



HOWDEN

Stepping up

Political risk insurance
in a volatile world

Political risk insurance (PRI) provides protection for businesses, investors and financial institutions against losses arising from political events or government actions in a foreign country.

It is typically used by companies operating internationally, particularly in emerging or volatile markets exposed to unpredictable or unstable political environments.

Risks covered include, but are not limited to, expropriation and nationalisation, political violence, currency inconvertibility, contract frustration and government interference.



Stepping up

Howden's recent report on credit and political risk insurance, *Opportunity in flux*, highlights how 2025 has become a milestone year for global trade and security.

Geopolitical tensions and macroeconomic volatility are converging to reset decision-making in a world increasingly defined by fragmentation and financial uncertainty.

In response, investors are diversifying across asset classes and geographies whilst multinational companies are recalibrating their political risk management strategies to protect international investments and strengthen the resilience of cross-border projects.

As they adapt, many are grappling with fundamental questions, including:

- 1 How is the risk landscape shifting and what are the implications for politically driven losses, such as challenges to fund repatriation or ownership rights?
- 2 What are the most effective tools for managing political risk and capital amidst heightened volatility?
- 3 What is the value proposition of political risk insurance, particularly for the many multinationals that have not yet purchased cover?

To help answer these questions, Howden surveyed ~500 senior risk and treasury function decision-makers in multinational companies based in the US, UK and France with revenue of >US\$1 billion.

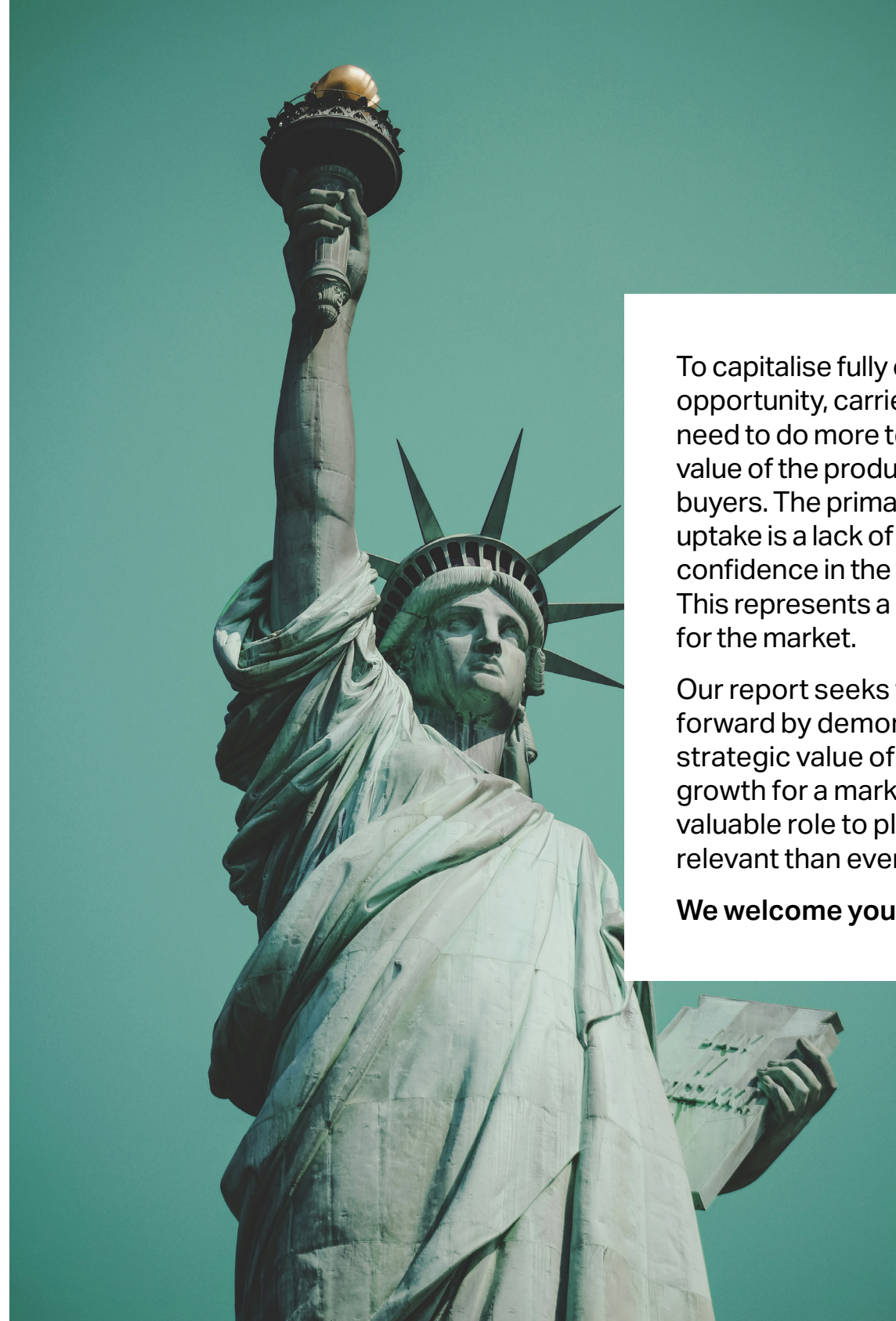
The main takeaway to emerge from the study is that the current environment represents a major opportunity for the PRI market.

