



Political Risk Insurance

& its importance in today's uncertain world

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Welcome

Who am I?

- 1 Treaty Reinsurance underwriter at Canopus
- 2 Began career in the Political Risk insurance underwriting team at ATL
- 3 Predominant focus on marine, energy & composite LOBs

Agenda

1. Introduction
2. Types of Product
3. Key Purchasers
4. Key Players
5. Current Risk Environment
6. South Africa Case Study
7. Market Growth & Resilience
8. Summary



Introduction

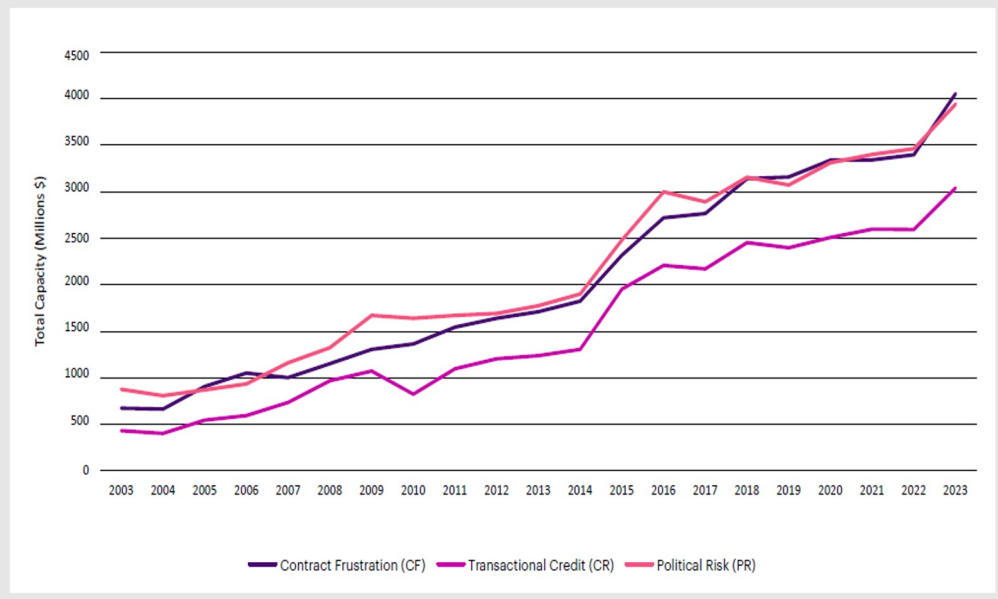
What is Political Risk?

“The risk of loss of assets, income, or property suffered by corporations, lenders, or investors as a result of political changes or instability. Political risk is present with physical assets located in a host country and when trading with a foreign buyer or a sovereign owned enterprise”.

PRI - a tool to manage and mitigate these risks

A Specialty insurance market that has demonstrated continuous growth

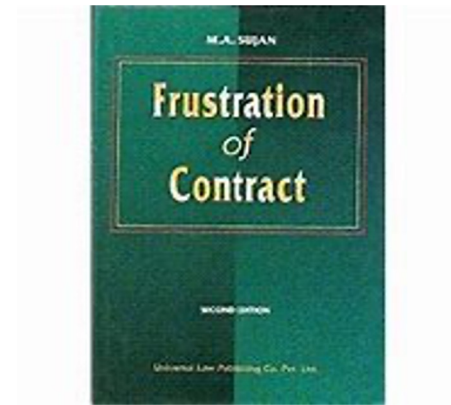
Estimated growth in CPRI market capacity since 2003, as at 31 January 2023



Types of Product

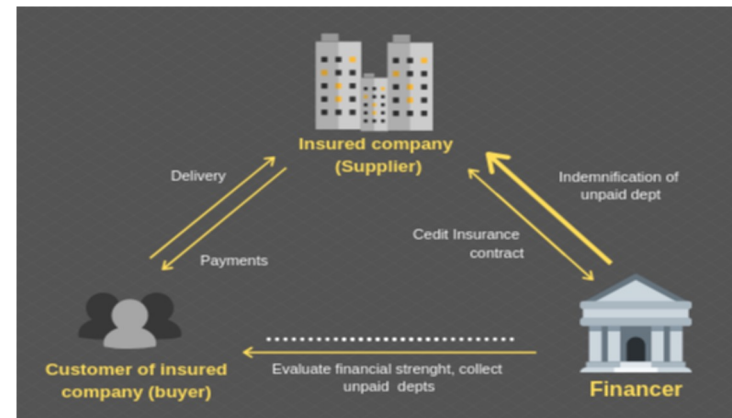
Political Risks (PR) Cover:

