



**GEO POLITICAL RISK ASSESSMENT
AND ITS IMPACT ON MARINE INSURANCE (30 MINUTES)**

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KNOWN UNKNOWNNS

There are known knowns; there are things we know that we know.

There are known unknowns; that is to say, there are things that we now know we don't know.

But there are also unknown unknowns – there are things we do not know we don't know.

-Donald Rumsfeld



KNOWLEDGE & AWARENESS MATRIX

<i>Knowns</i>	<i>Known Knowns</i> <i>Things we are aware of and understand.</i>	<i>Known Unknowns</i> <i>Things we are aware of but don't understand.</i>
	<i>Unknown Knowns</i> <i>Things we understand but are not aware of.</i>	<i>Unknown Unknowns</i> <i>Things we are neither aware of nor understand.</i>
	<i>Knowns</i>	<i>Unknowns</i>

GEOPOLITICAL RISKS



Post COVID



Conflicts & Wars



4th IR & Cyberwarfare

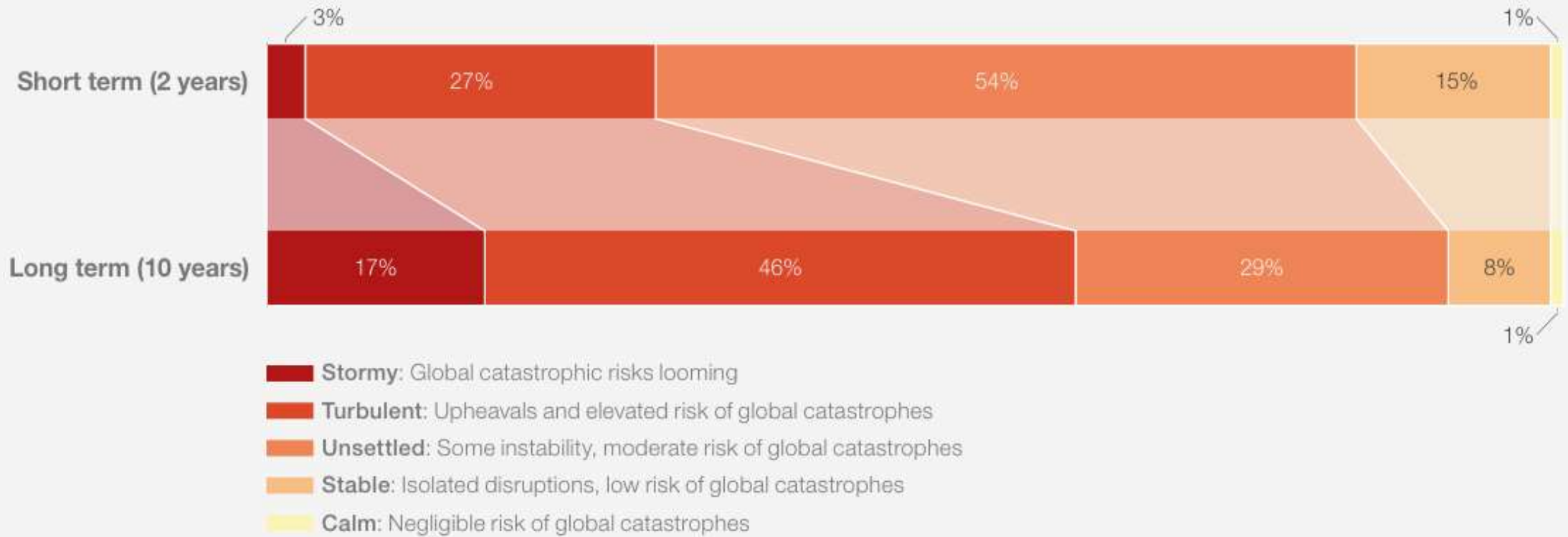


Global Warming Climate Changes Food & Water Security



Space Mining

SHORT VS LONG TERM GLOBAL RISK OUTLOOK - WEF 2024



Source

World Economic Forum Global Risks Perception Survey 2023-2024.

Note

The percentages in the graph may not add up to 100% because figures have been rounded up/down.

