

# Political risk in 2024

The year of elections

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## **About Airmic**

The leading UK association for everyone who has a responsibility for risk management and insurance in their organisation, Airmic has over 450 corporate members and more than 1,900 individual members. Individual members are from all sectors and include company secretaries, finance directors, and internal auditors, as well as risk and insurance professionals. Airmic supports members through learning and research; a diverse programme of events; developing and encouraging good practice; and lobbying on subjects that directly affect our members and their professions. Above all, we provide a platform for professionals to stay in touch, to communicate with each other, and to share ideas and information.

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Airmic Says: Airmic members on the 'year of elections'

# Executive summary

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## Risk and insurance in the 'year of elections'

A concurrence of electoral cycles across so many countries internationally provides a steady drumbeat of potential flashpoints throughout 2024, holding the attention of risk and security professionals, insurance markets, investors and analysts alike across the globe.

The conversation has shifted – a rise in Strikes, Riots and Civil Commotion (SRCC) insurance claims experienced globally, particularly since 2019, has contributed to an increased market for specialist standalone Political Violence (PV) insurance. The billions of dollars of losses over the past six years are set to increase as results of elections emerge throughout this year.

## What can risk professionals do?

- Elections have one advantage as a trigger for political risk or civil unrest: their dates tend to be marked in the diary weeks or months ahead of the events themselves. This gives organisations the opportunity to plan ahead, prepare and brace for impact.
- Risk professionals are increasingly turning to social media and a range of open source intelligence (OSINT) tools and risk map services to provide valuable insights into political risks.
- Horizon scanning and Scenario analysis are great tool to manage the surprise factor and avoid being the organisation that did not see the obvious emerge, despite all the signs ahead of elections.
- Risk professionals can approach scenarios 'top down' or 'bottom up':
  - o Top-down – which means picking the big-ticket risks and working through the impact on their people, operations and finances.
  - o Bottom-up – which means picking a particular country or region and adjoining territories where they have exposure, and working through scenarios bespoke to these.



- A well informed organisation is a resilient organisation, especially given a potentially fast-moving political risk environment in the 'year of elections'. Medium-term resources such as government policies, scheduled elections and evidence of populism or short-term notice of protests or violence provide useful resources, indicators and triggers, whether for business continuity planning, scenarios analysis or the management of insurance programmes.
- Nevertheless, these resources are only of real use when risk professionals can establish the relevance to their organisation. Without doing this, they are just an observer following the news cycle.

#### **Airmic survey findings**

- Even before the UK general election was announced as 4 July, this is the election of most concern for Airmic members in 2024; 81% were negative or neutral on the UK government's Spring Budget of 2024.
- Populism and geopolitical impact are the biggest risks in 'year of elections' for risk professionals.
- More risk professionals (56%) are tracking social media to monitor elections.
- More organisations conducting increased political due diligence; 44% of respondents have increased frequency and scope of horizon scanning and scenario analysis.



# Introduction

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**Geopolitical tensions are at a generational high and 2024 is being widely referred to as the 'year of elections'. By the end of the year up to 83 national elections will have been held in over 70 countries, representing 60% of global GDP. The UK's general election will be held on 4 July, while the US election set for 5 November will be the most consequential of them all.**

A concurrence of electoral cycles across so many countries internationally provides a steady drumbeat of potential flashpoints throughout 2024, holding the attention of risk and security professionals, insurance markets, investors and analysts alike across the globe.

Following the death of Iranian President Ebrahim Raisi in a helicopter crash in May, Iran's presidential elections will now be brought forward, and will pose a tricky test for the country's rulers.

Some of 2024's electoral contests have already taken place. Globally diverse territories such as Argentina, South Africa, Taiwan and Turkey have witnessed some hard-fought elections. In some of these places, unanswered political questions or simmering social tensions remain. Other elections remain ahead across the globe, such as Ghana, Mexico, Venezuela, the UK and, of course, the United States.

The UK's election will be held on 4 July. An important political event in itself, the risk of civil unrest is more aligned with international political currents, such as demonstrations linked to changes in government climate policy or ongoing geopolitical events in Israel and the Middle East.

The drumbeat of elections in 2024 is the latest aspect of a cacophony of geopolitical volatility that has arisen within recent years – notably with the return of war risk as a significant risk globally, but also with a rise in civil unrest and national and international protest movements.

Collectively, these civil unrest threats, faced internationally within a new era of insecurity, have come to dominate the news cycle to a degree that would have been unthinkable just a few years ago. Not only that, but a rise in political violence on a global scale has led to dramatic changes in insurance markets within the same period.

In 2023, on the first anniversary of Russia's invasion of Ukraine, Airmic published a report in collaboration with the Chartered Institute of Internal Auditors titled *Navigating geopolitical risk: Building resilience demands collaboration in a challenging world*. That report demonstrated why risk and internal audit professionals need to relook at the way they collaborate, as their organisations build resilience amid the maelstrom of geopolitical risks.

*Political risk in the 'year of elections'* builds on that earlier report, demonstrating how elevated uncertainty created by an increase in volatility, complexity and pace of change in a new geopolitical era calls for new approaches to be adopted.



# The rise of political violence insurance (PV)

A focus on elections in 2024 is shining a spotlight on commercial insurance protection for Strikes, Riots and Civil Commotion (SRCC), which has been traditionally included within many property all risks commercial insurance policies – and continues to be for many UK corporate buyers.

However, a rise in SRCC insurance claims experienced globally, particularly in the period from 2019, has contributed to an increased market for specialist standalone Political Violence (PV) insurance.

“I think it has become part of the risk matrix, risk analysis and risk assessment that every good risk manager does,” says Zouheb Azam, head of political violence and terrorism, Africa Specialty Risks.

“The conversation has shifted,” says Srdjan Todorovic, head of terrorism and hostile environment solutions, Allianz Commercial. “It makes no sense to ignore a peril that has had billions of dollars of losses over the past six years, and is potentially increasing with the election cycle and the subsequent results of those elections.”