- 01 | CEND
- 02 | FA
- 03 | CI/ET
- 04 | WTPV



Counterparty Non-Payment/Non-Performance Cover:

- 01 | Contract Frustration (CF)
- 02 | Trade Credit (CR)





Main Purchasers of PRI



Banks/FIs



Traders/Exporters



Investors

Key Players Lloyd's

Top 5 by PR max line:

1. TMK: \$75m
2. Canopus: \$50m
3. Ascot: \$50m
4. Axis: \$50m
5. Beazley: \$50m

(+ 3 others @ \$50m)

Syndicate Name	Contract Frustration (CF) (Non-Payment by Public Obligors)			Transactional Credit (CR) (Non-Payment by Private Obligors)						Political Risks (PR) (Including Contribution by Host Governments, Political Violence and Allied Political Risks)		
				Trade			Non-Trade					
	Maximum Line	Typical Line	Maximum Period (yrs)	Maximum Line	Typical Line	Maximum Period (yrs)	Maximum Line	Typical Line	Maximum Period (yrs)	Maximum Line	Typical Line	Maximum Period (yrs)
AEGIS	20	10	10	10	7.5	7	10	5	7	20	10	7
Antares	30	12.5	10	20	10	7	20	10	7	30	10	10
Apollo*	15	10	15	5	3	10	5	3	10	15	5	15
Arch	Limits shared with Arch Company Market											
Argenta	20	7.5	7	20	7.5	5	N/A			20	7.5	7
Ark	20	10	7	N/A			N/A			20	10	7
Ascot	50	15	10	15	7.5	7.5	15	7.5	7.5	50	15	10
Aspen	Limits shared with Aspen Insurance Company Market											
AXA XL	Limits shared with AXA XL Company Market											
Axis	50	15	12	40	15	10	40	15	10	50	15	12
Beazley	50	15	15	30	25	15	N/A			50	20	15
Blenheim*	30	10	7	1	1	3	1	1	3	30	10	7
BRIT	33	15	10	33	10	10	33	10	10	33	15	10
Canopus*	75	25	15	75	25	15	75	25	15	75	15	15
Chaucer	Limits shared with Chaucer Company Market											
Chubb Global Markets*	Limits shared with Chubb Company Market											
Cincinnati	20	12.5	15	15	7.5	7	15	7.5	7	20	12.5	15
CV Starr	Limits shared with Starr Company Market											
Hamilton	Limits shared with Hamilton Company Market											
Hartford	Limits shared with Hartford Company Market											
IQUW	25	5	10	N/A			N/A			25	5	10
Lancashire	Limits shared with Lancashire Company Market											
Liberty	Limits shared with Liberty Company Market											
Markel	Limits shared with Markel Company Market											
Mosaic*	Limits shared with Mosaic Company Market											
MS AmIn	40	15	12	10	4	7	10	4	7	40	15	12
Munich Re	50	25	15	50	17.5	7	50	17.5	7	50	35	15
NOA	15	7.5	10	N/A			N/A			15	7.5	10
QBE	Limits shared with QBE Company Market											
SCOR	Limits shared with SCOR Company Market											
Talbot*	50	20	10	20	5	7	20	5	7	50	25	10
Tierra*	N/A			50	20	20	50	20	20	N/A		
Tokio Marine HCC	Limits shared with Tokio Marine HCC Company Market											
Tokio Marine Kiln	40	10	7	40	10	5	N/A			75	20	7
Westfield*	50	25	15	50	25	15	50	20	7	50	25	15
2023 Totals	643	250		474	201		384	151		718	278	
2022 Totals	696	302		387	157		322	141		753	338	

