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The Clements Worldwide Risk Index is conducted bi-annually to gauge changes in risk perception (what concerns respondents most) versus the reality of what type of insurance claims are being filed and what risks organizations are spending the most time evaluating.

This is a crucial distinction, because what we think is the case, often – when looked at more objectively – is not.

This is not always the fault of the risk manager. Many risk professionals and executives, particularly at smaller organizations, may not have the skills to prepare for emerging risks and do not know where to access resources to help them.
TOP 5 RANKING ‘MOST CONCERNED’ ABOUT:

1. CYBER LIABILITY: 27%
2. TERRORISM: 22%
3. BUSINESS INTERRUPTION/SUPPLY CHAIN: 22%
4. PERSONNEL MEDICAL NEEDS: 21%
4. PROPERTY DAMAGE LOSS: 21%

TOP 5 RANKING ‘MOST PREPARED’ FOR:

1. PERSONNEL MEDICAL NEEDS: 32%
2. SHIPPING LOSS: 30%
3. BUSINESS INTERRUPTION/SUPPLY CHAIN: 25%
4. CHANGE IN LEGISLATION: 22%
5. POLITICAL AND LABOR UNREST: 20%
EXECUTIVE SUMMARY

The new 2016 Winter/Spring edition of the Clements Worldwide Risk Index (CWRI) exposes major trends and emerging risks for individuals and organizations around the world. Cyber liability remains a key concern for global firms, but the threat of terrorism is now significantly more pronounced for organizations and individuals, with 22% of respondents now identifying it as the ‘greatest concern’, double the figure registered in the previous 2015 Summer/Fall Clements Worldwide Risk Index edition.

Below are the key takeaways from this edition of the Clements Worldwide Risk Index:

1. **Terrorism and political violence represent increased concerns for international organizations, their assets and their personnel abroad**

   The marked increase in organizational concern regarding terrorism, political violence and commercial/personal losses abroad can be tied to the growing frequency, yet unpredictability of attacks both against businesses themselves and in locations where businesses operate. Concern over business interruptions was also registered by 22% of respondents, which can be tied to many of these same trends regarding unpredictability.

   Even before the terror attacks in France, Mali and San Bernardino, among others, concern over terrorism across NGOs, international organizations and individuals worldwide grew significantly. Echoing the results seen in the latest CWRI, the Foreign Affairs Council reports that their sources list more attacks on US soil as a top concern, reflecting today’s reality that terrorist activities may occur anywhere, at any time.

2. **Familiarity with certain risk is helpful, but better preparation reported as key**

   On a more positive note, survey respondents also related their increasing adaptation to the changing global environment, with preparation against risks for political and labor unrest climbing from 12% in the last 2015 CWRI to 20% in the most recent survey. That means organizations and individuals are more aware of their international insurance needs, and are planning accordingly.

   Also, strong correlation is seen between the risks respondents report being ‘most prepared’ for, and those that they indicate generate higher losses. Thirty-two percent of respondents claim to be most prepared for personnel medical risks, while 25% say they are most prepared for business interruption. The same respondents also ranked them among the top five loss-generating risks. This demonstrates risk managers’ familiarity with those risks as well as their rather manageable nature.

   For example, organizations with employees travelling in high-risk markets face unique health challenges, which may explain why they rank personnel medical risks as fourth in the list of top loss-generating risks. Risk managers, typically along with their HR colleagues, are equipped to manage this risk and feel most prepared to do so. Given that losses due to medical-related expenses went from being ranked first at 30% in 2015, to fourth at 23% in our new survey, better preparation and the right international health insurance coverage clearly help lower relative costs.
CONCLUSION

Operating abroad can be very costly to professionals and international organizations if proper measures are not undertaken to safeguard against increasing risks. Furthermore, their projects and missions overseas—among those the work of humanitarian groups and international aid and development teams, with resulting support for their beneficiaries—can be severely affected. The following pages offer information that may provide further insights and discussion points to address with global managers, in order to help protect individuals and organizational assets abroad. And as a leading international insurer providing global solutions to expats and international companies since 1947, Clements Worldwide can also help.