CURRENT RISK LANDSCAPE - WEF 2024

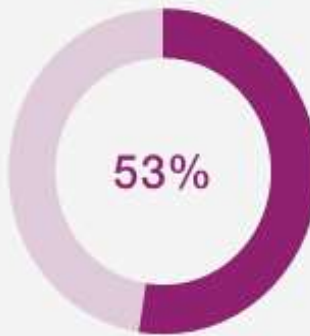
Risk categories

- Economic
- Environmental
- Geopolitical
- Societal
- Technological



1st

Extreme weather



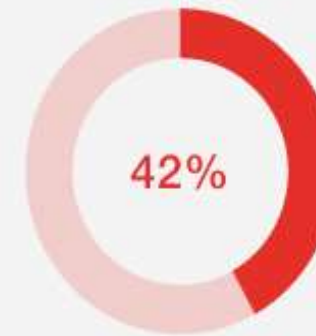
2nd

AI-generated
misinformation
and disinformation



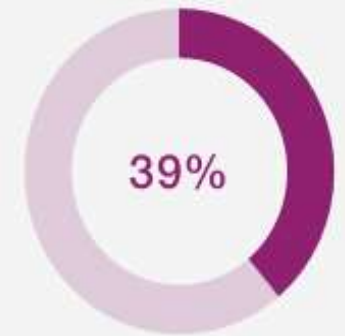
3rd

Societal and/or
political polarization



4th

Cost-of-living crisis



5th

Cyberattacks

Source

World Economic Forum Global Risks
Perception Survey 2023-2024.