Chile’s protests began in 2019 and have been a milestone in the development of the standalone PV market internationally. Sparked by the price of a Santiago metro ticket, protests and rioting continued throughout the period of the Coronavirus pandemic and into 2022, broadening in their scope and spreading to other Latin American countries, fuelled by similar socio-economic dissatisfactions.

Local Latin American insurance markets were shocked to experience SRCC claims that were on a scale akin to natural catastrophe events, leading many of the region’s insurers to exclude SRCC from all risks policies, in turn creating demand for standalone PV insurance.

Civil unrest across Latin America demonstrated the increased simultaneity of SRCC risks across borders. In the 19th century, the revolutions of 1848 spread across Europe roughly at the speed of a horse delivering news from one province to another. In the 21st century, an era of political polarisation, social media has accelerated the spread of protest movements.

The rapid spread of protest movements was exemplified through the Black Lives Matter (BLM) protest movement. After the 2020 murder of George Floyd by US law enforcement, protests quickly spread to 2,000 cities across 60 countries. While most protests were peaceful, rioting also struck commercial property in city centres, adding to a growing focus on SRCC on businesses’ risk radars, as well as insurers’ and reinsurers’ risk perceptions.

In 2021, this was compounded by rioting in several South African cities, which overwhelmed the local market’s traditional state-backed SRCC insurer, creating demand for yet further PV re/insurance risk transfer. Reinsurance companies began to take a growing interest in SRCC residing within property portfolios, globally.

However, it would be a traditional war risk event, combined with a reinsurance market hardening caused by natural catastrophe activity, that would lead the reinsurance market to clamp down on SRCC and PV risks over 2022 and 2023.

Russia’s invasion of Ukraine in 2022 led not just to exclusions for business in Russia, Ukraine or Belarus, but to a more general tightening of pricing and terms for SRCC risk globally.

Reinsurance treaties that previously combined standalone PV with other specialty lines business have

increasingly moved to being bought with separate towers for these specialty lines. Quota share capacity, simply passing on terms from the primary to the reinsurance markets has seen a capacity squeeze.

While excess of loss reinsurance capacity has been more plentiful, occurrence definitions for such programmes have changed, from country-wide, to specific cities, for example, so that riots breaking out in four cities are now likely to be subject to four retentions, rather than a single retention as previously.

This hard market for reinsurance, with additional cost and tighter conditions, has led to a tightening of capacity for primary insurers of PV, leading to higher rates for commercial insurance buyers seeking to buy standalone PV protection.

For Napoleon Montes, head of Hiscox Miami, who underwrites Latin American PV on a facultative basis through Lloyd's and relies on treaty protection for his portfolio, the PV market has become attritional. Claims are expected regularly, rather than on a severity basis alone, waiting for a loss event while collecting several years of premium.

He and other underwriters emphasise that PV capacity availability, pricing and demand are subject to local and regional dynamics, but particularly through reinsurance markets, are subject to global movements.

"There is a mandate to pass on regional costs, but it's not a flat approach," says one Dubai-based PV underwriter. "For underwriters with a single profit and loss centre (P&L) approach, a hit such as the war in Ukraine might directly affect risks underwritten in the London market, but the effect is broader – the whole book is affected."

Montes, focused on Latin American business, notes that the globally diversifying nature of reinsurance means that there has been some more recent willingness to provide capacity for Latin American risks, now that the geopolitical focus is more concentrated on other regions, notably the Middle East. From his perspective, he thinks pricing has adjusted to an appropriate level.

"Rates are significantly higher than they were in 2019, and more representative now with the risk levels we have," he says.

Taking a strategic approach may benefit buyers in the event of a claim, PV market sources suggest. For insureds that have not previously experienced an SRCC claim, and in countries that have not experienced significant claims events, such as the UK, SRCC is still being offered and renewed by insurers, and included within property all risks policies.

However, if a claim does occur – potentially in a multinational's operations in an election or other geopolitical hotspot – sources suggest it is likely to be excluded or priced dramatically higher at renewal. This could create a challenge for an insured subsequently seeking to place a distressed risk into the standalone PV market.

As one underwriter emphasises, the cost of a PV policy may be higher than anticipated, but it represents a small cost relative to exposures to SRCC for many large or multinational firms.

"No risk manager wants to be held liable for not paying \$10,000 to \$20,000 to cover millions," the underwriter says.

Despite a heightened risk environment, amid 2024's elections, volatile geopolitical risk and an era of insecurity, Todorovic suggests there is some way to go in terms of normalising the purchase of PV for commercial insurance buyers.

"It will be normalised when insurers and reinsurers are discussing their SRCC or PV aggregates with the same scrutiny as their natural catastrophe aggregate," he says. "We haven't reached that point yet. Many companies don't have a full grasp, whereas for any insurer with catastrophe risk exposure – what company doesn't have a strong grasp of that?"



# Resilience for risk professionals

When speaking with PV insurance market participants, it quickly becomes clear that elections have at least one advantage to them as a trigger for civil unrest: their dates tend to be marked in the diary weeks or months ahead of the events themselves, providing opportunity to plan ahead, prepare and brace for impact.

Whether coming from elections or other political triggers, SRCC risks can impact finances, operations, reputations, supply chains and staff. Where should a business start in risk management terms to protect assets and reduce the risk of business activities being disrupted?

“From a risk management perspective, there are various things that you can do to protect against SRCC,” Todorovic says. “The first of those things is to realise that this is a risk you cannot ignore and that you should act in the same way as you would for any other risks you see.”

Among the typically used risk management tools, scenario analysis is considered one of the most useful approaches to planning for PV and SRCC risks. Since 2023, Airmic has released new guides on horizon scanning and on scenario analysis.