Cyber liability and social unrest risks remain major risk factors

Cyber-attacks, including corporate data-hacking, and the subsequent liability that may follow, can have massive financial implications for international organizations. According to recent reports, a global bank lost around US $1 billion in 2015, from one single foreign cyber-attack. The exogenous, potentially catastrophic nature of this risk, and the major liability consequences that it may carry for international organizations are reflected in the respondents’ ranking of this risk as the top concern in our survey.

Separately but along the same lines, CWRI respondents highlighted with their answers that the costs of political and election upheaval as well as economic demonstrations are real. Based on their own recent historic experience, 1 out of 4 (24%) respondents said their organization had reported losses for political and labor unrest in the previous 5 years, while 1 in 6 (16%, but 25% of NGOs) experienced major political violence incidents last year. But the message from international insurers about political violence and related risks is nonetheless getting across, and respondents are becoming better prepared against them. In the last 2015 CWRI survey, 12% stated were very prepared for political unrest. This time, 20% of respondents indicated so, reflecting closer management and better preparation for this type of risk.

Clements Insight:

“A relatively stable nation today may – by tomorrow – face political or economic challenges that spark a period of upheaval and unrest locally, nationally and even globally. Awareness of these possibilities among corporate decision-makers is not enough: we need to take affirmative action now so that we are ready to respond practically to these events and can react quickly and decisively on behalf of our people there on the ground, and our shareholders and other stakeholders.”

Chris Beck, President, Washington, DC

Protect property abroad!

Survey respondents ranked property-related claims as the largest category for losses. Losses of corporate property can be attributed to a variety of causes including terror attacks, riots, employee conduct, or natural disaster. Therefore, while risk managers appear rather comfortable managing plans that protect against medical exposures, the same is not apparently the case when it comes to the protection of commercial property abroad. Organizations have an interest in understanding how international property can be lost or damaged, and must act more decisively in securing protection against that. Expert insurance assistance can be a significant asset for an international manager in this area.

‘Business as usual’ is a thing of the past

The most telling argument that international risks are affecting global business operations is that 1 in 4 (27%) international organizations reported actually delaying or cancelling global expansion plans in the last year due to unforeseen risks emerging, up from 21% of respondents in the 2015 CWRI. More importantly, around 2 out of 5 respondents (38%) now claim that international risks facing their organization had increased over the previous year. Needless to say, more needs to be done to better understand and manage those international risks if individuals and organizations hope to continue expanding operations overseas.

For more information visit www.clements.com
Political unrest is standard in today's global geo-political environment: airline executives in France were physically mistreated by their own disgruntled workers this summer; in South Korea, the president faced calls to resign from widespread street protests as she tried to modernize labor laws; and polio workers in Pakistan, funded by Rotary International and the Bill and Melinda Gates Foundation, face opposition to their vaccination work, with daily physical intimidation and up to 70 reported deaths since 2012. These events can – and do – happen anywhere.

Our survey highlighted political/election protests (21%) and economic demonstrations (20% – and for many, related to anti-austerity or staff cutbacks) as major areas of concern. One in 4 (24%) stated their organization had reported losses for political and labor unrest in the previous 5 years, and around 1 in 6 (16%) had experienced major political violence incidents in the 12 months leading to the survey.

Despite this, more than three quarters (77%) reported that insurance spend in this area had decreased or stayed the same this year.

Clements Insight
“The threat is everywhere, and it is constant. One in 5 respondents stated that they were most prepared for political or labor unrest. Of course this means that, in reality, that 4 in 5 are less prepared than the current nature of this unrest suggests they ought to be given what we see all around us regarding protests over elections, concerns over currency manipulations, and general civil disobedience stemming from frustration over income inequality.”