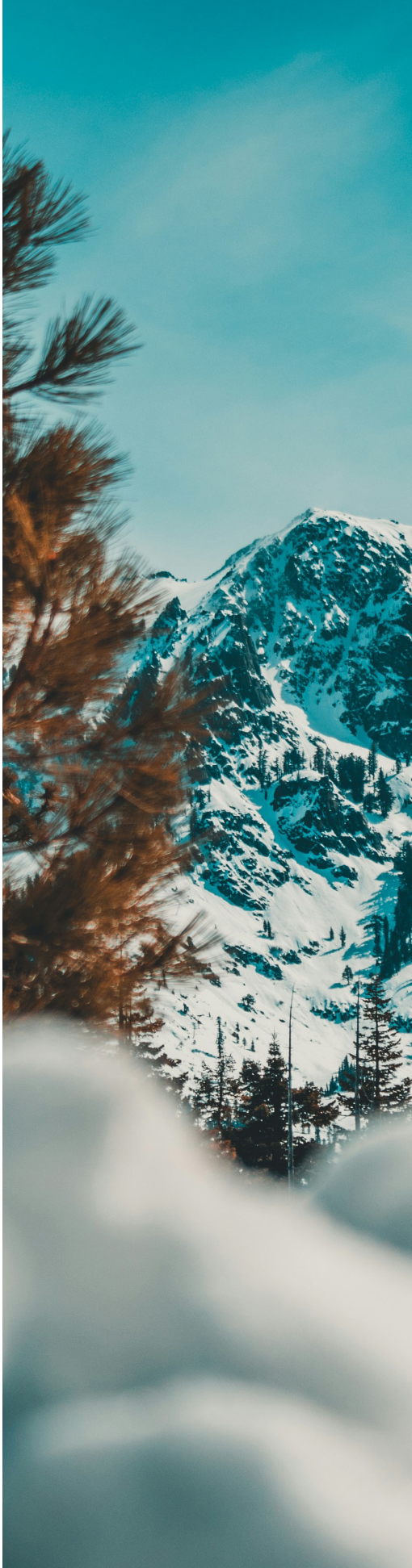
The product has never been more relevant, driving increased deployment of political risk management tools and insurance solutions.

To capitalise fully on this opportunity, carriers and brokers need to do more to explain the value of the product to potential buyers. The primary barrier to PRI uptake is a lack of familiarity and confidence in the benefits it offers. This represents a clear call to action for the market.

Our report seeks to drive this effort forward by demonstrating the strategic value of PRI and reigniting growth for a market that has a valuable role to play – it is now more relevant than ever.

We welcome your feedback.



