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WAR AND TERRORISM

THE NEW AGE OF ANGER IN EUROPE

As the pandemic worsens living conditions for populations across Europe, incidents of social unrest and riots are increasing. Joanna Hitchcock explains what's behind the growing instability.

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If asked to name a city synonymous with high culture, art, antiques and beautiful architecture, Paris would be high on most people's lists. This world-renowned capital is home to some of Europe's finest art galleries and museums – and according to most Hollywood movies, every hotel room has a view of the Eiffel Tower. Yet from the perspective of a terrorism underwriter, Paris is a very different city.

Seen through the lens of specialty insurance, Paris is a city ill at ease with itself. Street protests, riots and their attendant violence have made headlines in the media over recent years. In January, the press reported that the country was braced for protests should it enter a third national lockdown for COVID-19, with demonstrations already taking place on Parisian boulevards.

If you look back to late 2018 to see the damage caused by the "gilets jaunes" – rioters sporting yellow vests who protested because of rising fuel prices, the consequences for the French economy are concerning. It was the worst violence seen in central Paris for over a decade – and it was expensive. Francois Asselin, head of the Confederation of small and medium-sized businesses in France, was quoted

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in the Journal du Dimanche newspaper predicting that overall, the "gilets jaunes" movement will cost small and medium-sized businesses some €10 billion.

Perhaps less well known beyond central Europe, but still a major presence at disturbances in the country are so-called "Black Blocs" – militant anarchist protestors dressed in black and masked. The Black Blocs first emerged in Germany in the 1980s but since then have spread across the continent and beyond. Black Bloc protestors 'piggybacked' many of the gilets jaunes protests, adding a more violent dimension. While many of the gilets jaunes favour peaceful displays of resistance, the Black Blocs use violence as a signature tactic. Their involvement will inevitably increase the level of damage markedly.

Wider problems

In many respects, the dramas being enacted on the streets of Paris are indicative of a wider social malaise sweeping western Europe. The Netherlands in particular has seen unprecedented violence in the form of nationwide anti-lockdown riots in January 2021, that surprised even the most experienced war and terror underwriters. In fact, incidents of civil unrest are increasing globally, as seen in places as far afield as Hong Kong and Chile. The result is a hardening of the insurance market, due to both claims and a reduction in available capacity as some insurers withdraw from the class of business. For a decade, prices had softened due to infrequent losses but, over

the last 18 months, that has been turned on its head. While cover for terrorism remains flat in terms of cost, pricing for strikes, riots and civil commotion (SRCC) is suddenly rising in Europe.

So, what are the factors driving this rise in SRCC in countries like France, Belgium and the Netherlands? According to the 2020 Global Peace Index, published by the Institute for Economics and Peace (IEP), riots around the world increased by 282% in the last decade and general strikes were up by 821%. Europe experienced the most protests, riots and strikes. Perhaps most worrying, violent protests were recorded in 58% of countries over the course of 2019, a development the researchers said reflected a longer-term trend. Immigration, labour reform, economic volatility and the rise of social media have all played their part as have growing concerns about climate change.

Another factor set to create unrest is the COVID-19 pandemic, which led IEP researchers to sound this gloomy note over Europe's future: "Rising political instability is expected in Europe, with riots and general strikes set to increase... the economic impact of COVID-19 will magnify tensions by increasing unemployment, widening inequality and worsening labour conditions – creating alienation from the political system and increasing civil unrest."

The report cites Italy, Greece, Latvia and Poland among countries least likely to weather COVID-19 well.

Security threat

In France advances in the security forces' intelligence gathering and anti-terrorism strategy have made it difficult for any group to stage a large, organised set-piece act of terrorism. What has flourished, though, is lone wolf attacks using unsophisticated weapons – home-grown locally radicalised attackers armed with knives, machetes or even a truck. This is where the real threat to France and, indeed, other neighbouring countries like Belgium lies.

Changing landscape

Belgium has many of the same social issues as France – serious poverty, segregated social housing, a problem with the radicalisation of its young people. Many of the perpetrators of the 2016 attack on Brussels' airport had French or Belgian citizenship. While the Netherlands is less prone to street violence, the recent anti-lockdown protests there suggest that things may be changing. As far as underwriters are concerned, if a country as peaceful as the Netherlands can experience this kind of unrest, nowhere is immune.

Across Europe, the pandemic increased economic and social pressures, curtailed free movement and dented job security. Many people are facing reductions in their income or unemployment. With the service sector hit particularly hard, young people working in hospitality and catering have borne the brunt of the cuts.

If there is a wider question about the pandemic it is what degree of political change it will initiate. With national debts spiralling and some administrations

proving deeply unpopular as their efforts to fight the virus suffer setbacks, the potential for political change in the aftermath of the pandemic is a real one.

Clarity needed

For clients and their insurance brokers across Europe, the challenge now is to ensure that cover for SRCC is in place and is fully affirmed by underwriters. As it was not a major exposure for most European businesses, traditionally, cover for SRCC was incorporated into Property All Risks products, but it may also have appeared in a Political Violence policy or one for Terrorism. But now, in the wake of so many violent incidents and protests, clients want to be certain they have the necessary protection – and they want to know precisely where that cover is located.

Wherever businesses choose to buy their European SRCC cover, it is going to cost more. The uneasy mood on the streets in Europe coupled with the destabilising effect of the pandemic is driving up premium rates while leading to a firming up of terms and conditions. For underwriters, the key is to provide clear, transparent information to brokers and their clients alike. If nothing else, the pandemic has demonstrated the need for clarity in insurance contracts.

The streets of Paris, Amsterdam, Brussels and Berlin may look peaceful in the brochures and travel montages, but the cost of damage to the buildings and property that line their scenic street continues to rise. Businesses are learning the hard way that even in Europe's most peaceful town squares, the potential for violence is an increasingly tangible threat. ■

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