UDK:338.532+330.101:332.716:368.025.1.265.3:961/969+951/959
DOI: 10.5937/TokOsig2201088P

Miloš M. Petrović, PhD[1]

POLITICAL AND ECONOMIC RISKS AND INSURANCE

REVIEW ARTICLE

Abstract

Having in mind that different regulations and strategies increasingly incorporate the areas concerning political risks, the author seeks to clarify more closely the different ways in which this kind of risk manifests itself in insurance industry. The author reveals that the aspect of political risks is increasingly becoming a relevant factor in considering investments, especially in developing countries. The paper contains conceptual definition of political risks, their underlying actors and factors, reviews the circumstances prevalent in the insurance industry, and shows Fitch's analytical approach to risk. The findings support the view that the insurance of political risks should be interpreted primarily as an auxiliary tool for overcoming state and social crises, rather than as the last resort used to make up for possible consequences of a lack of state or institutional capacity.

Keywords: *political risk, developing countries, insurance coverage, crisis, democratic institutions, EU.*

Introduction

Political risk insurance protects the policyholder against the threat of financial loss caused by adverse political events.[2] Nevertheless, the importance of this type of

[1] Miloš M. Petrović holds a PhD in Political Sciences and is the author of papers in the field of European Law and political science.
Email: petrovic1milos@gmail.com.
Paper is received on: 3 December 2021
Paper is accepted on: 25 February 2022

[2] Atradius, What is political risk insurance?, 2021, *https://atradius.com.hk/en/faq/what-is-political-risk-insurance.html*, accessed on 3- 12- 2021.

insurance goes beyond the realm of mere financial compensation. The policyholders are often multinational companies, but also other actors such as state institutions, international organisations, etc. By arranging this type of insurance, investors seek to ensure a certainty of achieving their planned goals. In this regard, in addition to the right to financial compensation in case of a loss, political risk insurance is also a kind of guarantee scheme that a particular business project will be implemented in accordance with a certain minimum standard effective in different areas (e.g. labour legislation, as well as numerous other areas).[3]

Depending on the insurance offer and individual preferences of the insurer, coverage in the field of political risks may refer to the following: civil unrest (causing property damage or theft or e.g. physical prevention of vessels to leave harbours); expropriation (confiscation of money, property or a business by a government); currency changes (sudden change of a currency value); customs and tariffs (an unexpected change in import/export rules); revolution or coup d'état (violent or non-violent), and terrorism and war (making trade with a country unsafe or unviable).[4] In addition to these, political risks for investors can be considered in a broader sense, such as tightening provisions of labour legislation and environmental regulations.[5] The latter aspect becomes increasingly important when had in mind that in 2015, fighting climate change has effectively become a universal international commitment.[6] For example, in some western countries, insurers are actively discouraged from participating in the projects that have anything to do with fossil fuels, one of the world's biggest environmental polluters.[7]

To that extent, political risks are linked to a wider range of regulations and areas, all of which are reflected in the expansion of insurance activities towards new areas, such as the aforementioned environment and fighting climate change (as top priorities of the European Commission).[8] On the other hand, market players have identified certain weaknesses of this type of insurance, such as highly priced policies, but also legal gaps that increase uncertainty regarding the right to indemnity, as well as the practical "uninsurability" of investments in certain occurrences.[9] Such

3 Violeta Iftinchi, Gheorghe Hurduzeu, "The place of Political Risk Insurance in the political risk management strategy of multinational corporations", *The Romanian Economic Journal*, XIX (60), 2016, pp. 205.

4 Atradius, What is political risk insurance?, 2021, *https://atradius.com.hk/en/faq/what-is-political-risk-insurance.html*, accessed on 3-12-2021.

5 Ibid.

6 UNFCCC, The Paris Agreement, 2015, *https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement*, accessed on 20-11-2021.

7 Miloš Petrović, "Climate Change – Aggravated Risks and Necessity to Adjust", *Insurance Trends*, 1/2020, pp. 63.

8 Ibid, pp. 65.

9 Kausar Hamdani, Elise Liebers, George Zanjani, An Overview of Political Risk Insurance (Executive Summary for the Federal Reserve Bank of New York), 2005, *https://www.bis.org/publ/cgfs22fedny3.pdf,* accessed on: 18- 11- 2021, pp. 1–2.

aspects put a strain on further development of this service, although insurers find ways to make their offer as complete and attractive as possible for the policyholders.