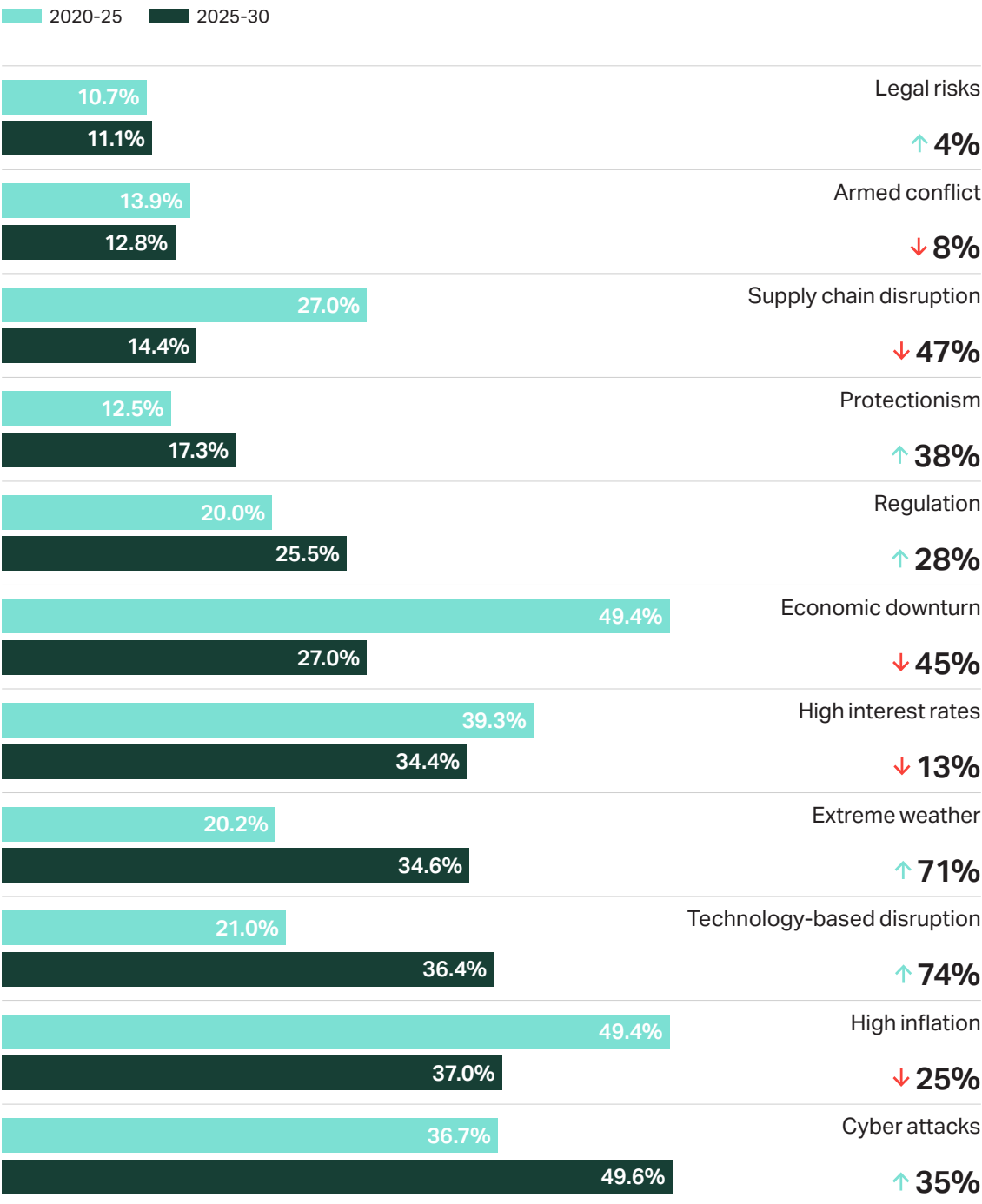


Shifting risk landscape

Multinationals face a fast-moving risk landscape as they commit significant capital to international investments and projects.

Unsurprisingly, given the rapid rise of Gen AI and its potentially transformative implications across all sectors, technological disruption emerged as the fastest rising risk. This was followed by extreme weather and protectionism.

Figure 1: Top three risks and change in risk importance 2020-25 vs 2025-30
(Source: Howden, Editorial Institute)



Note: respondents were asked to select up to three of the most important risks for the business from 2020-25 and from 2025-30. The change in risk importance represents the percentage change from 2020-25 to 2025-30.

Shifting risk landscape

Despite a series of major shocks in the first half of the 2020s, the global economy has proved remarkably resilient, with annual growth averaging 2.6% between 2020 and 2025F.

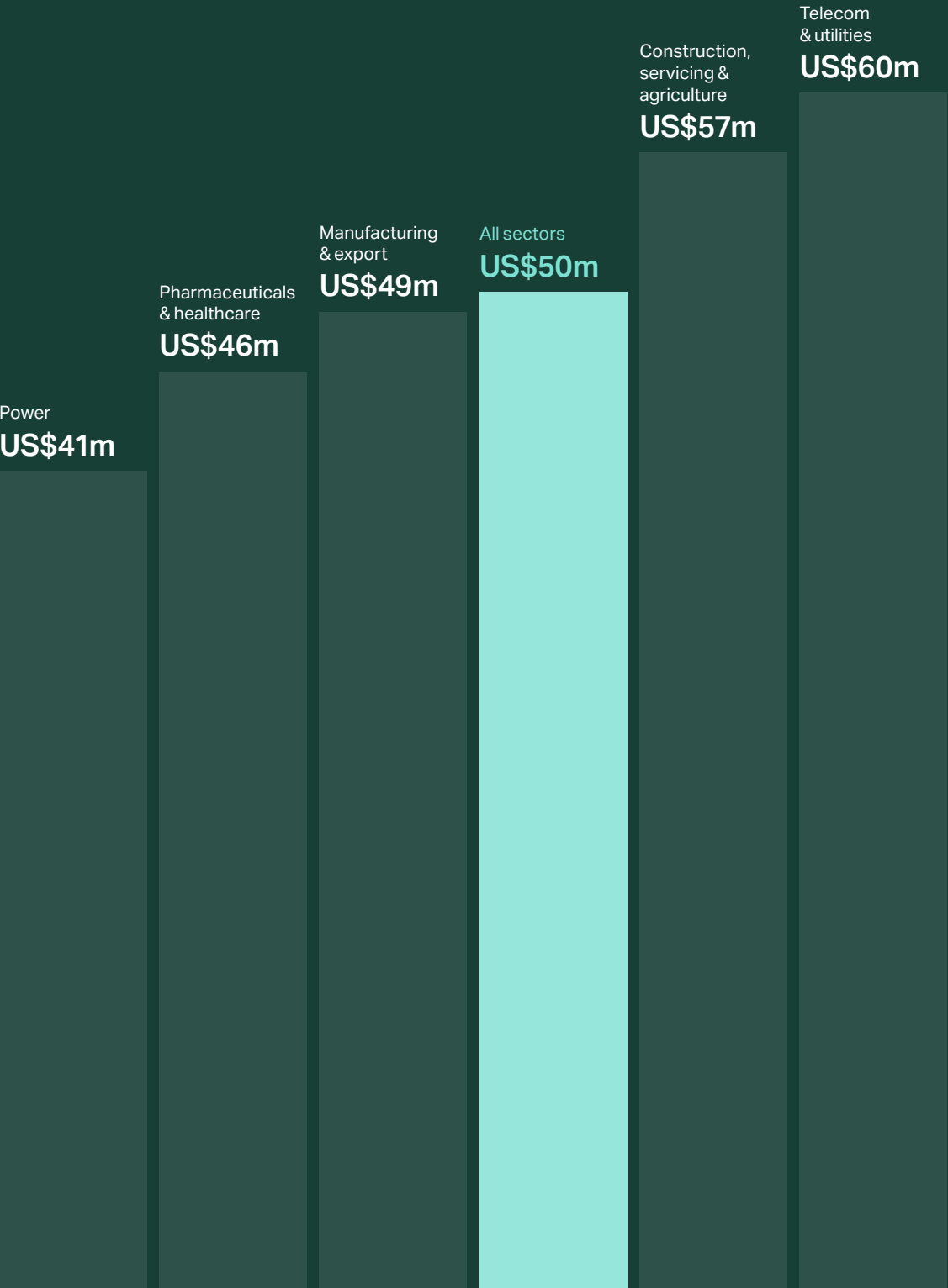
The survey reveals comparable strength for international investments: the average investment per surveyed company over the same period was ~US\$50 million annually, with more than US\$40 million committed across every sector and revenue band.