Key Players Non-Lloyd's

Top 5 by PR max line:

1. Fidelis: \$300m
2. Lancashire: \$200m
3. ATI: \$150m
4. AIG: \$150m
5. Axa XL: \$150m

(+ 2 others @ \$150m)

Company Name	Contract Duration (CT) (Non-Payment by Public Obligors)			Transitional Credit (LC) (Non-Payment by Private Obligors)						Political Risk (PR) (Excluding Counterparty by Host Governments, Political Violence and Allied Political Risk)			
				Trades			Non-Trade						
	Maximum Line	Typical Line	Maximum Period Yrs	Maximum Line	Typical Line	Maximum Period Yrs	Maximum Line	Typical Line	Maximum Period Yrs	Maximum Line	Typical Line	Maximum Period Yrs	
Africa Specialty Risks (ASR)*	16	10	7	10	7	5	10	7	5	16	10	7	
African Trade Insurance (ATI)	175	59	15	66	10	7	66	10	7	150	12	15	
AIG	150	40	15	100	40	10	100	40	10	150	40	15	
Alliant Trade (Euler Hermes)	125	20	10	125	25	10	50	15	5	80	20	8	
Amynta	100	15	3	100	15	3				N/A		N/A	
Arab Investment & Export Credit Guarantee Corporation (Dhahran)	100	50	15	100	30	10	100	30	20	100	50	15	
Arch Company Market	60	20	15	15	5	5	15	5	5	60	20	15	
Aspen Company Market*	75	20	10	75	20	8	75	20	8	75	30	10	
Asset Insure*	30	15	10				N/A	30	15	12		N/A	
Atradius Credito y Caucion	150	20	7	150	20	7	50	10	5			N/A	
AXA XL Company Market	150	30	20	150	30	20	150	30	20	150	30	20	
Axiis Company Market	50	20	15	50	20	15	50	20	15	50	20	15	
Chaucer Company Market*	60	20	15	20	10	7	20	10	7	60	20	15	
Chubb Company Market	100	30	15	25	10	8	25	10	7	150	40	15	
Coface**	87	14	10	87	14	8	11	5	5	87	14	10	
Comex	60	20	15	25	15	10.5	25	15	10.5	70	30	15	
Credendo Guarantees and Specialty Risks (GSR)	26.5	11	7	26.5	11	7	26.5	11	5	26.5	11	7	
Credendo ECA**	54	16	15	54	16	10	27	14	5	81	16	15	
Crum & Forster*	15	5	10	15	5	10	15	5	10	15	5	10	
Everest	150	20	15	50	15	7	50	15	7	150	20	15	
FCIA (Great American Insurance Company)	80	30	7	80	25	7				N/A	25	15	7
Fidelis	300	30	15	150	10	18	150	10	18	300	35	18	
Great Eastern Insurance Company (GEIG)	7.5	2.5	5	7.5	2.5	5	7.5	2.5	5			N/A	
Hamilton Company Market	15	9	7	7.5	5	5	7.5	5	5	15	6	7	
Hartford Company Market	50	15	15	40	12.5	7	40	10	7	50	20	15	
HDI Global	50	20	15	40	15	20	40	15	10	50	10	15	
Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)	50	15	20	50	15	10				N/A	50	15	20
Lancashire*	75	20	10				N/A			N/A	200	50	10
Liberty Company Market	100	15	15	100	15	12	100	15	12	100	25	15	
Market Company Market	30	15	10	50	10	7	20	10	5	30	15	10	
Mosaic**	30	10	7	5	3	5				N/A	30	10	7
Munich Re Company Market*				N/A	25	10	7	25	20	7		N/A	
Perrix	97.5	35	15	97.5	25	10	97.5	25	10	97.5	35	15	
QBE Company Market	25	7.5	10	100	10	3	50	10	5	25	10	5	
SCOR*	70	25	10.5	70	12.5	7.5	70	12.5	7.5	70	25	10.5	
Sompo	60	15	15	60	15	15	60	15	15	60	5	15	
Sovereign (100% Chubb)	80	35	15				N/A			N/A	80	35	15
Starr Company Market	50	7.5	10				N/A			N/A	50	7.5	10
Swiss Re	75	20	20	50		5				N/A	75	20	20
Tokio Marine HCC Company Market	60	10	10	60	10	7	30	10	7	60	10	10	
Valdus							Limits shared with Talbot Syndicate						
Vantage	60	20	15	40	15	7	40	17.5	7	60	20	15	
Miscellaneous	212	69		190	58		155	53		223	83		
January 2023 Company Market Totals	3411	930		2566	631		1873	547		3222	889		
January 2022 Company Market Totals	2700	719		2209	516		1329	369		2708	771		