For SRCC risks, and elections in particular, scenarios are a useful risk management place to start, given the wealth of publicly available historical information on previous elections, protests and civil unrest.

“Scenario planning remains a great tool. You can choose your scenarios ‘top down’ or ‘bottom up,’” says Richard Harris-Deans, analyst, Samphire, a London market managing general agent focused on malicious risks. “Top-down means picking the big-ticket risks and working through the impact on your people, ops, finances. Bottom-up could involve picking a particular country/region where you have exposure and working through scenarios bespoke to that area. The aim is to remove the surprise factor and avoid being the company that didn’t see the obvious coming despite all the signs.”

One Dubai-based PV underwriter explains the important role that brokers are playing in working with clients to develop scenarios, suggesting this can make a major difference for an underwriter’s risk selection decision-making.

“On these big plants and pipelines, brokers are making a very big effort through developing joint scenarios with the client, asking ‘If there’s an explosion there, what do you do? What happens? What’s your protocol?’

“These are things that make us want to write the risk, because I’ve been reassured that in the case of scenario A, B or C, what might happen. On the other hand, if I as the underwriter have no information at all for that kind of scenario, then I might just withdraw completely,” the underwriter says.

Staying well informed is vital to staying resilient, especially given a potentially fast-moving SRCC risk environment. Medium-term resources such as government policies and scheduled elections or protests are therefore useful resources, whether for business continuity plans (BCPs) or scenarios analysis.

More and more risk professionals are turning to social media, while a range of open source intelligence (OSINT) tools and risk map services can also provide valuable insights. This is mirrored in the insurance industry, with PV underwriters and claims professionals increasingly turning to the same tools, sources suggest.

Harris-Deans says: “There are numerous OSINT sources, news, insight and information out there, but they are only of real use when you can establish the relevance to you and your business. Without doing this, you are basically just an observer following the news cycle.”

To increase resilience before a crisis can take hold, Allianz advises implementing a BCP in advance of an SRCC event taking place, if intelligence suggests trouble may be

coming, as well as regularly revisiting and updating BCPs, if needed, to take account of changing requirements.

As part of such plans, temporary relocation of assets or moving services online might be considered, the insurer suggests. For supply chain risk, adding more diversity between geographies and individual suppliers will also increase resilience.

Security measures will differ depending on the type of business. Retail businesses should increase security or reduce inventory, or both, Allianz advises. Multinationals, luxury brands, banks, pharmacies and petrol stations are all tempting targets, the insurer suggests.

South Africa's riots in 2021 highlighted the value of protecting distribution centres. Even though its local branches that may be targeted by looters or arsonists, a company is much more resilient if its distribution centre keeps operating.

For large SRCC events, the risk environment is largely beyond an insured's control. However, underwriters emphasise the importance of brokers offering risk advisory services to counsel on risk mitigation efforts, rather than focusing on the transactional aspects of price and placement.


"Insurance is part of a wider risk management process, rather than being complete risk transfer," says Azam at Africa Specialty Risks. "It helps having the risk procedures, protocols and perimeter fences in place, but ultimately, underwriters write on intent."

For SRCC, PV underwriters register an insured's risk management efforts before pricing, such as installing simple measures like sprinklers, while also taking account more nuanced factors, such as a business's relationships with employees and unionisation.

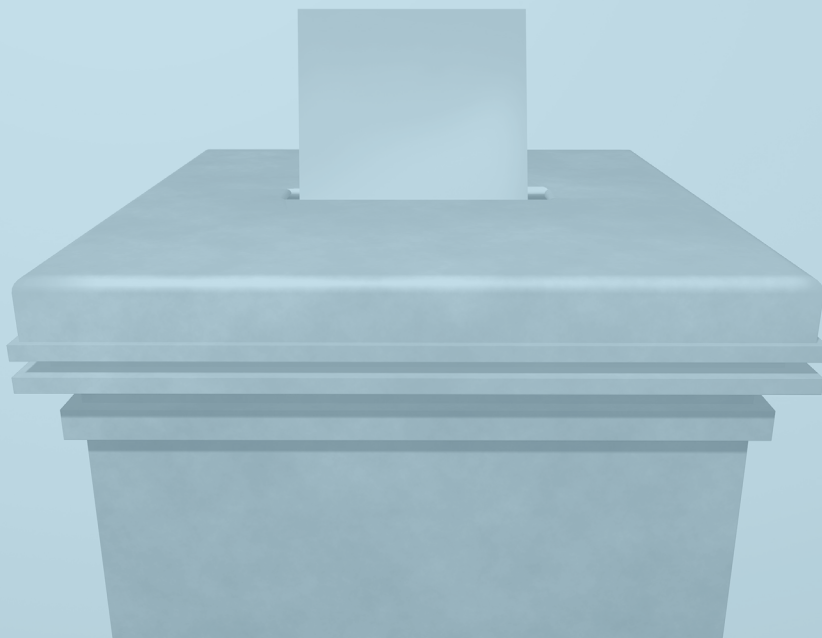
"There are some perils, such as SRCC, for which the insured has some ability to control and contain a lockdown or displacement from the workforce, and for these perils, we price according to measures taken and relationships with unions, for example," one underwriter says.

"For example, we write a flagship account with assets on the ground in a highly politically sensitive territory, for which the insured has strong security in place. We like this account because the client spends a multiple on paying the guards and private security of what is spent on buying insurance," the underwriter adds.





Staying well informed is vital to staying resilient, especially given a potentially fast-moving SRCC (Strikes, Riots and Civil Commotion) risk environment. Medium-term resources such as government policies and scheduled elections or protests are therefore useful resources, whether for business continuity plans or scenarios analysis.



# The 'year of elections'

## What should we be watching out for?

### *In conversation with...*

Sam Wilkin, Director of Political Risk Analytics, WTW

This interview with Hoe-Yeong Loke, Head of Research at Airmic, took place on 2 May 2024.