Figure 2: Average annual international investment 2020-25 by company revenue band (Source: Howden, Editorial Institute)



Figure 3: Average annual international investment 2020-25 by sector (Source: Howden, Editorial Institute)

Note: power = oil, gas, mining and renewables. Construction includes engineering. All sectors also include leasing companies (e.g. heavy machinery, aircraft) and asset / fund managers.



Risk management and insurance

Recent geopolitical developments have ushered in a transactional, multipolar world order where pressures around conflicts, geoeconomic fragmentation, trade, inflation, debt, critical minerals and supply chains are intensifying.

It is hardly surprising, therefore, that more than half (51%) of surveyed companies suffered a political loss to an international investment between 2020 and 2025. Multinationals most frequently reported issues related to currency conversion (40%) and ownership rights (40%), followed by political violence (33%).

Figure 4: Proportion of multinationals that suffered a political loss to international investments 2020-25 by type of loss (Source: Howden, Editorial Institute)

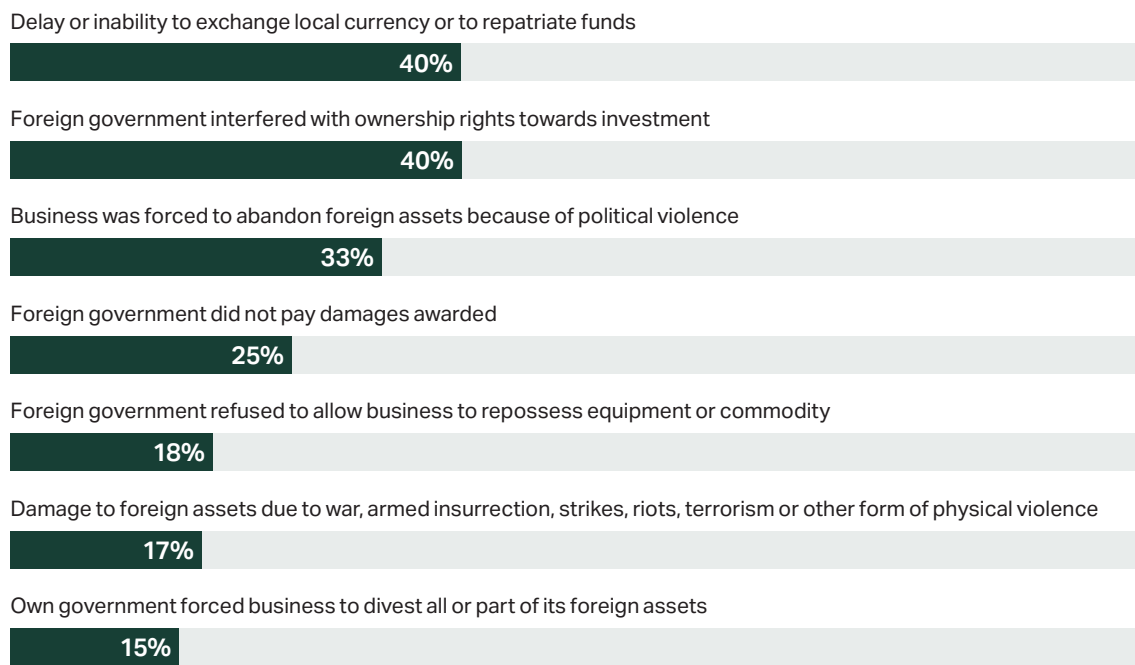
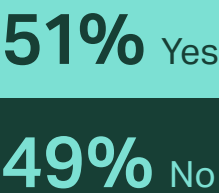


