

October 9th 2023

## **Year of high-stakes elections lies ahead in 2024 – increasing the appetite for political risk insurance.**

- The number of elections worldwide to increase 14% - from 56 in 2023 to 64 in 2024
- The total value of economies with elections will jump from \$9.9tn in 2023 to \$40.8tn in 2024

The total number of national elections will increase 14% next year, from 56 globally in 2023 to 64 in 2024\*, shows research by global specialty (re)insurance group Chaucer, leading to a steady increase in demand for political risk insurance.

Jonathan Bint, Senior Underwriter and Analyst at Chaucer points to elections in the US and South Africa being particularly important, the former always so due to its sheer size.

Countries with elections in 2023 have a combined GDP of \$9.89tn – this will more than fourfold increase to a combined GDP of \$40.79tn in 2024\*\*. This increase in combined GDP represents a jump from 9.8% to 40.6% of the world's GDP going to the polls next year.

The increase in elections and the size of the economies at stake presents increased political risk for businesses operating in countries that face political uncertainty. When governments are struggling to pay their bills, this can increase the risk that businesses can find their public sector contracts suddenly cancelled or go unpaid. Businesses have increasingly been insuring against governments failing to pay their bills by buying “contract frustration” cover.

Contract frustration insurance is seeing an uptick in demand as businesses look to mitigate the risk of contract cancellation by governments. Government contract cancellations spike in frequency after a change in government, so an increase in elections – itself increasing the likelihood of government change - is driving up demand for contract frustration cover.

The post-2008 period has proved fertile ground for economic radicals on all sides of the political spectrum, and their successes have put many government suppliers' portfolios in jeopardy. Recent episodes of mob violence following the 2020 US presidential election

and 2022 Brazilian presidential election highlighted the risks businesses face in election years – underlining the need for insurance policies to protect their assets.

Another common fear for investors is whether a potential government may be less willing to pay its creditors. The prospect a government open to defaulting on its debts leaves those with money at stake with little option but to secure political risk cover to protect their interests.

Political risk cover saw a recent surge in interest during the Argentinian presidential primaries. Javier Milei's shock win on August 13 a barrage of financial and economic shocks, including currency devaluation, increased interest rates and shocks to Argentinian bonds\*\*\*.

Says Jonathan Bint:

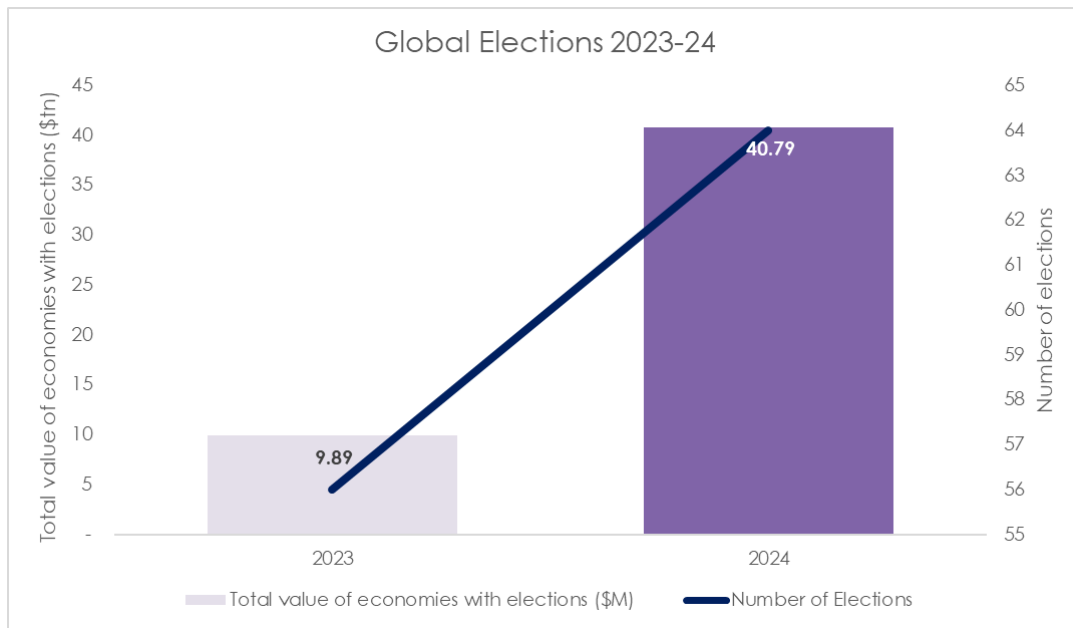
“Not only are more elections taking place next year than this year, but crucially these elections will affect key major economies around the world. 2024 could be a year of significant political change which we believe could lead to political risk insurance being pushed further up the boardroom agenda.”

“Organisations from governmental outsourcers to major state creditors should be looking at which of these elections they are exposed to. Those who don't currently have cover should speak to specialists about how to manage the risks involved in political change.”

Jonathan Bint highlights the following elections in 2024 as being particularly important from a political risk perspective:

- February 14 **Indonesia** (legislative and presidential)
- April 10 **South Korea** (legislative)
- May-June **India** (legislative)
- May-June **South Africa** (legislative)
- June 2 **Mexico** (legislative and presidential)
- November 5 **USA** (legislative and presidential)
- TBD **UK** (legislative)\*\*\*\*

Says Jonathan Bint: “We've seen how volatile markets become when political candidates with unorthodox economic policies look likely to win. Political risk is an inherent feature of the democratic process. Political risk cover exists to help businesses handle this volatility, knowing that their own risk profile is manageable.”



*\*National legislative and presidential elections for countries scoring 4.0 and above on [The Economist Intelligence Unit's Democracy Index 2022](#).*

*\*\*[Data from World Bank](#). World GDP (in current USD) was estimated at \$100.56tn in 2022.*

*\*\*\*The election initially led to an 18% devaluation of the Argentine Peso. Argentina's central bank responded by raising the interest rate 21 points to 118% as a result. Argentina's sovereign bonds initially dropped six points.*

*\*\*\*\*The UK parliament must dissolve by December 17 2024 at the latest. January 28 2025 is the latest date the next general election could be held, with most analysts expecting an earlier dissolution and general election (around November 2024).*

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## About Chaucer

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We are defined by an enterprising, bespoke approach to (re)insurance, enabled by the individual character, experience and imagination of our expert teams.

Chaucer is a member of the China Re Group and backed by their financial and operational resources. China Re is one of the world's largest reinsurance companies whose outstanding and comprehensive strength is rated A (excellent) by AM Best and A (strong) by S&P Global Rating.

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