The area of political risks is an increasingly relevant aspect in the insurance industry, especially given the global integrative processes that encourage ever closer business and other contacts. In an effort to present a closer view of how political risks are understood and manifested, notably from the perspective of the insurance industry, this paper is structured in several thematic units. In the upcoming part of the paper, we will analyse the conceptual definition of political risks in the relevant literature, as well as how they manifest themselves, and how they are treated in insurance practices. Complex methods and models for calculating the risk level (whether older economic formulas or newer technological patterns that rely on artificial intelligence and processing of so-called metadata) will be briefly analysed from a qualitative point of view.[10] The third part of the paper will also present the elements of Fitch methodology for calculating political risks.

Political Operating Risk in the Developing Countries

The area of political risks in insurance practice primarily relates to the likelihood of an adverse occurrence whereon insurance premium level is calculated. On the other hand, in academic literature, there are certain proposals for the changed approach i.e. valuation of political risks through an investor's risk perspective that may deviate from quantitative indicators that rest on probability.[11] The risk assessment of individual investors, in addition to the investment strategy itself, including the type of investor (whether it is a state-owned or private company), is shaped by experiential parameters such as knowledge of the socio-political context and culture of business, previous work in similar circumstances, and much more. It should also be noted that the domain of political risks has been slotted into economic policy for many years. However, the area of political risk has gradually expanded towards other domains and simultaneously, different approaches have evolved. In modern practice, political risks are analysed through advanced computer techniques (e.g. Delphi prediction method), but on the other hand, they are also considered through psychological aspects that are not related to the structure (e.g. intuition of managers).[12] In modern

[10] According to the definition of the California Santa Cruz University, metadata are most commonly defined as „data about data", whereas their more detailed definition is that they are deliberate, structure data relating to the analysis of other information. See: UC Santa Cruz University Library, What are metadata? 2022, *https://guides.library.ucsc.edu/c.php?g=618773,* accessed on: 17-2-2022.

[11] Nathan Jensen, Daniel Young, "A Violent Future? Political Risk Insurance Markets and Violence Forecasts", *The Journal of Conflict Resolution*, 52/4, 2008, pp. 528.

[12] Ivona Lađevac, Nenad Stekić, "Assessing the Political Risks in Eurasia in the Wake of the Fifth China's "Grand Strategy", *The Review of International Affairs,* LXXII/1183, 2021, pp. 52.

practice, Fitch methodology uses several indicators of political risks: long-term and short-term political risks, long-term and short-term economic risks, and long-term and short-term operational risks, which will be more extensively discussed in the following section of the paper.[13] However, we should first go several decades back.

Wagner defines political risk as „arbitrary or discriminatory actions taken by home or host governments, political groups, or individuals that have an adverse impact on trade or investment transactions.".[14] This is a fairly broad definition that seemingly reflects generally comprehensive nature of political risks. On the other hand, a popular international financial encyclopaedia uses a slightly broader syntagma "geopolitical risk" to include foreign policy manifestations of certain events and their connection to the security domain, which is especially important in multi-year business projects that require a certain level of stability and predictability.[15] According to the author of this paper, such terminology is adequate given the increasingly globalised processes that ever so intensely shape numerous areas and paths of development, including insurance business.

Who are the providers of political risk insurance? These are: private insurers (profit-oriented); public providers (notably focused on support to government activities and strategies of other institutions) and reinsurers; the said insurers cover the following types of political risks: political violence, expropriation, currency inconvertibility, and breach of contract and arbitration award default.[16] While public insurers have a certain level of affiliation with national bodies or multilateral institutions (from credit agencies that are organically linked to government institutions to those that are "subcontractors" on behalf of government or international institutions), there are not as many private insurers in the field of political risk insurance and they mainly come from several global Anglo-Saxon financial centres, while both can also carry on reinsurance.[17] In addition to the aforementioned, Radović argues that EU rules (also relevant for Serbia) require strict separation of commercial risk insurance from insurance against political risks, particularly when had in mind that insurance companies that provide both types of insurance, with the support from the state, will not be allowed to compete with insurance companies that do not have such institutional support.[18]

[13] Fitch Solutions, Country Risk Index, 2021, *https://www.fitchsolutions.com/sites/default/files/2021-04/FS-Country-Risk-Index-Methodology.pdf,* accessed on: 25-11- 2021.