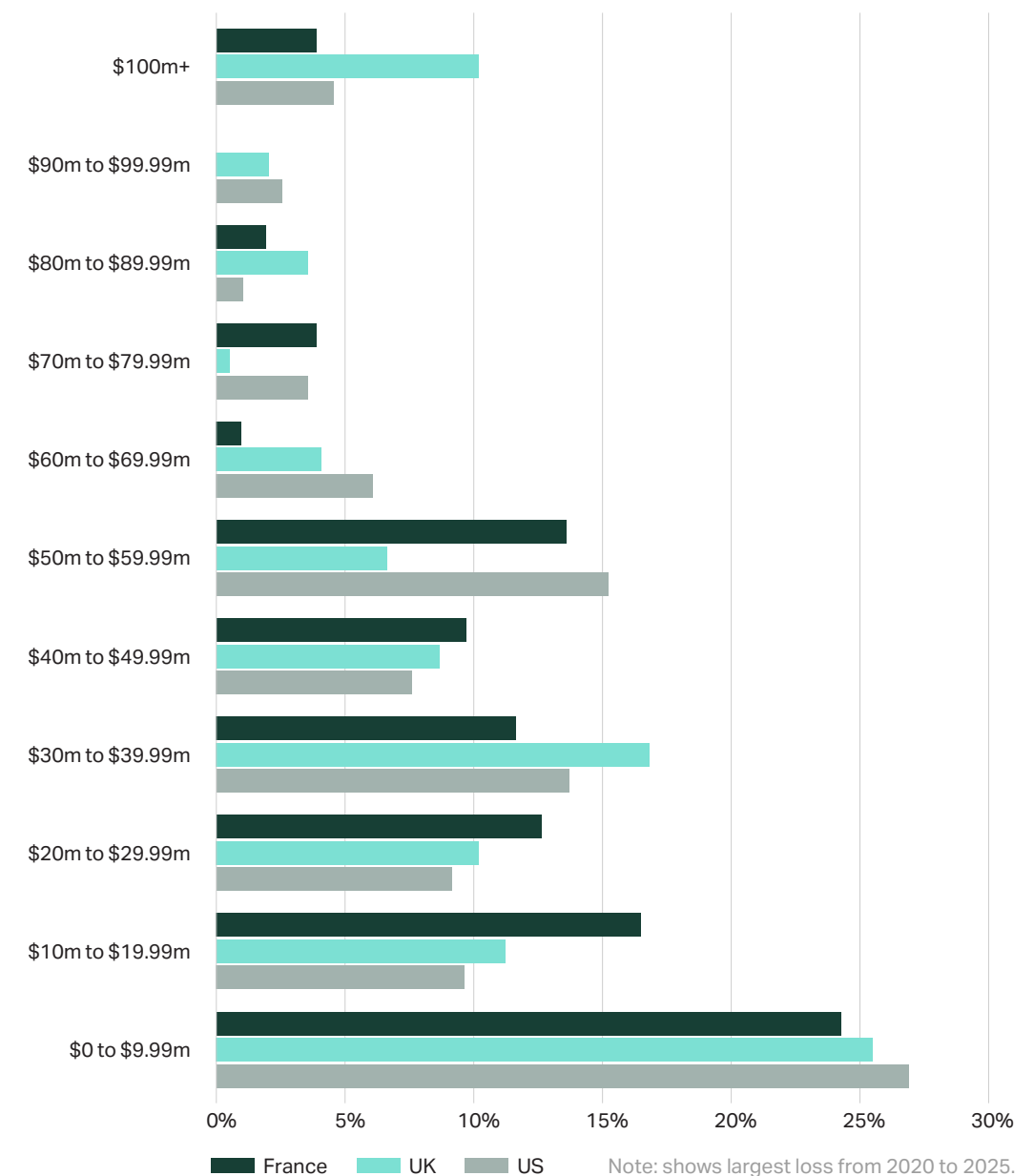
Figure 5: Proportion of multinationals that suffered a political loss to international investments 2020-25 (Source: Howden, Editorial Institute)



The survey also shines a light on the potential for large losses: 6% of companies on average across the US, UK and France suffered losses of >US\$100 million from 2020 to 2025.

Whilst the results confirm a positive correlation (67% coefficient) between the size of the loss and the size of investment, a small subset of companies reported losses exceeding 10 times their original investment, highlighting the potential for low-frequency, high-severity events – the very type of risk that PRI is designed to protect against.

Figure 6: Proportion of multinationals that suffered a political loss to international investments 2020-25 by size of loss (Source: Howden, Editorial Institute)



Multinationals are increasingly adopting political risk management tools and insurance solutions.

Eighty percent of surveyed businesses plan to use at least one such tool in the second half of the decade, up from 68% in the first half.

Or, put differently, only one-fifth do not plan to adopt any, raising questions about the rationale of such a strategy and whether it reflects a missed opportunity.

Across the different tools available, PRI recorded the biggest uptick in future usage, which is consistent with what many insurers are seeing in terms of growth in 2025.

Figure 7: Proportion of multinationals using risk management tools overall
(Source: Howden, Editorial Institute)