Current Risk Environment

A state of heightened geopolitical & socio-economic tensions.

Geopolitical Tensions:

- | Russia/Ukraine conflict
- | China/Taiwan, & China's relationship with the West

Economic Issues:

- | High inflation globally
- | Continued supply chain issues & signs of economic retrenchment
- | Fears around global economic outlook

Inflation's Biggest Risk Is Geopolitical Unrest

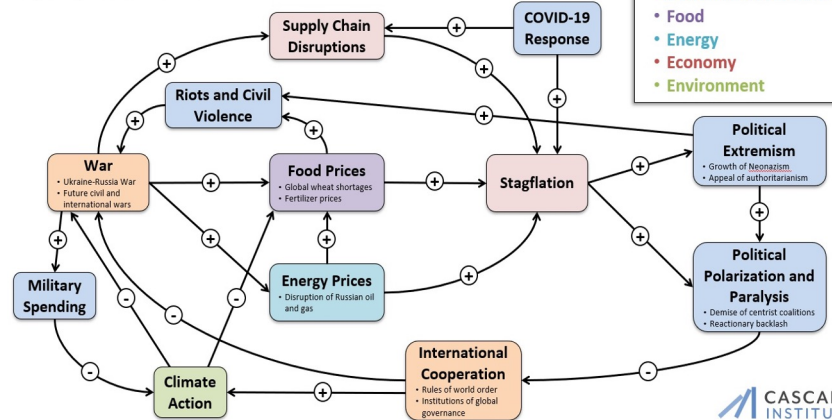
"Polycrises" (WEF)

- | Potential increased political instability/security issues within emerging economies (e.g. Egypt & Sri Lanka)



Inter-Systemic Cascades of the Ukraine-Russia War

Based on discussions of the Cascade Institute's Ukraine-Russia War Expert Panel
Diagram by Michael Lawrence





South Africa Case Study

Current Risk Environment

Supply Chain Issues

- | Resource shortages impacting critical supply chains
- | Ongoing disruptive protests as a result

Economic Concerns:

- | Low projected economic growth
- | 2023 GDP growth forecasted to slow to 1.4% (down from 1.6%)

Political Outlook:

- | National elections in 2024
- | Potential for political upheaval & consequent unrest?





Market Growth & Resilience

Has appetite contracted in the face of growing systemic geopolitical concerns?

The appeal of offering PRI from a (re)insurers perspective:

- 01 | P&C portfolio diversification
- 02 | Long tail (investment benefits)
- 03 | Clear & demonstrable long-term profitability of the class

Total notional CPRI capacity per transaction as at 31 January 2023 (Millions \$)

	Contract Frustration (CF)	Transactional Credit (CR trade)	Transactional Credit (CR non-trade)	Political Risks (PR)
Jan-23	4,054	3,040	2,257	3,940
Jan-22	3,396	2,595	1,651	3,461
Difference (\$)	658	445	606	479
Difference %	19%	17%	37%	14%

'Political Risk is now everyone's risk'

WTW Survey (2023)

In 2023, 90% companies suffered a Political Risk loss (up from 35%)

Purchasers of PRI commensurably increased from 25% to 68%

The Political risk insurance market will look to ensure it has the capacity & capabilities to face the current risk environment, & rise to this growing demand.



Summary

1

PRI - a tool to mitigate the impact of political risk

3

Significant current geopolitical/socio-economic tensions transcend borders

2

Clearly in a state of heightened 'political risk'

4

PRI capacity not shrinking in the face of this risk environment



Referenced Sources

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Thank you.