GLOBAL RISK RANKING - SHORT & LONG TERM - WEF 2024

Risk categories

- Economic
- Environmental
- Geopolitical
- Societal
- Technological

2 years



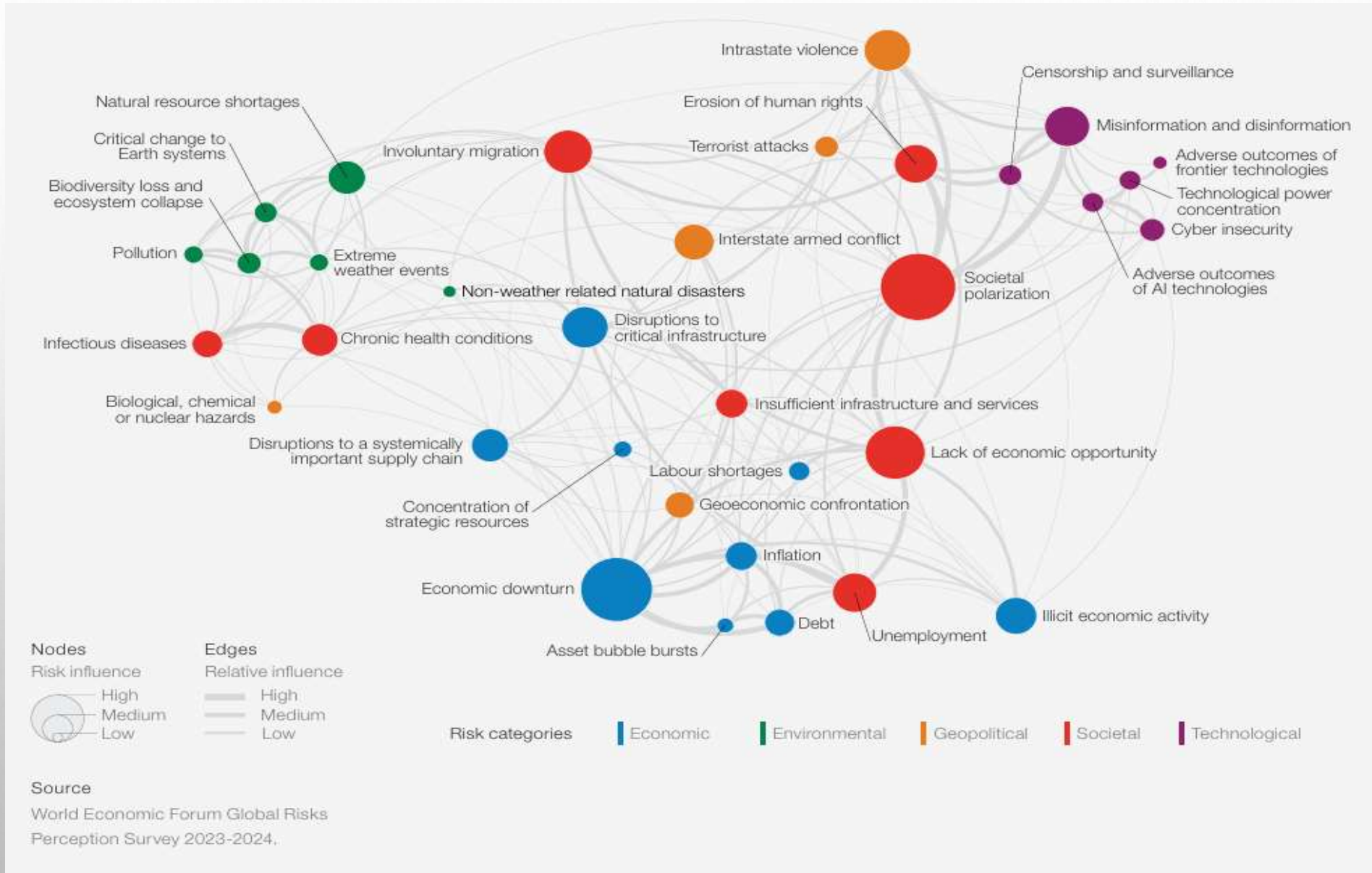
10 years



Source

World Economic Forum Global Risks Perception Survey 2023-2024.

