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Geopolitical Risk Snapshot 2024

Navigating political risk in an era of heightened global tensions

Executive Summary

2024 will shape global politics for the remainder of the decade.

Over sixty countries go to the polls this year, more than two billion people will have an opportunity to cast their votes and countless columnists will look to predict, analyse and dissect the outcomes of these events.[1]

For many, the results will bring positive change, while others will polarise opinion. In a time of heightened global tension and arguably, one of the most volatile political landscapes in decades, the threat of political risk and violence is high on the risk radars of global business leaders.

Recognising geopolitical risks in this era of accelerating risk and putting in mitigation measures early is crucial for businesses seeking to invest in less politically stable areas of the world, as well as closer to home. Understanding the risks as they stand today, and how they could evolve is crucial.

Each year our Risk & Resilience research and thought leadership reports offer insights into the key concerns of business leaders across the globe. In this year of the election, we focus on business executives' concerns and perceived preparedness for geopolitical risk. The starting point for this edition – our research revealed that 70% of global business leaders agreed they are concerned by the outcome of this year's elections and how the results could impact their international operations and ability to trade.

From the situation in the Middle East to the continuing conflict in Ukraine and potential changes of government in Western democracies, the sheer number of variables and how they will interact to shape geopolitics will test business strategies to the limit. This latest **Geopolitical Risk Snapshot** explores what this unpredictability will mean for businesses as they grapple with increasing political risks. We also look at the essential role of insurance in mitigating these risks before they emerge and the importance of robust contingency plans.

We examine three interlinked issues.

1. How a bumper election year could lead to a rise in political violence and property damage as views become increasingly polarised around the world.
2. With decarbonisation strategies growing in importance, we consider the risks associated with mining the critical minerals and metals vital to delivering the energy transition needed to meet net zero targets.
3. How Africa, despite high levels of political volatility, corruption and civil unrest, has the potential to become an economic powerhouse, driven by renewable energy, untrammelled by legacy reliance on oil and gas. We delve into the opportunities and barriers for international investment in the continent's electrification.

As insurers, we should step up to support our clients as they navigate this complex world. By developing risk mitigation solutions, we can help clients build more resilient businesses and help them to operate successfully in an exceptionally challenging geopolitical environment.

Roddy Barnett
Head of Political Risk & Trade Credit

Chris Parker
Head of Terrorism and Deadly Weapons Protection

Key Risk & Resilience findings from this year's research

70%

of business leaders are concerned that **the outcome of this year's elections** will impact their international operations and ability to trade

36%

of corporate leaders believe they **currently operate in a high-risk environment**, up from 31% last year

30%

said that **political risk** is the biggest threat they face this year, up from 27% last year

25%

are **unprepared to deal with** political risk, up from 23% last year

25%

cited **war and terrorism** as their number one threat, up from 22% last year

25%

are **unprepared to respond** to events of war and terrorism, down from 27% last year

Geopolitical Risk & Resilience Matrix

Political risk in an era of heightened tension

Canada

38%
of Canadian business leaders believe they currently operate in a high-risk environment

25%
of business leaders reported that the war and terrorism risk is the biggest threat to their business this year. Yet, 1 in 3 (32%) feel unprepared against the threat posed

United Kingdom & Europe

31%
of UK business leaders reported that political risk is the biggest threat to their business as we approach a likely General Election this year

50%
of French business leaders believe they currently operate in a high-risk environment

"European businesses are feeling increasingly exposed to political risk, which is reflected by the rising demand for cover. The sanctions placed on businesses with links to Russia have led to a growing fear of asset confiscations, in turn, driving a rise in demand."

Mathilde Lecointre
Underwriter - Political Risks, Trade Credit & Terrorism, France

Asia

44%
of Singapore based business leaders believe they currently operate in a high-risk environment

1 in 3
business leaders reported that political risk is the biggest threat to their business this year but 16% of business leaders feel unprepared against this

"More and more, Singapore business executives are considering the political risk landscape and how international affairs impact their ability to operate. Will relations between China and Taiwan improve? How will elections across Asia impact stability in the region? These are the big questions right now."

Jack Suk
Underwriter - Political Risks & Trade Credit, Asia Pacific

United States

1 in 3
US-based executives believe they currently operate in a high-risk environment

32%
of US business leaders reported that political risk is the biggest threat to their business this year

"In previous US presidential election cycles, companies have had to protect themselves from the potential risks created by strikes and civil unrest in the aftermath of polarising results and campaigns. The upcoming election is expected to be divisive, if not more so, than previous presidential contests."

Lucy Straker
Focus Group Leader - Political Violence & Deadly Weapons Protection

Africa

"We receive a number of requests to support the green electrification of Africa. Power purchasing agreement risk is complex for investors to manage following a long history of default, cancellation, and renegotiation of contracts. This presents risk but also opportunity for insurance to support clients investing in these projects."

Matthew Dunne
Focus Group Leader - US Political Risks & Trade Credit

Key Takeaways

For brokers

1. Lenders are increasingly demanding political risk protection is in place for international firms looking to support the global energy transition, particularly in politically unstable regions. This includes trade credit risk, terrorism and war insurance coverage.