### What are the main risks we should be watching out for as this 'year of elections' continues to unfold?

I'm American, so I hope you'll forgive me if I fixate on the US. One thing that is at risk in our November contest is the outlook for globalisation.

To a degree, the last few decades of economic globalisation have been underpinned by the efforts of the US, UK, Japan, and our European allies in pushing the rest of the world, particularly the emerging world, towards free trade, democracy, and international peace. The US is a driving force behind what is known as the "rules-based order" or "liberal international order," under which these principles have been upheld, largely via international treaties and membership in multilateral organisations such as the International Monetary Fund (IMF) and the World Trade Organization (WTO).

Over time, the US is almost certainly going to step back from that role. For the past thirty years, the US, Europe, and Japan were, in essence, the world's sole providers of foreign aid, foreign lending, market access, and military assistance. Lots of countries, especially poor countries, wanted these things, and there was only one place they could get it – more or less – and so the West could demand a lot in return.

Today, emerging market countries can get foreign aid or foreign loans from China, access to large consumer markets in Brazil or India, and even some security assistance from Russian mercenaries. To be frank, there are probably a lot of developing countries out there that are pretty delighted to have these options, and not have to listen to American advice about reforming their financial sector.

But there are some consequences. One consequence is that global averages for free trade, electoral democracy, investment freedom, and so on, have started falling over the past ten years and are likely to continue to fall. Another consequence is that the US, which is no longer getting the return on investment for its global engagement, is going to disengage.

I think, over time, that's going to happen whoever wins in November. But under Trump, it's going to happen a lot faster, and probably with sharp breaks or discontinuities.

Don't get me wrong – I'm not trying to portray Trump as irresponsible. Trump's new approach to China has been adopted by his successor; Trump's Abraham Accords deal-making in the Middle East, reconciling Arab States with Israel, may be a template for the region, if war with Iran can be avoided. To a degree, a Trump presidency is just bringing the future forward.



But over the past eight years, the Republican Party has changed. In 2023, for the first time in history, a majority of Republicans – 53% – disagreed with the statement that “the United States should take an active part in global affairs.” There are a lot of Americans who think with some justification that globalisation has not been good for them, on balance. Over the past eight years, those Americans have been moving into the Republican Party.

That means if the US steps back from global engagement quite sharply and disruptively, and economic globalisation takes some hard hits in the process, it could be seen as a win for Trump’s base. That’s worrying for globalised companies.

### For you, which are the top three elections this year that bring the greatest geopolitical impact? Why?

In the two-week period surrounding the 2024 Airmic conference, we’ll see the next wave of highly consequential world elections – in South Africa on 29 May, in Mexico on 2 June, for the European Parliament on 6 through 9 June, and in India on 1 June. (Well, the close of the Indian election anyway – for that mammoth poll, the voting takes six weeks.)

So let’s focus on those contests. One issue all of these polls have in common is populism. Populists could take a big share of the vote in Europe; they are spoilers in South Africa; lots of people call the current governments in Mexico and India “populist.”

“Populist” is often used as a pejorative term these days, but it just means that the candidate claims to represent the people against the elite – and at one time, for instance, the American People’s Party of the late 1800s proudly called themselves “populists.”

It may seem odd to make such a claim in a democracy – aren’t elections going to reflect the people’s will no

## “One issue all of these polls have in common is populism.”

matter what? In representative democracies, however, there is always going to be daylight between what people want and what politicians do (Brexit, which surely would not have happened without the referendum, is an illustration). In liberal democracies, there are checks and balances, and protections for minority rights, which further add to the power of these critiques.

Populists can seem comical. Populist candidates often try to distance themselves from traditional politics by behaving in ways that traditional politicians never would. But the populist claim, is in a sense, quite serious – if you are claiming that democracy is not responsive to the people, you are claiming that the system is broken. It’s a revolutionary claim. I’ll quote Trump’s landmark convention speech: “I have joined the political arena so that the powerful can no longer beat up on people who cannot defend themselves. Nobody knows the system better than me. And I alone can fix it.”

I sometimes call populists “the annoying little revolutionaries of democracy.” But populism, when it gets a head of steam, can be quite serious. Argentina is the only country in modern history to become rich, and then become poor again, and populism played a large role – think of Juan and Eva Peron. A major populist win in Europe would complicate European foreign policy and climate policy. But in the “Airmic elections” South Africa is probably the country most at risk from populism. It’s the world’s most unequal country (for which good data are available), and governance quality appears to have declined sharply over the past decade.

### Should risk professionals be more worried about elections in fully free democracies or “anocracies”?

Well, here you are getting at the classic political risks – the risks we used to worry about in the days before we had to worry about deglobalisation or populism.

The most stable form of government is democracy; the next most stable is dictatorship. The countries in the middle, where power is contested but elections or neither free nor fair, is the most unstable. A classic study supported by the Central Intelligence Agency (CIA) of the US found these “anocracies” were about 150 times more likely to suffer major political turmoil.

So, if you are really worried about things coming apart, those are the countries you should focus on. Pakistan, Bangladesh, Uzbekistan and Iran have already held their polls, but there could be aftershocks. Upcoming elections in this worrying category include crisis-hit Tunisia and Sri Lanka. It’s conceivable that there could be trouble around even better-run polls in some of those “Airmic elections,” notably India, Mexico and South Africa.

### Why are election results getting more unpredictable? We think of the 2016 US presidential elections and the Brexit referendum, which mainstream pollsters got wrong – although some of the most impactful elections in 2024 have largely been foregone conclusions. Here, we think of Taiwan, India and Indonesia.

If I had to pick one thing making elections unpredictable I would pick social media. Social media is making it possible for non-traditional candidates – including populists – to gain a platform. Sorry to keep going on about the US, but Trump in 2016 was endorsed by not a single national daily newspaper. Social media kept him in the race.