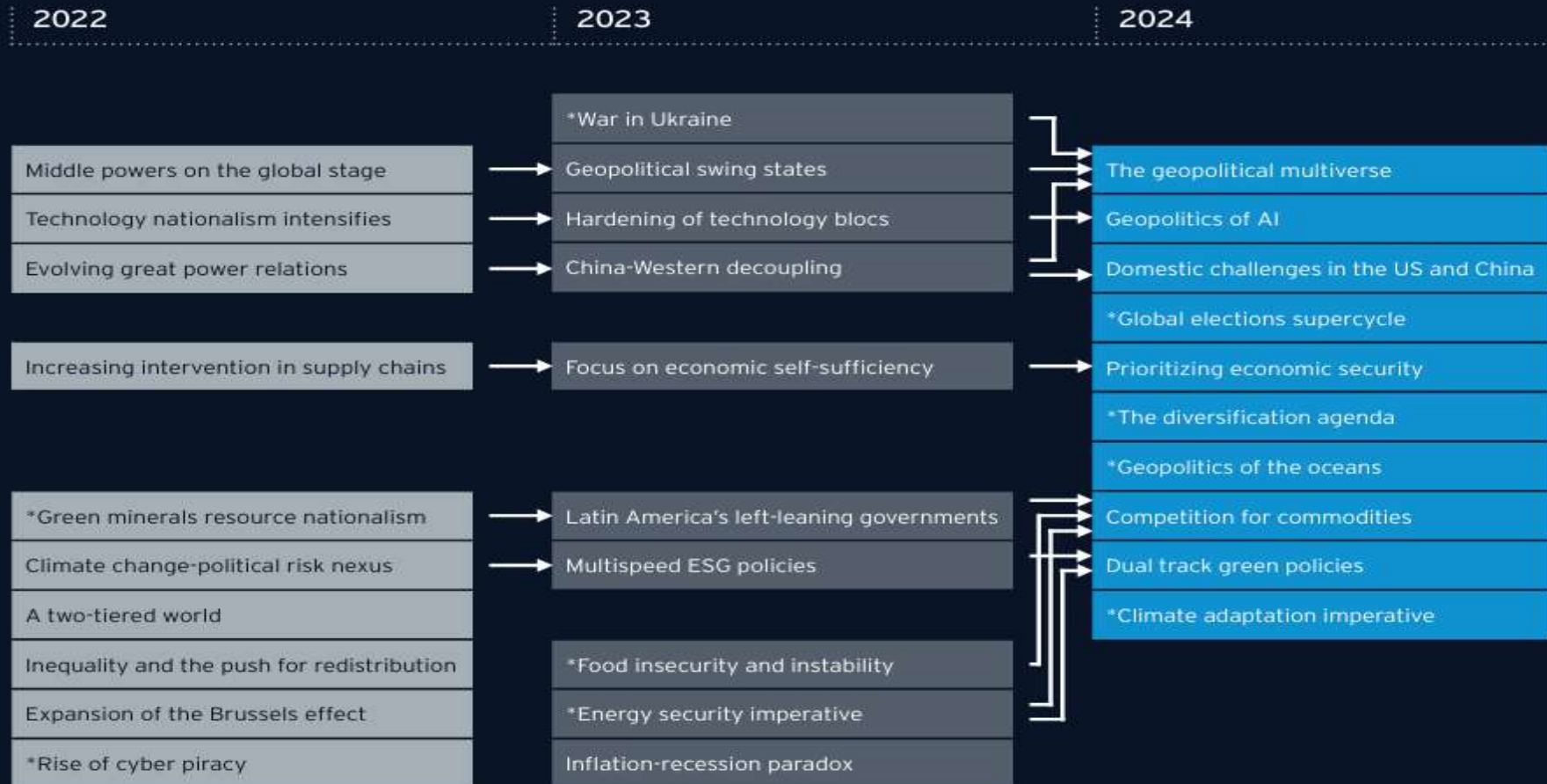
GLOBAL RISK LANDSCAPE - WEF 2024



GEOSTRATEGIC RISK TRAIL - EY 2024

Figure 1. Many of the top