strikes: Any wilful act of any striker/ locked-out worker during a strike; any act of a lawful authority to suppress or minimize the strike's consequence
- Riots, civil commotions: Any political act committed in the course of a disturbance of the public peace by a group of persons; any act of a lawful authority's act to suppress or minimize a riot
- Malicious damage: Physical loss/damage resulting from a malicious political act committed during a public disturbance

### War and warlike perils

- Insurrection, revolution and rebellion: Deliberate, organized armed citizen/ subject resistance to a sovereign government's laws
- Coup d'état; mutiny: Sudden, violent and illegal overthrow of a sovereign government; resistance by members of legally armed or peace-keeping forces to a superior officer
- War; civil war: Conflict between two or more sovereign nations, declared or undeclared; a war carried out between or among opposing citizens of the same country or nation

*Note: "Full" political violence insurance typically includes all of the above. Coverage for any of the above could include physical damage, BI, CBI, denial of access, delay in startup and advanced loss of profit for construction projects, for example.*

### FURTHER INFORMATION FROM ALLIANZ COMMERCIAL

➤ [Civil Unrest risk bulletin from Allianz Risk Consulting](#)

➤ [Political violence insurance solutions](#)

➤ [Scenario Planning for Future Disruptions](#)

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## About Allianz Commercial

Allianz Commercial is the center of expertise and global line of Allianz Group for insuring mid-sized businesses, large enterprises and specialist risks. Among our customers are the world's largest consumer brands, financial institutions and industry players, the global aviation and shipping industry as well as family-owned and medium enterprises which are the backbone of the economy. We also cover unique risks such as offshore wind parks, infrastructure projects or Hollywood film productions.

Powered by the employees, financial strength, and network of the world's #1 insurance brand, as ranked by Interbrand, we work together to help our customers prepare for what's ahead: They trust us to provide a wide range of traditional and alternative risk transfer solutions, outstanding risk consulting and multinational services as well as seamless claims handling.

The trade name Allianz Commercial brings together the large corporate insurance business of Allianz Global Corporate & Specialty (AGCS) and the commercial insurance business of national Allianz Property & Casualty entities serving mid-sized companies. We are present in over 200 countries and territories either through our own teams or the Allianz Group network and partners. In 2023, the integrated business of Allianz Commercial generated around €18 billion in gross premium globally.

## Further information and contacts

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

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April 2024