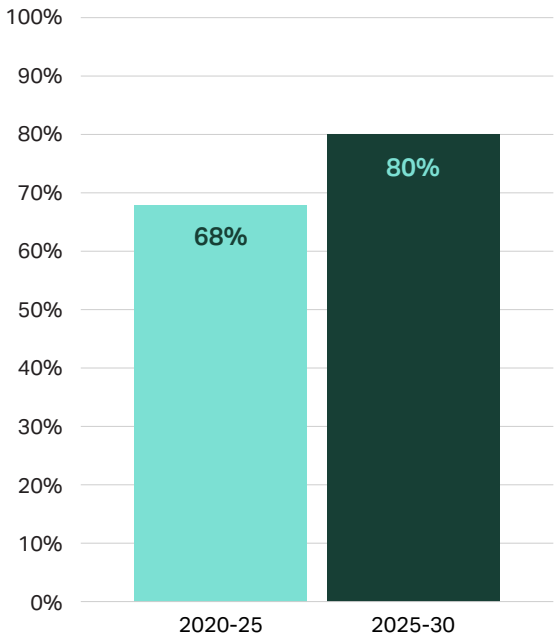
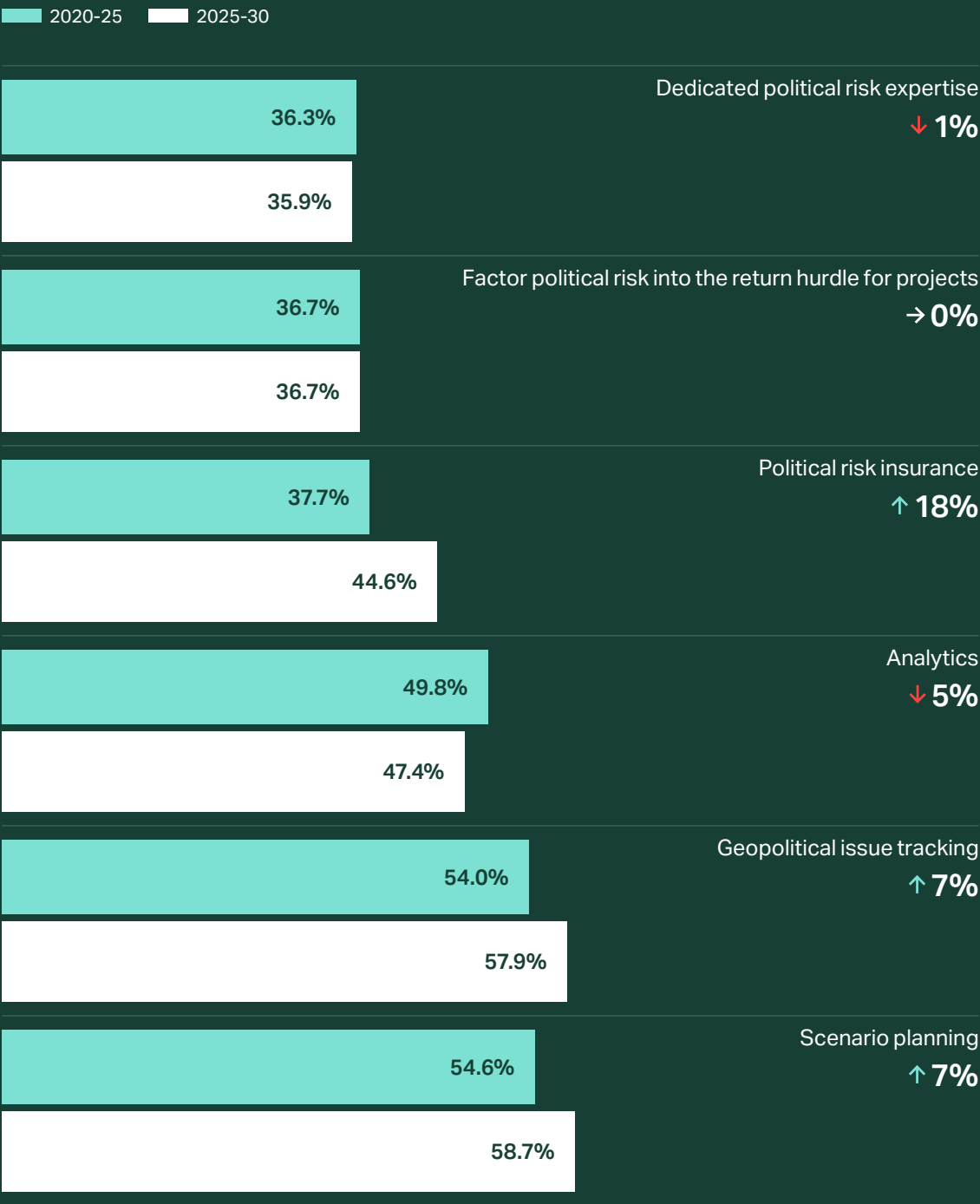
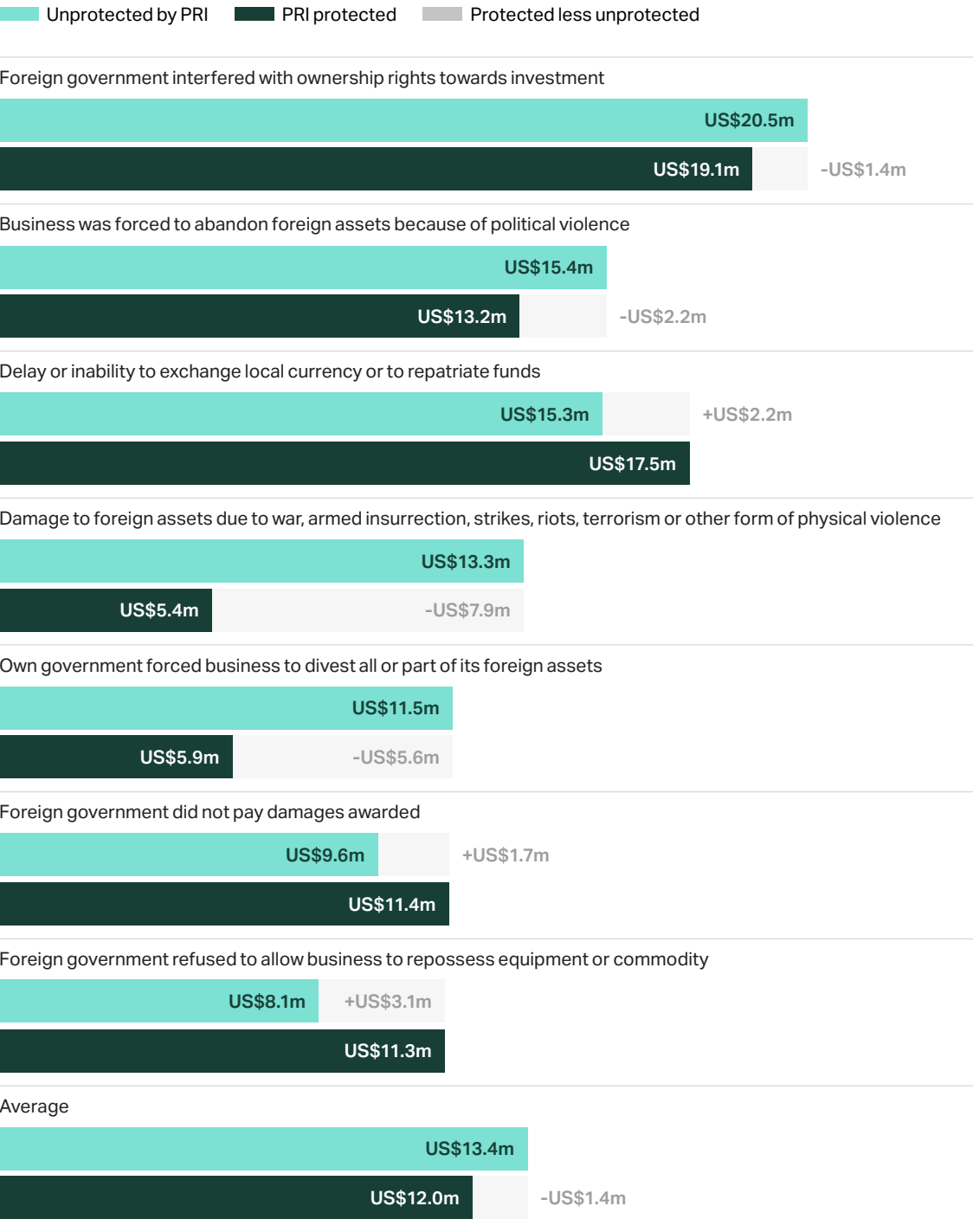