[14] Violeta Iftinchi, Gheorghe Hurduzeu, "The place of Political Risk Insurance in the political risk management strategy of multinational corporations", *The Romanian Economic Journal*, XIX/60, 2016, pp. 202.

[15] James Chen, Investopedia: What is Political Risk?, 2020, *https://www.investopedia.com/terms/p/politicalrisk.asp,* accessed on: 25- 11- 2021.

[16] Violeta Iftinchi, Gheorghe Hurduzeu, "The place of Political Risk Insurance in the political risk management strategy of multinational corporations", *The Romanian Economic Journal*, XIX/60, 2016, pp. 202-204.

[17] Dietrich Stiller, "Political risks: How to effectively mitigate political risks, deal structure, financing and political risk insurance", *Airport Management*, 9/2, 2014, pp. 137.

[18] Zoran Radović, „Export Credit Insurance in the European Union and Our Country", *Insurance Trends* 4/2015, pp. 40.

Differences between public and private political risk insurers are also evident in other areas; long-term investments are more suitable for public, while flexibility is more on the side of private insurers who do not have to take into account foreign policy and other strategic aspects; premium rates vary more with private insurers, while claims are handled much longer by public insurance companies.[19] In that sense, the choice of insurance package largely depends on the expected duration of the project (and thus coverage), the integration of the project into the strategy of insurers, the tendency to take greater risks in case of non-fixed interest rates, and on the assessment whether or not the additional government support in the implementation of activities is needed. For example, in the case of some long-term capital investments that may have a significant impact on society, investors may be more inclined to establish cooperation in the field of political risk insurance with government-supported companies, as an additional guarantee that the project will be implemented (although, naturally, insurance terms and conditions are equally important here).

For several decades, the subject literature on political risks highlights the elements such as political instabilities (regime types, sovereignty and sustainability, institutional capacity), economic dynamics, and bilateral ties between contracting parties.[20] Numerous examples of significant shifts in foreign policy that may not be related to a conflict or violence, but that have the potential to negatively affect conditions for doing business in a country (e.g. in the case of major changes in trade policy, security, or as part of some other strategic reorientation), can support the "geopolitical" understanding. In addition, there are more extreme developments, such as civil conflicts (which in some parts of the world can spill over quickly and significantly affect the regional socio-political, business, and other environment; terrorist acts often have an international background, and so on. There are many examples and they can be found in almost all parts of the world, however, highly developed countries of the European Union or North America are less susceptible to this type of risk due to more efficient political, economic and systemic performance.

Although some of these aspects are not inherent only to economically poorer countries, the multiple intersections of these examples are most evident in developing economies, where the vast majority of the global population is actually located (more than 150 states and territories of less than 200 UN members).[21] In other words, these are countries that are not only economically positioned below

[19] Ibid.

[20] Ivona Lađevac, Nenad Stekić, "Assessing the Political Risks in Eurasia in the Wake of the Fifth China's "Grand Strategy", *The Review of International Affairs,* LXXII/1183, 2021, pp. 55.

[21] Including the Western Balkan Countries: Albania, Bosnia and Herzegovina, Montenegro, Macedonia and Serbia, and the EU members Bulgaria, Croatia, Hungary, Poland and Romania. Source: IMF, World Economic Outlook (April 2020), 2020, *https://www.imf.org/external/pubs/ft/weo/2020/01/weodata/groups.*

average in relation to the standards of the Transatlantic Core (consisting of the United States and Canada, on the one hand, and the European Union, on the other, with the addition of individual countries in different parts of the world), but are also more prone to political instability, which is an important factor in international planning and business in the insurance industry. A renowned Netherlands-based international insurer that primarily deals with trade credit insurance, clarifies the need for insurance against political risks as a common item that protects the policyholder from the risk of non-payment of invoices.[22] Given that developing countries are majority in the world, political risk is undoubtedly an important aspect of planning and implementing international business plans, such as those investment-related.

