

The background is an abstract composition featuring a fine, repeating grid pattern. A bright, warm light source, possibly a sun or a fire, is positioned in the upper right quadrant, casting a strong glow and creating a lens flare effect. The light transitions from a bright yellow-white at its core to deep oranges and reds, which then blend into a cooler blue and purple as it moves towards the bottom left. The overall effect is one of dynamic energy and modern design.

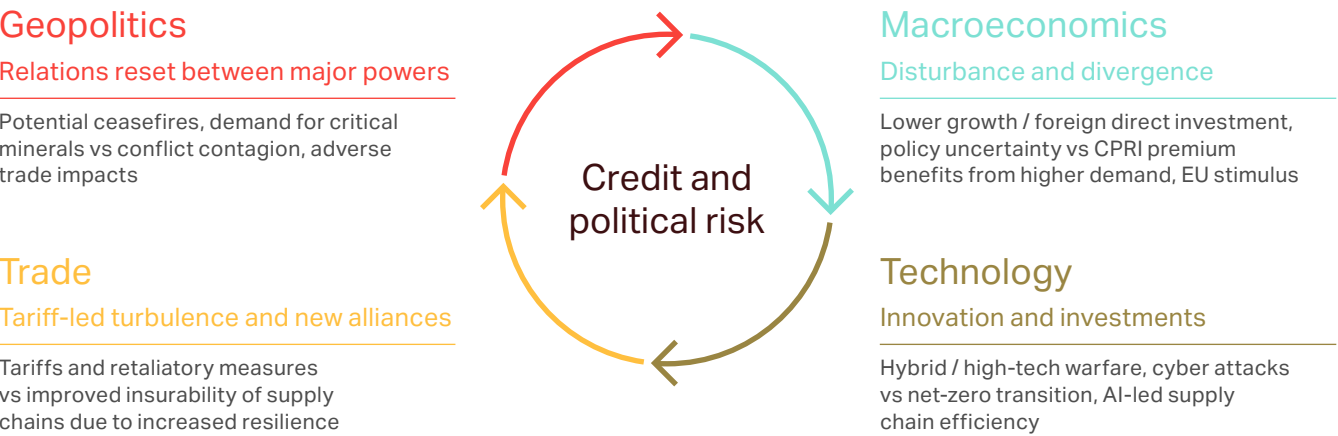
# HOWDEN

Opportunity in flux

# Key takeaways

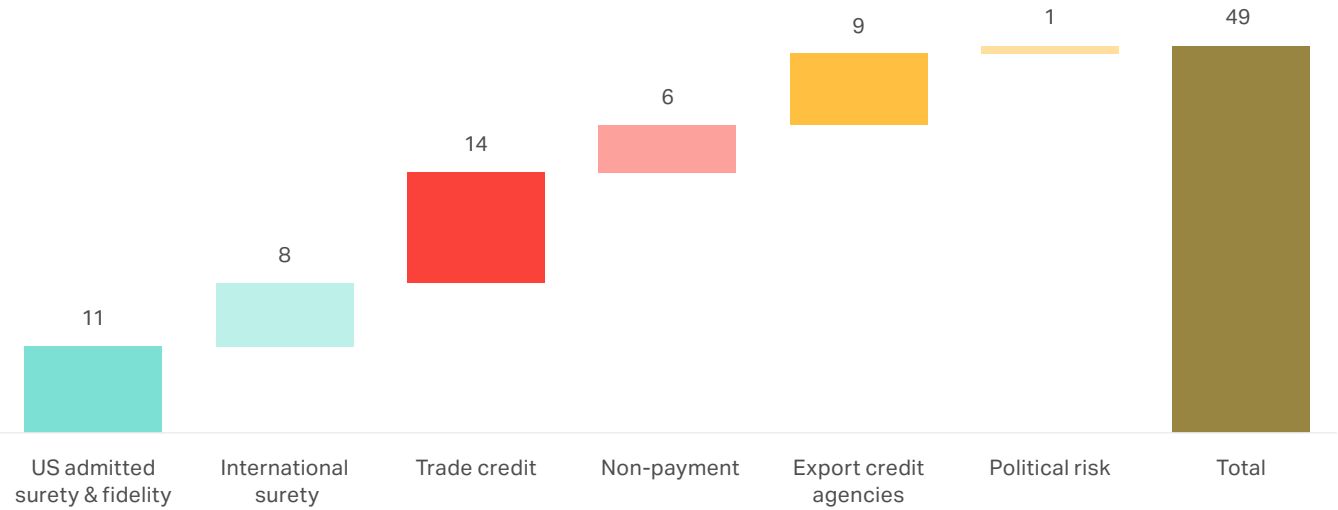
Amidst a reshaping of global trade, geopolitics and the macro environment, credit and political risk insurance (CPRI) strongly positions corporates, banks and public sector entities to trade through volatility and exploit high return opportunities.

## Megatrends driving the CPRI risk landscape



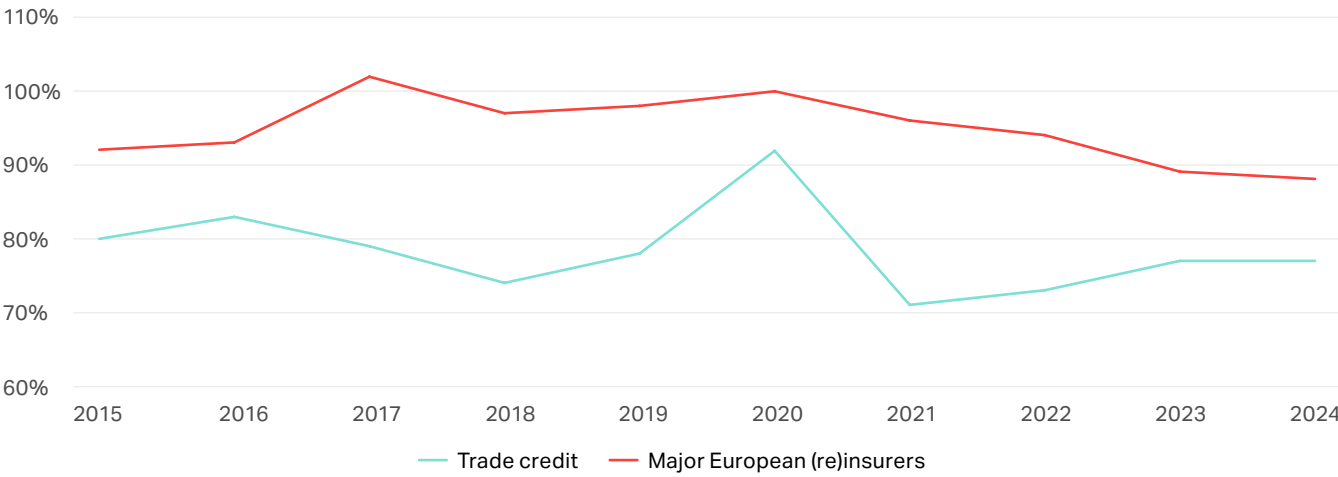
With a premium base of US\$49 billion spanning six distinct product segments, the CPRI and surety market stands out for its size, surpassing most other, more high-profile specialty insurance markets, and the diversity of its offering.

## Breakdown of gross written premiums for CPRI and surety market in 2025, \$bn



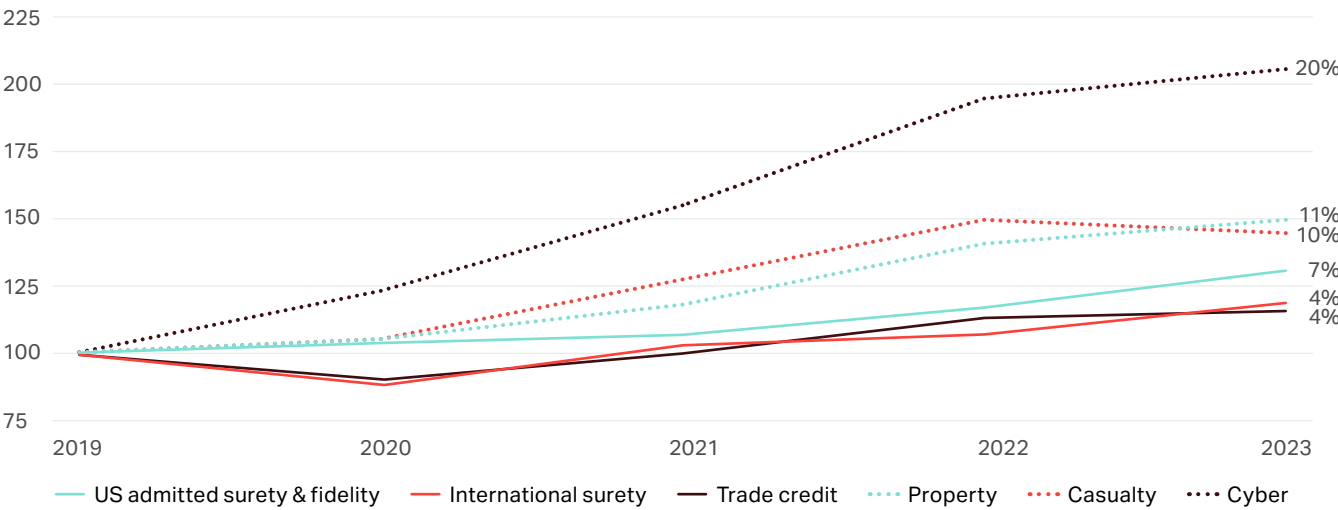
Few areas of the P&C market can compete with CPRI on the underwriting front. Trade credit has delivered an underwriting profit every year over the past decade with an average net combined ratio of 78%, despite a severe recession in 2020.

## Net combined ratio for trade credit insurers vs global markets – 2015 to 2024



With demand for CPRI protection rising, and the broader insurance cycle shifting into a softening phase, now is the time for the CPRI market to step up and provide the growth and flexibility needed to meet clients’ needs.

## Index of gross written premium growth for multiple lines of business – 2019 to 2023



# Executive summary

2025 is proving to be a milestone year for trade and security. Only six months in and the outlook is highly uncertain as geopolitical and macroeconomic forces converge to reset decision-making in an increasingly fractured world. These fundamental changes follow a sequence of events – a global pandemic, the outbreak of several wars, commodity shocks, higher inflation – that reveal the extent of structural shifts in the global risk landscape.

Whilst the constant stream of news flow can paint a gloomy picture, credit and political risk insurance (CPRI) exists to help clients trade and invest through times of elevated uncertainty by protecting their assets and lowering their cost of capital when committing to investments.

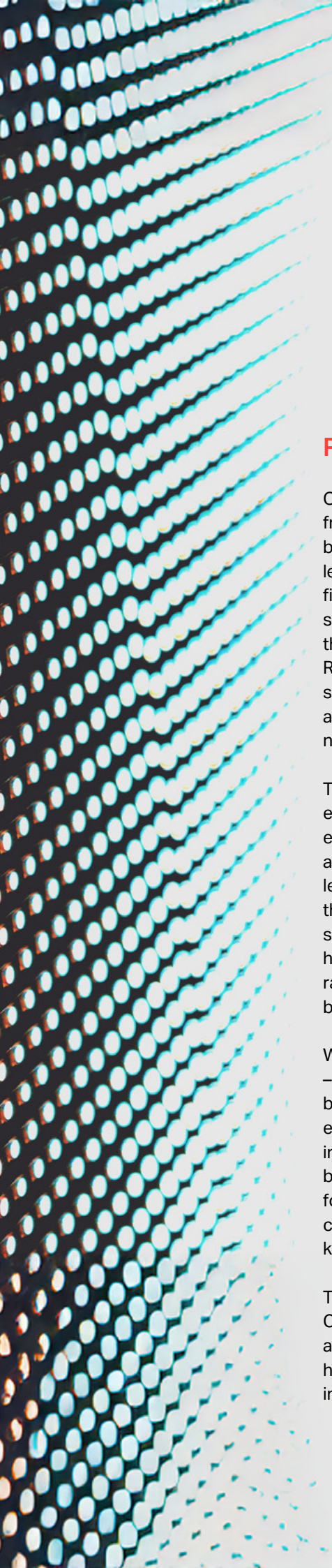
At its core, CPRI enables economic growth by providing businesses, public sector agencies and lenders with the certainty needed to trade and invest.

Despite the challenging macro backdrop, the market continues to outperform most other lines of business, which is testament to the skill and expertise that pervades the value-chain, from clients to underwriters and brokers.

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Opportunity is the key takeaway to emerge from this report.





## Rising to the opportunity

Opportunity is the key takeaway to emerge from this report. Yes, risk is up across the board (as we show), as businesses and lenders navigate rising geopolitical tensions, financial market flux, trade uncertainty and supply chain recalibration, but managing these risks is precisely why CPRI exists. Risk also brings new areas of opportunity; several high-quality markets are now attracting capital as investors diversify into new geographies and / or asset classes.

The CPRI market has unparalleled experience of operating in such fluid environments and, as our proprietary analysis shows, has recorded industry-leading results over the last decade. Even the series of economic and geopolitical shocks in recent years has done little to hold back performance, with net combined ratios in the range of 70-80% rivalling the best underwriting in the market.

With demand for CPRI protection rising – Howden's 2025 survey of political risk buyers and prospects provides real-time evidence of increased purchasing appetite in response to global instability – the biggest challenge (and our call to action for the market) is ensuring deployable capacity and underwriting flexibility keep up with clients' changing needs.

The perceived complexity of certain CPRI products and a desire to operate in a narrow window of volatility by (re)insurers has led to a supply / demand imbalance in certain areas of the market. Although

conditions have eased somewhat in the insurance market over the last 12 months, less mature areas are still underserved.

Pressures remain in the reinsurance market, where the participation of only a handful of recognised lead underwriters and underlying caution is manifesting in rigidity that can be detrimental to growth and ultimately relationships. Some of the larger capacity providers continue to stall, due in large part to negative news flow around the risk landscape but also at times a fundamental lack of understanding of the product. Market leaders have shown that these challenges can be overcome with highly attractive, diversifying underwriting income achieved by building up experience and expertise.

