

Credit & Political Risk Claim Overview

Trade Credit and Political Risk Claims

Trade Credit Insurance and Political Risk Insurance are catastrophic coverages designed to help cover risks that are low frequency and high severity from a loss perspective. Consequently, risk managers may have little experience dealing with losses that occur in unfamiliar countries and must be resolved in different languages, cultures and legal structures. In these situations, Zurich can make a big difference.

Zurich insures multinational corporations, investors, infrastructure developers, exporters and financial institutions in more than 150 emerging markets in order to manage their risks. Importantly, we are not only our customer's insurer, but also their advocate, working with host governments and other parties on their behalf to help avoid or mitigate losses caused by political events or payment defaults.

Our Claims Philosophy

Zurich is committed to working closely and cooperatively with our insureds throughout every stage of the claims process. The key component of any trade credit or political risk insurance policy is the ability of the insurance company to pay a claim when a loss occurs. *Zurich HelpPoint* is centered on the commitment to help our customers at the moments that matter most—and usually those moments involve a potential loss. Putting customers at the heart of all we do is why so many of them cite our claim service as the reason they chose Zurich—and why they have stayed with us. In our 2008 overall annual claims survey, 96 percent of our customers told us we paid their claims “fairly and promptly.”

Our Risk Mitigation and Claims Activity

Due to the nature of markets in which we write trade credit and political risk insurance, the advocacy and possible loss minimization assistance we provide to insureds is an important component of our overall claims service. Zurich takes the position that we want to assist in finding a solution that is in the best interest of the customer. Often our advocacy efforts can lead to the reduction of a loss and produce a result for the customer that is more favorable than a traditional claim payment when deductibles, co-insurance and other factors are taken into account. This has been demonstrated in Argentina, Venezuela, Poland, Mexico, Russia and most recently Ukraine.

Zurich has long standing relationships with a variety of export credit agencies and multilateral development banks. Our leadership position in prominent organizations, such as the Berne Union, has helped contribute to very favorable results for insureds in otherwise difficult circumstances. We also maintain ongoing dialogue with host country officials to stay abreast of political developments that might affect our insureds and help to mitigate losses for our insureds.

An example in Argentina demonstrates the value of Zurich's advocacy efforts. Argentina imposed currency controls in 2002 that prevented companies from transferring and converting local currency into Western hard currencies in order to pay debts existing outside the country. This situation was potentially devastating for several of Zurich's insureds who had loaned money to Argentine obligors, but could not

receive payments. However, Zurich's membership in the Berne Union proved valuable since the Argentine Central Bank permitted borrowers who owed money to lenders insured by Berne Union members to convert transfer funds. Borrowers under Zurich-insured loans were able to transfer funds offshore during a difficult time for the Argentine economy. Zurich remains an active member of the Berne Union.

The Claims Process

Every Zurich insurance policy contains information on how a claim should be filed, who to contact, the applicable Waiting Period, etc. We recommend for the insured to notify Zurich as early as possible of any events that might lead to a claim. With early notice, Zurich can work with you to develop a strategy that minimizes losses and keeps your insured venture or transaction on target. Early notice also enables Zurich to monitor the situation so that if a claim does result, we will be better prepared to perform the necessary due diligence that leads to a timely claim determination.

Recent Claim Activity

The identity of Zurich's insured and the specifics of their claims remain confidential, but a sampling of our Political Risk Insurance (PRI) and Trade Credit Insurance (TCI) claims activity appears below and reinforces the need for Trade Credit and Political Risk insurance in today's volatile business climate.

2009

Ukraine – TCI: Lenders financed the sale of commodities and other items to buyers supported by letters of credit from Ukrainian banks. The lenders suffered losses when the Ukrainian banks were unable to meet their obligations due to the effects of the global credit crisis.

Total claims paid \$85,000,000

Bahrain – TCI: Our insured confirmed a letter of credit issued by a Bahrain bank in support of commodity sales. The bank subsequently experienced financial problems and was unable to honor the letter of credit.

Total claims paid \$25,000,000

Mexico – TCI: A U.S. based lender extended credit to a Mexican company in the food services industry which was backed by a number of guarantors. The guarantors suffered financial reversals and were unable to honour their obligations of payment under the loan and guarantees.

