

Going global in a period of heightened cross-border volatility

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Global business leaders are no strangers to instability. The past years have witnessed double digit inflation, a global pandemic, war in Europe, and more recently an emerging geopolitical crisis in the Middle East. The UN's recent warning shot that the international community "seems incapable of coming together" to respond to a slew of growing global challenges and rising geopolitical tensions has further highlighted how we all exist in an increasingly fragmented and polarised global society.[1]

Against this backdrop, the 2020s is being scripted as a period of uncertainty and heightened cross-border volatility. For global boardrooms, a number of challenges have emerged, but two questions are increasingly being posed. One is the question of how can businesses build resilience across their global operations during a period of instability? The other is to understand how boardrooms can navigate a period where governments and regulators are increasingly diverging and competing.

Our Risk & Resilience survey data ubiquitously reflects these concerns and reveals that 31% of global business leaders said they operate in a high-risk environment, rising to 34% among multi-national companies with a revenue of over US\$1bn plus. In the fast-moving space of regulation, our research shows that 22% of global business leaders said Environmental, Social and Governance (ESG) regulation was the number one business risk they face despite few understanding how to deal with this risk across various jurisdictions. It is clear that global business leaders are increasingly splintered on how to meet these emerging business risks and finding the 'right' path.

The stakes keep rising

In February this year, a state-sponsored attack on Taiwan led to 14,000 people in the East China Sea being cut off from communications.[2] The damage caused by this attack was revealed in a study by Fortinet which further revealed that Taiwan is the target of 15,000 cyber-attacks every second, with manufacturing, IT and logistics among the most heavily affected industries.[3] With Taiwan providing 90% of the world's advanced microchips, this geopolitical tension is causing anxiety for companies which rely on this vital trade with Taiwan.

In the US, the politicisation of ESG regulation and commitments has led to a growing backlash this year. In May, the Stop Woke Act in Florida, signed into law by Governor Ron DeSantis, sent a clear partisan challenge to ESG.[4] In contrast, at the same time, in the EU, firms are preparing for the Corporate Sustainability Reporting Directive which is a landmark piece of legislation that will place a significant regulatory burden on firms when they report on sustainability. The ESG asymmetry is posing considerable risks for firms with an international footprint.

For business leaders, situations like these are increasingly concerning in a globalised world. Geopolitics and rising global cyber-crime means larger businesses are vulnerable to large-scale and costly attacks. Regulatory divergence means there is no 'one size fits all' approach to ESG regulation that multinational firms can rely upon. This has a significant impact on multinational businesses and can be seen as a barrier to international expansion by small and medium-sized firms.

As a result, corporate decision-making for firms which operate in multiple jurisdictions is being increasingly scrutinised, exposing executives to greater Directors & Officers (D&O) liabilities. These evolving developments and emerging risks mean that CEOs and executives will need to consider how they plan to deal with their potential liability. This is especially true for firms looking to expand into new markets or protect themselves from global emerging risks.

Finding stability among the uncertainty

To keep pace with a fast-changing global risk landscape, robust D&O liability and Cyber insurance are crucial for firms operating internationally. Global coverage solutions must always be carefully structured to meet the specific requirements of a business, and it is important to ensure that businesses are adequately covered in all the jurisdictions in which they are present. Furthermore, insurance policies must be able to respond in accordance with local regulations, requirements and market practice. Not doing so can significantly hinder international growth and expansion.

At Beazley, we believe that insurance isn't just about financial relief when needed, it is about the service. We provide highly sought after services, like our cyber breach solution Beazley Breach Response, which mitigates and helps to prevent losses linked to cyber breaches for firms. We are able to create tailored Global Programmes providing coverage and service in over 170 jurisdictions across the globe and have an unrivalled network of local partners in various jurisdictions that give us the expertise to understand how rules, risks, and regulations are changing. This equips our team with the knowledge and ability to

deliver comprehensive and bespoke insurance solutions for multinational companies.

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[1] <https://press.un.org/en/2023/ga12530.doc.htm>

[2] <https://www.raconteur.net/supply-chain/cyber-attacks-taiwan-semiconductors>

[3] <https://www.telegraph.co.uk/world-news/2023/08/17/taiwan-faces-cyberattacks-15000-times-a-second/>

[4] <https://www.theguardian.com/commentisfree/2023/feb/06/what-is-behind-ron-desantis-stop-woke-act>

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