2. Strikes, riots and civil commotion standalone insurance should be on businesses' consideration of risk – particularly in the US and other regions of the world with polarised voters.

3. Forewarned is forearmed when it comes to geopolitical risk – as political risk and political violence insurance will be harder to come by in the face of contentious elections where there is heightened risk of social upheaval or violence.

For businesses

1. In an era of accelerated risk, organisations need to invest in scenario planning and robust contingency strategies to navigate a fast-evolving geopolitical landscape. Building geopolitical resilience should not be an afterthought.

2. In frontier markets which offer exciting investment opportunities, understanding local cultures and systems at a both a macro and micro level is key to navigating political risks and developing initiatives which will deliver on the ground. Without buy-in from local community groups, projects will likely run into trouble.

3. With elections taking place across the globe this year, businesses are concerned about the impact they will have on their operations. Understanding how results could impact operating models and developing proactive risk management strategies not only enhances business resilience but also creates a competitive advantage.

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Emotions Flair: Unrest and commotion in a bumper election year

Political violence and civil unrest are a growing threat across the world.

Emotions Flair

Since 2020, there have been nine coups in West Africa, Central Africa and the Sahel region. Political violence in the US is at its highest point since the 1970s[2], the Russian conflict against Ukraine continues to threaten peace in Europe, the conflict in Gaza risks igniting further unrest across the wider Middle East region, and the omnipresent concern over a Chinese invasion of Taiwan remains. Into this febrile mix, over 60 countries will go to the polls in 2024[3]. This heightened political focus will come with a greater risk to people and property.

Fuelled by social media and misinformation, 2024 could provide a barometer on the creeping political polarisation apparent, to varying degrees, across the globe. The left and right are moving further apart, and their supporters are increasingly disinclined to see the other side's point of view. As these groups challenge each other at the polling booths, extreme elements may seek to use violence to influence, intimidate, or lash out if the results do not go their way. Against this, the threat of political violence, already high, becomes more pronounced.

Right now, global business leaders are feeling concerned about their current operating environment, with 36% reporting they now operate in a high-risk environment, up from 31% last year.

This spike reflects the volatile macroeconomic and geopolitical environment, demonstrating the need for businesses of all sizes to increase their preparedness for risk. Their fears are certainly not misplaced, as recent years have seen political violence break out around polarised elections.

One of the most potent examples was the storming of the Capitol in the United States on January 6, 2021 after Donald Trump lost the presidential vote to Joe Biden. The world watched open-mouthed as 2,000 protestors banded together in an attempt to prevent Congress from certifying the election and, in the process, raided the seat of administration causing injury, property damage estimated at US$1.5m, and the deaths of both police trying to protect the building and rioters.

The US is not the only country to have struggled with a highly charged political atmosphere. There is clear evidence that civil unrest has been a growing risk for some years. In 2019, Jakarta, Indonesia saw violent protests following the election.

This year, already, deadly violence and allegations of election misconduct plagued the voting in Pakistan, Iraq, Bolivia, Belarus, and Thailand. As we write the horrific fighting and situation in Haiti, is a stark reminder of what can happen when violent opposing groups seek to depose a political leader.

> **"History serves as a useful guide and can help our clients to identify whether they may fall victim to political violence this year. Previously we have seen that businesses located close to government assets have been affected by rioting and political violence. While they are not the target of protestors' anger, they are often dragged in through collateral damage. For these businesses, having the right insurance is crucial to survival in the current geopolitical climate."**
>
> **Lucy Straker**
> Focus Group Leader, Political Violence & Deadly Weapons Protection, Beazley