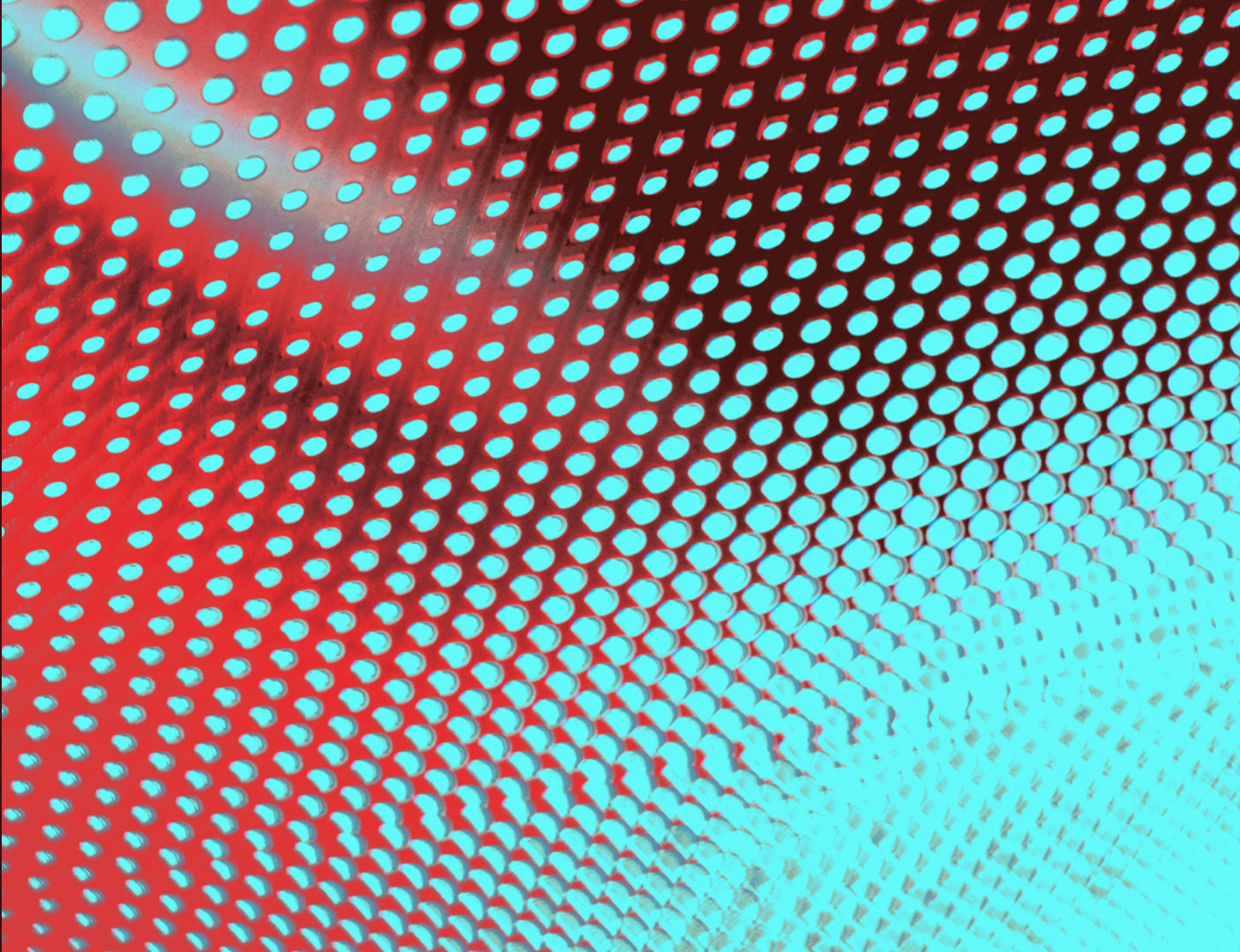
CPRI has long been held to a higher standard of underwriting by leaders at the highest level of (re)insurers, which has helped to yield exceptional results. As demand for CPRI continues to rise (and the broader insurance cycle shifts into a softening phase), now is the time to recognise this outperformance by increasing commitments and driving innovation.

Meeting this challenge demands expertise and leadership. It requires deep sector knowledge, strong partnerships with third party experts and unrivalled relationships with (re)insurers and other capital providers. Howden's CPRI team provides all this and more. Come and talk to us.

# A world in flux

In a world now well accustomed to change and volatility, recent geopolitical developments have accelerated the transition to a (transactional) multipolar order where pressures around conflicts, geoeconomic fragmentation, trade, inflation, debt, critical minerals and supply chains have intensified.

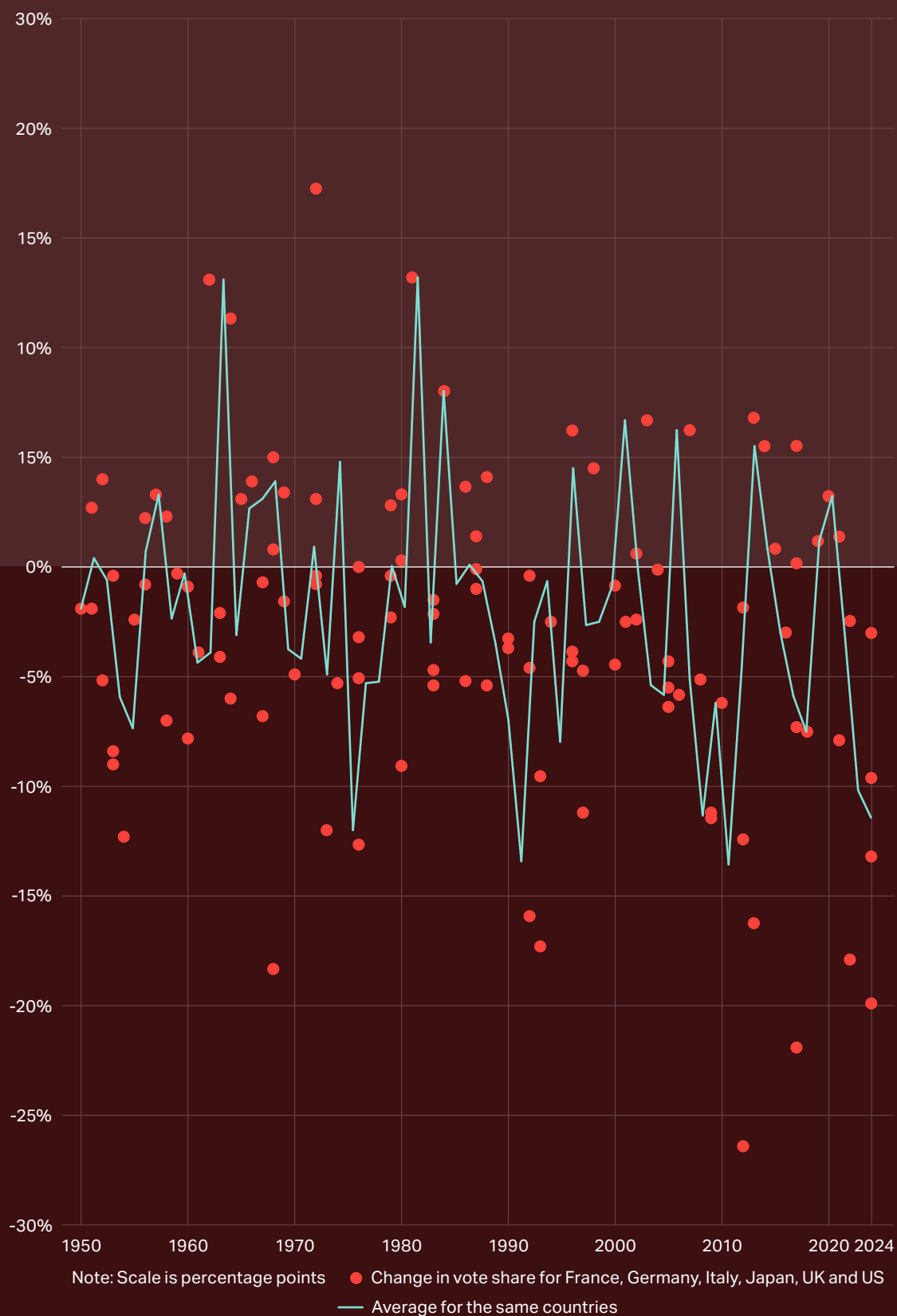




Long-standing Western alliances are being reshaped in ways not seen in the post-war era, as geopolitical rivalries and the consequences of war play out in rapid time. The sequence of events is indicative not only of the ubiquity of risk in today's world but also the interconnectivity.

Impacts are pervasive. The decisive anti-incumbent results from last year's super election cycle – when every governing party facing an election lost vote share (see Figure 1) – can be traced back in part to long-running economic pressures (stunted growth, inflation, debt) and intertwined societal effects (globalisation, polarisation, rising cost-of-living) that are now recalibrating security relationships, trade policies and broader (geo)political norms.

**Figure 1: Change in vote share for governing parties in national elections for select developed nations since 1950** (Source: Howden, ParlGov)



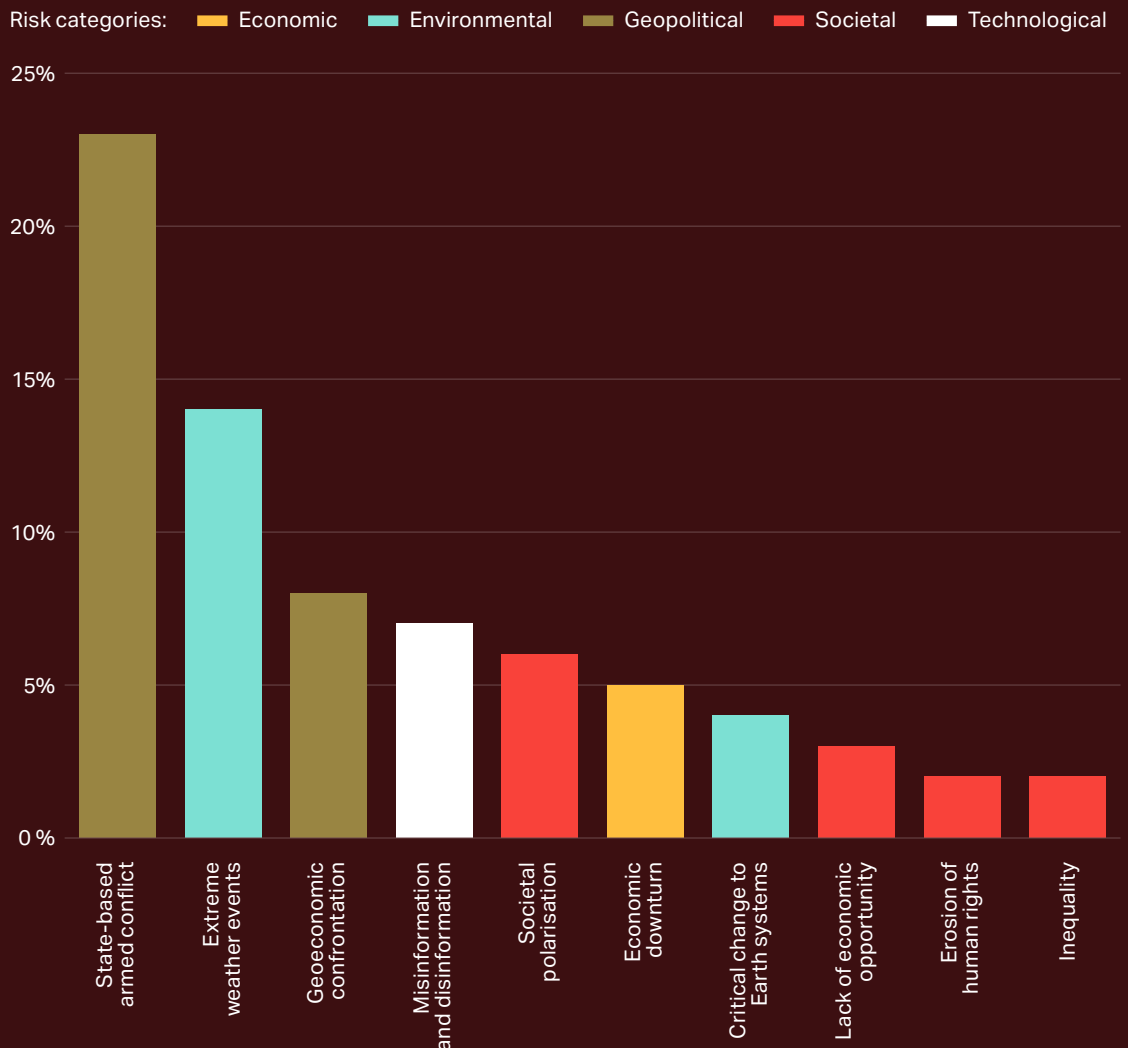
The corollary is an unpredictable global risk landscape. Figure 2 shows that armed conflict was identified by the World Economic Forum earlier this year as the pre-eminent risk for 2025, almost double the second-ranking risk (extreme weather events), having not featured in the top five in 2024.

The first few months of this year, with tariff uncertainty front and centre, have also prompted a shift in the global economic narrative, moving away from the durability of 'US exceptionalism' (the dominant macro theme of this decade).

This reversal triggered one of the fastest US equity market corrections in the last 50 years earlier this year, alongside one of the steepest declines in the US dollar, albeit from high levels.

With geopolitics and its impact on macroeconomics and global trade dominating the risk outlook, the pages ahead examine the trends and drivers reshaping the operating environment and show how CPRI is a powerful tool for businesses, lenders and investors looking to manage risk and capital in this period of extreme uncertainty.

**Figure 2: 2025 global risk landscape<sup>1</sup>** (Source: World Economic Forum)



<sup>1</sup> Respondents asked to select one risk most likely to present a material global crisis in 2025.



## Accumulating and intersecting risks

The concept of risk and resilience has been transformed by accumulating and intersecting shocks, with 'older' risks such as war, (re)armament, protectionism and inflation interacting to dominate the macro landscape alongside rapid technological advancement.

This new world order – driven by intensifying (and shifting) rivalries between major powers, protectionism, competition for critical minerals, policy uncertainty and the advancement of new technologies – brings risk but also opportunity. The cost of goods and capital, shifting trade flows, technological innovation and heightened security threats are simultaneously altering risk perceptions and redirecting investment.

Such a backdrop carries major implications for several areas of the insurance market, none more so than CPRI. As demand for CPRI protection has risen in tandem with the threat

environment, carriers have concentrated capacity deployments in advanced economies where credit quality is strongest.

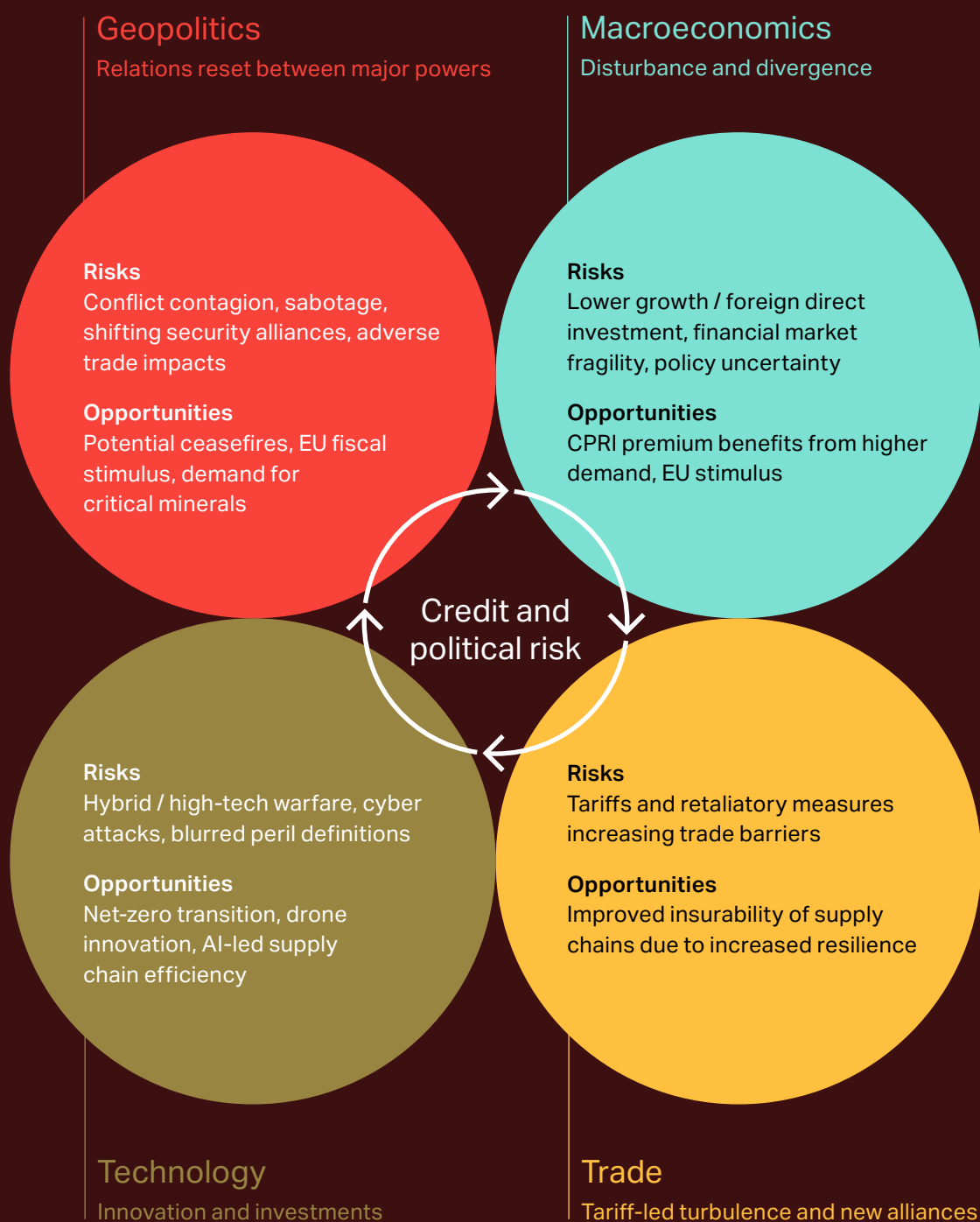
Non-payment insurance (NPI) has become the fastest growing segment of the CPRI market, often at the expense of political risk exposures in emerging markets. Persistent underwriting outperformance is now attracting new entrants, a welcome development for a product line set apart by constrained supply over many years.