However, foreign direct investments are not proportionally present in different parts of the world, which is illustrated by the fact that in 2005, out of a total of 916 billion dollars of foreign direct investments, only 36% were realized in countries that do not belong to the privileged club of the Organization for Economic Co-operation and Development (OECD), notably in China (which, given its size and strength, is a country that cannot be adequately compared to other developing countries).[23] In other words, 67% of foreign direct investments were made in the then 33 OECD members.[24] These are highly developed economies from different parts of the world, which are considered as a lower political risk compared to that of developing countries. This supports the argument that political risk assessment significantly reduces the attractiveness of investments and encourages the perception of possible harmful business operations of investors, whether it is about fears of nationalization and confiscation (Cuba, Iran), contract cancellations (Philippines, India), political violence and war (Sierra Leone, Liberia), or other situations.[25]

Stiller highlights the examples of airport concessions and public-private partnerships as a particularly vulnerable categories due to their exposure to contract cancellations, expropriations, and other adverse situations related to political risks.[26] The author of this paper adds that the capital and strategic nature of such projects, combined with the increased level of other types of risk (terrorist threats, pandemic

htm, accessed on: 1-12-2021; additionally: UN, Member states, 2021, *https://www.un.org/en/about-us/member-states,* accessed on: 1-12-2021.

22 Atradius, What is political risk insurance?, 2021, *https://atradius.com.hk/en/faq/what-is-political-risk-insurance.html*, accessed on 3-12-2021

23 Nathan Jensen, Daniel Young, "A Violent Future? Political Risk Insurance Markets and Violence Forecasts", *The Journal of Conflict Resolution*, 52/4, 2008, pp. 529.

24 The OECD had 33 members in 2005, compared to 38 in 2021. For more information, refer to: OECD, List of OECD Member countries - Ratification of the Convention on the OECD, 2021, *https://www.oecd.org/about/document/ratification-oecd-convention.htm*, accessed on: 18-11-2021.

25 Nathan Jensen, Daniel Young, "A Violent Future? Political Risk Insurance Markets and Violence Forecasts", *The Journal of Conflict Resolution*, 52/4, 2008, pp. 528–529.

26 Dietrich Stiller, "Political risks: How to effectively mitigate political risks, deal structure, financing and political risk insurance", *Airport Management*, 9/2, 2014, pp. 133.

circumstances), contributes to further complexity of this type of investment. Referring to the Multilateral Investment Guarantee Agency (MIGA), Stiller confirms the arguments that political risks are among the most important constraints to foreign direct investment in developing countries, whereas the risk assessment is as follows: majority of respondents notably fear adverse regulatory changes (58%), more than 40% is apprehensive about breach of contract provisions and transfer and convertibility restrictions, over 30% expressed fears from civil disturbances and non-honouring financial obligations, 24% identifies expropriation risks, and 20% mentions situations such as terrorism and war.[27] These data confirm that there is an increasing level of awareness of political risks as a threat to the return on investments. Additionally, to assess the risk more comprehensively, the author of this paper notes the special importance of getting acquainted with the situation in terms of investment environment, but also the broader socio-political context, which will be discussed in the next chapter.

Parameters of Fitch Political Risk Assessment[28]

This part of the paper will present and analyse the 2021 Fitch methodology (*Fitch Solutions*) based on which individual countries are ranked according to the political risk index.[29] All data presented in this chapter are shown and interpreted from the cited source (unless other source is explicitly cited).

Although this concept is not specifically intended for the insurance sector but represents a kind of general overview of risks by countries and territories, its systemic character, combined with the comprehensive nature of political risks, makes it at least indirectly relevant for insurance (as well as other areas). Five indicators - long-term political risks, short-term political risks, long-term economic risks, short-term economic risks, and operational risks - numerically express the likelihood of adverse situations such as economic crises or sudden changes in the political environment (which significantly affect business and other segments). The index is generated based on the average value of political, economic and operational indicators, which have their own subcategories (see tables below).

[27] Ibid, pp. 134.

[28] This chapter will present *Fitch Solutions* political risk methodology. All data come from the following source and therefore will not be presented individually: Fitch Solutions, Country Risk Index, 2021, *https://www.fitchsolutions.com/sites/default/files/2021-04/FS-Country-Risk-Index-Methodology.pdf*, accessed on: 25- 11- 2021.

**If other sources are used, they will be individually presented in footnotes.

*** The author's observations will be singled out in a way that makes it clear that this is his position.

[29] The Fitch Group comprises: Fitch Ratings and Fitch Solutions, focused on analytical tools and specialised services in accordance with financial and other instruments of the main group.

