

POLITICAL RISKS

Market trends

2022 has been marked by profound economic changes. The Political Risk market is closely linked to the international economic climate due to the nature of the risks covered in respect of contracts and investments.

Supply chains are severely disrupted, trade flows are being adversely affected by the Russian-Ukrainian crisis and there are significant trade tensions between the major powers of China, Russia and the United States. Russia is moving closer to India and China, creating an antagonistic economic climate, compounded by a rise in populism around the world, for example in Brazil, Italy and the Philippines.

In addition, following Russia's invasion of Ukraine, international sanctions have been enacted, further destabilizing the global economy and the Political Risk market.

This combination of factors could adversely affect the underwriting conditions of the market, particularly for "Investment" insurance policies (CEND: Confiscation, Expropriation, Nationalization & Deprivation) and policies that cover export contracts.

Capacity and developments in coverage

Rising interest rates and spiraling inflation are affecting underwriting appetite in this market. Financial instability and overall uncertainty are limiting the inclination of insurers, who have now become increasingly cautious before offering cover.

The market is in a wait-and-see situation in the face of an economic climate that is deteriorating with each passing month. Despite an economic recovery in 2021, the consequences of Covid-19 and the Russian-Ukrainian conflict increase the risk of insolvency for many companies in all industries. With companies having received financial support from the state during the pandemic, and that state support due to be withdrawn, the risk of insolvency is now greater.

The consequence of this situation could be a reassessment of the capacity available in the market and more limited underwriting on credit and political risks across the board; expected increase in non-payment claims. It is now difficult to find capacity for a growing number of countries that could be impacted by the Russian-Ukrainian crisis and its consequences, such as food and energy crises, as is the case in Europe and Africa. Capacity has become scarce for some risks, including investment cover, in several countries such as China.

Political risk coverage is not subject to major changes. However, more stringent underwriting conditions (the insured's reputation and financial profile, the priority of the contract or investment for the host country, as well as the tools for monitoring the contract by the insured) will need to be met for the underwriting of Political and Commercial Risk policies. For all new coverage, the market requires the inclusion of pandemic and cyber exclusions as well as an international sanctions clause in the policy wording.

Lastly, it is worth noting the arrival of a new player in the market at the end of March: SCOR, which brings additional capacity.

Pricing trends

Risk and Credit Committees have become increasingly important as underwriting has come under more internal scrutiny. Given the complex international economic context, we expect to see a small to moderate increase in Political Risk rates. However, some risks are not linked to pricing issues, but more to insurability or capacity issues. This trend has its roots in the global geopolitical tensions and the fragmentation of the international economy. As a result, the insurability of "pure" Political Risks (embargo, sovereign debt default & license cancellation) has become more conditional due to the economic difficulties faced by some countries in the current crisis.

DIOT-SIACI'S EXPERTISE

What is our operational technical expertise?

Our team is solution-oriented in the placement of our clients' complex risks. We are organized in "project" mode and coordinate with the other teams of the group to avoid silos and provide 360° cross-company coverage. Our in-depth knowledge of the Paris, London and Singapore markets means we can obtain the most comprehensive coverage at the best possible price. Claims are managed throughout the entire process by the team.

How do we assist and support you?

We devote our time and resources to understanding our clients' needs, their business activity, and the economic risks associated with credit risks in a world of constant change and increasing geopolitical and regulatory threats.

What can we offer you?

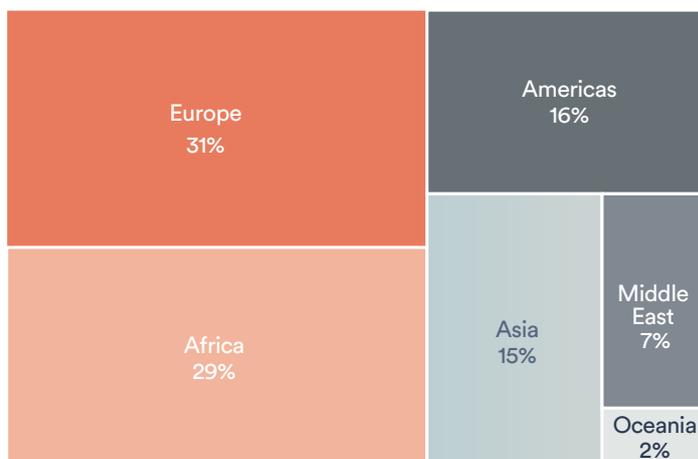
Dedicated and recognized technical teams. Proven methods of negotiation, placement and administration in both production and claims. Preferential access to markets. Expertise in the Political Risk market.

What makes us different?

We provide assistance and support throughout your operations to determine the strategy to adopt and ensure the best possible coverage and claims payment. Specific negotiated coverage.



Geographic distribution of insured assets



€400 billion in insured assets



35% of CAC 40 companies are clients



Coverage in 124 countries



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