Total claims paid \$4,300,000

Thailand – TCI: A multinational trading company arranged for the delivery of steel products to a customer in Thailand. Because of a downturn in the steel market the customer has been unable to meet the scheduled payments.

Total claims paid \$7,600,000

Bolivia / Ecuador – TCI: A manufacturer sold telecommunications equipment to a Bolivian customer who installed some of the equipment for a governmental entity in Ecuador. When the governmental entity failed, the Bolivian customer was unable to repay in accordance with the contract with the manufacturer.

Total claims paid \$3,000,000

Turkey – TCI: A lender made a loan to a manufacturer in Turkey who was subsequently unable to repay the loan facility.

Total claims paid \$2,750,000

Mexico – TCI: A lender extended credit supporting the importation of automobiles and construction equipment to Mexico. The borrower subsequently defaulted on its payment obligations under the loan.

Total claims paid \$2,100,000

Mexico – TCI: A lender extended a short term loan facility and suffered a loss from a Mexican customer operating an agricultural processing factory.

Total claims paid \$800,000

Mexico – TCI: A lender financed the purchase of construction equipment, and the obligor refused to pay in accordance with the contract.

Total claims paid \$650,000

2008

Turkey – TCI: Zurich paid claims relating to an insured transaction in the textile industry.

Total claims paid \$8,900,000

Indonesia – TCI: A lender extended a credit facility to a borrower in the agricultural manufacturing industry. The borrower experienced construction delays with a new manufacturing plant and other related business reversals causing a default.

Total claims paid \$2,400,000

Brazil – TCI: A multinational company sold computer-related equipment to a company in Brazil and suffered a non payment loss.

Total claims paid \$950,000

Indonesia – TCI: Zurich paid claims relating to an insured term loan facility in the commodities industry.

Total claims paid \$2,200,000

Philippines – PRI: Zurich paid a political violence loss resulting from an attack on the infrastructure of a telecommunications system.

Total claims paid \$15,000

2007

Bolivia – PRI: Zurich paid PRI claims resulting from the government's nationalization of an insured's asset in the mining and metals industry. Close cooperation between Zurich, its coinsurers and the insured resulted in the timely payment of these complex claims.

Total claims paid \$11,400,000

Mexico – TCI: Zurich paid TCI claims relating to an insured transaction in Mexico's textile industry.

Total claims paid \$1,200,000

2006

Colombia – PRI: Zurich paid claims resulting from a series of attacks (political violence) on power lines connecting a power generation facility in Colombia to an electric grid in the Cartagena region of the country.

Total claims paid \$17,800,000

2005

The Dominican Republic – PRI: Zurich paid 19 claims in 2004 and 2005 for losses suffered by insured banks that made loans to the Dominican Republic and did not receive timely principal and/or interest payments.

Total claims paid \$19,000,000

Poland – TCI: Zurich paid TCI claims covering insured losses in Poland's ship building sector.

Total claims paid \$12,300,000

2004

Venezuela – PRI: Venezuela suspended official foreign-exchange trading in January 2003 and later created a new currency control body (Foreign Exchange Administration Commission or "CADIVI") to administer the exchange and transfer of foreign currency. For several months, while CADIVI was in the process of being formed, foreign currency conversion requests were severely delayed and defaults on foreign currency obligations by private firms were widespread.

Beginning in early 2003, Zurich representatives traveled to Venezuela and retained local advisors to better understand CADIVI and then worked with Zurich's insureds to assure the timely processing of foreign currency applications. Those efforts continued throughout the year that followed. Due to its proactive approach, Zurich's insureds were able to convert and transfer funds and avoid significant disruptions to their businesses.

2002

Argentina - TCI: Zurich paid TCI claims covering insured losses in Argentina's gas distribution and media industries.

Total claims paid \$6,800,000

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The total claims paid represent the aggregate amount paid to the insured for the period of January 1, 2002 through December 31, 2009 rounded to the nearest thousands and are provided for informational purposes only. We make no guarantee of future results.

This is intended as a general description of certain types of insurance and services available to qualified customers through the companies of Zurich in North America. Your policy is the contract that specifically and fully describes your coverage. The description of the policy provisions gives a broad overview of coverages and does not revise or amend the policy.

Insurance coverages underwritten by member companies of Zurich in North America, including Zurich American Insurance Company. Certain coverages not available in all states. Some coverages may be written on a nonadmitted basis through surplus lines brokers.

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