geopolitical developments in 2024 have evolved from prior years

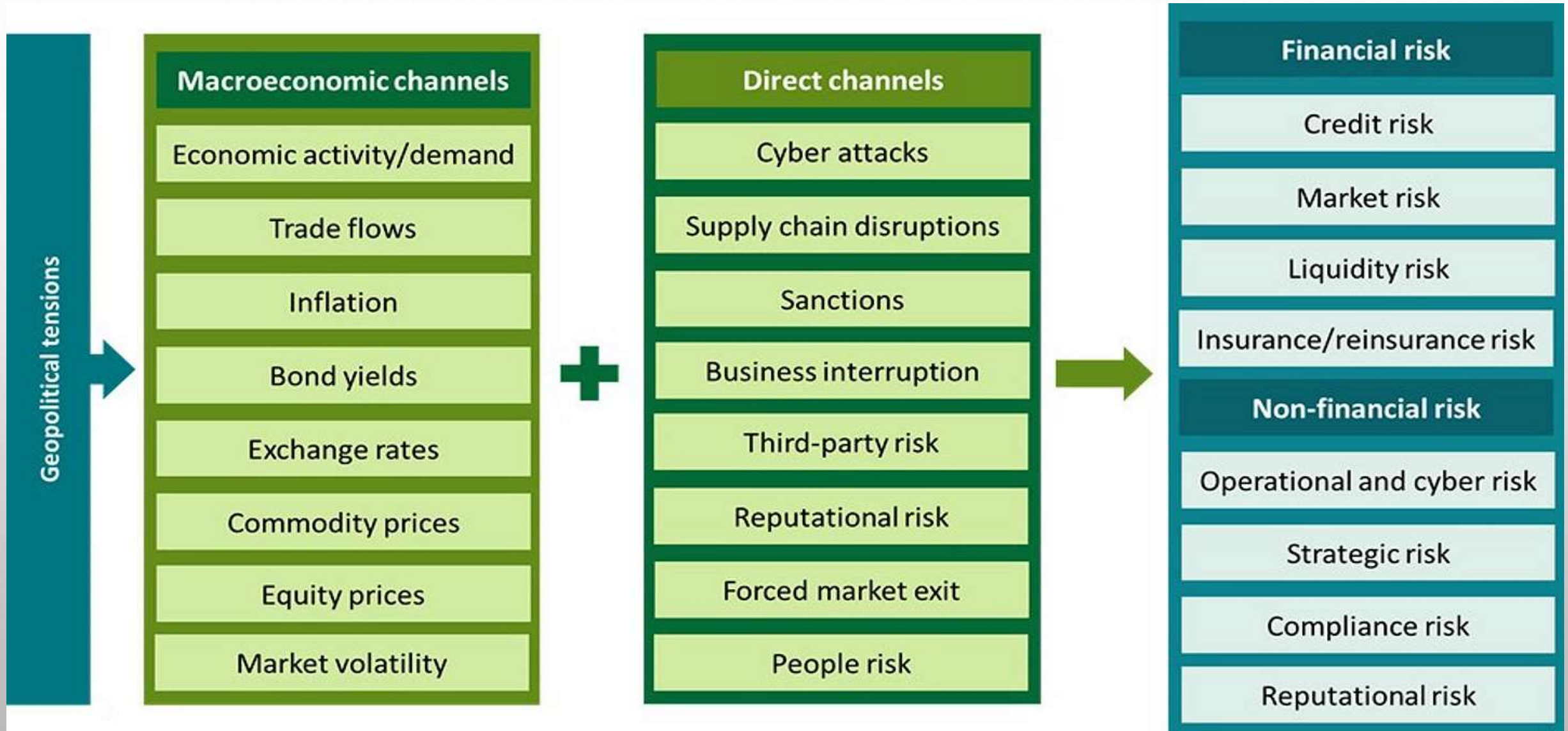
Top 10 geopolitical developments by year