Chris Baker, Director of Sales, Dubai
KEY FINDINGS

TERRORISM

More than 10,000 terrorist attacks occur every year around the world, over 7,000 ending in death, injury or kidnapping.

One in 10 respondents to the Summer 2015 Clements Worldwide Risk Index rated terrorism as their biggest concern - this has more than doubled this time to 22%. But despite this major shift in the last 6 months, still only 16% said they were as prepared for it as they could be.

Recent events in Paris are a reminder that acts of terror happen in the places we go: workplaces, concert halls, sports stadiums, restaurants and bars. We live global lives. We run global organizations. Our families, friends, colleagues, neighbors do too: 1 in 5 respondents reported losses due to terrorism since 2010.

Clements Insight

“When the U.S. State Department puts out a worldwide travel advisory, organizations sit up and take notice. We all have a duty of care to protect our employees from harm, but it is impossible to accurately predict where this harm could next occur. Those at the highest levels of organizations must prepare for the worst in order to mitigate the extent of damage when it occurs.”

Smita Malik, VP of Special Risks and Programs, Washington, DC

We must not give in to terrorism.
And we can prepare for its consequences.
KEY FINDINGS
DISTANCE MANAGEMENT AND BUSINESS INTERRUPTION

This survey is focused on those companies with far flung operations:

- One out of every 4 (24%) NGOs said that 76% or more of their operations are overseas
- One in 5 (19%) have more than 75% of staff based overseas

Even with the right plans and projects, we have no control over many of the external factors that can lead to supply chain or business interruptions, or threaten our people or property.

Clements Insight

“Setting up new operations or responding to unexpected catastrophes is inherently risky precisely because of the unknown factors. But these are risks – when properly assessed and mitigated – that are worth taking because of the benefits they can deliver on the ground and to an organization’s bottom line.”

Kevin Sargeant, Director of Sales, London
Business interruption insurance

Twenty nine percent claim that their biggest losses abroad were due to business interruptions – and only 1 in 4 (25%) said they were most prepared for such events.

Even with robust strategies and dedicated people in place, businesses in overseas markets sometimes simply must cease operations for a period of time.

But organizations can mitigate resulting losses by putting the right, targeted insurance in place that will compensate for lost income and possibly, after a waiting period, wages for staff that can not complete their work as a result of a business interruption event. (Typically, this does not set-in straight away).

As our operational landscapes change – and not all changes are welcome – so our historic approach to insurance may not suit our current needs. Organizations can find that historically reliable insurance policies have exclusions that turn in today’s climate from safety net to liability.

Our survey represents world leaders in their fields. They recognize that risk is a dynamic component of any enterprise, and that their challenge is to achieve sustainable and durable growth in the face of acceptable risk.

And yet in the 12 months leading to the survey, spend on business interruption insurance in this area decreased or stayed the same for 69% of these same organizations.
Sometimes the worst happens. If you are suddenly faced with a sick or injured colleague abroad, you need a rapid response and, if necessary, a door-to-door transfer service, delivering the best care and treatment available. Providing medical care for employees has been a fundamental component of how companies, particularly in the US, demonstrate their commitment to employee well-being. This carries overseas and respondents ranked it as the area where they felt ‘most prepared’.

Personnel at 1 in 6 organizations (17%) had experienced medical needs or had work-related accidents in the previous year. And 1 in 4 organizations (23%) reported medical-linked losses since 2010. These findings are not inconsistent with similar claims for a domestically-based organization.

More survey respondents (just over 32%) say that they are, nonetheless, most prepared for medical and accident emergencies than say they are concerned by the prospect of them (21% - one third fewer - say it is their greatest concern). For international organizations a proper medical plan typically includes medical evacuation as a standard protocol, which most of the ‘highly prepared’ organizations have adopted.

Clements Insight

“Providing medical coverage is the most personal of insurance policies as it can mean life or death to an employee or a family member. While it may not be the most newsworthy, it is the policy that has to be priority number one – with the right features for your overseas employees as so many members of staff are affected day to day.”

