

Navigating New Forms of Volatility

# Strikes, Riots and Civil Commotion Risks in a Volatile World

Strikes and riots and civil commotions (SRCC) have escalated rapidly in recent years. Data analysed in Aon's 2019 Risk Maps forecasted 3 in 5 developed economies would face the potential for strikes, riots and civil commotion in 2020.<sup>1</sup>

Despite governments responding to the COVID-19 pandemic by closing borders and enforcing social isolation measures, recent political movements have impacted populations across the world. Incidents appear to no longer be in isolation, instead occurring on a coordinated global scale. Driven by evolving ideologies and changing sociocultural values, localised events are now increasingly gaining momentum across multiple regions.

Globally, recent losses (USD) caused by strikes, riots and civil commotion events include:<sup>2</sup>

<b>90 million</b>	<b>2 billion</b>	<b>77 million</b>	<b>170 million</b>	<b>821 million</b>
<b>France</b>	<b>Chile</b>	<b>Hong Kong</b>	<b>Bolivia</b>	<b>Ecuador</b>

The frequency and intensity of strikes, riots and civil commotion events are no longer limited to territories which have traditionally been deemed politically unstable, rather risks are escalating across all regions.

<sup>1</sup> <https://www.aon.com/2020-political-risk-terrorism-and-political-violence-maps/index.html>

<sup>2</sup> <https://www.insurancejournal.com/news/national/2020/10/13/586329.htm>

<sup>3</sup> <https://www.finews.asia/finance/30026-nearly-80-million-in-insurance-claims-linked-to-hong-kong-s-anti-government-movement>



## The impact on business

Businesses across the world are facing significant losses caused by strikes, riots or civil commotion. From damaged property and inventory to business interruption, the loss of revenue in the aftermath of an event can challenge businesses with immediate and long-term impacts.

“Riots triggered business losses in at least 40 cities across 20 US states in 2020, and financial losses are thought to rival the costliest civil disorder in US history – the Los Angeles 1994 Rodney King riots which caused USD 1.42 billion in damages<sup>1</sup>. In Hong Kong, ongoing unrest led insurance claims to reach around USD 77 million – the third-highest amount in the city’s history by incident<sup>3</sup>.”

## Managing SRCC risk

There are various established insurance products that cover SRCC and associated risks, such as malicious damage, terrorism and war, both in the cargo market and in specialist terrorism or political violence markets.



<sup>1</sup> <https://www.aon.com/2020-political-risk-terrorism-and-political-violence-maps/index.html>

<sup>2</sup> <https://www.insurancejournal.com/news/national/2020/10/13/586329.htm>

<sup>3</sup> <https://www.finews.asia/finance/30026-nearly-80-million-in-insurance-claims-linked-to-hong-kong-s-anti-government-movement>

“SRCC coverage has traditionally been a standard bolt-on to a cargo placement via specific SRCC clauses, with little conversation around the actual exposure or premium being charged. This has started to change, with markets being increasingly focussed on the scope of coverage being provided relative to the potential risk exposure. Additionally, some cargo underwriters have started to question whether SRCC coverage should more appropriately be underwritten in specialist markets, such as terrorism or political violence, where such risks are closely monitored.

It’s important for businesses to understand the coverage available in the cargo market and the potential limitations of standard ‘all risks’ cargo policies.”

Kris Kimble, Director - Marine Cargo at Aon

SRCC, much like war, is excluded under standard ‘all risk’ cargo clauses, however, coverage is typically written back into cargo policies using specific provisions e.g. Institute Strikes Clauses (Cargo) – CL.386 and SR&CC Endorsement (form No.9).

#### Solution spotlight: cover for SRCC

Cover for physical loss or damage cover as a result of:

- Strikers, locked-out workmen, or persons taking part in labour disturbances, riots or civil commotions
- Terrorism
- Any person acting from a political, ideological or religious motive

Firms with exposures need to understand the coverage provided by each policy, where/if coverage intersects, and if there are any gaps in coverage which could leave the business exposed. For example, static terrorism coverage is not provided for under the above SRCC writeback clauses due to the standard use of the Termination of Transit Terrorism Exclusion clause.

It’s important for businesses to consider the coverage available in the insurance market for SRCC risks. Working with industry specialist brokers can help businesses fully understand the scope of current coverage and explore mechanisms to minimise any changes in the market. There should be conversations around:

- Identifying when coverage attaches and terminates for certain perils
- Focusing on the distinctions of what constitutes SRCC, terrorism or war to avoid any disputes arising from ambiguity across varying definitions of the SRCC perils
- Distinguishing between what would be considered a single event or occurrence for the purpose of applying limits and deductibles



## How is the cargo market responding?

Retailers have experienced far greater losses as a result of SRCC events and therefore organisations with retail store exposure are seeing their coverage being closely scrutinised, with some cargo markets potentially looking at increasing deductibles, reducing/aggregating limit or even removing coverage entirely from a cargo policy.



## Key takeaways

- SRCC events are increasing in frequency and severity, and not limited to territories which have traditionally been deemed politically unstable
- SRCC coverage has often been included with little or no premium associated to the risk
- Underwriters are increasingly focused on the scope of coverage being provided, with some calling for SRCC risks to be covered in specialist markets
- Standard 'All Risks' cargo policies can have limitations and it's important to discuss the nuances of SRCC coverage in the cargo market
- Ambiguity exists, and disputes may arise, given the varying definitions of the SRCC perils and there is a very thin dividing line between what constitutes SRCC, war or terrorism
- Working with a specialist broker enables businesses to fully understand available coverage and explore mechanisms to minimise the changes in the market

## Our experts

If you would like to discuss any of the topics raised in this article, please contact:

### **Kris Kimble**

Director - Marine Cargo

London

t +44 207 086 4214

[kris.kimble2@aon.co.uk](mailto:kris.kimble2@aon.co.uk)

### **Shady Ismail**

Senior Vice President – Marine

San Francisco

t +1 415 769 6476

[shady.ismail@aon.com](mailto:shady.ismail@aon.com)

## About Aon

Aon plc (NYSE:AON) is a leading global provider of risk management, insurance brokerage and reinsurance brokerage, and human resources solutions and outsourcing services. Through its more than 50,000 colleagues worldwide, Aon unites to empower results for clients in over 120 countries via innovative risk and people solutions. For further information on our capabilities and to learn how we empower results for clients, please visit: <http://aon.mediaroom.com>.

© Aon plc 2021. All rights reserved.

The information contained herein and the statements expressed are of a general nature and are not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information and use sources we consider reliable, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation. Aon UK Limited is authorised and regulated by the Financial Conduct Authority.

**aon.com**