Table 1 Overview of long-term and short-term political risks[30]

POLITICAL RISK (INDEX) – 100%	
LONG-TERM POLITICAL RISK (50%)	**SHORT-TERM POLITICAL RISK (50%)**
Characteristics of polity (30%)	Policymaking process (25%)[31]
Characteristics of society (30%)	Social stability (25%)
Scope of state (20%)	Security and external environment (25%)
Policy continuity (20%)	Policy continuity (25%)

Long-term political risks are comprised of four components: (1) characteristics of polity (how well the institutions of the state cohere with a liberal democratic state with strong, formally separate institutions and safeguards to protect minority rights); (2) characteristics of society (based on the state's income distribution, poverty levels, and ethnic characteristics); (3) scope of state (the government's ability to act as sovereign, i.e., both on a domestic and external basis) and (4) policy continuity (policy direction over a long-term i.e. decade-long period, which for most states will encompass a change of government, so it is necessary to monitor shifts and changes). According to the author of this paper, all these items are directly or indirectly related to stability, as well as the sustainability of such a situation, on the basis of which forecasts and projections are made, both in insurance and other business activities.

Projections of long-term political risks are essential for both investors' strategies and insurers' forecasts (in addition to directly affecting the countries or areas where the investment is planned and implemented). With that in mind, this aspect of political risk will be clarified in more detail. In terms of polity characteristics, according to Fitch methodology, its sub-components are:

- *system of government* (where democracies are considered more stable over the long term, since the framework of the political system does not prevent governments to be removed e.g. as a result of electoral results);
- *constitutional framework* (constitutional system which formally enshrines the separation of powers and safeguard against elite/majority dominance, offers better protection for civil liberties, which reduces the appeal of revolutionary change), and
- *rule of law* (the state's ability to protect its citizenry – and to do so without discrimination – is the cornerstone of a successful polity).

[30] The original table in English can be found in the document cited in footnote no. 28.

[31] "Policies" in this segment of work refer to development policies and strategic planning carried out by the authorities. The term "policies" is used in this context, having in mind the terminology of Fitch's methodology in that regard.

As regard the second component – characteristics of society, its elements are:

– *income distribution* (income equality reduces the risk of social polarisation and thus reduces the level of dissatisfaction);
– *poverty* (low poverty rates are a sign of a successful polity as opposed to high poverty);
– *minorities* (a high proportion of ethnic and religious minorities has potential to generate instability, especially if there is a history of tension or violence, and thus a particular level of inter-ethnic distrust).

In the scope of state there are *domestic constraints* (the government's ability to enforce policy within its territory is a major characteristic of a strong polity), external *constraints* (evaluation of external threats to a government's sovereign power). The fourth component – *policy continuity* – is the indicator of viability and stability of a political system and is a benefit for investors.

Like long-term risks, short-term risks are also comprised of four components: (1) *policymaking process* (government's ability to propose, pass and implement regulations, having in mind the need to separate different branches of power); (2) *social stability* (this evaluates systemic impacts such as unemployment, inflation and public unrest); (3) *security and external environment* (this evaluates the government's ability to act in cases of direct challenges such as terrorism and armed secessionism, regional tensions; and constraints on its actions by external pressures) and (4) *policy continuity* (linked to the corresponding elements within long-term political risks – likely policy continuity and make explicit reference to the electoral cycle, and the risks of an unconstitutional transfer of power (e.g., coup or popular uprising)). In view of the aforementioned, the author logically believes that based on monitoring short-term risks, certain long-term patterns or anomalies can be observed, which also helps to adjust strategies and projections within various international ventures.

Table 2 Overview of long-term and short-term economic risks[32]

ECONOMIC RISK (INDEX) – 100%	
LONG-TERM ECONOMIC RISK (50%)	**SHORT-TERM ECONOMIC RISK (50%)**
Structure of economy (33%)	Economic activity (25%)
Economic activity (17%)	Monetary indicators (12.5%)
Monetary indicators (8%)	Fiscal indicators (12.5%)
Fiscal indicators (8%)	External indicators (25%)
External indicators (17%)	Financial indicators (25%)
Financial indicators (17%)	

[32] Original table in the English language can be found in the document cited in footnote 28.

The long-term economic risks take into account the structural characteristics of economic growth, the labour market, price stability, exchange rate stability, as well as fiscal and external debt outlooks, where the risk is calculated by looking at the previous five years of economic data and forecasts for the next five years. On the other hand, the short-term economic risks seek to define current vulnerabilities and assess real GDP growth, inflation, unemployment, exchange rate fluctuation, balance of payments dynamics, as well as fiscal and external debt credentials over the coming two years, using the current year as a reference point.

Finally, *the level of operational risk* is calculated based on the evaluation in the areas of labour market (25%), trade and investments (25%), logistics (25%) and crime and security (25%).