The reshaping of global trade, geopolitical risk and the macroeconomic environment underscores the value of CPRI protection. Clients supported by best-in-class risk transfer expertise are not only strongly positioned to trade through the volatility but also to exploit high return investment opportunities as the world adapts to a new international order.

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The reshaping of global trade, geopolitical risk and the macroeconomic environment underscores the value of credit and political risk insurance.

Figure 3: Megatrends driving the CPRI risk landscape (Source: Howden)



## 01

## Geopolitics to the fore

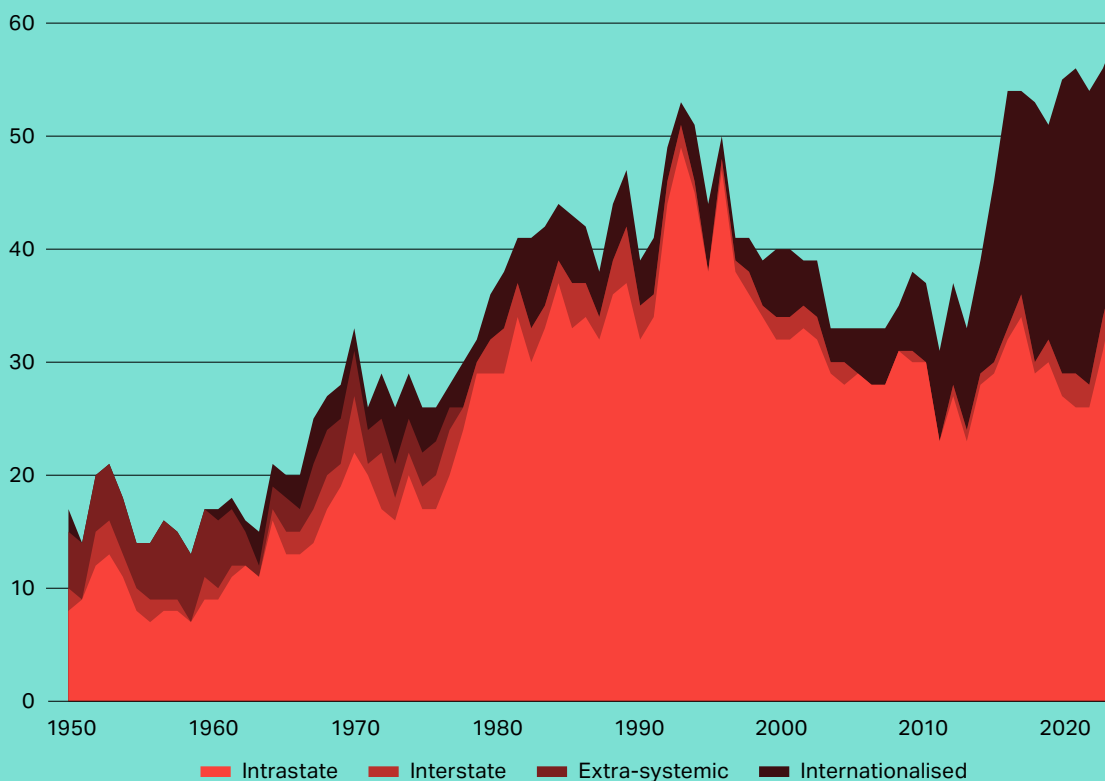
With the wars in Gaza and Ukraine into their second and fourth years, 2024 bringing direct military exchanges between Iran and Israel, as well as the fall of the Assad regime in Syria, and most recently military escalation between India and Pakistan, the post-Cold War 'peace dividend' is over.

Figure 4 shows the surge in the number of international conflicts (involving multiple governments) in recent years, with more wars of this nature in the past decade than at any time since World War II. In addition to the conflicts cited above, war risk extends to China and Taiwan as well as several African countries

There has also been a notable increase in hybrid warfare activity, with hostile states targeting critical infrastructure, defence-industrial assets and sub-sea cables (critical for energy and communication) whilst also exploiting social media for propaganda purposes.

**Figure 4: Number of conflicts by type – 1950 to 2023**

(Source: Howden, UCDP / PRIO Armed Conflict)



Note: Intrastate = conflict between a government and a non-governmental party.

Interstate = conflict between two or more governments.

Extra-systemic = conflict between a state and a non-state group outside its own territory.

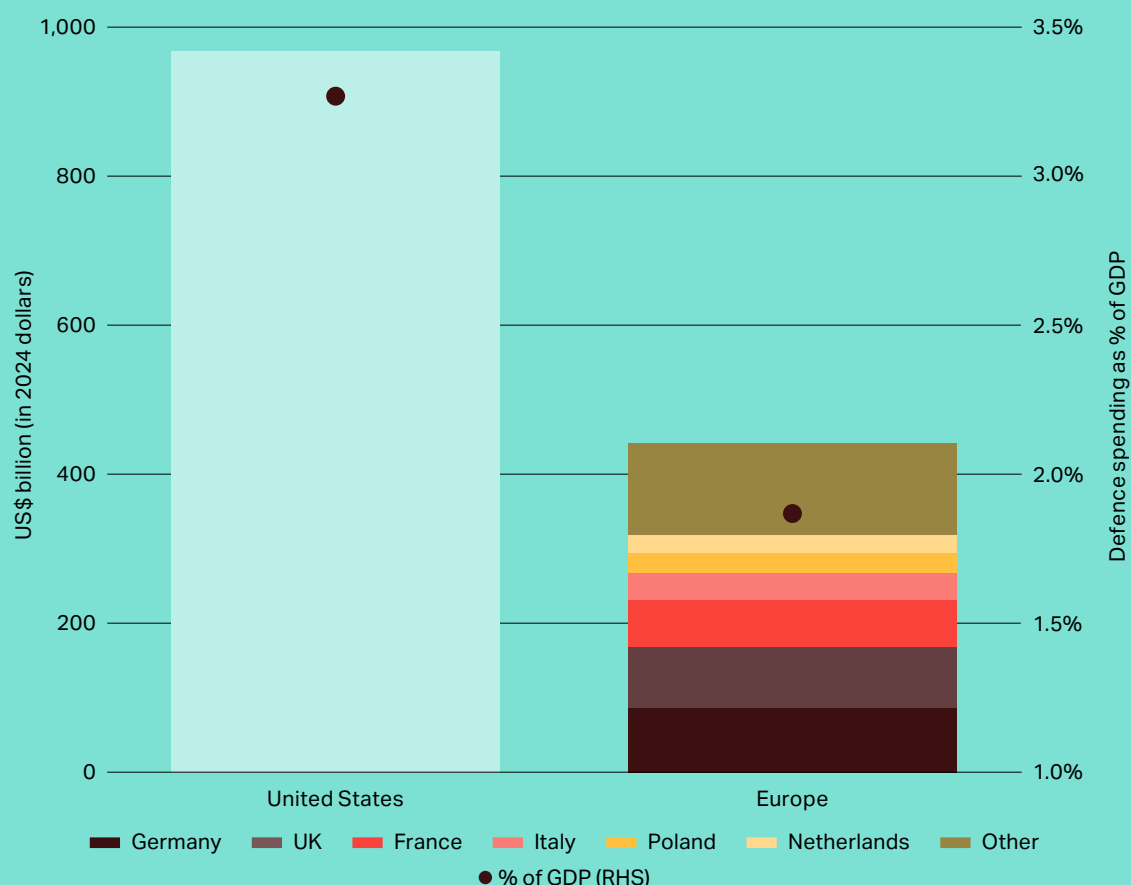
Internationalised = armed conflict between a government and a non-government party, with one or both sides receiving military support from other governments.



Negotiations for a ceasefire in Ukraine have transformed transatlantic security relations. The prospect of scaled back US military support in Europe has prompted a 'whatever it takes' commitment by European powers (led by Germany) on defence and critical infrastructure spending, which not only seeks to address years of security underinvestment relative to the US (see Figure 5) but has also brought about a dramatic shift in economic policy.

**Figure 5: Estimated defence spending for US vs Europe in 2024**

(Source, Howden, International Institute for Strategic Studies)



Increased spending commitments come at a time of high public debt for several European countries following hefty fiscal stimulus during COVID-19 and the energy crisis caused by Russia's invasion of Ukraine. Unlike these temporary shocks, the prioritisation of defence has the potential to be structural, with Germany, one of the region's least indebted major economies, removing long-standing limits on fiscal spending to finance defence investment whilst also dedicating a separate fund for infrastructure modernisation. The attendant economic benefits are increasing capital flows into the region.

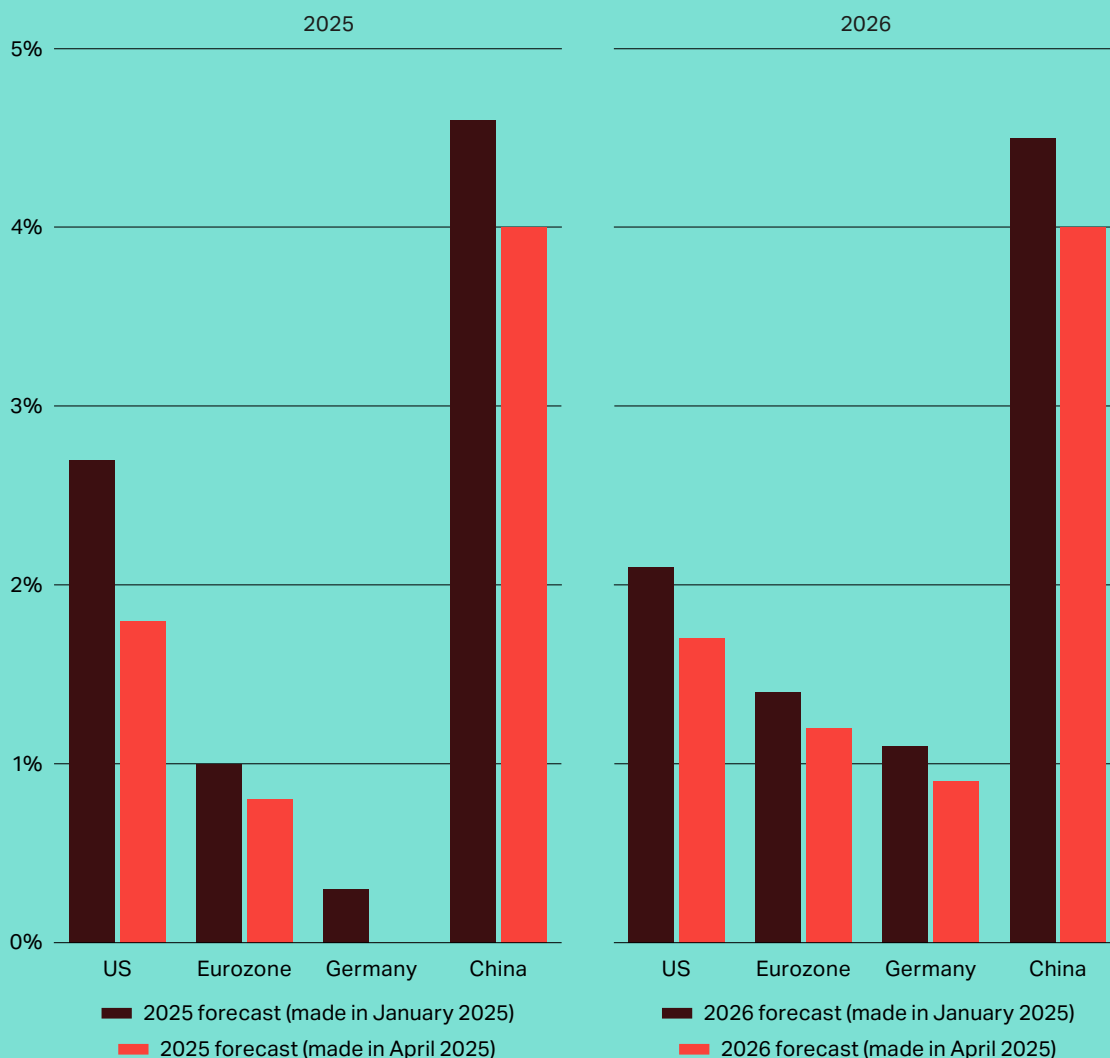
Several European countries with less fiscal headroom have also pledged more modest defence investment, likely at the expense of spending in other areas as policymakers look to maintain the confidence of debt markets whilst containing social risks.

The confluence of these developments, combined with the radical overhaul of US trade policy, pave the way for a wide range of outcomes that will alter growth and inflation trajectories across major economies. Widespread belief amongst the investment community at the turn of the year that US stocks would continue to outperform have been misplaced.

Figure 6 shows revised GDP growth consensus for 2025/26 relative to the start of the year, with revisions for the US in 2025 nearly a percentage point lower than earlier estimates. Eurozone and Chinese growth forecasts have been cut by less, with some offset for the former coming from Germany's new fiscal stance, albeit with trade impacts pulling in the opposite direction.

**Figure 6: Revised GDP growth projections for major economies in 2025/26**

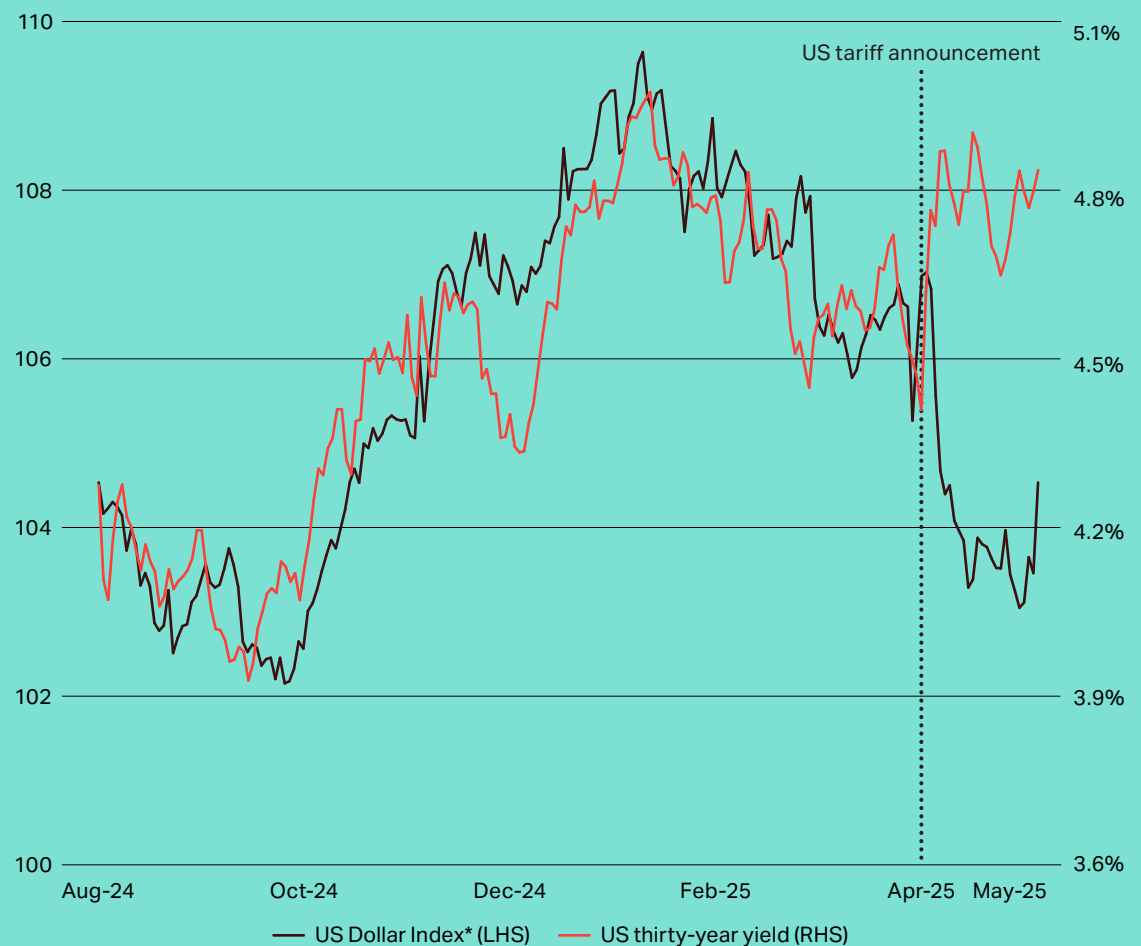
(Source: Howden, IMF)



Policy uncertainty has driven major currency movements and wide swings in government bond yields, particularly in the US (as shown by Figure 7). The (rare) simultaneous sell-off in US bond and currency markets represents a breakdown of long-standing global correlations (and safe-haven strategies) that is recalibrating capital flows and investment.

