

# The rise of political violence and the impact on business interruption



Political violence and civil unrest carry profound consequences for individuals and local communities, disrupting daily life, livelihoods, and social stability. These events also have far-reaching effects on commercial activity, increasingly interrupting business operations across global markets.

As such disruptions become more frequent and geographically widespread, their impact is being felt within the London market, where (re)insurers are seeing a discernible rise in Business Interruption (BI) claims linked to political violence (PV).

McLarens is managing a growing number of such claims, including losses from riots, looting, and war-related damage to energy and renewable energy infrastructure worldwide. These losses can be substantial (multi-millions), and as a result, the demand for PV cover and extensions has grown as policyholders seek to protect themselves in an increasingly volatile geopolitical landscape.

## Why BI losses from political violence are becoming more frequent

The frequency of BI losses arising out of political violence reflects two simultaneous developments.

First, the operating environment for global businesses has become more volatile. Episodes of unrest, strikes, looting, Insurgency and cross-border skirmishes have become more common across regions, with a significant impact on industrial and energy infrastructure. Political violence can affect all industries, from heavy industry to sectors such as retail, logistics, renewable energy and more. Businesses can find themselves unable to trade not just because their assets have been damaged, but also because curfews, military activity, security cordons, or repeated flare-ups make normal operations impossible.

Second, more businesses are purchasing PV cover in addition to their normal All Risk property damage policies. The traditional BI wording was not designed to respond to many of the PV perils, which are often excluded. As the limitations of conventional cover have become clearer, demand for specialist PV extensions and standalone policies has increased, particularly for risks placed in the London market. These policies are intended to fill specific gaps - for example, where war, insurrection, strikes, riots or civil commotion may otherwise be excluded - and are increasingly being seen as part of standard multinational risk management.

## The nature of the losses

Political violence can interrupt business on several fronts. Retailers may shut outlets due to looting or fear of unrest. Energy companies may lose access to fields or plants affected by military activity. Renewable energy operators may see assets vandalised, seized or repeatedly looted. In one example, a solar power facility in a warzone suffered multiple incursions over time, with equipment removed or damaged on successive occasions, raising complex questions about whether there was a single underlying cause or multiple triggers for indemnity periods.

Similarly, a drone attack on oil infrastructure can abruptly halt production, resulting in immediate and substantial BI losses. Even where reinstatement of physical damage is relatively quick, restrictions on access, ongoing insecurity and sanctions-related constraints can prolong the period of interruption. The losses attributable to physical damage, as opposed to the effects of political violence, are often blurred, making investigations more complex and intricate.

In many cases, BI far exceeds the value of physical loss, and claims can continue, sometimes indefinitely. This is driving greater scrutiny of wordings around indemnity periods, triggers, commencement dates and whether repeated disruptions constitute separate losses or a single continuous event.



## The practical challenges of quantifying losses

If BI losses from PV are becoming more frequent, they are also becoming harder to quantify.

The first difficulty is information. In volatile environments, adjusters may not be able to access sites or engage freely with local personnel for extended periods. Even establishing basic facts such as the precise date of loss or whether physical damage has occurred can be challenging. Reliable operational and financial records may be unavailable or inaccessible for months after an incident.

Secondly, establishing causation can be a challenge. Many policies require physical damage or direct political violence at or near the insured location to trigger cover. Losses arising primarily from precautionary shutdowns, voluntary abandonment, or general economic instability may be excluded. Distinguishing between forced evacuation and voluntary withdrawal, or between political violence, looting and government action, is complex.

Thirdly, PV rarely occurs in isolation. Political violence often coincides with broader economic disruption, supply chain breakdowns, currency volatility or prolonged loss of market confidence. Separating BI losses caused directly by an insured peril from those caused by uninsured macroeconomic effects can be difficult. Establishing how the business would have performed in the absence of the PV event is therefore more uncertain than in conventional BI claims.

Periods of interruption are also more complex. Curfews, access restrictions and repeated flare-ups can extend downtime beyond the period required to repair damage. Stop-start interruptions may recur over many months. This complicates measurement of loss, aggregation of events and determination of indemnity period triggers.

Finally, increased costs of working behave differently under PV. Security expenditure, relocation costs, inflated transport charges and scarcity of contractors in conflict zones can substantially increase mitigation costs. Whether these costs are reasonable, economic and recoverable under the policy wording requires detailed technical analysis.



## Market response and implications for (re)insurers

As PV risks become more frequent and severe, underwriters are reacting in several ways.

- Pricing and underwriting are tightening. Greater frequency and more complex claims, often with high BI components, are feeding into higher technical rates and more rigorous scrutiny of exposures.
- Demand for specialist PV cover is likely to increase. Businesses recognise that standard BI policies may not respond to political violence or its indirect consequences.

- Claims handling expertise is becoming more critical. Adjusters, forensic accountants, insurers and reinsurers must be prepared to work with incomplete data, remote investigation methods and prolonged timelines. They must also be willing to form views on causation and quantum in an environment characterised by uncertainty and imperfect evidence.

## A landscape of rising uncertainty

Political violence is high on the global business risk agenda. Its impact on BI is twofold. On the one hand, direct insured losses under PV extensions are becoming more common and more severe. On the other, PV contributes to a broader backdrop of economic volatility that complicates the measurement and settlement of BI losses more generally.

For (re)insurers in the London market, this means greater exposure not only for large individual losses but also to more complex, data-poor and causation-contested claims. For insureds, it means that understanding coverage scope, wordings and the limits of BI protection has never been more important.

As geopolitical volatility persists, BI losses arising from political violence will likely continue to grow in frequency and complexity.

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