

# POLITICAL VIOLENCE & TERRORISM

## Market trends

2022 has been marked by the Russian-Ukrainian conflict that started on February 24, 2022 with the military operation conducted by Moscow. The war at the gates of Europe has resulted in a systemic change in the Political Violence & Terrorism (PVT) market, comparable to the attacks of September 11, 2001. This armed conflict is in fact creating an unsettled economic climate, disrupting trade flows, supply chains and the availability of natural resources. These tensions could fuel a return of strong social protests.

For the past three years, the PVT market has been experiencing a tightening of underwriting conditions. Due to the general increase in social protests, the number of claims due to political violence such as riots and civil unrest has risen considerably around the world. The Russian-Ukrainian conflict is now generating a significant number of war claims for all market players. These developments mark the beginning of a sustained hardening of market conditions. Although a wide range of coverage remains available, there has been a reduction in underwriting appetite for certain types of risks, such as strikes, riots, civil commotion and war.

## Capacity and developments in coverage

The insured economic losses related to the Russian-Ukrainian conflict are estimated at more than 5 billion US dollars. As "war" coverage in the PVT market cannot be terminated, the insurers are obliged to compensate the insured for their losses. Due to the size of the economic losses resulting from future claims, we are seeing a reduction in available capacity and underwriting appetite.

A reduction in the coverage provided by the PVT market is therefore to be expected. It is no longer possible to cover Belarus, Russia and Ukraine. Moreover, insurers are paying particular attention to developments in the conflict and its possible spillover into other neighboring countries. The escalation of tensions between China, Taiwan and the USA is accentuating this trend. Due to the armed conflict in Ukraine, insurers are being forced to reconsider their war risk aggregates and will no doubt limit their capacity for these risks.

The hardening of the market is leading to a rethink of underwriting and policies. In this respect, Diot-Siaci works with its clients to find optimized coverage limits based on ongoing risk analysis. It should be noted that insurers are becoming extremely vigilant when it comes to declaring insured values so that they can better manage their «strikes, riots and popular movements» and «war» aggregates. Lastly, in the context of a hard market, Non-Damage Business Interruption coverage will almost certainly be sub-limited and coverage of the "unnamed suppliers" type will probably be excluded at the next round of renewals.

The geopolitical environment is influencing the renewal of insurance and reinsurance policies, as some insurers are no longer able to underwrite or have left the market, following the example of WR Berkeley. Insurers renewing their reinsurance treaties at January 1, 2023 have already started working on the terms of renewal with their reinsurers. However, these terms will not be known until later because of the recent volatile developments in the PVT market. This uncertainty will undoubtedly affect the renewal of policies expiring on January 1, 2023. Solutions to be envisaged to offset the reduced appetite of insurers could be to increase deductibles or the involvement of a reinsurance captive for events such as strikes, riots, civil commotion, and war.

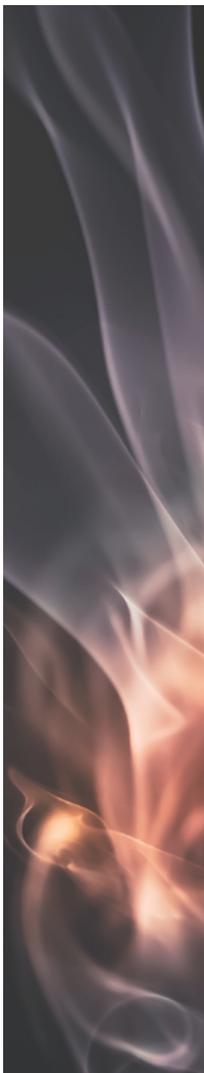
The PVT market is a "catastrophic" risk market. In recent years, it has been increasingly affected by the recurrence of claims paid out in Chile, Colombia, Senegal, South Africa, Hong Kong, USA, and France. The facilities set up in London could also be reworked in order to provide a better framework.

## Pricing trends

Premium rates are likely to increase by an average of 50% to 100%, possibly even more, as claims are settled, if conditions remain stable. This pricing increase will depend on the economic sectors, particularly the retail sector which has been heavily and recently affected, as well as the geographic scope of coverage.

Technical pricing based on coverage and country risk is no longer valid as insurers have reverted to a premium rate calculated purely on the real cost of capacity.

Ultimately, the Political Violence & Terrorism insurance programs will undergo significant changes.



## INFLATION

Due to the Russian-Ukrainian conflict and tensions in the supply chains, most national economies are facing an inflationary spiral (+9.1% in the euro zone in August 2022). Although the central banks have taken action by raising key interest rates (an increase of 1.25% by the ECB in September 2022), this phenomenon could persist over the months to come. This trend raises fears of a global economic recession with severe societal consequences that could impact the Political Violence & Terrorism market.

This crisis in the supply of commodities (oil, gas, food and water resources) which is causing a global rise in prices, could lead to an increase in social unrest, particularly in import-dependent areas.

Unprecedented national political crises could result from commodity crises if state structures no longer meet the economic needs of the population.

In this context, the Diot-Siaci Political Risk Department:

- Assists and supports our clients by monitoring the economy to be in the best possible position to manage the consequences of a downturn in the situation in insured countries.
- Optimizes placement solutions, offering different options at the next round of renewals of "Political Violence & Terrorism" programs.
- Works in collaboration with the group's Property & Casualty teams and the International Department teams to negotiate contractual clauses with insurers to limit the effects of the crises, and in particular the effects of inflation.



**Emmanuelle Biehler-Marghieri**  
Director Political Risks

# DIOT-SIACI'S EXPERTISE

## What is our operational technical expertise?

Our team is solution-oriented in the placement of our clients' complex risks. We are organized in project mode and coordinate with the other teams of the group to avoid silos and provide 360° cross-company coverage. Our in-depth knowledge of the Paris, London and Singapore markets means we can obtain the best coverage at the right price. Claims are handled throughout the entire process by the team.

## How do we assist and support you?

We devote our time and resources to understanding our clients' needs and the economic risks associated with their business in a world of constant change and increasing geopolitical and regulatory threats.

## What can we offer you?

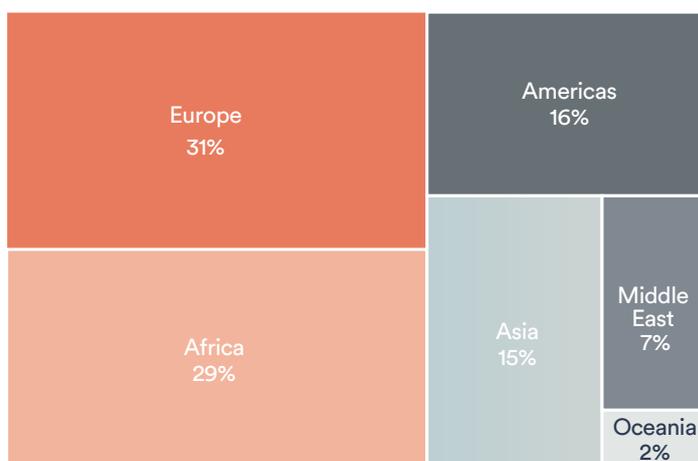
Dedicated and recognized technical teams. Proven methods of negotiation, placement and administration in both production and claims. Preferential access to markets. Expertise in the Political Violence & Terrorism market.

## What makes us different?

We provide assistance and support throughout your operations to determine the strategy to adopt and ensure the best possible coverage and claims payment. Specific negotiated coverage.



Geographic distribution of insured assets



€400 billion in insured assets



Coverage in 124 countries



35% of CAC 40 companies are clients