Social media has meant that in countries around the world

we are seeing this kind of phenomenon, where non-traditional candidates take the stage – often with the support of people who don’t traditionally vote, because one of the biggest predictors of populist voting is a lack of trust in traditional politics. This phenomenon makes it harder for pollsters to do their job, because they are trying to predict the voting behavior of people for whom they don’t have much data.


That said, these days, populism and social media are getting to be part of the landscape. In October 2023 Polish elections, a controversial right-populist government lost support; in Dutch elections a month later, a controversial right-populist party made striking gains. I think the Dutch outcome was a bit of surprise but presumably, with experience, the pollsters are getting better?

### There is a tendency for us to focus on predicting election results, driven perhaps by media coverage. How should risk professionals monitor the risks arising from elections, when there are so many going on this year?

The great advantage of elections is, generally speaking, you know there is going to be a risk event, and you know the possibilities. That is not usually the case with political risk.

That means you can develop scenarios for the possible outcomes and hedge against those scenarios. The Brexit referendum is a classic example.

The main challenge is probably convincing yourself – and your management – to take action in response to outcomes that you would really like to believe will not happen.



**“The great advantage of elections is that you know there is going to be a risk event, and you know the possibilities. That is not usually the case with political risk. That means you can develop scenarios for the possible outcomes and hedge against those scenarios.”**



# The race for the White House

No election matters more globally, including from a PV market and SRCC risk perspective, than the United States election, which is set to take place on 5 November 2024 and for which the domestic political build-up has already begun.

“The US election matters much more than any other. It’s the one to focus on, and the consequences of its outcome will impact the PV outlook internationally,” says Montes.

Many uncertainties remain at the time of publication for both the Democrats and Republicans – not least ongoing legal cases faced by former president Donald Trump in his bid for re-election.

What is unquestionable is that US politics has become so polarised in recent years. It is widely anticipated that whichever side reclaims the White House later this year, a significant proportion of the American electorate will refuse to accept the result as fair or legitimate.

“The last two presidential elections in the US have seen the losers use rhetoric around “stolen elections”. 2024 will be no different. The concept of ‘loser’s consent’ has disappeared, and not just in the US. There are potential protagonists on either side,” says one PV insurance underwriter.

Perhaps the biggest precedent for US civil unrest is the violence that occurred on 6 January 2021, during which thousands of Republican supporters of Donald Trump briefly took control of the US Capitol building, disrupting a session of the US Congress to formalise the victory of President Joe Biden.

Before that, rioting seen during the course of the BLM protest movement was another potential marker. In the context of the 2024 presidential election, urban centres in Democrat-leaning states could see discontent spill over into violence in the event of a Republican victory, another PV underwriter suggests.

“There appears a general consensus that the election result, whichever way it falls, is likely to see some form of unrest,” says Charlie Hanbury, CEO of Samphire.

“Certainly, we have seen some indicators of how organisations are preparing to face this risk, perhaps the most ominous being municipalities considering specific coverages around violent attacks at polling stations,” he says.

The likelihood of civil unrest is a major PV insurance market concern. However, as an insurance peril, insurrection has been excluded from many property insurance policies. Nor is it typically included within the sabotage and terrorism policies that have been bought by many US businesses. With the US the most insured market on the planet but also the most litigious country globally, this could translate into a rise in disputes as well as demand for PV coverage.

“Arguably, following the BLM riots and the Capitol Hill uprising, carriers have already priced in volatility in the US from a political violence perspective,” Hanbury says.

“This time around there is an expectation of potential trouble, so preparation will be better. We should hope for some acknowledgement by both sides that the past few years have seen what happens when their extreme wings are inflamed. There must be a degree of understanding that further damage of this nature is very undesirable,” he adds.

# Africa in the spotlight

Africa faces a number of elections in 2024 which are tipped to be sources of civil unrest or lingering political risk. The continent has experienced several coups in Sub-Saharan African nations in the past year, closely linked to wider geopolitical currents and competing political and economic outside influences, notably in the US and France, Russia and China.

"Elections matter enormously in Africa, as demonstrated by some of the major polls in 2023 and 2024 so far," says Robert Besseling, CEO, Pangea Risk, a specialist intelligence advisory.

Heightened political risk exists for multinationals with assets on the ground in many Sub-Saharan African countries that remain relatively politically volatile, particularly for the energy and mining industries.

"Socio-economic grievances, fatigue with aging regimes and a youthful population are factors that will determine the outcome of the major polls in South Africa, Ghana and elsewhere on the continent this year," says Besseling.

"We are also actively monitoring elections in Mozambique, Namibia and Botswana this year, although the political process is forecast to be less uncertain in these jurisdictions. Extractive sectors remain at heightened risk of contract review or cancellation in case of change in governments, as well as telecoms, construction and public procurement contracts," he adds.

**South Africa's elections** were imminent at time of publication, with the country due to go to the polls on 29 May. For the first time since the end of the Apartheid regime in 1994, the election will be closely run for the ruling African National Congress (ANC) party. The risk is not just the election itself, but a delicate political balance that may ensue from it.

"For the first time, the ANC is in danger of losing its overall majority, and is facing an intensely difficult economic situation," says Patrick Hayford, former director for African Affairs during the tenure of ex UN secretary general Kofi Annan. "I expect electoral process will be transparent and efficiently run, and institutions and the constitution itself

are solid. However, political tensions could still boil over."

If the ANC goes into a power-sharing arrangement after a closely-fought election, this would represent an unprecedented scenario for South Africa, Hayford emphasises.

"A coalition would be an uncomfortable scenario, with some forces unpalatable to the ANC, which is itself deeply divided, with the leadership of Cyril Ramaphosa under siege. How a coalition would govern represents a systemic problem, and could get very complicated," Hayford adds.

**Senegal** is flagged by several political risk watchers as a country to watch. Senegal's new Prime Minister Ousmane Sonko, since elections in March, has questioned the military presence of former colonial ruler France, which retains military bases in the West African nation.