Sergio Sanchez, Senior Director of Marketing, Washington, DC
This year, again, there have been high profile hacking cases involving major blue chip companies. JP Morgan, Sony and others have lost billions of dollars in stolen funds and the resulting reparation, not counting loss of reputation and customer trust, will impact future revenues.

But smaller organizations are also at risk: approaching half (45%) of organizations with under 250 employees are at risk of cyber attack, with around one third (34%) of actual cyber incidents in 2014 affecting such organizations according to the Symantec 2015 Internet Security Threat Report.

**Given this context, our survey makes for sobering reading:**

- More than 1 in 5 (22%) reported losses in the past 5 years due to cyber crime
- Almost one third (31%) say their organization has experienced a cyber risk in the previous 12 months
- Over 1 in 4 (27%) say cyber attack is their greatest concern (24% of NGOs, and 29% other organizations)
- And yet fewer than 1 in 5 (19%) say they are most prepared against cyber liability and almost two thirds of respondents (64%) say that their insurance spend in this area has decreased or stayed the same this year

**Clements Insight**

“For every organization operating today, it is prudent to look at cyber exposure and how to transfer risks. The financial costs are really just the tip of the iceberg. When a cyber attack steals customer data or a humanitarian organization’s donor data, it erodes trust which is the most critical element of a relationship. Being prepared can demonstrate the amount of respect you have for all your organizations’ stakeholders.”

Scott Lockman, Director of Commercial Insurance, Washington, DC
KEY FINDINGS
PROPERTY DAMAGE

Different organizations rightly have different priorities, based on their business strategies and experience. This helps define the business decisions they make. Past experience is a good indicator of where they should concentrate on building better risk mitigation plans.

1 IN 3 (34%) REPORTED SIGNIFICANT PROPERTY DAMAGE OR LOSS IN THE PAST 5 YEARS

**Property insurance**

One in 3 (34%) of those surveyed claim that their biggest overseas losses over the last 5 years have been due to property damage and loss. It ranked number 1 of all loss areas. But only 1 in 5 respondents (21%) identified risk to property as their biggest concern.

It makes sense that the overall biggest threat that potentially clouds the horizon for most companies is any perceived or actual threat to their finances - cash, assets and property, most usually in the form of fleets, raw materials that need to be moved cross borders, processing plants or factories, or finished goods for global distribution. Investment in such infrastructure carries high risk.

Many organizations still operate under the mistaken belief that insurance for one potential liability will cover them for others: that property insurance will, for example, cover lost income and fixed costs due to supply chain disruptions.

Not so. Typically, property insurance only includes reimbursement costs for assets.

**Clements Insight:**

“We should all be ambitious in protecting our assets at the same time as we strive to grow our activities or extend our impact. They are not mutually exclusive. But we do need to ask ourselves the big ‘what if...?’ questions – identifying and evaluating the risks we might face, and then putting the right measures in place to track, control and review performance over the long-term, and to protect against outside events. This is crucial to good business practice, and is even more important when we are operating in different time zones with individuals and organizations that are an ocean away. Resources are available to organizations to help them achieve their goals. It is Clements’ goal to be a partner to our client organizations – not just a sales shop for insurance; to help ask the right questions that help shield the organization from the next challenge.”

Dan Tuman, VP of Sales, Washington DC
Globalization has provided enormous benefits to millions of people, but the ever-changing climate of exposure means your organization needs to be assessing all aspects of its operations regularly. And with a large minority of respondents (27%) saying that they had delayed or cancelled global expansion plans in the 12 months leading up to our survey, this assessment must include your insurance coverage.

Change is good, but...
The evidence clearly shows that these global risks are real and present. They materialize, morph and then they move. Disease can be airborne. A peaceful country can erupt with protests on the street to express dissatisfaction with the government. A European recession will impact manufacturing in the US. Tremors from an earthquake in China can, metaphorically, be felt not just in Asia but in Africa and Australia. They are beyond our control and, hopefully, may never happen, but it is still imperative that we be prepared to face them all.