Poles apart

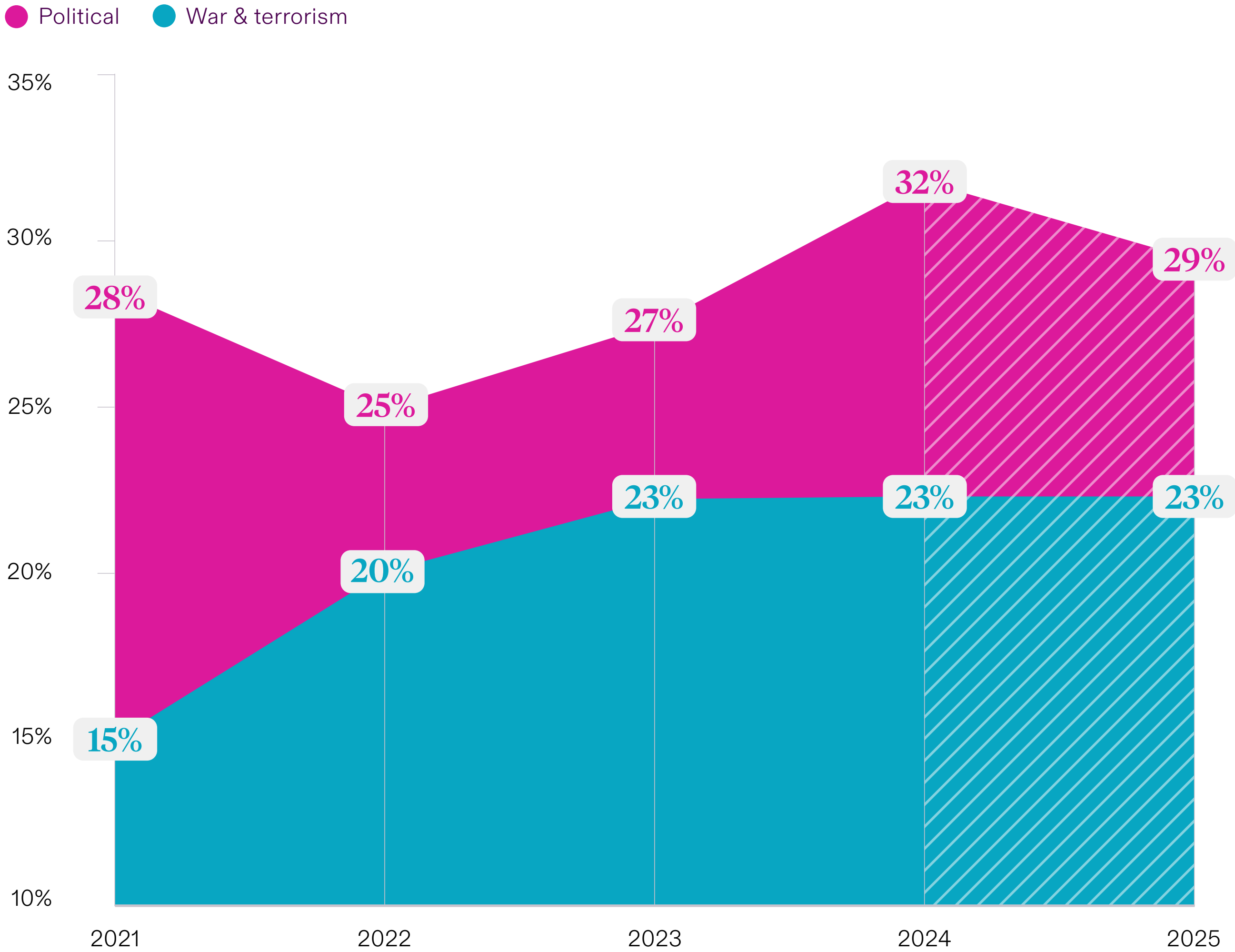
Looking deeper into political risk, which encompasses strikes, riots, and civil commotion, our data found that 30% of corporate leaders globally viewed political risk as their top threat in 2024 – rising from 27% last year, and concern over this risk is predicted to remain elevated at 29% going into 2025.

The potential for discord does not just hinge on elections, other political issues are also acting as a catalyst for unrest. In France, last year, there were disruptive protests and riots over pension reforms which increased the retirement age from 62 to 64[4].

In 2020, the US and UK saw large Black Lives Matter demonstrations following the deaths of George Floyd and Breonna Taylor. Around 10,600 demonstrations were recorded in the US and, while 95% were peaceful, 5% spilled over into violence causing property damage and business interruption[5].

Political risk and the threat of war and terrorism are front of mind for global executives

Percentage of global business executives ranking geopolitical risks as their top risks over time



Looking to the past to predict the future

While it is difficult to predict exactly where tensions may boil over, history serves as an important guide as polarised electorates have been affected by political turbulence in the past.

Taking Venezuela as an example, while Nicolás Maduro was re-elected in 2018, in 2019 the National Assembly declared the results invalid and declared its president, Juan Guaidó, as acting leader. At the time, Guaidó was reportedly encouraging his supporters to protest until Maduro stepped down.

Staying in South America, Argentina is another country contesting a highly polarised election this year. In the late '90s, Argentina underwent a swathe of liberal reforms which ultimately tipped the country into economic depression, resulting in widespread rioting and looting[6].

Concerningly, despite the volatile risk landscape and increased threat of political violence, our data finds that a quarter (25%) of business leaders currently feel unprepared to deal with these threats. Given the risks, businesses should be investing in protection against property damage and business interruption.

Considering the events that followed the 2020 US presidential election, this year's Biden/Trump election is set to be just as hotly contested and divisive with campaign rhetoric already beginning to intensify. Indeed, research shows that voters in the US expect this year's election to trigger further violence[7].

If Donald Trump is defeated, allegations of voter fraud could resurface, potentially with even more vehemence. Commentators have already linked the rise of Trump with an increase in civil unrest, with a Republican loss in November potentially sparking further incitements of violence[8]. A poll of Americans in 2023 by the Brookings Institute and Public Religion Research Institute asked if respondents agreed that "because things have gotten so far off track, true American patriots may have to resort to violence in order to save our country." Almost a quarter (23%) of people across the political spectrum, supported the notion, rising to a third (33%) of Republicans[9].

This raises the potential for further attacks on government properties, such as the Capitol building, and polling stations, municipal buildings and government assets including court houses and prisons. Retailers are also in the firing line when rioting descends into looting, which can lead to significant losses[10].