"Senegal deserves a lot of credit," Hayford says. "The incumbent political leadership was forced to concede in that election. Democracy won the day, and there's a lot of excitement around that.

"Will there be Russian or Chinese meddling? It's a given – it's a constant across the region, among other negative forces. The international community has to be alert to these unfortunate realities," he adds.

**Rwanda's election**, set for 15 July, has unusual political resonance for the UK. The outcome of this central African election could potentially influence the UK's perception of Rwanda as a 'safe country' for sending asylum seekers, which may in turn impact UK policies.

"The UK is engaged with Rwanda, so what happens in Rwanda resonates. It's a country that has transcended a genocide in the 1990s and made massive progress in some areas," says Hayford.

"Rwanda is a relatively well-run country that has seen extraordinary progress in governance. The huge 'but' is the fundamental problem of a minority in control versus a much larger majority that represents a potential timebomb ticking away," he adds.

# Airmic Says: Airmic members on the 'year of elections'

## The Airmic Big Question

Airmic launched the Big Question in 2024, marking a new and innovative way in which Airmic surveys its members for their insights on the risk landscape. An Airmic Big Question is issued every Monday to take the pulse on the trends impacting risk professionals and their organisations. The series has covered topics from the top risks in the year ahead, to artificial intelligence and climate risks – as well as risks in the 'year of elections', which we feature here.

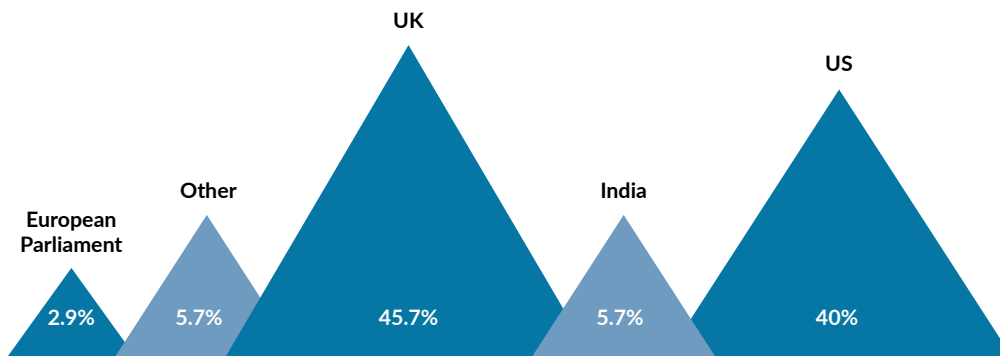
Of all the elections in 2024, those to be held in the UK and US are of the greatest concern to Airmic members by far. While these elections were always going to be crucial for risk professionals based largely in Western countries, the stakes this time round are especially high. Add potential

artificial intelligence-induced election interference to the mix of geopolitical turmoil and macroeconomic uncertainty, and the result could be a vicious circle of volatility around the world.

"In this 'year of elections' a further effect could be a swing in global power," said Julia Graham, CEO of Airmic. "According to the latest Edelman Trust Barometer report, resistance to innovation in Western societies is political. In the US this is the most extreme with rejection of innovation highest from those with a political leaning to the right. One might argue that a further Trump presidency is the greatest threat we face to innovation and global stability."



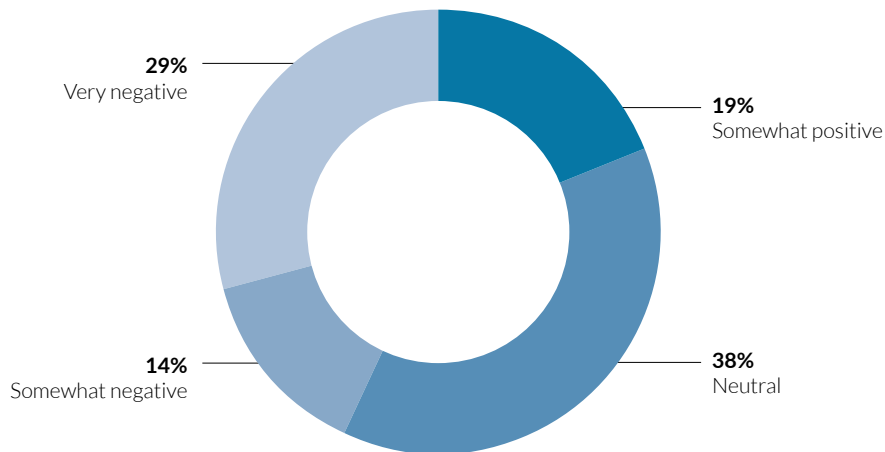
**Which of the following elections this year is your organisation most concerned about?**



Poll of Amic members on 12 February 2024

More than 80% of respondents were negative or neutral on the UK government’s Spring Budget, when it was announced on 6 March 2024. The lack of announcements from government on key issues such as housing and the NHS and public services were the reasons cited, as was the lack of a longer term economic strategy for the UK.