This is generating opportunities for other economies to attract capital, with regions like Europe outperforming the US across several asset classes so far this year. Diversified economies with a large share of output consumed by domestic markets are best placed to capitalise on shifting capital flows whereas trade-oriented countries with high debt, outsized exposure to US consumption and political instability are at greater risk of fluctuating investor sentiment and currency volatility.

**Figure 7: US yield and currency movements in 2024/25** (Source: Howden, Bloomberg)



\* Tracks the relative value of the dollar against a basket of major currencies. Rebased to 1-Jan-24.

All of which talks to the value of CPRI as businesses and financial institutions prioritise risk management and risk transfer, as well as capital optimisation. The current geopolitical environment is opening opportunities for the market as new trading partnerships emerge. With the volatility and uncertainty showing no signs of relenting, CPRI continues to act as a growth enabler by protecting investments, facilitating trade and driving economic activity at a time of heightened global instability.



## 02 Tariff turbulence

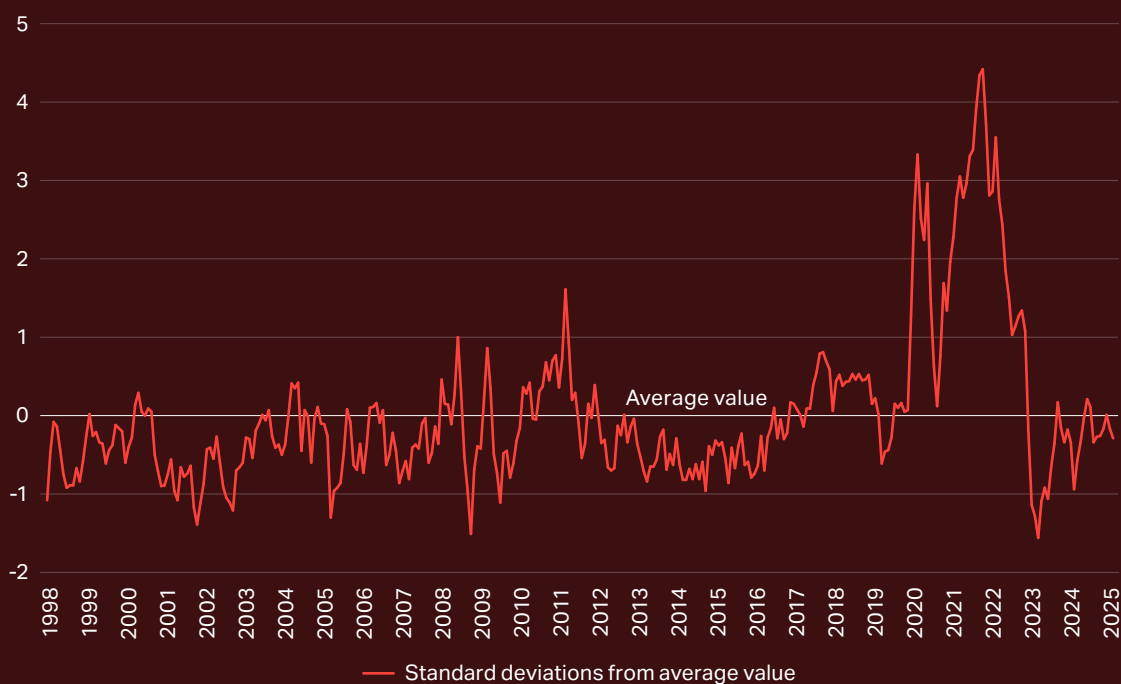
Geopolitics has also reset supply chains in recent years by exposing vulnerabilities and the risks of relying on companies (and even sovereigns) in unstable territories. The additional overhang of tariff uncertainty brings a wide range of scenarios for international trade that will shape the loss environment and growth outlook for credit insurance as lenders navigate impacts to exports, foreign direct investment and supply chains, as well as inflation.

One indicator of supply chain disruption, the Global Supply Chain Pressure Index (shown in Figure 8), underscores the shock caused by COVID (exacerbated by the Suez Canal blockage in 2021 and Russia's invasion of Ukraine in 2022) as factory closures, rising shipping costs, disrupted logistic networks and longer delivery times stretched 'just in time' production models to breaking point.

Supply chain operations had normalised prior to 2025, even if freight rates rose last year off the back of war and shipping disruption in major trading routes. Geopolitical developments have prompted policymakers and businesses to prioritise security alongside economic efficiency as they work through the supply chain de-risking process.

**Figure 8: Global Supply Chain Pressure Index – 1998 to 2Q25<sup>2</sup>**

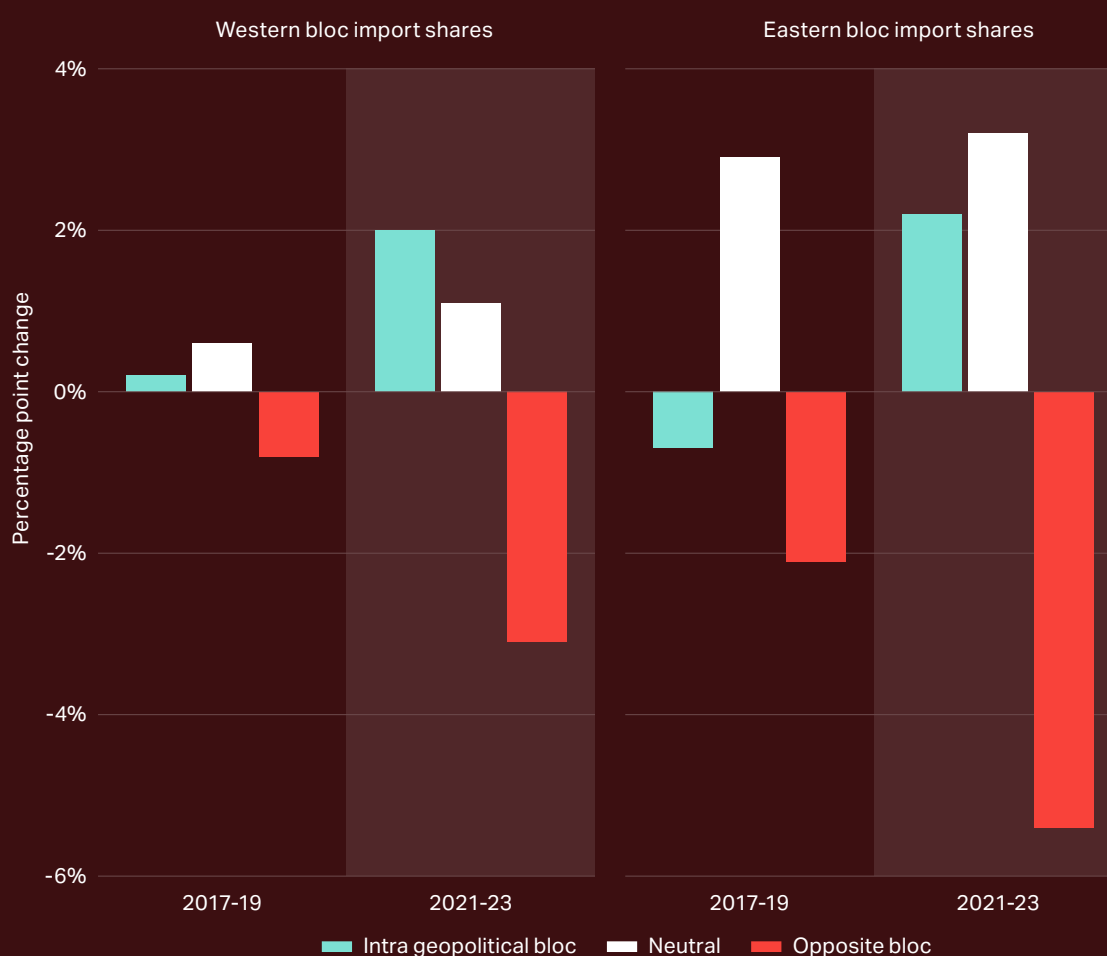
(Source: Federal Reserve Bank of New York)



<sup>2</sup> Federal Reserve Bank of New York, Global Supply Chain Pressure Index, <https://www.newyorkfed.org/research/gscpi.html>

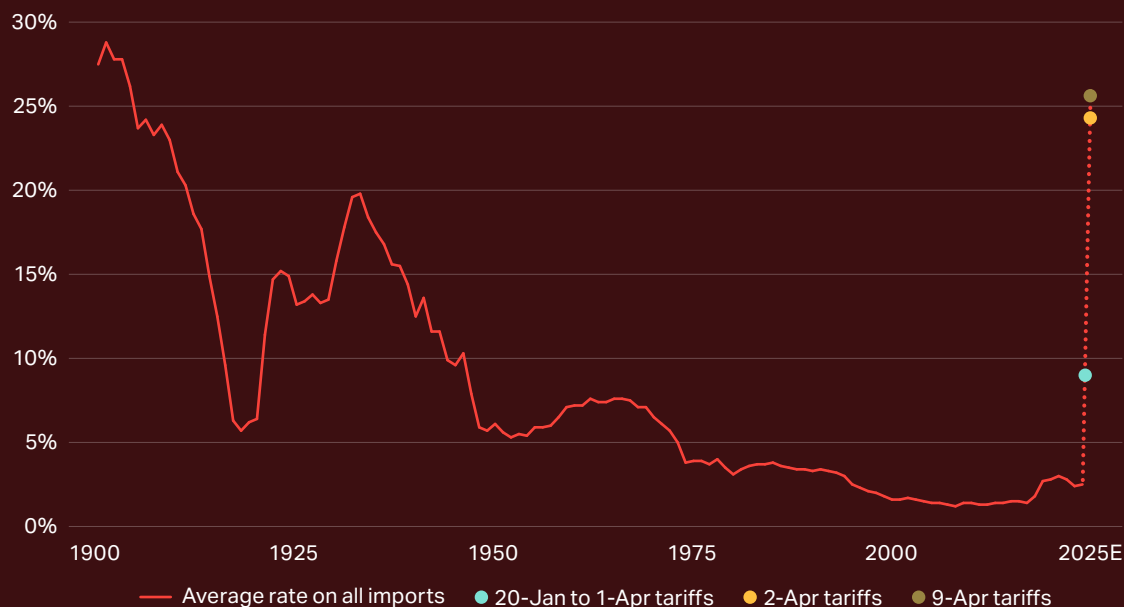
Figure 9 shows how geopolitics has shaped trade flows in recent years, with the Russia-Ukraine war proving a catalyst for reconfiguration by boosting trade amongst geopolitically aligned and neutral partners to the disadvantage of imports from geopolitically distant countries (i.e. reduced imports from China and Russia for Western-aligned countries and vice versa). All of which has culminated in reconfigured trade relationships, often to the detriment of supply chain efficiencies.

**Figure 9: Reconfiguration of trade flows amongst geopolitical blocs**  
(Source: European Central Bank)



Tariffs on goods adds another layer of complexity to already pressured supply chains. Figure 10 shows that proposed US tariffs (excluding pause periods) have risen to levels not seen for over a century. Even following the US-China agreement in May, US tariff rates remain at post-war highs. Although higher tariffs are likely to impact trade between geopolitically close countries in the short term, nonetheless, in the long term, barriers within these blocs are likely to remain lower than those between geopolitically distant countries.

Shifting trade and capital flows from the tariff fallout brings opportunity, as countries looking to sustain their export-led growth models expand existing partnerships and explore new areas of cooperation. Success on this front will draw capital looking for new homes outside the US.

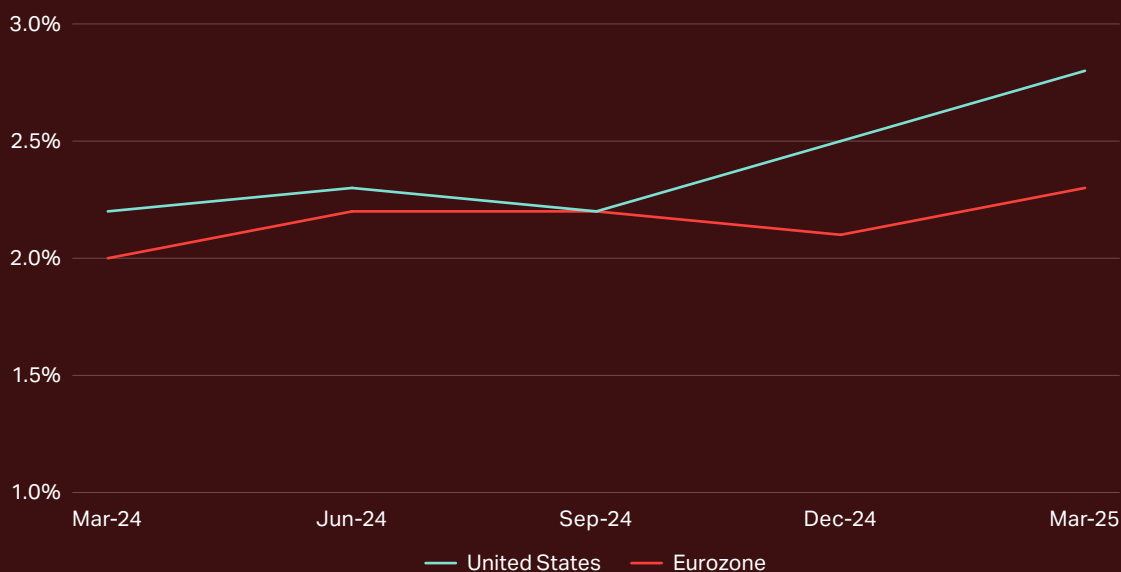
**Figure 10: US average tariff rate – 1900 to Apr-25** (Source: Howden, IMF)

Another impact from tariffs comes in the form of inflation. Having reached multidecade highs in 2023, supply chain normalisation, relenting energy prices, more balanced labour markets and reduced consumer demand has seen inflation fall towards, but remain above, central bank targets.

High services prices have kept core inflation elevated in most advanced economies, and with tariffs threatening to feed (previously benign) goods inflation, disinflationary trends could reverse in certain countries. Figure 11 shows (diverging) full-year 2025 inflation projections for the US and Eurozone.