And so while working across a number of sites around the globe can deliver many benefits – it is not easy. Since company directors and charity trustees have unlimited liability for what they do or do not do, going it alone is not to be recommended.

Change is good, and...
As the insurance landscape evolves – cyber liability is just one relatively modern but increasingly challenging driver of change – traditional approaches to insurance may not suit your needs. Organizations may find that, when the crunch arrives, their insurance policies have exclusions and what once looked like a bargain policy now in fact means that in reality, you have inadequate coverage.

Time for action
Global managers understand these realities, but may need assistance translating this understanding into policies that protect staff and operations in multiple countries. This help does exist and is a crucial part of your future effectiveness and success. The gains far outweigh the costs in this world where increased risk is the new normal.
WHO IS THE RISK INDEX IS FOR?

Clements Worldwide conducted an online survey from October to November 2015, targeting executives at multinational organizations and non-governmental organizations (NGOs) who are responsible for global risk management within their organization.

Contributions were received from 420 respondents, were analyzed, and the key findings are presented in the second Clements Worldwide Risk Index.

Our aim is to offer fresh thinking and insight for those global risk managers who helped us produce the Index, and others like them, to help them be more prepared for the challenges of working in high-risk climates.

SO WHAT TYPES OF ORGANIZATION TOOK PART?

51%
Contributors ranged from small privately owned companies to large Stock Exchange-listed multinationals; half of the organizations have annual revenues exceeding US$50m

18%
Nearly 1 in 5 have more than 75% of staff based abroad; and over 95% have at least 10% of their staff working out of overseas locations

19%
Almost all respondents conducted some business activity outside their home country; around 1 in 5 contract more than 75% of their business overseas

61%
Approaching two thirds employ more than 1,000 full-time staff; 93% have at least 100 full-time employees

73%
Three quarters have their HQ situated in North America; 1 in 8 contributors are headquartered in Europe

24%
1 in 4 NGOs taking part in the survey operate in the Middle East region
TOP COUNTRIES FOR CORRUPTION:
1. North Korea
2. Somalia
3. Sudan
4. Central African Republic
5. Afghanistan
6. Equatorial Guinea
7. Iraq
8. Libya
9. Myanmar
10. Russia
11. South Sudan

Source: Verisk Maplecroft

HIGHEST KIDNAP ZONES:
1. Mexico
2. Libya
3. South China Sea
4. Iraq
5. Mali
6. Lebanon
7. Syria
8. Afghanistan
9. DR Congo
10. Brazil

Source: Unity Resources Group and HCC Crisis Monitor

TOP 10 HUMANITARIAN CRISES OF 2015:
1. Syria refugees
2. Nepal earthquake
3. Iraq displacement
4. West Africa Ebola
5. South Sudan conflict
6. Somalia drought
7. Guatemala
8. El Salvador
9. Honduras
10. Central African Republic violence

Source: WorldVision

If you would like to be on the mailing list for the next survey, please contact: Patricia Loria at ploria@clements.com.
COUNTRIES WITH EXTREME POLITICAL RISK (NOT RANKED):

1. Yemen
2. Syria
3. Iraq
4. Afghanistan
5. Central African Republic
6. Somalia
7. North Korea

Source: RiskMap 2015

HIGHEST PREVENTIVE PRIORITIES FOR US LAWMAKERS FOR 2016 (NOT RANKED):

1. Civil War in Syria
2. Physical attack on US soil
3. Military provocation from North Korea
4. Refugee crisis in the EU
5. Political fracturing in Libya
6. Israeli/Palestinian conflict
7. Political instability in Turkey
8. Cyber attack on US critical infrastructure
9. Increased violence in Afghanistan
10. Sunni – Shiite fracturing in Iraq and beyond

Source: Council on Foreign Relations, Preventative Priorities Survey