> **"While we can draw up a list of high-risk elections ahead of time, we will not know what impact an election will have from a political violence perspective until it happens. While polarisation is a good indicator of the likelihood of strikes, riots and civil commotion taking place, unpredictability is an inherent feature of political violence. This is why businesses must take precautions to protect themselves well in advance, whether those be physical measures or seeking insurance cover."**
>
> **Alex Hill**
> Focus Group Leader - Political and Terrorism Claims, Beazley

"In this 'year of the election', businesses around the world are facing significant political uncertainty. While previously some property insurance policies gave firms some cover from the risks associated with riots, strikes and civil commotion, property carriers have begun to exclude this risk, proving the importance of having standalone political violence and strikes, riots and civil commotion cover."

Chris Parker
Head of Terrorism and Deadly Weapons Protection, Beazley

Navigating uncertainty

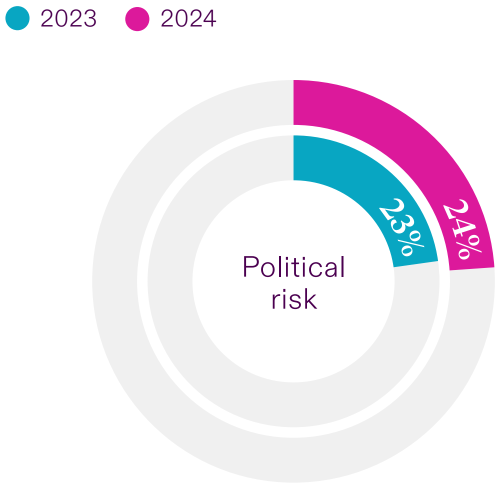
In areas where political issues are likely to occur, it is essential business leaders talk to their insurance brokers sooner rather than later to ensure they have the appropriate insurance coverage in place. The threat from political violence-related damage is set to remain elevated, with 29% of our survey's respondents ranking this risk high for 2025 and a quarter of business leaders feeling unprepared to deal with this challenge today.

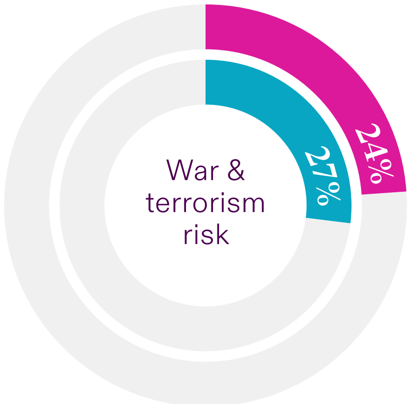
This is exactly the point where specialist insurance can step in. As nations face volatility, the requirement for more specialist, standalone cover increases for damage caused by riots, strikes and civil commotion as clients move away from terrorism cover and seek protection from a wider range of perils. However, coverage will be harder to come by, and much more expensive, the later businesses try and find cover. Firms will also need to demonstrate they have proactive risk management processes in place to become a more attractive risk amid a finite appetite from capacity providers. The mantra 'act as if you are uninsured' is necessary.

The message is clear – the risk is increasing so act now and implement risk mitigation plans.

Global business leaders feeling increasingly unprepared to tackle political risk

Percentage of global business executives feeling unprepared to respond to the threats posed by political risk and the risk and war of terrorism





Metals in the Crosshairs: The energy transition tug of war

As global governments seek to implement measures to keep the rise in global temperatures below 1.5°c, there is an increasing focus on the critical minerals and metals that are essential to enabling the global renewable energy transition.

Metals in the Crosshairs

The rare earth minerals and metals at the heart of this transition are located in many politically unstable regions of the world, making navigating political risk critical.

At COP28 last year, over 130 governments agreed to work together to increase the world's installed renewable energy capacity to at least 11,000 gigawatts by 2030[11], three times the current capacity levels. This ambitious goal is only achievable if the supply of critical minerals and metals such as copper, cobalt and lithium are readily available to support the production of transition assets such as electric vehicles.

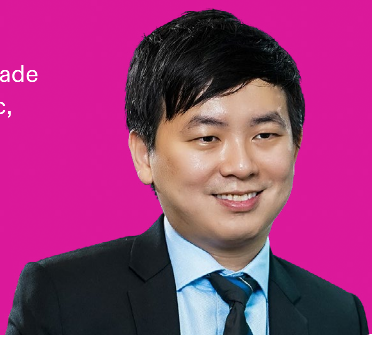
Mining operations are a vital cog in the global energy transition. However, often, these sites are located in countries and areas that face political uncertainty, civil unrest, and economic instability. Argentina, for example, is home to the world's third largest reserve of lithium – a core metal in battery production – but has witnessed mass anti-government protests, double-digit inflation, and three different presidents in only five years.