**Figure 11: Evolution of inflation projections for FY25**

(Source: Howden, Federal Reserve, European Central Bank)



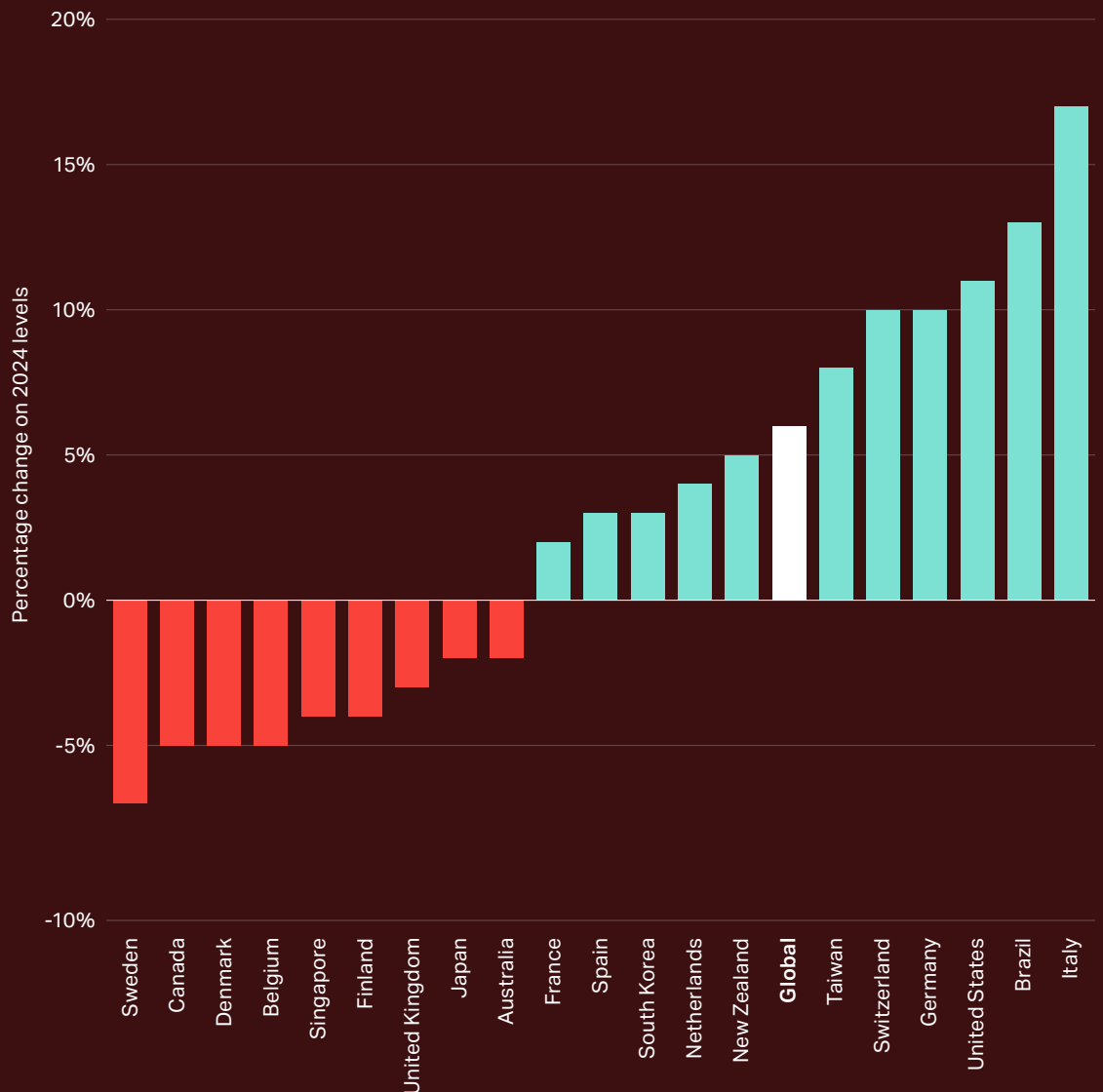


Tariffs' impact on inflation is uncertain and complex, with an array of (unknowable) factors, including their ultimate size and scope, reciprocal actions, currency fluctuations, the redirection of discounted goods, the price of oil and the extent to which higher import costs are passed on to consumers, set to bring uneven outcomes across major economies.

Material downside risks dominate the macroeconomic outlook. Countries hit by higher inflation are likely to see limited interest cuts this year, as central banks navigate the policy tension of stemming price pressures and supporting economic growth.

The prospect of tighter financial conditions and credit supply, and the attendant risk of weakening balance sheets, will sustain high demand for CPRI cover amidst elevated investor concern about corporate default risk, alongside greater headroom to fund premiums through wider credit spreads.

**Figure 12: Projected change in the number of corporate insolvencies for select advanced economies in 2025** (Source: Allianz Trade)



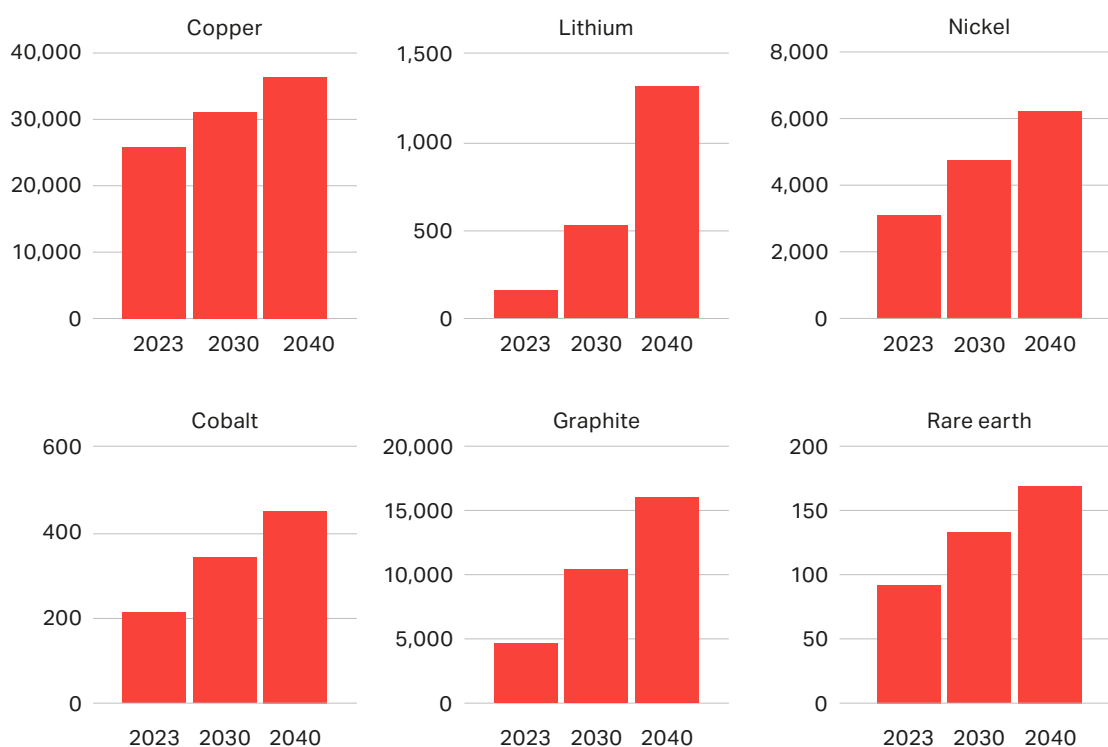
## 03 Critical minerals

Competition over critical minerals is accelerating, with world powers vying for access to resources that are essential for modern technology (including defence) and the net-zero transition. The importance of critical minerals to economic growth and security is underscored by the recent mineral agreement between the US and Ukraine and attendant investment in Ukraine's defence and reconstruction.

The diversification of critical minerals' supply chains is set to become a key driver of growth for the CPRI market. As miners and investors explore opportunities in mineral-rich countries, several of which are in less developed regions, work being done in parallel to establish more diverse, secure and sustainable supply chains is improving insurability and presenting new underwriting opportunities.

Demand for critical minerals is projected to surge. Figure 13 shows that copper, lithium, nickel, cobalt, graphite and rare earths are projected to see an increase in demand of 5% per year from 2023 to 2030. Minerals with a smaller footprint than copper are expected to expand even faster. Demand for lithium is projected to rise by 18% per year, driven by its usage in rechargeable batteries, including those in electric vehicles, mobile phones and computers, whilst graphite will see an increase of 12% per year.

**Figure 13: Demand for critical minerals, kilotonnes**  
(Source: Howden, International Energy Agency)



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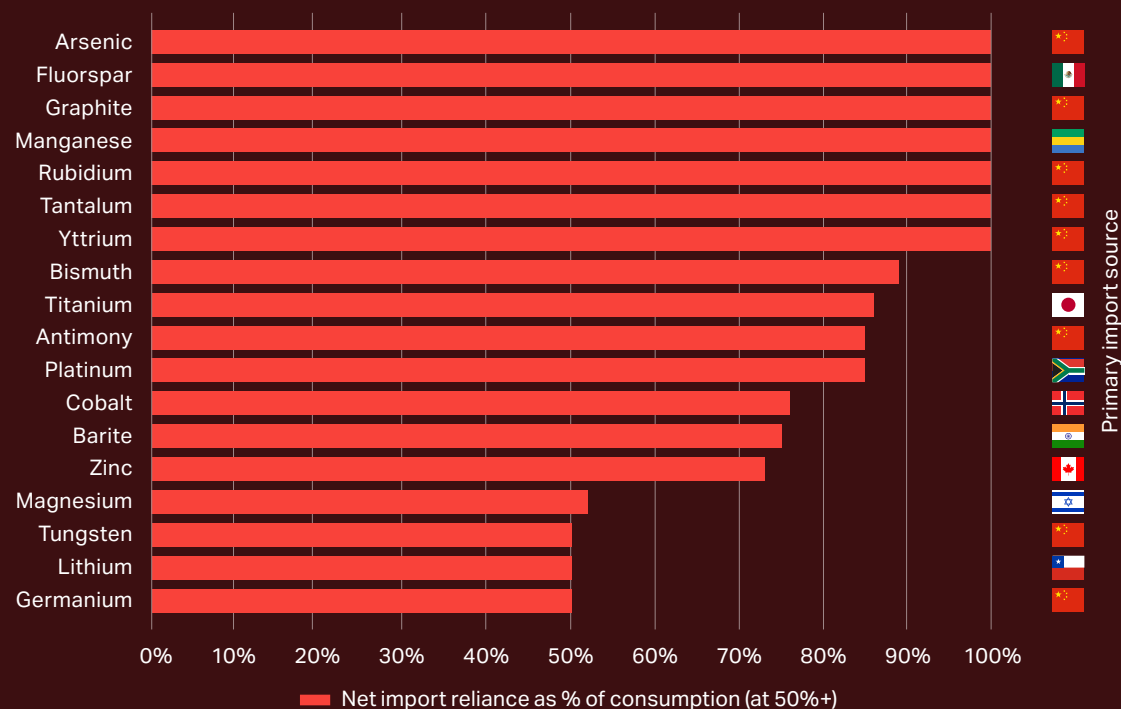


Alongside these long-running trends, a broad-based increase in defence spending triggered by recent conflicts and shifting security alliances will accelerate consumption. With global defence funding expected to rise significantly from current levels – US\$2.5 trillion was spent on weaponry and military equipment in 2024 – minerals such as cobalt, graphite and tungsten will stimulate additional demand.

Several major economies are dependent on imports for critical minerals. Of the 50 commodities listed on the US List of Critical Minerals, more than 30 have a net import reliance greater than 75% of US annual consumption, including graphite, tantalum and cobalt.

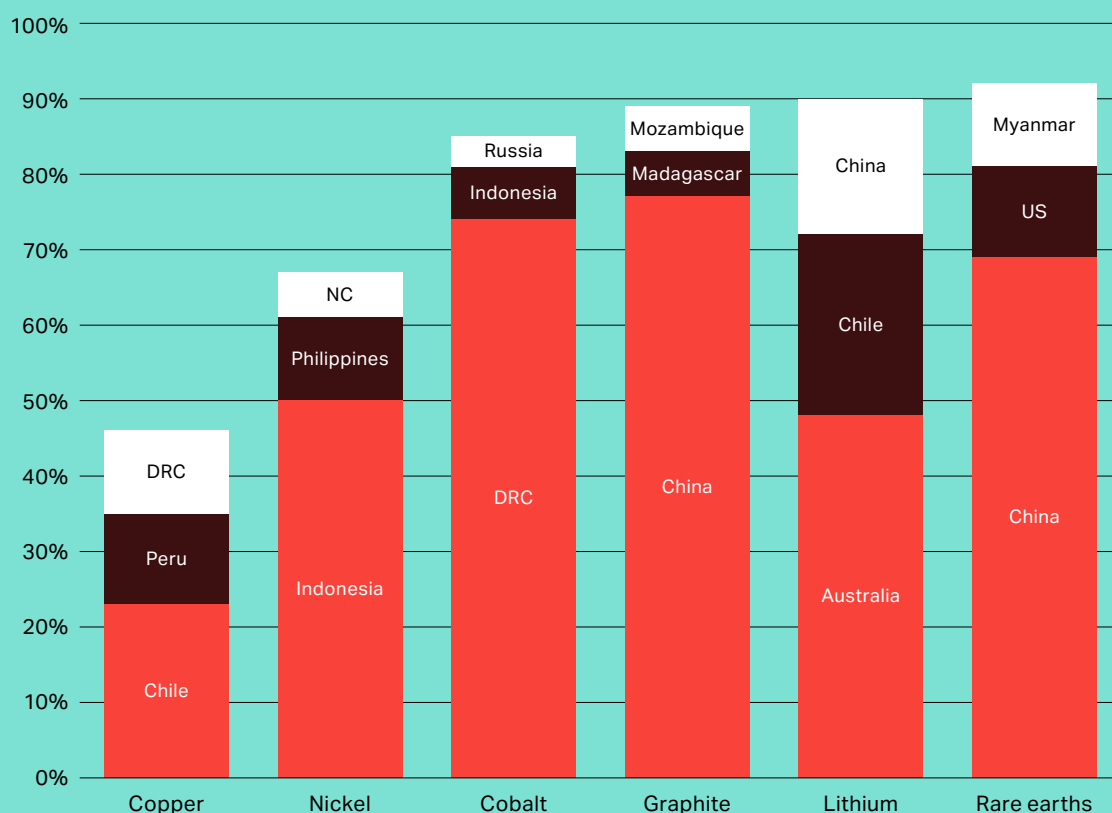
Figure 14 shows that the US is a major importer of critical minerals essential to a range of uses from technology to construction and energy, with China and countries in Africa and Latin America featuring prominently in the supply chain. China has long been a major player in both the mining and refining process for critical minerals.

**Figure 14: US reliance on critical minerals imports** (Source: Howden, US Geological Survey)



This backdrop puts North American and European importers' upstream supply chains at heightened risk of disruption. They are highly concentrated, often in relatively unstable countries with limited capacity to expand output. As Figure 15 shows, nearly 90% of graphite is mined in China, Madagascar or Mozambique whilst some 80% of rare earths are in China and Myanmar.

**Figure 15: Mined critical mineral production share of the global total by top three producers 2023** (Source: Howden, US Geological Survey)



Note: DRC = Democratic Republic of Congo, NC = New Caledonia

In response, advanced economies are developing new, more secure upstream supply chains by investing in domestic mining and refining projects, as well as in new locations. Given the strategic importance of critical minerals, numerous governments are facilitating this shift, including through financial and diplomatic support.

In 2022, major advanced economies, including the United States, the European Union and Japan, formed the Minerals Security Partnership (MSP). The main objective of the MSP is to increase investment in new supply chains by collaborating across government departments, export credit agencies (ECAs) and development finance institutions.

Importantly, the MSP provides accreditation for critical minerals projects. Accreditation aims to ensure that projects meet high standards of governance, including through

engagement with local and national governments, civil society and private-sector actors, which helps to reduce political risk.