Figure 8: Proportion of multinationals using specific risk management tools
(Source: Howden, Editorial Institute)



Note: respondents were asked to select all tools and capabilities that apply. Change in usage is percentage change, not percentage point change.

Figure 9: Average largest loss 2020-25 by cause (Source: Howden, Editorial Institute)



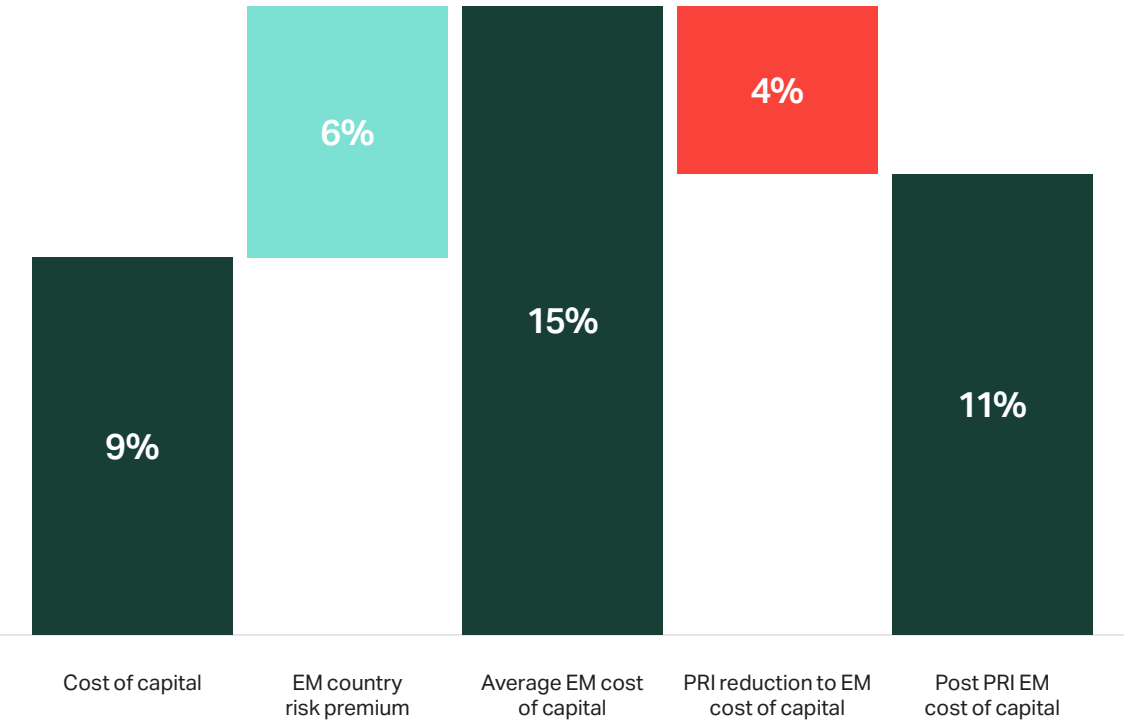
Note: losses for protected companies exclude insurance recoveries.

Persistent geopolitical and economic risks will continue to drive demand for PRI.

Just under one-fifth (18%) of multinationals that have not purchased cover in the past five years are significantly more likely to do so in the current environment. The financial benefits are clear: companies with PRI reported losses at least US\$1.4 million lower on average than those without cover between 2020 and 2025.