Africa, and in particular southern and eastern African countries including Namibia, South Africa, Kenya, Madagascar, Malawi, Mozambique, Tanzania, Zambia and Burundi are countries with identified high-grade rare earth mineral deposits that offer huge mining potential and opportunities for these economies[12]. However, it is no secret that mineral-rich locations, including some of these are often affected by political violence and economic hardship. Political stability in these countries is often in short supply. Yet, with the energy transition gaining speed to meet the 2050 net zero target and the development of these sites being pivotal, the potential for the mining of these minerals could be transformational for these regions. Attracting international investment will be essential for this potential to be realised.

International firms seeking to operate or invest in these regions must have robust risk mitigation strategies in place to ensure these projects remain viable and stable. And, political risk insurance, is an increasingly vital element demanded by banks, sovereign wealth funds, private capital and other sources of foreign direct investment funds when undertaking these projects. Although this form of insurance does not cover all eventualities, it does provide protection for a number of risks such as government confiscation of property, funds and other assets, nullification of contracts with 3rd parties, business interruption, and against property damage due to events such as war or terrorism.

> **"Security risks can have a significant impact on the viability of mining initiatives as they can delay and damage projects. Having in-depth knowledge and information about local security issues and potential threats and their likely escalation risk should be a key consideration for firms investing in African critical metal and mineral mining projects."**
>
> **Thea Fourie**
> Head of sub-Saharan Africa, Global Insights and Analysis, S&P Global Market Intelligence

> **"Materials vital to the energy transition and development of electric goods are an increased focus for companies. As some developed countries look to move their supply chains away from China, this is becoming a point of friction as most businesses are currently reliant on China for the supply of electric vehicles as well as its processing capabilities."**
>
> **Jack Suk**
> Underwriter,
> Political Risks & Trade Credit, Asia Pacific,
> Beazley



Mining on a knife edge

Military coups, regime changes and terrorist attacks all combine to increase the risk profile of mining projects in frontier and developing markets. We see this in the Democratic Republic of Congo (DRC) which possesses the largest reserve of cobalt in the world[13] but suffers with equally significant security risks exacerbated by poor infrastructure[14] and political unrest[15].

Cobalt is widely used in the production of batteries for electric cars[16] and is mined heavily in the south-east region of the DRC. Yet, while mining regions have so far operated away from conflict, the DRC has seen several terrorist attacks in recent years with groups tied to ISIS (the Islamic State of Iraq) operating across the country. In 2022, there were 271 documented incidents in the DRC involving ISIS with over a thousand people believed to have been killed during the period.[17]

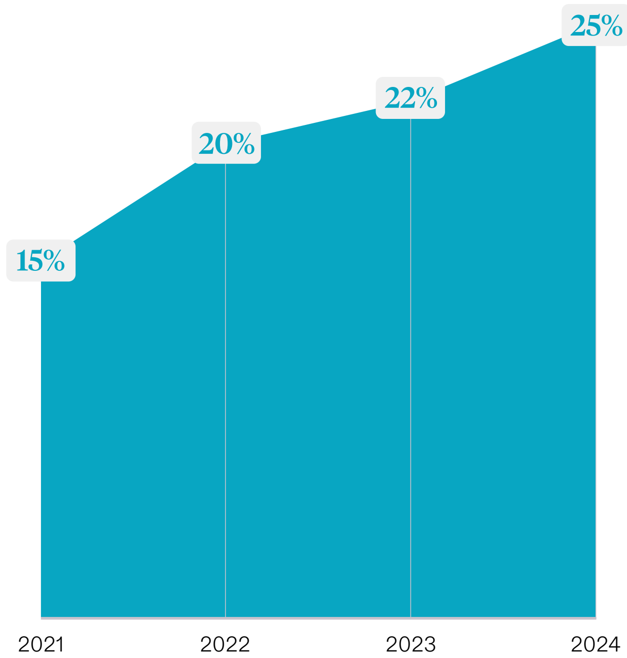
These security challenges are a key risk consideration for companies and investors looking to support the energy transition while keeping stable mines and staff safe from human rights abuses. Since our Risk & Resilience research first began in 2021, the perceived threat of war and terrorism risk among global business leaders has increased significantly, rising from 15% in 2021 to 25% now. The rise in violence over recent years is being reflected in how C-suites view the threat posed by the fallout from unrest.

Geopolitics also come into play. The West heavily relies on critical minerals and metals in Africa but China has solidified ties with several countries on the continent, and other areas of the world with critical mineral supplies, increasing its ownership and investment in key mining sites. As the energy transition speeds up and the output of these minerals and metals becomes more important, these locations could become a focal point for tension between global superpowers.

Furthermore, local populations can find themselves exposed to violence, disorder and abuse when unrest and tensions escalate. In the past, local people have been displaced by force leading to human rights abuses taking place.[18] Mining is already one of the most hazardous professions and there are regulations in place to protect staff. For mine owners, maintaining the safety of staff is vitally important, and working proactively with local people is key to de-risking operations and ensuring security.

War and terrorism risks rise for global boardrooms

Percentage of global executives who ranked war and terrorism as their number one political and economic risk



"Businesses need proactive contingency plans for macroeconomic and political risks that they are exposed to. Diversification of supply, understanding local investment risk, and having cover in place before something happens are all vital to building a robust risk mitigation strategy."

