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Inflation driven political unrest in Latin America fuelling rising demand for political violence insurance

Chaucer's Political Violence insurance product has extension for Mexican cartel activity

Civil unrest events more than doubled in Panama and Ecuador

The number of protests and riots* in Latin America** increased last year, from 5,261 in 2021/2 to 5,575 in 2022/3, fuelling increased demand for political violence insurance coverage, says Chaucer, the global specialty (re)insurance group.

Chaucer says the rise in protests is being predominantly driven by inflation, which has led to food insecurity and exacerbated poverty in many countries across the region. Many of the protests have also been sparked by increasing energy costs in the wake of the Russian invasion of Ukraine.

Latin American countries that saw the biggest increases in social unrest in the past year were Panama and Ecuador. Panama experienced a 132% increase in the number of protests and riots from 22 to 51 as protesters demanded the government do more to curb soaring energy and food prices. Ecuador also saw the number of protests and riots more than double from 73 to 155. Demonstrators blocked roads and entry points to major cities and ports, impacting the transport of goods to the Panama Canal from Central American countries.

A change of Government in two of Latin America's biggest economies also contributed to the increase in civil unrest. Supporters of the defeated incumbent Jair Bolsonaro blockaded roads and highways across 23 states in protest of the election results in Brazil – leading to a 33% increase in protests and riots in Brazil from 916 to 1,215. Peru has also experienced a wave of protests led by left-wing groups and indigenous communities since December 2022 following the ousting of President Pedro Castillo. The country saw incidents of civil unrest rise 67% from 261 to 436.

Strikes Riots and Civil Commotion (SRCC) insurance provides coverage to businesses who have sustained losses from damage caused by riots, protests or other forms of unrest. It also provides coverage for losses arising from interruption to business resulting from highways or roads being blockaded due to protests and riots.

Following a steady rise in civil unrest since the Global Financial Crisis, insurers have increasingly excluded coverage for damage from strikes, riots and civil commotion from standard insurance policies. Demand for standalone policies to cover this risk has increased as a result of this. However, even within the specialist SRCC market, risk appetite has moderated, leading some insurers to limit the risks that they cover, particularly in traditionally more politically volatile regions.

Gabriel Mayorga, Political Violence Underwriter at Chaucer says: “Rising inflation coupled with the lingering aftereffects of Covid-19 on the global economy has created a perfect storm. People who have struggled as a result of high food and energy costs have taken to the streets in protest. Countries such as Chile and Peru have also experienced considerable political instability, with sharp swings between left and right-wing governments in recent years giving rise to protests.”

“Large loss events, such as the protests in Chile between 2019 and 2022 which caused \$3bn in damage has reminded corporates of the need for this kind of coverage and the integral role insurance plays in helping businesses get back on their feet following disruption.”

**ACLED – data includes ‘Looting/Property destruction’, ‘Mob violence’, ‘Protest with intervention’ and ‘Violent demonstration’ – year-end March 31st*

***South America, Central America, Mexico & the Caribbean*

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About Chaucer

Chaucer are a leading specialty (re)insurance group working with brokers, coverholders and clients to protect and support business activities around the world. Our services are accessed both through Lloyd’s of London and the company markets.

We are defined by an enterprising, bespoke approach to (re)insurance, enabled by the individual character, experience and imagination of our expert teams.

Chaucer is a member of the China Re Group and backed by their financial and operational resources. China Re is one of the world’s largest reinsurance companies whose outstanding and comprehensive strength is rated A (excellent) by AM Best and A (strong) by S&P Global Rating.

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