

PROPERTY & CASUALTY

Political Risk Insurance: Helping to Safeguard Global Investments

Kevin Humphrey



Introduction

International business is fraught with risk. Global political uncertainties pose additional risks that purely domestic companies do not face. Political risk encompasses a wide range of perils, such as government interference, expropriation, civil unrest and financial crises that can disrupt operations, extinguish profits or jeopardize investments. However, there are insurance tools that provide businesses and investors with opportunities in emerging markets to help manage these political perils.

Political risk insurance (PRI) is a critical risk management tool that offers businesses and investors a safety net against the perils of political instability. By providing financial protection to invest, PRI helps companies navigate the complex political landscapes of foreign markets with confidence and resilience.

Key Features of PRI

PRI provides coverage against a broad spectrum of political risks, including expropriation, political violence, contract frustration, currency inconvertibility, selective discrimination, sovereign non-payment and more. Coverage can be tailored to comprehensively cover all of these risks or on an a la carte basis. Among the specific considerations for each transaction will be the industrial sector, geographical location and the insured's risk appetite. companies utilize ChatGPT, and the tool receives over 1.7 billion page visits each month.

Coverages Include:

- Confiscation, Expropriation, Nationalization and Deprivation
- Political Violence (e.g., war, civil unrest)
- Currency Inconvertibility
- Embargo
- Forced Abandonment, Forced Divestiture
- License Cancellation
- Selective Discrimination
- Wrongful/Rightful Calling of Bonds
- Sovereign Non-Payment

Underwriting

Before issuing a policy, insurers will conduct thorough risk assessments of the underlying project and the host government's stability. These factors could include several political and economic considerations. They will also review the host country's current environment for international investors.

Benefits of PRI

PRI enables businesses to transfer political risks to insurers, helping to reduce their exposure to unpredictable events. By providing financial safety in the face of political uncertainties, PRI enhances the financial stability of businesses and promotes the continuity of operations.

Conclusion

Political risk insurance is a vital tool for businesses looking to safeguard their investments in an increasingly volatile global landscape. PRI empowers companies to confidently pursue growth opportunities by offering protections against political uncertainties that could jeopardize business operations and profitability. As U.S. firms continue to expand their presence in foreign markets, PRI will remain a cornerstone of their risk management strategy to help successfully navigate the complexities of global politics.





How Brown & Brown Can Help

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