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Interview

Political Violence Sparks New Insurance Interest, Execs Say

By [Angela Childers](#) · October 15, 2021, 2:31 PM EDT [Listen to article](#)

Many multinational companies that operate in countries with political uncertainty and civil unrest increasingly turn to political risk insurance to add a layer of protection above more traditional property terrorism insurance.



Heather Blaser



Jamie Oliver

Recent events, including riots, the Jan. 6 breach of the U.S. Capitol and social media's impact on organizing such events, have risk managers taking a closer look at this coverage, said Heather Blaser and Jamie Oliver, senior vice presidents and underwriters of war, terrorism and political violence coverage at Bermuda-based Mosaic Insurance.

Unlike traditional terrorism coverage, which requires the federal government to certify an event as an act of terror to trigger

coverage, political violence insurance covers business interruption and property damage due to actions motivated by politics, religion or ideology.

Blaser and Oliver recently spoke with Law360 about the trends in the political violence insurance marketplace, the challenges today's environment presents for underwriters and social media's wide impact on political unrest around the globe.

How has political violence coverage changed in the past decade?

Blaser: Political violence coverage insures physical damage and business interruption caused by a variety of perils — everything from acts of terrorism and sabotage to strikes, riots, and civil commotion, coup d'états and full war. The market has also expanded to cover perils such as active assailants in more recent years. In the U.S., the most notable event in recent history is 9/11. But the risks have evolved, and that scale of attack has not been seen since. In the U.S. we're seeing lone-wolf attacks, gun violence, [and] vehicles used [as weapons]. There's less property damage, but it is still impacting many, many lives. And the coverage has changed to adapt to the change in risk.

Oliver: Yes, the style of attack has changed over recent years, so coverage has evolved as well. The market has adapted quite well on the coverage side, taking new events into consideration. There's more coverage tailored to bodily injury and non-physical damage business interruption.

Has interest in purchasing this type of insurance product been growing in the U.S.?

Oliver: We have a good base of U.S. clients with international exposure who have always purchased political violence coverage. But the events that took place on U.S. soil this year and last have opened a lot of clients' eyes. So far, we haven't necessarily seen the uptick in buying this coverage that we might have anticipated, but it's on the forefront of a lot of risk managers' minds now. It's something we talk about to our brokers a lot.

Blaser: After the 2020 summer riots and strikes, there was pushback from the property market, which traditionally covers these perils, and it did draw attention to the political violence insurance market. This coverage includes these types of perils and can

offer alternative solutions.

Oliver: I think the property market might have considered the exposure and perhaps didn't price for it correctly as a covered peril. During renewals, they'll either exclude it or sublimit it, or increase the deductible.

What industries are the biggest purchasers of political violence insurance?



Political violence insurance covers business interruption and property damage due to actions motivated by politics, religion or ideology. (Photo by Lev Radin/Sipa USA)(Sipa via AP Images)

Blaser: It's interesting, the U.S. comprises a variety of clients. Some are required to buy terrorism coverage because of lender requirements. Then you have industries like entertainment, hospitality, hospitals, airports, municipalities — clients who are higher-risk. Within the policy, the triggering motive must be religious, political or ideological, according to the definition of terrorism. The most notable event our terrorism policy would have covered was the Boston Marathon bombing of 2013. If it involves an active assailant, but the motive is unclear — an example would be the 2017 [Mandalay Bay Hotel](#) shooting in Las Vegas, in which a lone shooter killed more than 50 people and injured over 500 — it would not be covered by the market standard political violence policy. However, there are active assailant products in our market that cover a scenario like this.

What are the biggest challenges in underwriting political violence coverage?

Blaser: There are two aspects to consider: volatility and randomness involved in the nature of the risk. In the U.S. today, it's hard to fully understand when or where the next attack is going to happen.

Oliver: Before the emergence of social media, you could see issues arising, but they took time to develop. Now, if tensions are developing, within a day or so many people are aware and events can escalate quickly. It's a very difficult thing to monitor and it's challenging for underwriters as well as clients. In six months' time, [policyholders] could be facing completely different issues and it's really hard to fully gauge what exposures will be throughout a particular policy period. Social media has greatly influenced the volatility and escalation of events, making it challenging to assess risk.

Blaser: Social media complicates risk assessment — it's hard to monitor just how quickly events escalate and spread geographically. In the U.S, you're not just going to have a reaction in one locale. As you saw from the Black Lives Matter movement, these protests happened nationwide. This type of phenomenon occurs in different countries too. You may have a region that has experienced centuries of conflict, but in current times social media connects people across borders, so people who may be far from the actual event can weigh in and react.

How do you stay abreast of emerging political violence risks?

Blaser: We have intelligence services we use daily when we assess risks. On the international side, for example, if we have heavy exposure in a particular country, we do a deep dive with intelligence services that can provide us up-to-the-minute analysis.

--Editing by Roy LeBlanc.

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