Matthew Dunne
Focus Group Leader,
US Political Risk &
Trade Credit, Beazley

Navigating an increasingly dangerous environment

As the demands of the energy transition rise but the danger level remains elevated around these mining operations, boardrooms must prepare for a number of geopolitical related risks and consider how they can protect their businesses and people from a complex environment. For example, our data shows that global businesses feel unprepared to anticipate and respond to war and terrorism risks with 25% of corporate leaders saying they are unprepared for this risk. This rises to 27% when executives in the global energy and mining sectors were asked.

To navigate this volatile environment, firms and investors operating in the mining industry should have robust risk mitigation strategies in place. Insurance plays an important role in supporting and protecting the development of clean energy globally by providing coverage against a range of risks such as the cancellation of licenses, seizure of assets, and political violence.

However, insurance alone is not enough. Corporates need robust contingency plans in place, particularly in countries where there is volatility and unrest, and where permissions to operate can be withdrawn quickly and with little warning[19]. Furthermore, successful investors need good agents and partner firms on the ground who can support communities, and ensure good relations are maintained with local officials and political parties, as they can leverage their local knowledge and networks to help ensure that projects run smoothly.

25%

of **corporate leaders** say they are unprepared to anticipate and respond to war and terrorism risks

27%

of executives in the **global energy and mining** sectors say they are unprepared to deal with war and terrorism risks

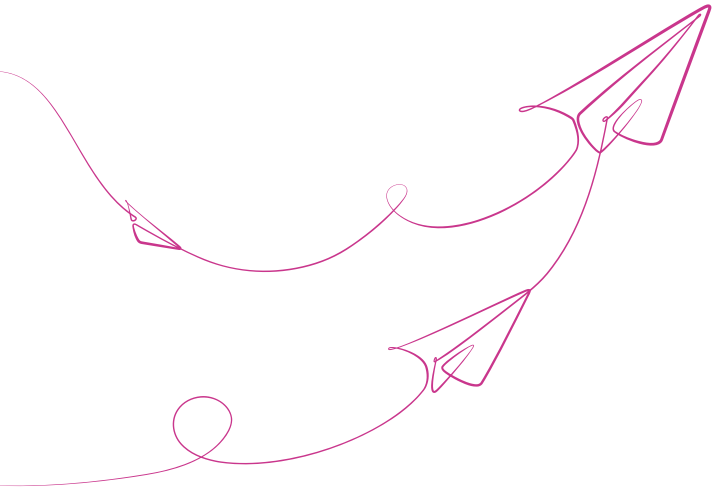
Powering Africa: Navigating the opportunities

Africa's large deposits of minerals are vital to powering the boom in renewable energy projects, but the continent is struggling with developing its own energy systems.

Powering Africa

Africa's large deposits of minerals are vital to powering the boom in renewable energy projects, but the continent is struggling with developing its own energy systems.

Only 43% of the African population have access to energy.[20] Political instability, military coups, civil unrest, and geopolitical tensions present barriers and heightened risk for investors in Africa's energy infrastructure, critical to the local population and the ability to mine these increasingly important and valuable minerals.



If Africa's role in the global energy transition is to be realised, providing vital rare earth minerals that are the building blocks of the world's ambitious push to net-zero by 2050, it needs investment in building renewable energy sources of its own. Currently, its energy systems remain underdeveloped and are increasingly unable to supply its businesses and growing population let alone support a burgeoning mining industry.

In recent years, this has been further compounded by the impact of the COVID-19 pandemic which has led to a reversal in access to energy, with 4% more people living without electricity in Africa in 2021 than in 2019.[21]

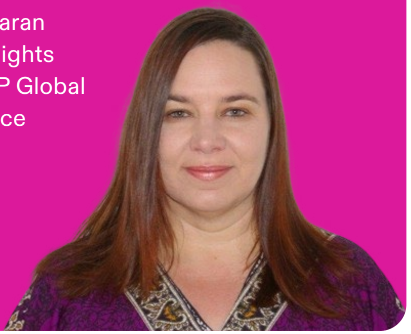
Pivotal to Africa's electrification development is securing the finance and investment to enable projects and infrastructure to be developed. The African Development Bank has predicted that it will cost US$100bn annually between 2020 and 2040 to deliver on UN Sustainable Development Goal 7 for affordable, modern and sustainable energy[22]. The International Energy Agency forecasts that energy spending on the continent will need to more than double by the end of the decade, with over two-thirds of investment going to clean energy.[23]

There is a big opportunity to facilitate growth in this area with Africa holding vast deposits of minerals and metals which enable the development of renewable energy. However, without investment, the continent's development will be held back, and the energy required to power key industries such as mining won't be readily available.

> **"Emerging risks and challenges for international investors are leaving vast swathes of the population in Africa unable to harness the growth opportunities provided by electricity. If overcome, there is a golden opportunity to turbocharge the transition and Africa's development"**
>
> **Roddy Barnett**
> Head of Political Risks & Trade Credit, Beazley

"Positively, we are seeing solid bilateral relations emerging on the African continent with Middle Eastern countries like the UAE and Saudi Arabia playing a large role in trade and investment financing. However, at the same time, a lot of local conflicts and government changes have emerged, which is creating fragmentation and regulatory change across Africa."

