

Shifting powers



Meeting the challenges of the geopolitical landscape

Co-produced by Lloyd's and Cambridge Centre for Risk Studies



From migration to the retreat from globalism and the rise of social discontent, geopolitics has the potential to impact every other risk facing your business. How can you better analyse and prepare for the impacts of geopolitical risk? Our recent report, *Shifting Powers: meeting the challenges of the geopolitical landscape* has identified ten core themes that can help you understand the geopolitical landscape and outlines the types of insurance products to mitigate those risks.

Ten core themes used to analyse the geopolitical landscape

- | | | | | |
|--|---|----------------------------------|--|--|
| 1. The impact of COVID-19 on geopolitical relationships | 2. Greater power rivalry | 3. Localism vs. Globalism | 4. Multinationals at risk | 5. Terrorism and armed conflict |
| 6. Cyber, technology, and the new tech arms race | 7. Social discontent and local conflicts | 8. Political change | 9. Politics vs. Economics of climate change | 10. Migration and demographics |

Key findings

We face a future in which multipolarity, the equal distribution of power between two or more states, changes the behaviour of risks within the increasingly connected global system.

The COVID-19 crisis has also exposed areas of strength, resilience, and innovation that, if properly harnessed by policymakers, civil society, and business, may very well create new opportunities from the changing landscape.

There is a significant geopolitical “protection gap”, which leaves vital supply chains, smaller businesses, and emerging economies highly exposed to disruption from geopolitical risks.

The challenges of the geopolitical risk landscape may lead to a transformation in the relationship between insurers and risk professionals, by fostering improved data stewardship and threat monitoring across high-risk areas.



Meeting the challenges of the geopolitical landscape

There are several actions outlined in the report, that you can take now to help mitigate against geopolitical risks. Here are the top ten mitigating actions to use in your business:

Checklist: mitigating actions for geopolitical risks	Yes	No
1. Does your company have someone with clear responsibility for managing geopolitical risks?	<input type="radio"/>	<input type="radio"/>
2. Are you monitoring upcoming elections and considering how key infrastructure in your key regions could be affected?	<input type="radio"/>	<input type="radio"/>
3. Have you put measures in place to guard your IP and trade secrets against the event of a major cyber-attack?	<input type="radio"/>	<input type="radio"/>
4. Could your reputation stand up to increased environmental scrutiny?	<input type="radio"/>	<input type="radio"/>
5. Have you reviewed likely changes to customer sentiment in affected regions?	<input type="radio"/>	<input type="radio"/>
6. Given the trend towards home working, can you move your offices out of city centres?	<input type="radio"/>	<input type="radio"/>
7. Have you considered your supply chain exposure?	<input type="radio"/>	<input type="radio"/>
8. Do you review your legal contracts with suppliers and customers from the perspective of geopolitical risks?	<input type="radio"/>	<input type="radio"/>
9. Have you reviewed your medium and longer-term strategies for exposure to infrastructure projects?	<input type="radio"/>	<input type="radio"/>
10. Have you explored how a long-drawn-out conflict would affect your business compared to a short duration event?	<input type="radio"/>	<input type="radio"/>

Useful resources

Information for UK businesses on how to identify and mitigate security and political risks when trading overseas:

– UK government website: [Overseas Business Risk](#)

Lloyd's reports on:

- Building infrastructure resilience: [Future Cities](#) with Arup
- Risk management practices around intellectual property: [Safeguarding Intellectual Property](#) with KPMG
- Reputation management: [Safeguarding Reputation](#) with KPMG
- Workforce resiliency: [Safeguarding Human Capital](#) with KPMG
- Supply chain exposure: [Unearthing Opportunity](#) with Satarla and [Hidden Vulnerabilities](#) with AIR Worldwide

Next steps

Speak to your broker about your plans and how shifting geopolitical risks could impact your business.



Insuring against geopolitical risks

The table below is to be used as a guide for choosing the right type of insurance coverage.

Issues of concern (Type of Coverage)	Political Risk Insurance ¹	Security Risk Insurance ²	Sub-Type of Insurance
1. Physical Damage	Political Risk	Political Violence	
2. Contents			
3. Business Interruption (BI)			
4. Bodily Injury and Physical Damage Liability		Premises Liability	
5. Medical Payments			
6. Currency Inconvertibility (CI) and Transfer Restrictions/Exchange Transfer (ET)			
7. Contract Frustration			
8. Non-honouring of Sovereign Financial Obligations			
9. Bodily Injury and Physical Damage Liability		Liability Terrorism	Premises Liability
10. Medical Payments			Legal Protection Insurance
11. Legal Costs			Pollution Liability
12. Damages			
13. Legal Costs			
14. Accidental Death and Dismemberment		Kidnap and Ransom	
15. Ransom Reimbursement			
16. Ransom in Transit			
17. Emergency			
18. Evacuation Costs			
19. Consultancy Costs for Crisis Response Team			
20. Release of Ship		Maritime Piracy	
21. Physical Damage		Active Shooter	
22. Excess Physical Damage			
23. Contents			
24. Business Interruption (BI)			
25. Physical Damage	CBRN (Chemical, Biological, Radiological, Nuclear)	CBRN (Chemical, Biological, Radiological, Nuclear)	
26. Contents			
27. Business Interruption (BI)			
28. Bodily Injury and Physical Damage Liability			Premises Liability
29. Medical Payments			
30. Event cancellation		Contingency	
31. Non-payment	Structured Trade Credit		
32. Non-delivery			
33. Non-honouring			

¹ Political risk provides insurance against financial losses due to a political event. This can include both physical damage and economic impacts.

² Security Risk, also known as crisis management, provides insurance against losses due to a crisis event.