Between 2022 and 2024, the MSP backed 14 projects. In October 2024, the MSP helped the first producer of heavy rare earths outside China, which is in Brazil, to raise US\$150 million in funding from US and UK investors by coordinating at federal, state and international levels.

Shifting geopolitical, macroeconomic and environmental trends have elevated the importance of critical minerals, and businesses and funders are turning to the CPRI market to provide the security (and capital relief) needed to get project funding over the line. Simultaneously, major advanced economies are bringing new opportunities to market by de-risking supply chains through friendshoring, diversification and collaboration.

# Unlocking the potential

Like many forms of insurance, the CPRI market has a long history. Its origins lie in the Roaring Twenties, when (re)insurers created a new solution to help manage risks attached to expanding exports and credit sales amidst a rapidly growing economy.



Fast forward to 2025, and not only has CPRI evolved significantly from its beginnings, but it is also set apart from other types of cover in terms of design, applicability and provision. For insurers operating in this space, such distinction has delivered a protracted track record of outperformance, unparalleled diversification benefits and an ability to manage losses through what remains an environment of perceived high-risk and strong fundamental demand.

CPRI is as much a financial tool to optimise return on capital proactively as it is a contract to indemnify losses after an event. No other insurance product helps banks, public sector agencies and corporates to make capital allocation decisions and improve returns in a way that is as direct, immediate and quantifiable.

The CPRI market, alongside the surety market, encompasses several product lines, each with a distinct purpose and set of buyers (as shown by Figure 16).

**Figure 16: Major trade credit and political risk products** (Source: Howden)

	Surety	Trade credit	Non-payment	Political risk
<b>Product type</b>	<ul style="list-style-type: none"> <li>• Bonds</li> </ul>	<ul style="list-style-type: none"> <li>• Short-term</li> <li>• Invoice insurance</li> </ul>	<ul style="list-style-type: none"> <li>• Long-term</li> <li>• Structured credit</li> </ul>	<ul style="list-style-type: none"> <li>• Investment insurance</li> </ul>
<b>Perils covered</b>	Non-performance of principal's obligations	Late or non-payment of invoices	Late or non-payment of long-term credit	Losses to cross-border investment due to political risks
<b>Average tenor (years)</b>	>1<5	<1	>1<20	<15
<b>Purchase motivations</b>	<ul style="list-style-type: none"> <li>• Meet contractual obligations</li> <li>• Strengthen liquidity</li> <li>• Diversify financing sources</li> </ul>	<ul style="list-style-type: none"> <li>• Avoid unpaid debts</li> <li>• Increase credit sales</li> <li>• Inform credit extension decisions</li> </ul>	<ul style="list-style-type: none"> <li>• Mitigate credit risk</li> <li>• Increase lending</li> <li>• Balance portfolio</li> <li>• Manage regulatory capital</li> </ul>	<ul style="list-style-type: none"> <li>• Trade and invest in challenging regions</li> <li>• Lower cost of capital</li> </ul>
<b>Typical buyers</b>	Corporates (i.e. service providers and contractors), traders and banks	Manufacturers, traders and service providers	Banks, export credit agencies, foreign development institutions, multinationals	Exporters, banks, multinationals, infrastructure developers



Surety protects a beneficiary against the risk that the policyholder (also known as the principal) fails to meet its contractual, legal or regulatory commitments.

Trade credit insurance protects businesses from various forms of (short-term) non-payment, including insolvency and protracted defaults that stem from commercial and political risks. Alongside the indemnity element of the policy, trade credit insurance also facilitates financing by informing corporates' decision-making around which customers to sell to on credit (and how much to extend) through the use of analytics on large, proprietary financial and claims databases to predict missed and / or late payments. Protection allows sales to be extended to clients who may otherwise be deemed too risky without cover in place.

NPI (or structured credit) provides banks and traders with a highly customisable tool for a variety of risk capital management purposes. Banks are increasingly turning to (long-term) NPI to extend credit to clients requiring additional financing but where sector limits have been reached and secondary loan markets provide insufficient liquidity.

Banks' use of the NPI product as an alternative and efficient source of capital, which enhances its appeal to insurers by increasing alignment between them and the buyers, adds another differentiating purchase motivation to that of risk management.

In addition, bank-based distribution of NPI by embedding it in loan portfolios makes it highly efficient and scalable, more akin to a reinsurance treaty than the risk-by-risk distribution common in the direct and facultative reinsurance markets.

Political risk insurance, meanwhile, provides coverage against losses stemming from political actions (e.g. asset appropriation). Having PRI coverage in place can reduce the country-specific element of the discount rate applied to projections of future cash flows from an emerging market project. This increases the net present value (and transparency) of future cash flows and allows buyers to take credit for cover being in place from the point of inception.

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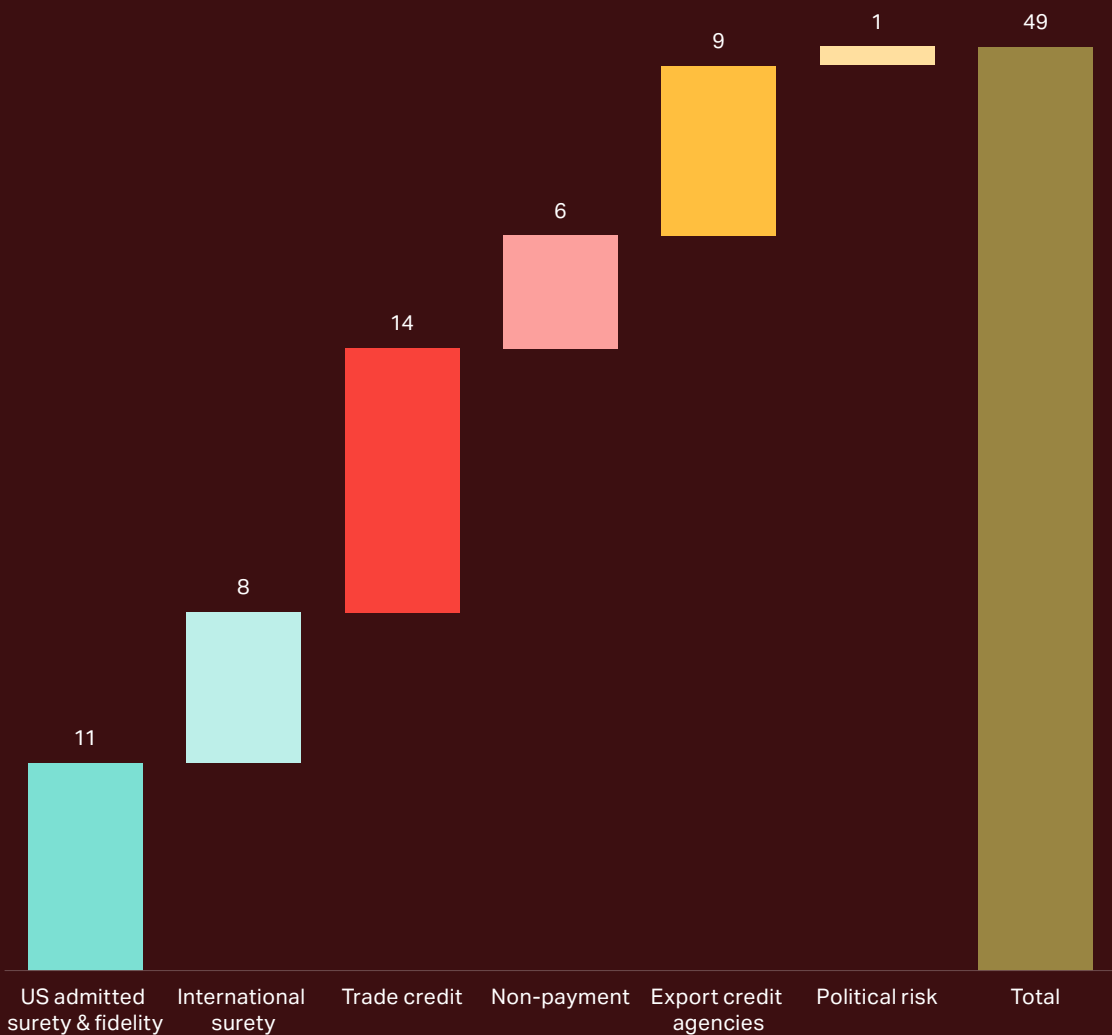
**Banks are increasingly turning to long-term non-payment insurance to extend credit to clients requiring additional financing.**

A (big) outperforming market

One theme common to all these product lines is that, when deployed strategically, CPRI pays for itself by enabling greater transaction volumes, increasing margins on existing deals and generating a return that more than offsets premium costs.

The CPRI market also stands out for its size and extended run of exceptional underwriting results. Figure 17 provides a breakdown of premium across six segments. The aggregated premium-base of US\$49 billion surpasses the size of most other specialty insurance markets.

Figure 17: Breakdown of gross written premiums for CPRI and surety market in 2025, \$bn  
(Source: Howden, NAIC, ICISA, Lloyd's, IUA, Berne Union))



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When deployed strategically, CPRI pays for itself by enabling greater transaction volumes, increasing margins on existing deals and generating returns that more than offset premium costs.

Few (if any) other areas of the broader P&C market can compete on the underwriting front either. Figure 18 shows the (out)performance of trade credit insurers relative to global markets, with the former not only achieving an underwriting profit every year over the last decade but mostly delivering a net combined ratio within a (highly profitable) range of 70% to 80%.

This is not down to some random aberration in the loss environment – this period has brought a sequence of economic and geopolitical shocks with COVID-19 (and the accompanying recession), higher inflation, wars in Ukraine and the Middle East and now tariff uncertainty – but more a reflection of strong underwriting standards and alignment of interest with policyholders that is limiting losses flowing into the market. Where claims are paid, debt recoveries can enable some or all of the loss to be recouped by insurers and insureds in a way that is unique from any other class of business.

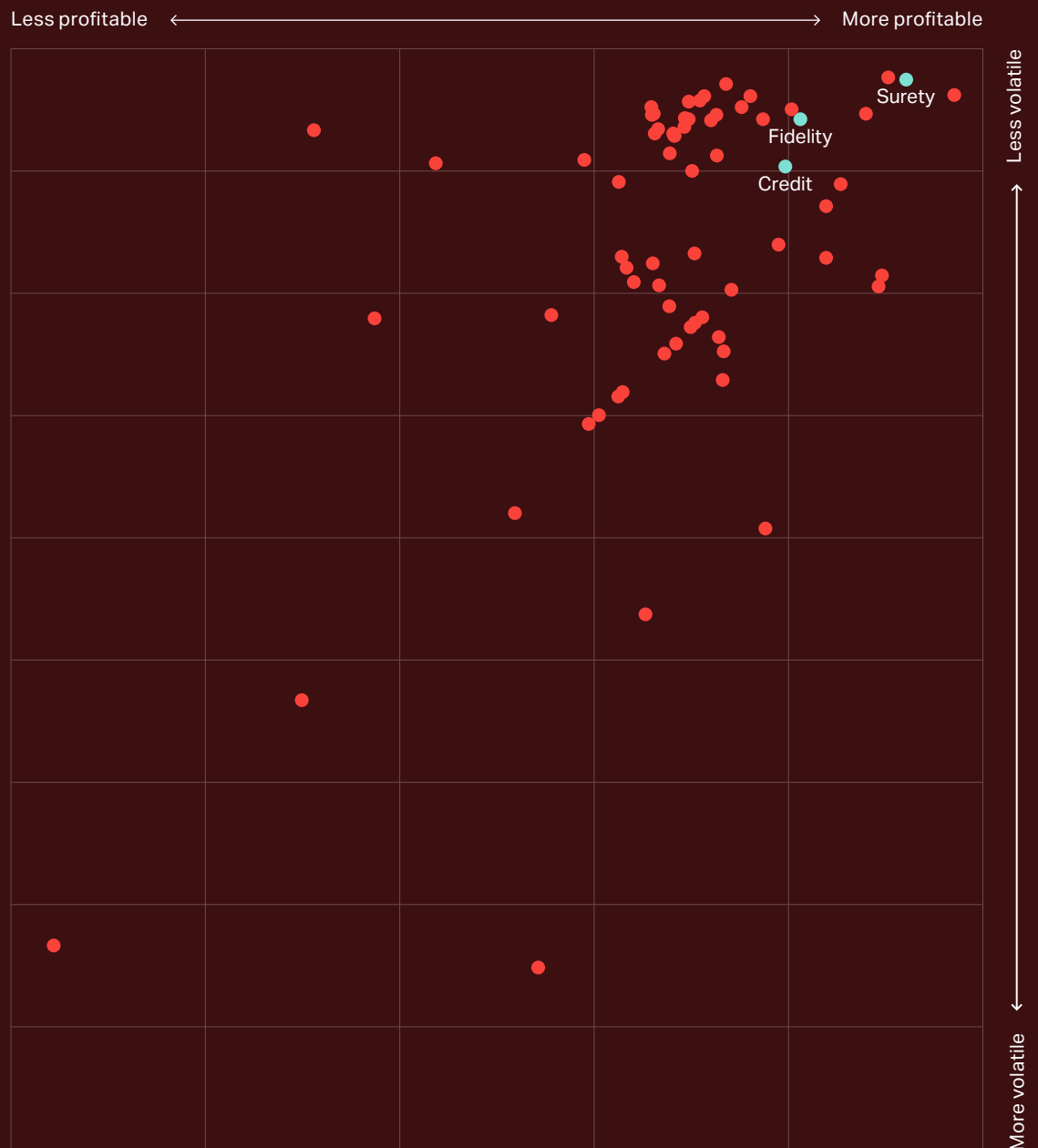
**Figure 18: Net combined ratio for trade credit insurers vs global markets – 2015 to 2024 <sup>3</sup>**  
(Source: Howden, company disclosures)



<sup>3</sup> International trade credit is a weighted average for the big three European writers – Atradius, Allianz Trade and Coface – which represent ~80% of the market. European net combined ratio represents an average across 18 European-based global (re)insurers.

It is therefore no surprise to see the product lines of surety, fidelity and credit, which cover comparable risks to the broader CPRI market (albeit with a more domestic focus), all sitting deep in the top-right quadrant of the benchmark analysis shown in Figure 19 (based on data from the US admitted market). Put simply, the CPRI market has been one of the most profitable and least volatile classes of business across the entire P&C insurance sector over multiple economic cycles.