In addition, PRI reduces the cost of capital for emerging markets projects by lowering the country risk premium. Surveyed companies reported that PRI cuts the cost of capital from ~15% to ~11%, resulting in an average annual saving of ~US\$2 million per investment.

Figure 10: Impact of PRI on cost of capital for an emerging market project (Source: Howden, Editorial Institute)

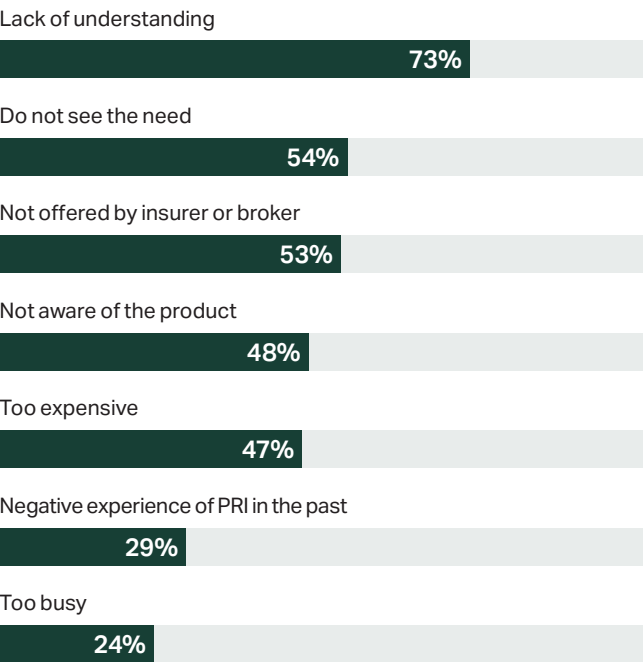


Next steps

With demand for protection rising amidst global instability, PRI is a key enabler of global investment.

Yet significant barriers remain: 73% of companies cite a lack of understanding as the primary obstacle to purchasing cover whilst 54% report not seeing the need for PRI, often a direct consequence of limited awareness. Nearly half of respondents are not even aware of the product.

Figure 11: Proportion of multinationals that have not purchased PRI in 2020-25 citing barriers to purchase
(Source: Howden, Editorial Institute)

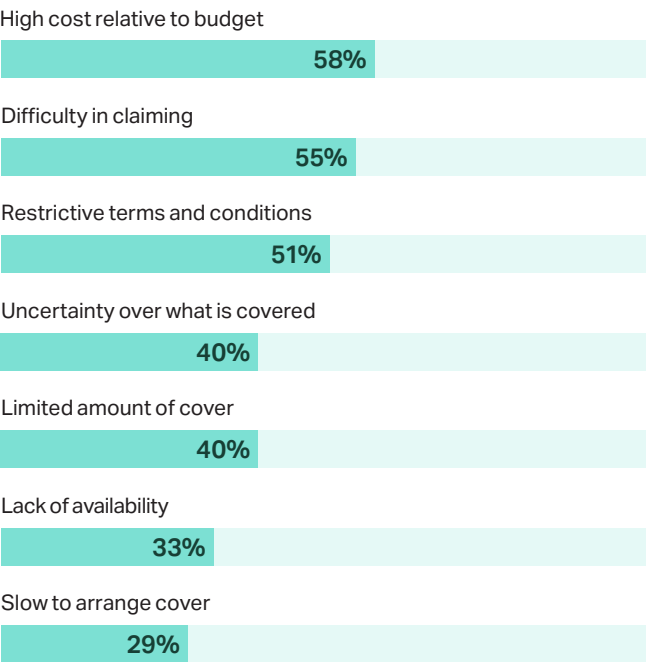


Note: respondents asked to select all that apply.

At the same time, the market must continue to improve the delivery and experience of PRI for existing buyers. Amongst companies that have purchased cover over the past five years, the main limitations cited were high costs relative to budget (58%), difficulty in claiming (55%) and restrictive terms and conditions (51%).

These challenges can be addressed through increased understanding of client requirements and greater market flexibility, supported by more granular data sharing on structures, pricing and wordings.

Figure 12: Proportion of multinationals that have purchased PRI in 2020-25 citing limitations
(Source: Howden, Editorial Institute)



Note: respondents asked to select all that apply.

Political risk insurance

Given the relevance of PRI in today's risk landscape, it is incumbent on brokers and carriers to improve the understanding, accessibility and simplicity of cover. This research is designed specifically to help with such efforts.

51%

of surveyed companies suffered a political loss to an international investment between 2020 and 2025

\$2m

average annual cost of capital saving per investment due to PRI

73%

of companies cite a lack of understanding as the primary obstacle to purchasing cover

\$1.4m

lower losses on average for companies with PRI protection than for those without between 2020 and 2025

At Howden, we are leading the charge by engaging with clients and potential clients as well as pioneering solutions to meet their evolving needs. We welcome your feedback on this research and on political risk more generally.

Come and talk to us.

The Editorial Institute ran an online survey of ~500 senior risk and treasury function decision-makers in multinational companies with revenue of US\$1bn or more.

The purpose of the survey was to understand corporate attitudes towards and experiences of political risk. Fieldwork was conducted from 21 April to 9 May 2025.

Howden Group Research analysed the results to identify key insights most relevant to the political risk insurance market, which are presented in this report.

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