Note: * indicates a new development for the year.

Sources: EY Geostrategic Outlooks for 2022, 2023 and 2024

GEOPOLITICAL RISK & IMPACT – DELOITTE 2024



BLACKROCK GEOPOLITICAL RISKS & IMPACTS - APRIL 2024

Key scenario variables

How to gauge the potential market impact of each of our top-10 risks? We have identified three key "scenario variables" for each – or assets that we believe would be most sensitive to a realization of that risk. The chart below shows the direction of our assumed price impact.

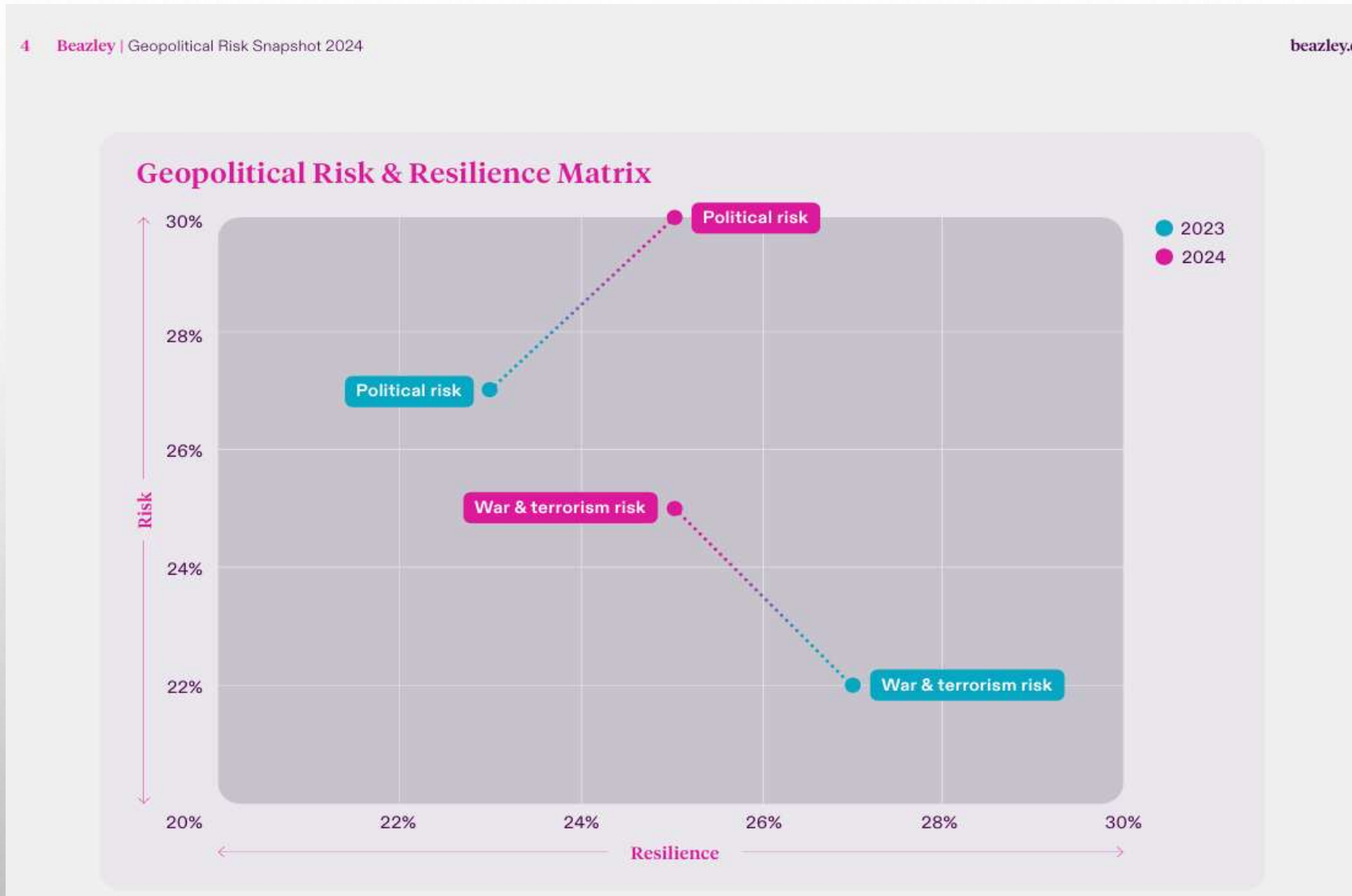
Risk	Asset	Direction of assumed price impact
U.S.-China strategic competition	Taiwanese dollar	▼
	Taiwanese equities	▼
	China high yield	▼
Global technology decoupling	Chinese yuan	▼
	U.S. investment grade	▼
	Asia ex-Japan electrical equipment	▼
Russia-NATO conflict	Russian equities	▼
	Russian ruble	▼
	Brent crude	▲
Gulf tensions	Brent crude oil	▲
	VIX	▲
	U.S. high yield credit	▼
Major terror attack(s)	Germany 10-year government bond	▲
	Japanese yen	▲
	Europe airlines sector	▼
Major cyber attack(s)	U.S. high yield utilities	▼
	U.S. dollar	▲
	U.S. utilities sector	▼
Emerging markets political crisis	Latin America consumer staples sector	▲
	Emerging vs. developed equities	▼
	Brazil debt	▼
North Korea conflict	Japanese yen	▲
	Korean won	▼
	Korean equities	▼
Climate policy gridlock	U.S. building products sector	▼
	U.S. construction materials sector	▼
	U.S. utilities	▲
European fragmentation	EMEA hotels & leisure	▼
	Italy 10-year government bond	▼
	Russian ruble	▼