**Figure 19: Profitability vs volatility benchmarking for various US P&C lines of business over the last decade<sup>4</sup>** (Source: Howden, NAIC)



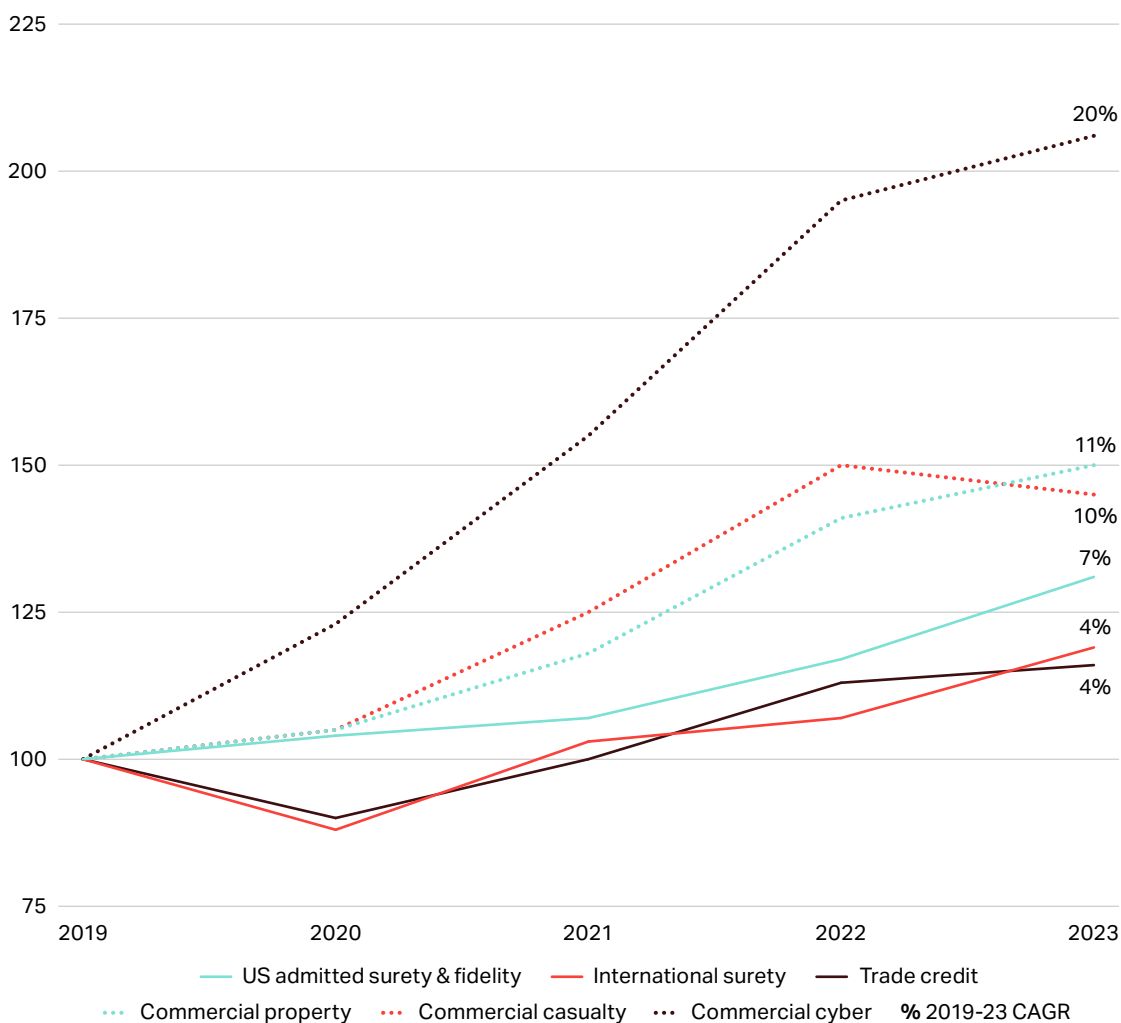
<sup>4</sup> 2014-23 average net loss ratio vs net loss ratio standard deviation by US admitted line of business.



## Steady growth

Strong CPRI results have nevertheless not always correlated to underwriting appetite. Figure 20 shows that insurance premium growth in certain product lines has been lacking when measured against other (often more volatile and / or longer-tailed) classes of business, with the property market growing up to three times faster than trade credit between 2019 and 2023 and cyber achieving close to five times the growth rate during the same period.

**Figure 20: Index of gross written premium growth for multiple lines of business – 2019 to 2023** (Source: Howden, NAIC, ICISA, Swiss Re)



Perceived (and often misplaced) barriers have held the CPRI market back from reaching its full potential. Alongside cautious deployment appetite of incumbents, many non-participating underwriters see the product as esoteric with high headline risk and perceived correlation to the asset side of insurers' balance sheets.

The distinct characteristics of CPRI, a market driven more by macroeconomics than the ebbs and flows of the insurance cycle, alongside exceptional performance and pent-up demand, provides a compelling case for increased capital commitments.

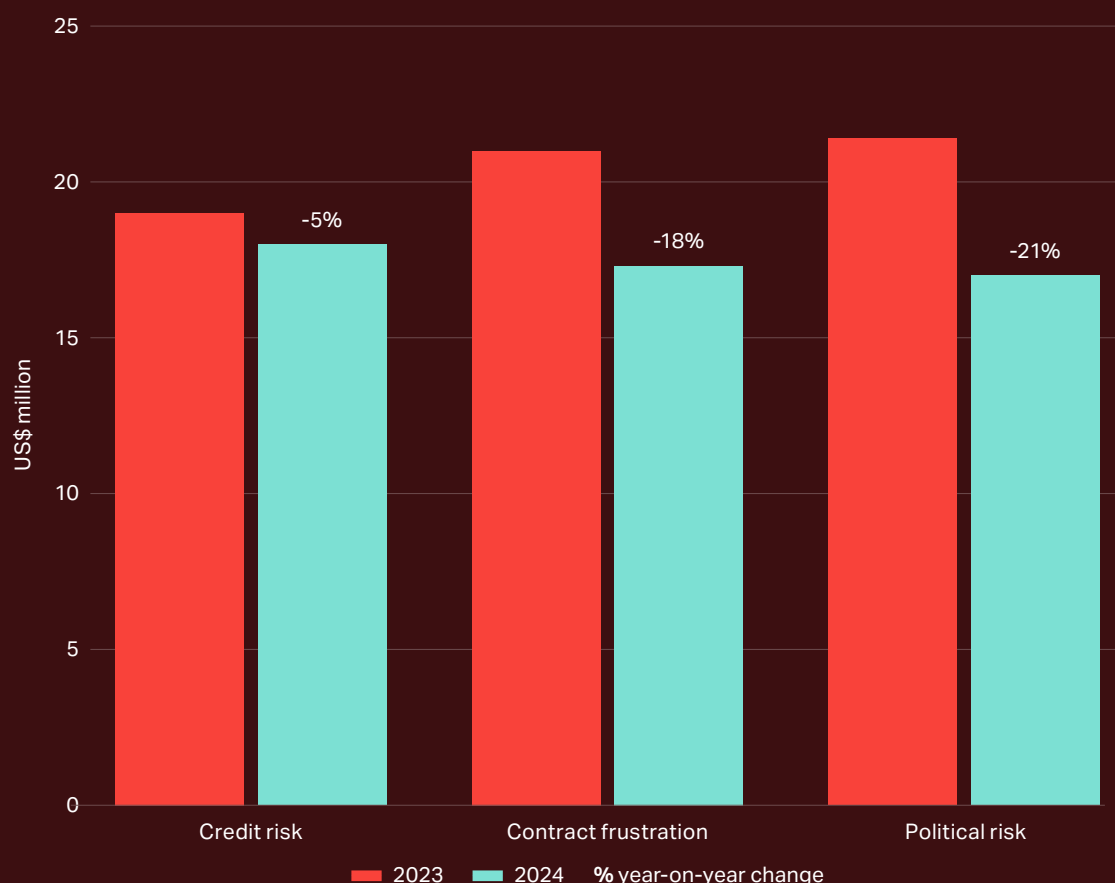
## Supply dynamics

Supply increased in 2024, as strong performance drew in new capital. After a slow start, a flurry of commitments towards the end of the year was driven by several new entrants and increased capacity from incumbents, including carriers and managing general agents (MGAs). Howden's proprietary survey of the non-payment market found that 4Q24 was a record quarter in terms of GWP.

Coinciding with a (temporary) lag in demand as some banks scaled back purchases due to regulatory changes (Basel 3.1), strong competition within the non-payment market led to oversubscriptions and increased pressure on signings and premium rates. Figure 21 shows reduced line sizes for credit risk, contract frustration and political risk in 2024 versus 2023.

Based on the sample in Howden's market survey, average tenors fell to four years in 2024, with the market comfortable in supporting longer-term transactions that remain well below durations typical in other long-tail lines such as general liability, medical malpractice and workers' compensation.

**Figure 21: Average line size for non-payment market – 2023 vs 2024** (Source: Howden)



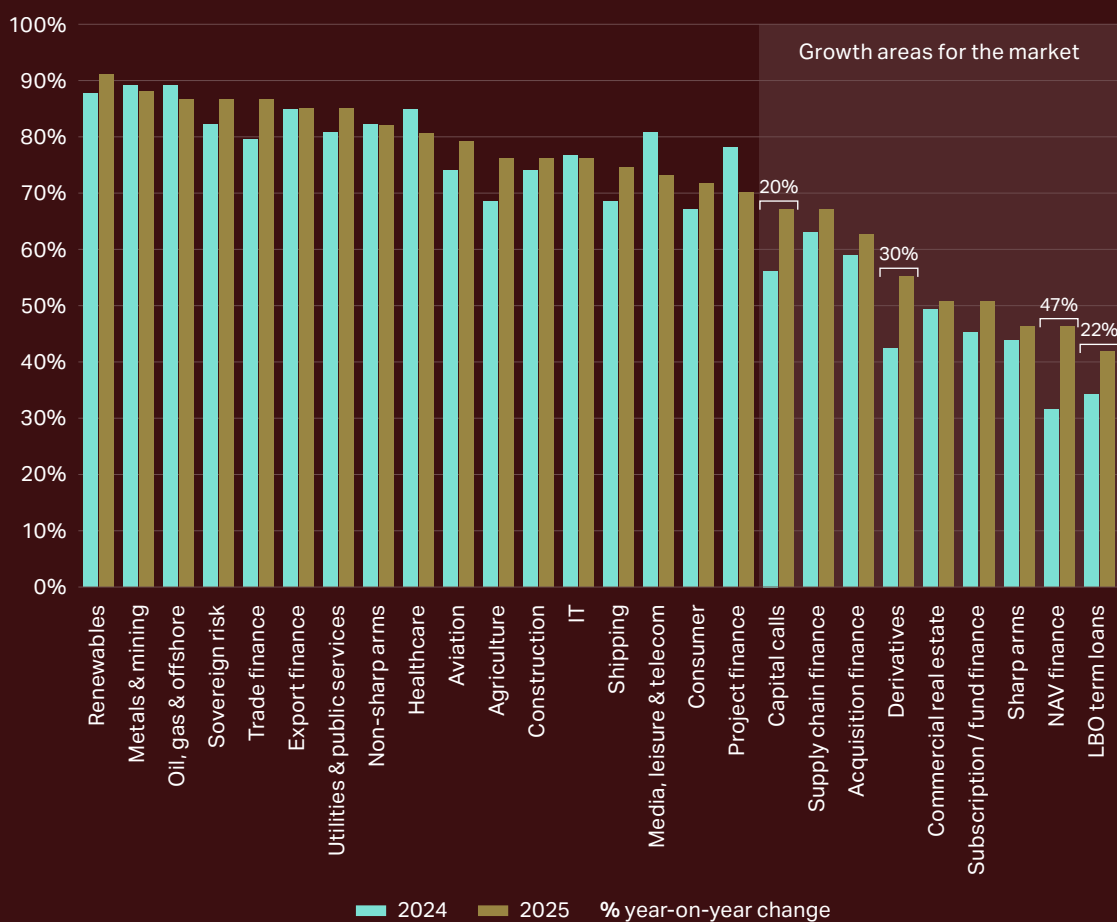
These developments reveal a nuanced marketplace, with strong underwriting appetite for business that falls within a narrow window of volatility (e.g. investment-grade credit) but persistent constraints for certain industries and sectors.

As CPRI insurers push for more income in a competitive environment, expansion into some of the less penetrated asset classes not only offers a strong underwriting opportunity for the market but is also essential to businesses and lenders looking to expand into new territories and / or grow their existing portfolios.

Figure 22 shows the array of asset classes currently serviced by existing CPRI insurers, with some of the areas at the lower end of the scale coming off a low base and displaying considerable room for growth relative to more mature areas of the market.

Reinsurance capacity will be critical to facilitating market expansion, offering sizeable upside potential given relatively narrow support currently from just 25 to 30 active reinsurers and only a handful of recognised lead underwriters.

**Figure 22: Proportion of insurers offering cover across various industries, sectors and asset classes– 2024 vs 2025** (Source: Howden)



Growth in the direct market has surpassed that of reinsurance for several years now. MGAs are providing real impetus, with their data-led approach to underwriting yielding a strong model defined by agility, innovation and strong appetite.

Several balance sheet start-ups have also entered the fray, tapping into new sources of committed capacity. Ratings upgrades, including for Lloyd's, have expanded the number of counterparties that banks are most likely to seek protection from.

Crucially, these entities are attracting new talent into the market, including from the banking sector, bringing an understanding of the loss environment that has held back commitments previously. This has also elevated underwriters' and brokers' abilities to leverage multiple sources of third-party paper.

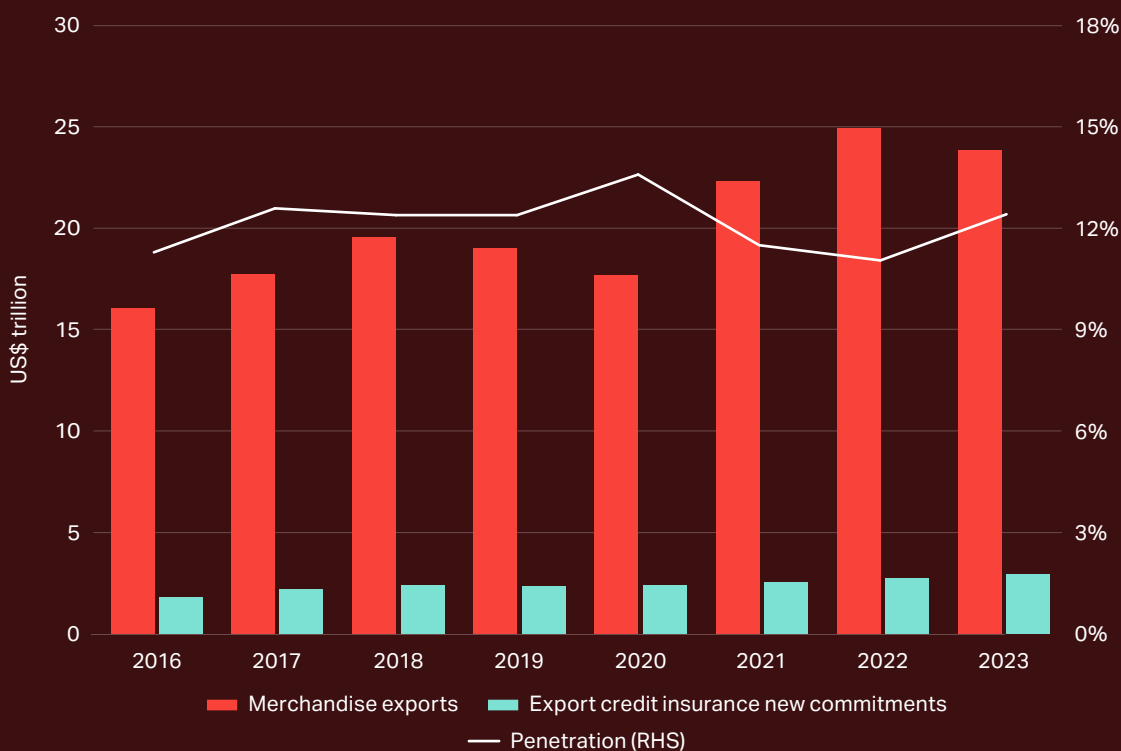
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Expansion into less penetrated areas not only offers a strong underwriting opportunity for the market but is also essential to buyers looking to expand into new geographies.

## Demand dynamics

Shallower and less frequent CPRI cycles relative to other non-life lines reflect the realities of a marketplace defined by tightly balanced supply and demand. Indeed, demand for CPRI proved remarkably stable in the first half of the 2020s when a series of macroeconomic and geopolitical shocks hit trade and investment.

These trends talk to a stability in penetration rates, even during periods of stalled trade, investment and growth, due in large part to repeat customers. This resilience of demand is evident in the high client retention rates (85-95%) recorded by the major trade credit insurers over several years whilst penetration in the export credit market has fluctuated within a narrow band of 11-14% (as shown by Figure 23). Penetration even held up in 2020 when the global economy suffered a severe and sudden contraction due to the pandemic.