Thea Fourie
Head of sub-Saharan Africa, Global Insights and Analysis, S&P Global Market Intelligence



Instability and unrest

Challenges across Africa have deterred many investors from committing to large-scale energy infrastructure projects. Sudden political and regime change, corruption scandals in government, and local civil unrest have worked together to heighten the perceived risks associated with African energy investments.

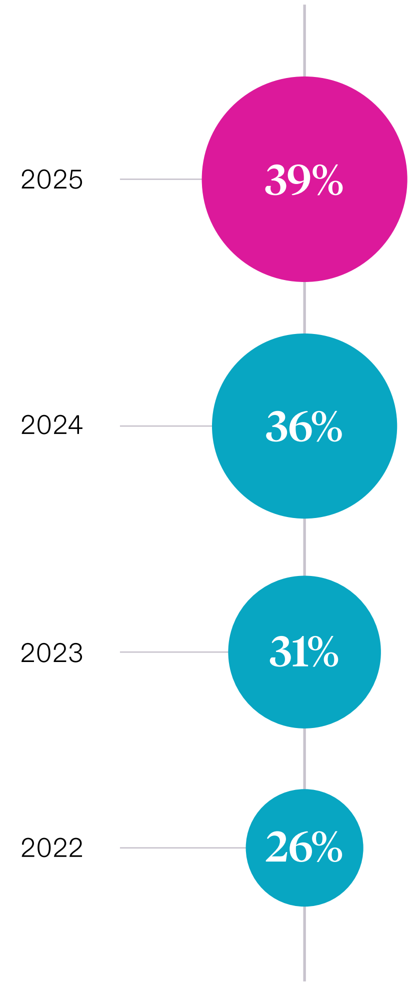
In 2022, our research showed that 25% of global business executives believed political risk which includes strikes, protests, and civil commotion was their top political and economic concern. Since then, this has increased to 30% in 2024, revealing a marked deterioration in the political landscape and a heightened concern over political risk among boardrooms worldwide.

Over the last decade, there have been several violent incidents impacting energy companies operating in Africa. In 2021, energy giant Total withdrew its staff from its US$20bn Afungi natural gas plant in Mozambique following clashes between Islamic insurgents and the local military.[24] A further seven violent military coups have taken place since 2022 with Burkina Faso, Sudan, Guinea, Mali, and Niger and Gabon all affected.[25] Corruption in some jurisdictions from government officials, adds to the risk profile of planning, developing, and executing a new power project in Africa.[26]

For investors, this instability and unrest can prevent them from committing to projects, particularly in areas where it is unclear how new governments or military regimes will operate and whether energy plants might be targeted. When conflict and unrest occur, we have seen investors pull back as concern increases about the impact of this activity on deals, networks and systems. To attract the investment required to increase electrification, robust strategies are needed to overcome these risks.

Operating environments continue to become riskier for global business leaders

Percentage of global business leaders perceiving the business environment they operate in as 'high risk'



Going beyond Power Purchase Agreements

Power Purchasing Agreements (PPAs) have been a key tool for increasing energy generation in Africa, enabling long-term contracts for corporates to secure a steady supply of clean electricity at a competitive pre-negotiated price. Yet, a challenge for companies has been determining how long these agreements will last.

In recent years, these contracts have become a 'political football' for leaders and new governments across the continent. Many were poorly negotiated by African Governments and some companies have been left managing unprofitable investments. The implications of this situation has left some countries looking to renegotiate or cancel existing agreements.

In 2021, Ghana defaulted on its US$1.4bn energy debt following the country taking a financial nosedive.[27] However, this case is not an outlier and reflects a growing focus from countries on their energy debt as International Monetary Fund (IMF) interventions have left governments unable to afford guarantees. As with the example in Ghana, these decisions not only directly impact the resilience and growth of companies but also put pressure on investors to avoid projects when PPAs aren't fulfilled.

Working with local companies and communities directly to get their buy-in to energy projects helps to reduce the possibility of local friction and for government intervention or the cancellation of deals. Furthermore, these deals enable international companies to work locally with partners to create good relations and assist in local environmental and social projects. As investors look for greater certainty, these merchant PPAs have the potential to reduce risks and provide a gateway for investors to support electrification projects in Africa.

Moving forward

While efforts are being made to power Africa's electrification, significant risks remain before the continent's potential is realised. Even, at a local level, a lack of real-time data presents enhanced risks for potential mismanagement or poor reporting of information. While these risks pose a considerable challenge for investment in new projects, there is an opportunity for investors to meet rising demand in the years ahead with the right protections in place.

Our data shows that 25% of global executives are not prepared to face political risks in 2024 with 23% of global leaders planning to review the security of their overseas operations. For investors, understanding the risks created by political instability locally is the first step in building a strategy that can manage a fast-changing risk landscape across frontier markets.