GEOPOLITICAL RISKS MAPPING – S&P GLOBAL 2024

Figure 1: Likelihood and Impact of Top 2024 Geopolitical Risks



BEAZLEY GEOPOLITICAL MAPPING 2023-2024





2024 PREVENTIVE PRIORITIES SURVEY

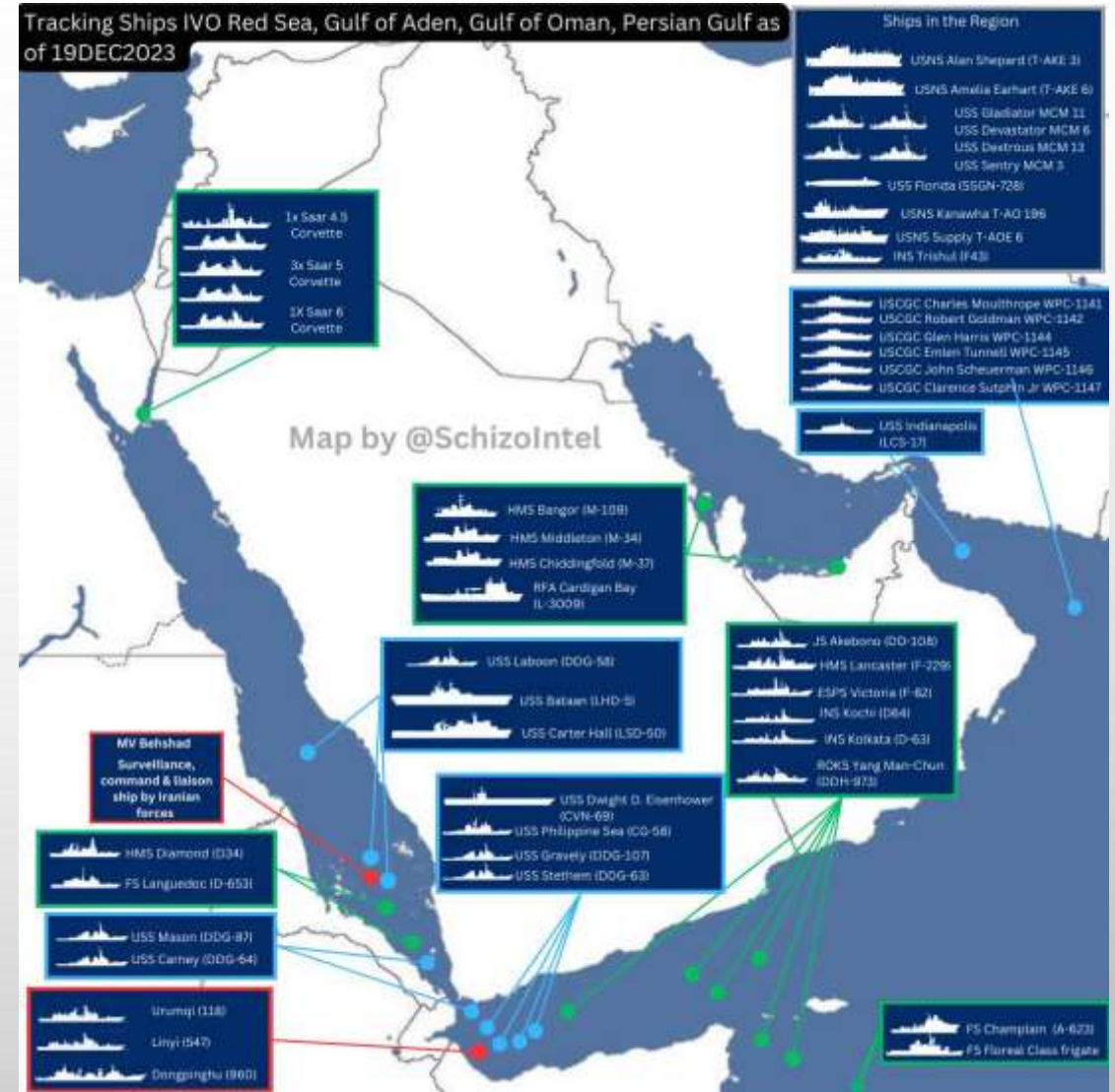
Conflicts to Watch in 2024

COUNCIL *on*
FOREIGN
RELATIONS

ISRAEL PALESTINE GAZA CRISIS



RED SEA & STRAITS OF HORMUZ (MENA - GCC CRISIS)