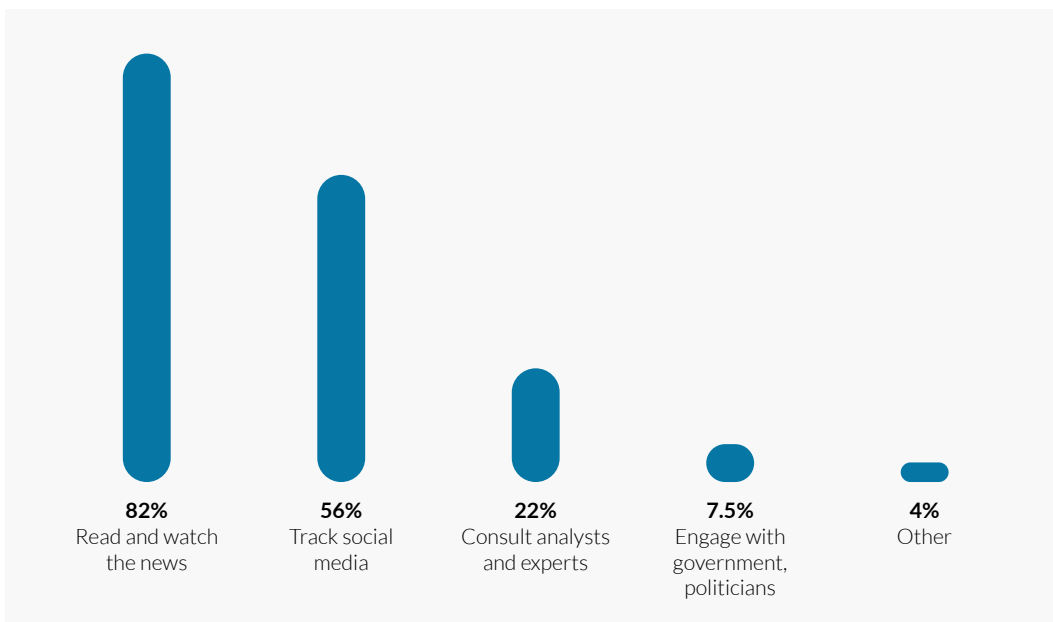
**What was your reaction to the Spring Budget delivered by the government?**



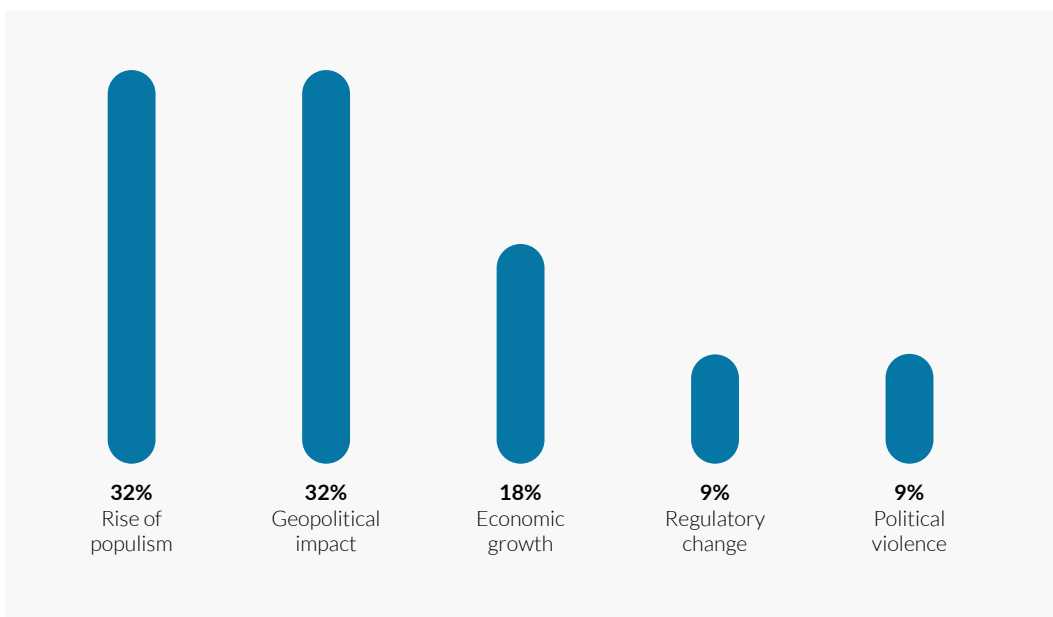
Poll of Amic members on 11 March 2024

More generally beyond the UK, the top risks for Airmic members in this 'year of elections' are the rise of populism and the geopolitical impact they bring. Hoe-Yeong Loke, Head of Research, Airmic, said: "The survey results mark a shift from the recent past, when risk professionals and their organisations had primarily been monitoring election cycles for regulatory and policy changes that could impact their businesses."