Key to a successful strategy, and embedding resilience across operations, is taking a proactive approach to establishing reliable local partners on the ground especially for investors seeking to back electrification projects. These local partners can ensure investors have effective relationships with officials and regulators, positioning them as businesses that want to support the local region in reaching its potential.

Specialty political risk insurance has a role to play in supporting investment into these countries. Often, this cover is critical to enabling big projects and reducing the investment risk for third-party capital and investment committees.

> **"Increasingly, companies are creating deals with power providers and building mini grids. Several mines have now developed their own energy agreements rather than relying on government-mandated supply to keep projects moving forward. New energy brokers have also emerged to help connect projects with energy suppliers and assist with the complex insurance requirements."**

Mathilde Lecointre
Underwriter, Political Risks, Trade Credit & Terrorism, France, Beazley

23%

of global leaders plan to review the **security of their overseas operations** this year

The Role of Insurance

The world is an increasingly complex and risky place, whether that's new threats to cyber security, extreme weather conditions or growing political volatility.

We live in a period of accelerated risk. To prosper in this environment, businesses increasingly require specialist insurance and risk management services.

With the list of flashpoints around the world, from Ukraine and Gaza to the Red Sea, growing with alarming speed and the prospect of political upheaval in over 60 countries[28], the world has rarely felt so volatile. This uncertainty can breed inaction. Specialty insurance can help break this inertia, providing business with the financial security required to manage the downside risk, embark on the investments, and pursue the innovations which will be critical to the world's future economy.

Historically, specialist risk cover has been an afterthought, acquired at points of clear, precise risk and acute exposure. However, this is changing. Political Risk insurance now brings insights that can mitigate risk alongside the risk transfer that allows businesses to pursue investments amid the maelstrom of global or local political upheavals. It is recognised by sovereign wealth funds, private equity and other lenders as a vital element of a finance deal for projects in less stable regions of the world.

Africa's rich endowment of natural resources is making it an increasingly attractive destination for investments in the metals and mining sector. However, the continent's history of political instability, changes in regulatory frameworks, and nationalisation efforts pose significant risks and concerns to foreign investors.

It is this instability that underlines the importance of specialist insurance. Amid growing political tensions across the globe, standalone cover for political violence, strikes, riots and civil commotion is increasingly becoming a necessity. As businesses become exposed to a growing range of perils, the need to move away from pure terrorism cover is apparent, with businesses in major Western democracies being particularly affected.

With 70% of the global business leaders we surveyed concerned that the outcome of this year's numerous elections will impact their international operations and ability to trade, specialist insurance is a vital tool to help allay some of their fears.

By providing coverage for losses, political, trade credit and political violence risk cover enables companies to secure assets against expropriation and political violence. It also reassures lenders and investors, facilitating access to the necessary capital for large-scale mining projects that are at the heart of the renewable energy transition.

"It is clear there is a role for political risk insurance to mitigate and reduce risk while helping to establish a stronger and more consistent flow of investment towards the electrification of Africa. Insurers have a foundational role to play in driving forward electrification infrastructure in the continent and there is a lot of support the industry can give to operators to ensure their financial investments are protected."

Roddy Barnett
Head of Political Risks
& Trade Credit,
Beazley

Methodology

About the Risk & Resilience research

During January 2024, we commissioned research company Opinion Matters to survey the opinions of over 3,500 business leaders and insurance buyers of businesses based in the UK, US, Canada, Singapore, France, Germany and Spain with international operations.

Survey participants were asked about their views on insurers and insurance, as well as on four categories of risk:

- **Cyber & Technology** – including the threat of disruption, failure to keep pace with changing technology, cyber risk and IP risk.
- **Geopolitical** – including strikes and civil disruption, changes in legislation and regulation, economic uncertainty, inflation and war & terror.
- **Business** – including supply chain instability, business interruption, boardroom risk, crime, reputational and employer risk and failure to comply with ESG regulations and reporting requirements.
- **Environmental –** including climate change and associated catastrophic risks, environmental damage, greenhouse gas emission, pandemic, food insecurity and energy transition risk.

Of the firms surveyed, there was an equal split of respondents across company sizes of: US$250,000 - US$999,999, US$1m - US$9.99m, US$10m - US$99.99m, US$100m- US$999.99m, US$1 billion plus.

With a minimum of 50 respondents per country per industry sector, respondents represented businesses operating in:

- Healthcare & Life Sciences
- Manufacturing, Retail, Wholesale and Food & Beverage
- Commercial Property, Real Estate and Construction
- Hospitality, Entertainment and Leisure (including Gaming)
- Financial Institutions and Professional Services
- Energy and Utilities (including Mining), Marine and Warehousing
- Public Sector and Education
- Tech, Media and Telecoms
- Transportation, Logistics, Cargo and Aviation

This year's survey was undertaken between 05.01.24 – 15.01.24. In 2021 the survey was undertaken with respondents based in the UK and US. In 2022 and 2023 the sample base also included respondents based in Canada and Singapore and, in 2024 the sample base was expanded to include respondents in France, Germany and Spain.

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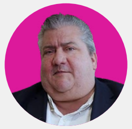

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