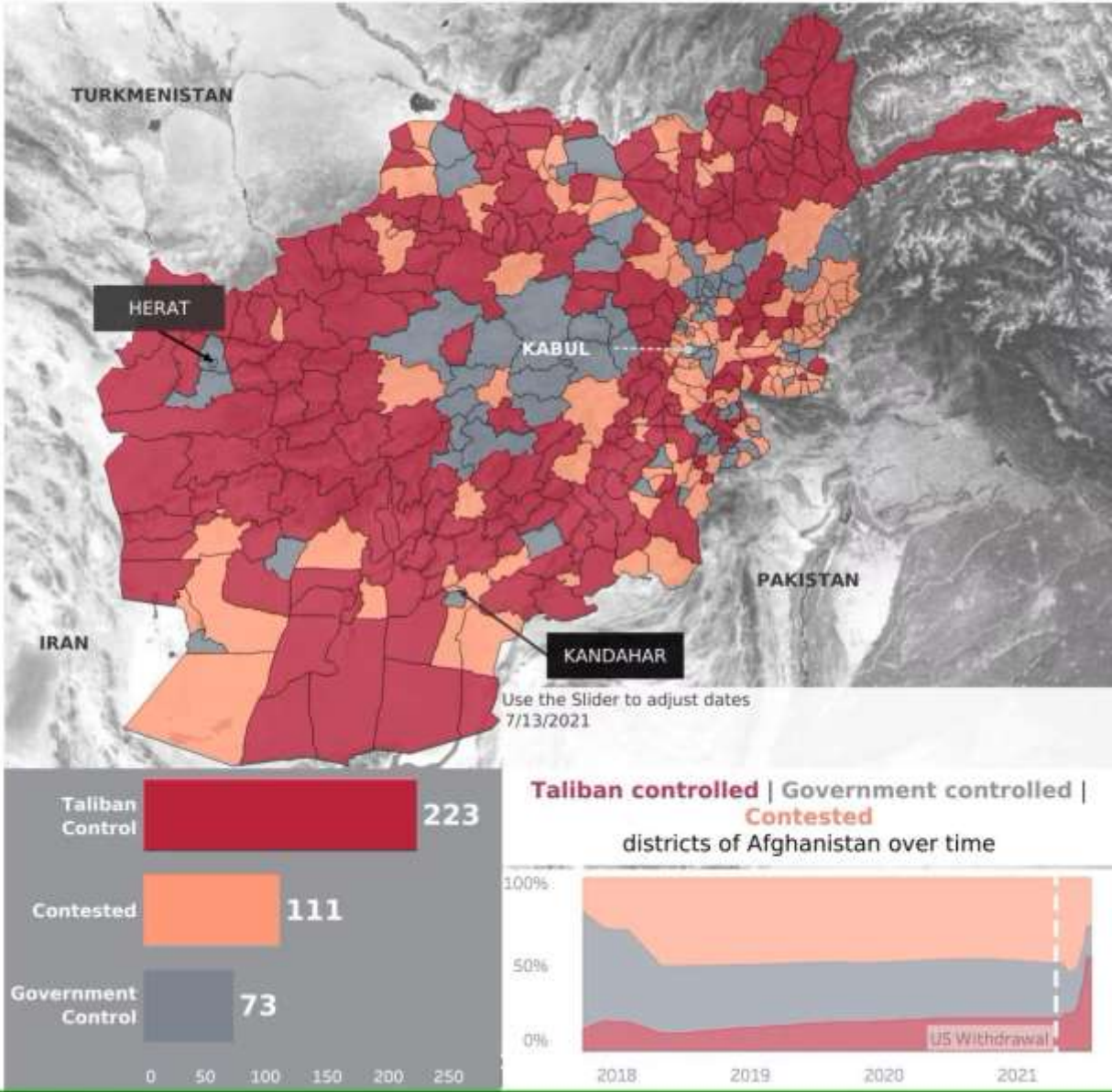
RUSSIA UKRAINE (NATO) CRISIS



SOUTH CHINA SEA VS US & TAIWAN CRISIS



US - AFGHAN WAR ON TERROR



INSURANCE OF GEOPOLITICAL RISK ASSESSMENT

Geopolitically motivated confrontations creating new risks for businesses

Today's world increasingly interconnected by global flows of goods, services, capital, people and data, which in turn is, dependent on political forces within the geographic space

Insurance is a business operating within an economic context, changes in monetary and fiscal policies impact factors such as inflation and discounting, and the value of assets and liabilities

INSURANCE OF GEOPOLITICAL RISK ASSESSMENT

Geopolitically motivated harm directly or indirectly targeting businesses makes modeling and thus pricing extremely difficult for insurers

Past performance is no indicator of future returns for the re/insurance market, because each of these risk factors are in flux, and the range of potential outcomes remains wide

Hence, awareness creation & scenario planning are critical to successfully managing geopolitical risk

UNINSURABLE GEOPOLITICAL RISKS

Geopolitical Risks Commonly Covered by Insurance

- Short-term export credit
- Foreign exchange risks
- Merchandise in transit (marine, air and ground)
- Product liability (foreign jurisdictions)
- Cyber risks
- Political risks (government actions, political unrest and economic turmoil)



Geopolitical Risks that Insurance Will be Unlikely to Cover

- Warfare and terrorism
- State-sponsored events, e.g. cyber attacks
- Punitive governmental interactions, e.g. forcing imports from one jurisdiction to languish in ports as a way of punishing that government
- Losses due to government sanctions on another jurisdiction

QUESTION ?