### What sources of information do you use to monitor elections in this "year of elections"?



### What is the top risk you are watching out for in this "year of elections"?

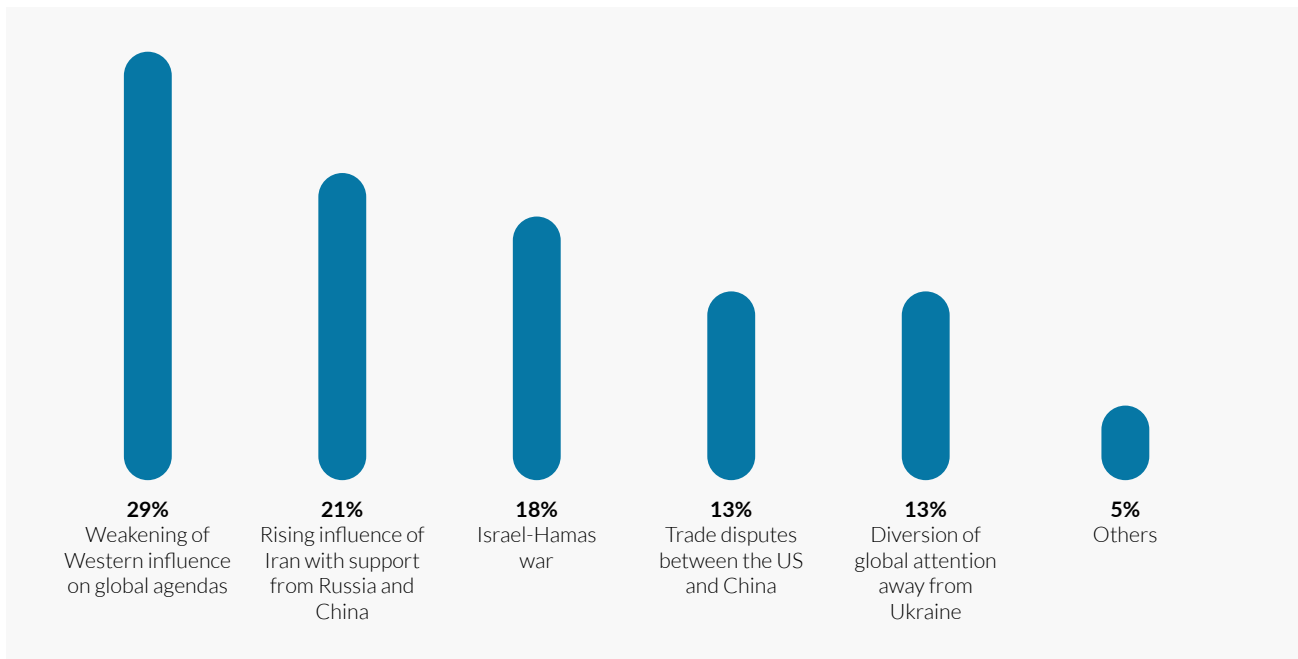


More risk professionals (56% of respondents) are tracking social media to monitor elections in the 'year of elections'. In comparison to the time when the Covid-19 pandemic hit the UK in early 2020, only 19% of respondents in an Airmic survey then said tracking social media was useful in monitoring important developments, including politics.

Leigh-Anne Slade, Head of Media, Communications and Interest Groups, Airmic, said: "All of these geopolitical megatrends are individually concerning for Airmic members, but what is of most concern is that they are all occurring at the same time, which could have an amplifying effect on each other."

All of this should be against the backdrop of megatrends in geopolitics. The weakening of Western influence on the global agenda, as well as the rising influence of Iran with support from Russia and China, is the most concerning geopolitical trend for half of Airmic respondents.

**What of the following megatrends in geopolitics are you most concerned about?**



# Acknowledgements

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With thanks to Sam Wilkin and WTW.

## Airmic

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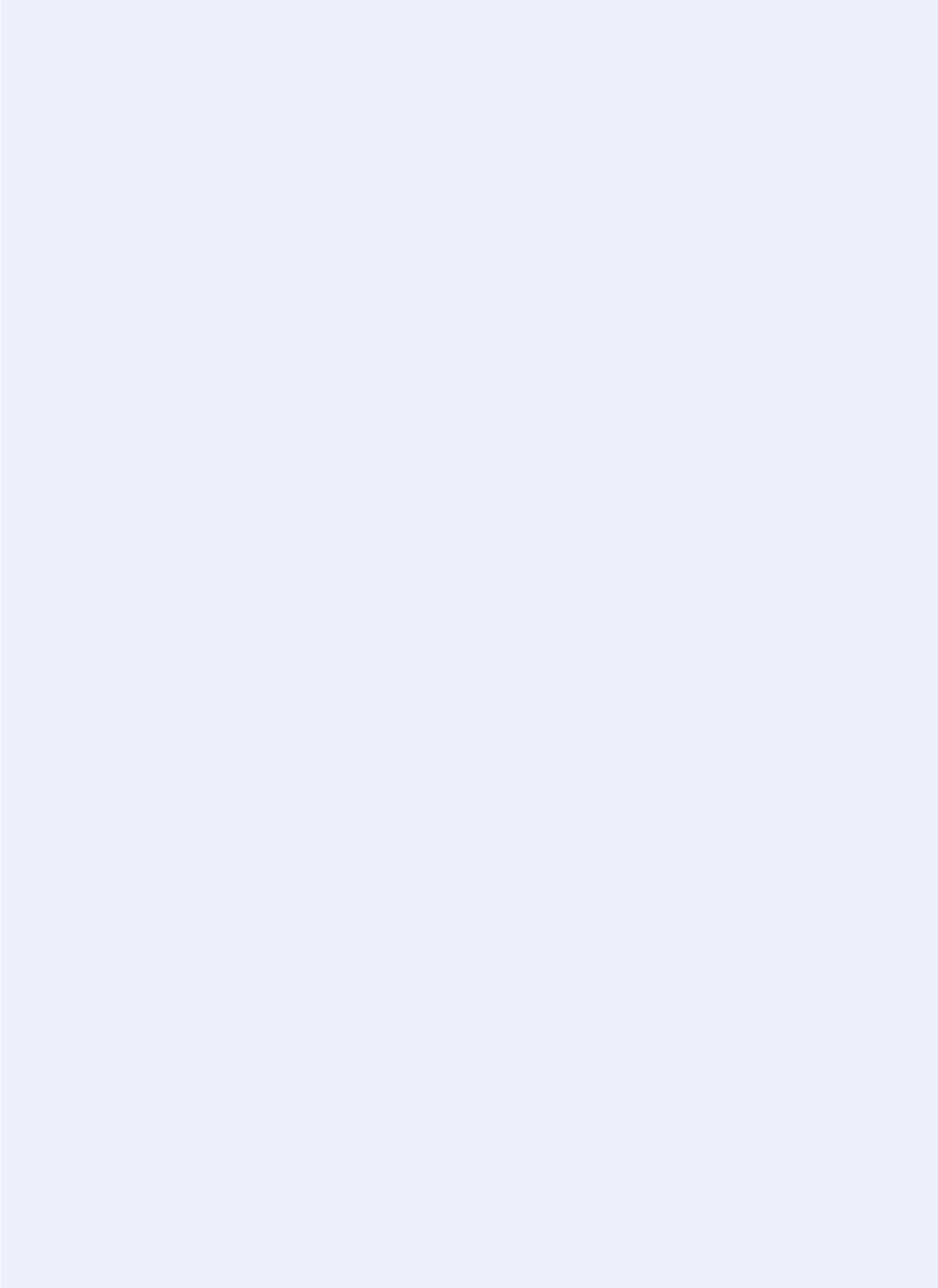
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**Airmic Big Question**

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