

Political risk insurance Solutions for multinationals

The opportunities

Faced with challenges to grow and constant pressure to create shareholder value, multinationals are increasingly turning to the unique business opportunities found in emerging markets. Overall expansion in many developing economies is expected to double that of developed nations in the years ahead. Yet while these markets — in Asia, Central and Eastern Europe, Latin America and Africa — are a company's best hope of unleashing substantial growth and value, they are also home to substantial risk and volatility.

Multinationals at risk

Numerous political risks make emerging markets particularly precarious for multinationals. Recent events have underscored how swiftly a government or business climate can turn, leaving multinationals vulnerable to loss. Among the most significant exposures for multinationals operating in developing economies are:

- Acts of political violence, including terrorist attacks, acts of war, revolution, insurrection, riot, sabotage or civil disturbance. Any of these events can result in significant business interruption expenses, as well as loss of business income producing assets.
- Confiscation or expropriation of in-country assets by the local government. Such events can result in the direct loss of assets and substantial business interruption losses as well.

- Actions by, or changes in, the host government that could render the company unable to convert local currency or transfer currency out of the country. Among other hardships, such an event could put repayment of loans to the parent company in jeopardy.

Political risk solutions for multinationals

Zurich offers highly flexible political risk insurance expressly designed to meet the long-term needs of multinationals in emerging markets. Our political risk policies provide large-scale capacity of up to US \$150 million per risk and can extend coverage up to 15 years. Policies can be customized to individual needs; cost efficiencies can be enhanced by combining coverage for multiple emerging markets exposures under a single policy with a single aggregate limit. Coverages can include:

- **Political violence coverage** provides insurance protection in the event of losses a multinational suffers as a result of damage or destruction of assets or business interruption caused by political violence such as an act of terrorism, war, revolution, insurrection, civil unrest or sabotage. Replacement cost compensation is provided for damaged assets. Compensation for loans is calculated based on the amount in default as a result of political violence or business interruption.
- **Expropriation coverage** provides insurance protection in the event of losses arising from confiscation, expropriation, nationalization or other acts by a host government that deprive a multinational of the fundamental right to its investment or cause it to default on a loan. Coverage also covers against "creeping expropriation," a series of acts that have an expropriatory effect over time.
- **Currency inconvertibility coverage**, which responds if a multinational is unable to convert local currency to hard currency and repatriate converted currency. This coverage can help multinationals remit dividends, capital and other payments — including loan payments due to its parent company.

Coverages for non-honoring of sovereign guarantees, wrongful calling of bonds and capital markets bond issues are also available.

Multinationals benefit from far more than coverage...

In addition to long-term, more comprehensive political risk insurance, Zurich offers multinational clients the ongoing benefit of our deep political risk experience. We stay closely attuned to dynamic political risks and just-surfacing issues in developing economies. We work closely with our multinational clients, helping them to respond quickly to new concerns and opportunities and adapting coverage to address changing needs and market conditions.

Experience, strength and relationships

Our experience, financial strength and relationships have made Zurich a leading underwriter of political risk insurance for multinationals, investors, infrastructure developers, exporters and international financial institutions doing business in emerging markets.

Zurich's in-depth understanding of the dynamics of business in emerging markets enables us to develop products that address the needs of companies pursuing opportunities in developing economies.

Zurich is a member of the Berne Union, an international union of credit and investment insurers, as well as ICISA, an international association of trade credit insurers and surety bond providers. The relationships we have forged with private insurers, export credit agencies, multilateral organizations and

international banks may enhance the products we offer our qualified clients. These collaborations may also elevate our ability to help mitigate losses for our clients.

Zurich holds ratings of AA– (negative) from Standard & Poor's and A (stable) from A.M. Best.* These strong financial ratings are central to our ability to help our customers feel more secure when conducting business in emerging markets.

*Ratings as of June 30, 2009. For more information about ratings and financial information about Zurich American Insurance Company, visit www.zurichna.com.

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