**Figure 23: Export credit insurance penetration – 2016 to 2023** (Source: Howden, Berne Union, WTO)



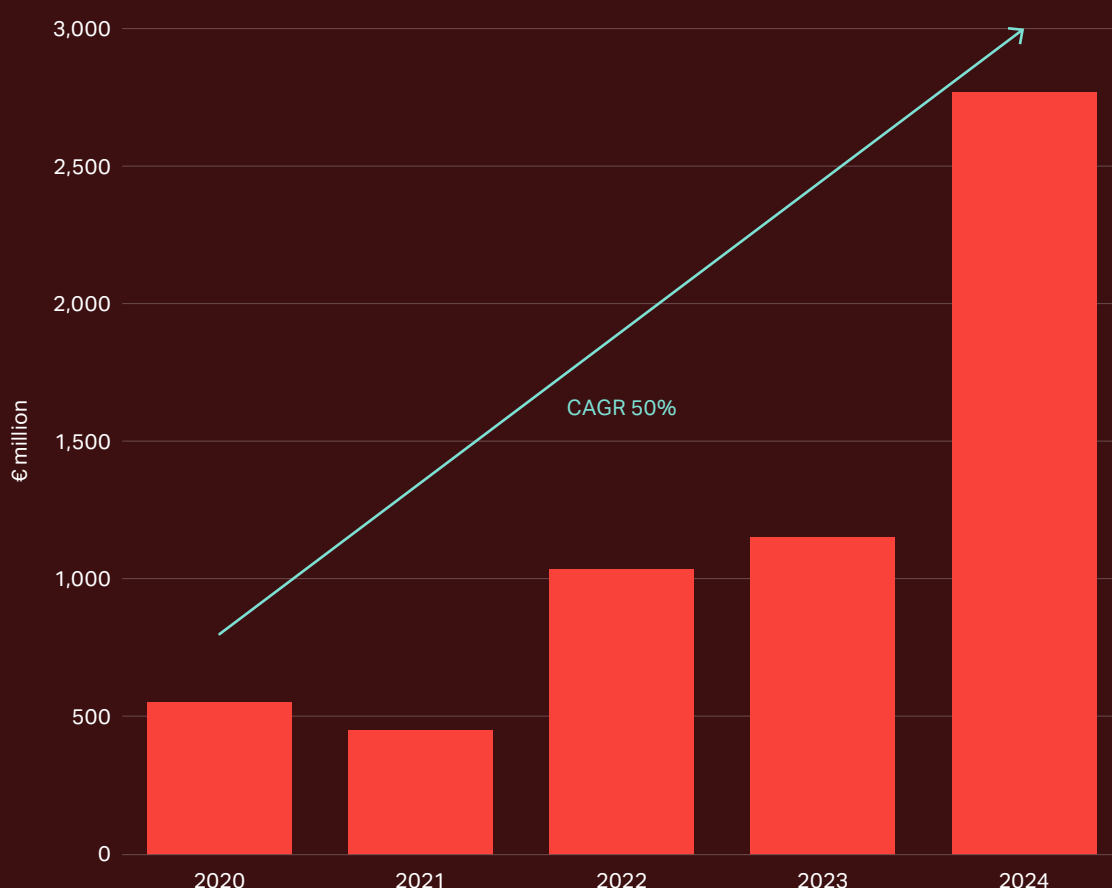
Note: penetration is new export credit commitments as a proportion of merchandise exports.



Set against this broad context of stability, NPI has been the standout performer of recent years. Demand in this area of the market has grown and diversified quickly, with the emergence of new buyers (banks predominantly) and increased appetite from existing clients culminating in new structures and coverage spreading across more asset classes.

Most notably, demand for insurance of significant risk transfers (SRTs) surged in 2024 as these securitisations gained traction as a means for banks to offset increasing capital requirements under Basel 3.1 (see Figure 24). By the end of 2024, insurance protection on outstanding SRT tranches for a representative sample of 14 global (re)insurers had increased ten-fold to ~€6 billion from ~€500 million as of 2020.

**Figure 24: Volume of insurance-protected SRT tranches active at YE24 by year of closing**  
(Source: Howden, IACPM)



Note: volumes total a representative sample of 14 global (re)insurers.

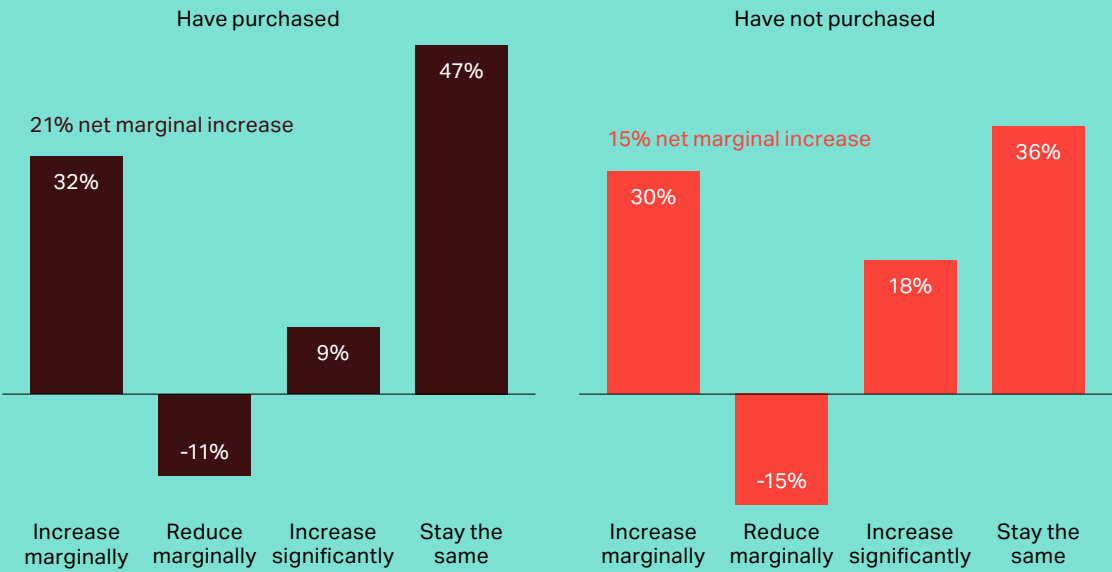
Looking ahead, whilst the rise of protectionism and tariff uncertainty may stunt the cross-border trade and investment flows that underlie demand in the CPRI market in the short-term, new and different opportunities will emerge to offset some (if not all) of the impact from an economic and trading slowdown.

A large share of CPRI premiums stem from a small and loyal customer base that has proved adept at weathering economic crises. Risk aversion amongst potential new buyers is growing and this will bring incremental new demand to market, as demonstrated by US-focused Canadian exporters increasing coverage enquiries by ~10% in 1Q25.

Government intervention for domestic exporters will also benefit the market. For example, Spain, which exports significant volumes of olive oil, motor parts, chemicals and steel to the US, has announced a package of direct aid, soft loans and export credit insurance worth €14 billion to help protect the finances of its most tariff-exposed companies.

Howden's 2025 survey of multinational corporates with revenue >US\$1 billion provides further evidence of rising demand in response to the instability of the current trading environment. Even amongst companies that have not purchased political risk insurance (PRI) over the past five years, 33% are more likely to do so due to tariff uncertainty (see Figure 25).

**Figure 25: Change in the likelihood of purchasing PRI due to US tariffs – companies that have purchased PRI in 2020-25 vs those that have not** (Source: Howden, Editorial Institute)



Note: question = if the US imposes 10% tariffs on all imports, as well as additional country and sector specific tariffs, and these provoke similar tariffs from other countries, how will this change the likelihood that your business purchases political risk insurance? Sample = 510

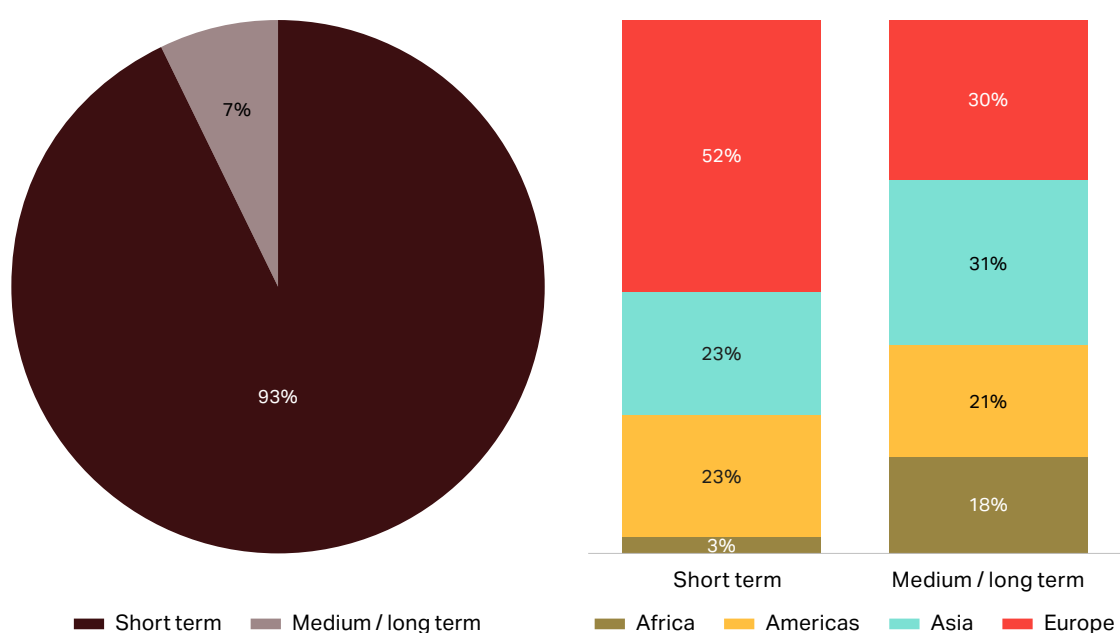
On the banking side, the final implementation of Basel 3.1 may reduce the benefit of CPRI for banks that apply the Advanced Internal Ratings Based (IRB) Approach. These banks will have to start applying a supervisory-prescribed Loss-Given-Defaults (LGDs) of 45% to their exposures to corporates and financial institutions, including insurance carriers. Banks using the Standardised Approach (SA), that apply regulatory risk weights to calculate their risk-weighted assets rather than using internal models, will not be affected by the 45% LGD change.

There is ongoing advocacy to various regulators internationally seeking a more favourable LGD than 45% in relation to credit

insurers. Whatever the final implementation of Basel 3.1, product innovation in the CPRI market will continue to stimulate demand. Given the advantages from a capital, operational and execution standpoint, the opportunity to grow the NPI market by applying it at the portfolio level, rather than to single risks, is clear and immediate. Others, such as replicating forward-looking covers across more asset classes (e.g. leveraged finance), will emerge over time.

More fundamentally, rising awareness of CPRI will see demand spread geographically as a broader range of buyers tap into what remains a European-centric market, particularly in the large, short term export credit segment (see Figure 26).

**Figure 26: New export credit insurance commitments in 2023** (Source: Howden, Berne Union)

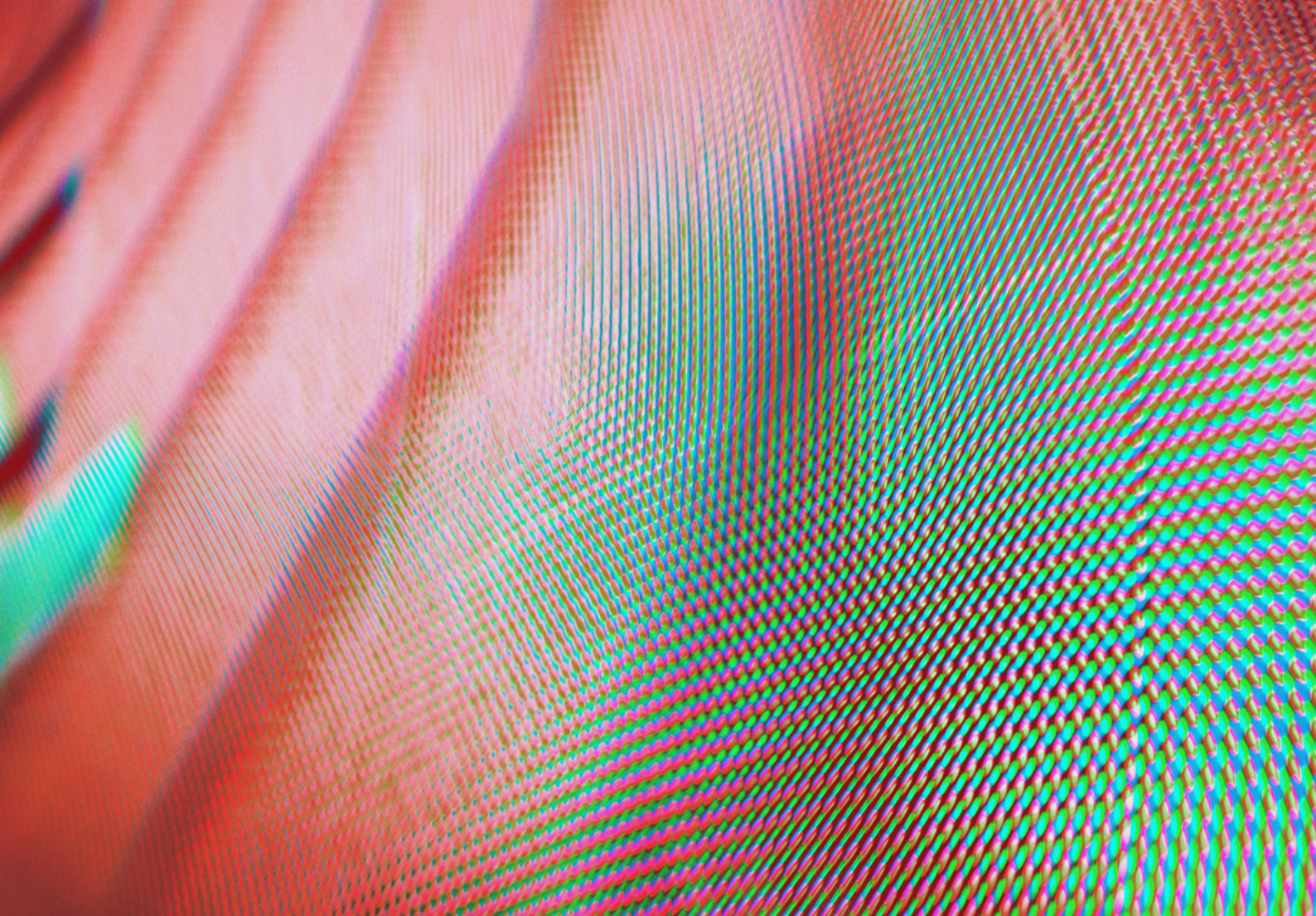


# Expert advice for extraordinary times

The world economy has staggered from one shock to another since the turn of the decade: COVID-19, post-pandemic inflation, Russia's invasion of Ukraine, war in the Middle East and now heightened trade uncertainty.

The corollary is a new world (dis)order which carries far-reaching implications for security, commerce, investment, supply chains and political stability.





The importance of (re)insurance comes to the fore in such an uncertain and volatile environment, with protection from credit and political risks never more relevant. Set against a broader backdrop of waning (re)insurance prices and modest exposure growth, this often-overlooked area of the market presents a compelling case from both a buyer and capacity provider perspective.

Put simply, CPRI is enabling commerce worldwide by allowing businesses to invest and trade whilst delivering underwriting performance typically unsurpassed elsewhere. Results from a soon-to-be-published Howden

survey on the PRI market point to increased demand for protection in 2025, a call to action that the market must meet.

Current market dynamics demand the very best intermediary expertise and leadership. They require experience, market-leading thought leadership and unrivalled relationships with (re)insurers.

Howden's CPRI team exists to provide just that. We look forward to supporting clients through this period of instability and working on their behalf to secure the best coverage available in the marketplace.

# Meet the experts

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Meeting clients' needs requires deep sector knowledge, strong partnerships with third party experts and unrivalled relationships with (re)insurers and other capital providers. Howden's CPRI team provides all this and more. Come and talk to us.



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