Conclusion

Although political risk insurance is evolving and becoming more prevalent in developing regions, this paper argues that this service has always been fraught with ambiguities, especially with regard to the interpretation of legal provisions and grey areas. Such misunderstandings have often led to disputes with insurance companies, more often with ones not owned by the state. Despite the fact that insured persons are looking for the most comprehensive and favourable package, while insurers say that a sustainable and complete solution to this type of risk has not yet been found, it can be concluded that insurance against political risks cannot be a substitute for deep economic, political, and legal reforms necessary to attract foreign direct investments to emerging markets.

The rules of the European Union, especially in this regard, are very important for candidate countries like Serbia. From the insurers' point of view, the key message is that the effect of the policy is significantly related to the boundaries of legal, economic, and political security and stability, which inherently direct processes toward limiting the scope of adverse events. Since such nature of risk is systemic, complex, and extends across multiple levels, it is difficult to predict single situations. Insurance against political risks should be understood within the meaning of its original purpose: as a safety net and an aid, and not as a solution that will protect policyholders from all state deficiencies.

In addition to the above, the author briefly presented the Fitch risk index, which ranks countries based on parameters in the areas of political, economic and operational risks. The paper particularly highlights the component of long-term political risks, which is of strategic importance for the projections of both investors and insurers. Long-term political risks in Fitch methodology reflect the belief that democratic systems, based on the rule of law, respect for minorities, equality and non-discrimination, are less exposed to political risks than entities that do not possess these characteristics. At the core of this methodology is the belief that systems of lower political risk are those that provide the least possible economic polarization, the lowest possible level of poverty, but also carry out their own activities and strategies in a continuous and predictable manner. It is not only about stability and predictability, but also about the sustainability of policies and strategies, which are guaranteed by efficient institutions and ensure a certain level of social satisfaction.

Literature

- Atradius, What is political risk insurance?, 2021, *https://atradius.com.hk/en/faq/what-is-political-risk-insurance.html,* accessed on 03-12-2021.
- Chen, J. "Investopedia: What is Political Risk?", 2020, *https://www.investopedia.com/terms/p/politicalrisk.asp*, accessed on: 25-11-2021.
- Fitch Solutions, "Country Risk Index", 2021, *https://www.fitchsolutions.com/sites/default/files/2021-04/FS-Country-Risk-Index-Methodology.pdf,* accessed on: 25-11-2021.
- Hamdani K, Liebers, E, Zanjani G. An Overview of Political Risk Insurance (Executive Summary for the Federal Reserve Bank of New York), 2005, *https://www.bis.org/publ/cgfs22fedny3.pdf,* accessed on: 18-11-2021.
- Iftinchi, V, Hurduzeu, G. "The place of Political Risk Insurance in the political risk management strategy of multinational corporations", *The Romanian Economic Journal*, XIX (60), 2016, pp. 201-212.
- IMF, "World Economic Outlook" (April 2020), 2020, *https://www.imf.org/external/pubs/ft/weo/2020/01/weodata/groups.htm,* accessed on: 01-12-2021.
- Jensen N, Young D. "A Violent Future? Political Risk Insurance Markets and Violence Forecasts", *The Journal of Conflict Resolution*, 52/4, 2008, pp. 527-547.
- Lađevac I, Stekić N. "Assessing the Political Risks in Eurasia in the Wake of the Fifth China's "Grand Strategy", *The Review of International Affairs*, LXXII/1183, 2021, pp. 47-66.
- OECD, List of OECD Member countries - Ratification of the Convention on the OECD, 2021, *https://www.oecd.org/about/document/ratification-oecd-convention.htm*, accessed on: 18-11-2021.
- Petrović M. "Climate Change – Aggravated Risks and Necessity to Adjust", *Insurance Trends*, 1/2020, pp. 57-66.
- Radović Z. „Export Credit Insurance in the European Union and Our Country", *Insurance Trends*, 4/2015, pp. 33-40.
- Stiller D. "Political risks: How to effectively mitigate political risks, deal structure, financing and political risk insurance", *Airport Management*, 9/2, 2014, pp. 133–143.

- UN, Member States, 2021, *https://www.un.org/en/about-us/member-states*, accessed on: 01-12-2021.
- UNFCCC, The Paris Agreement, 2015, *https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement*, accessed on 20-11-2021.

Translated by: ***Zorica Simović***