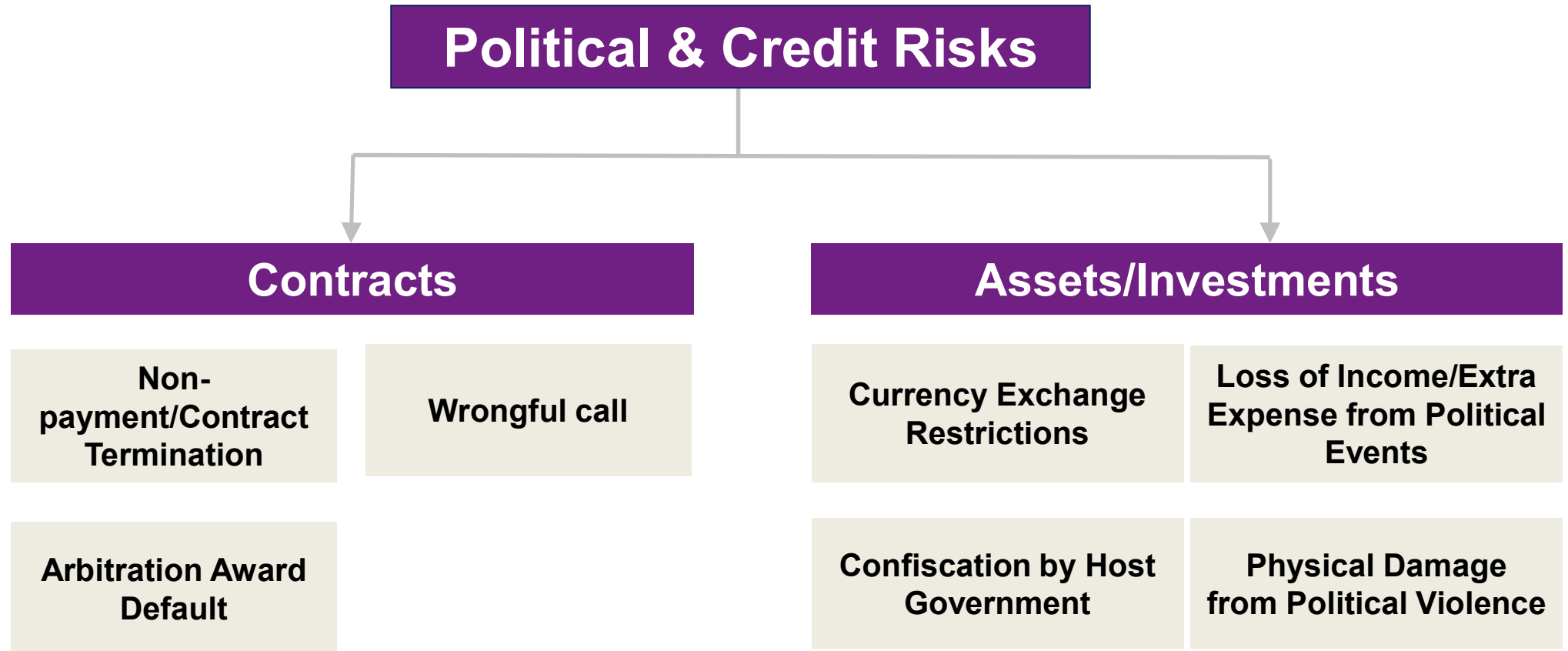


1. Political Risk Insurance product

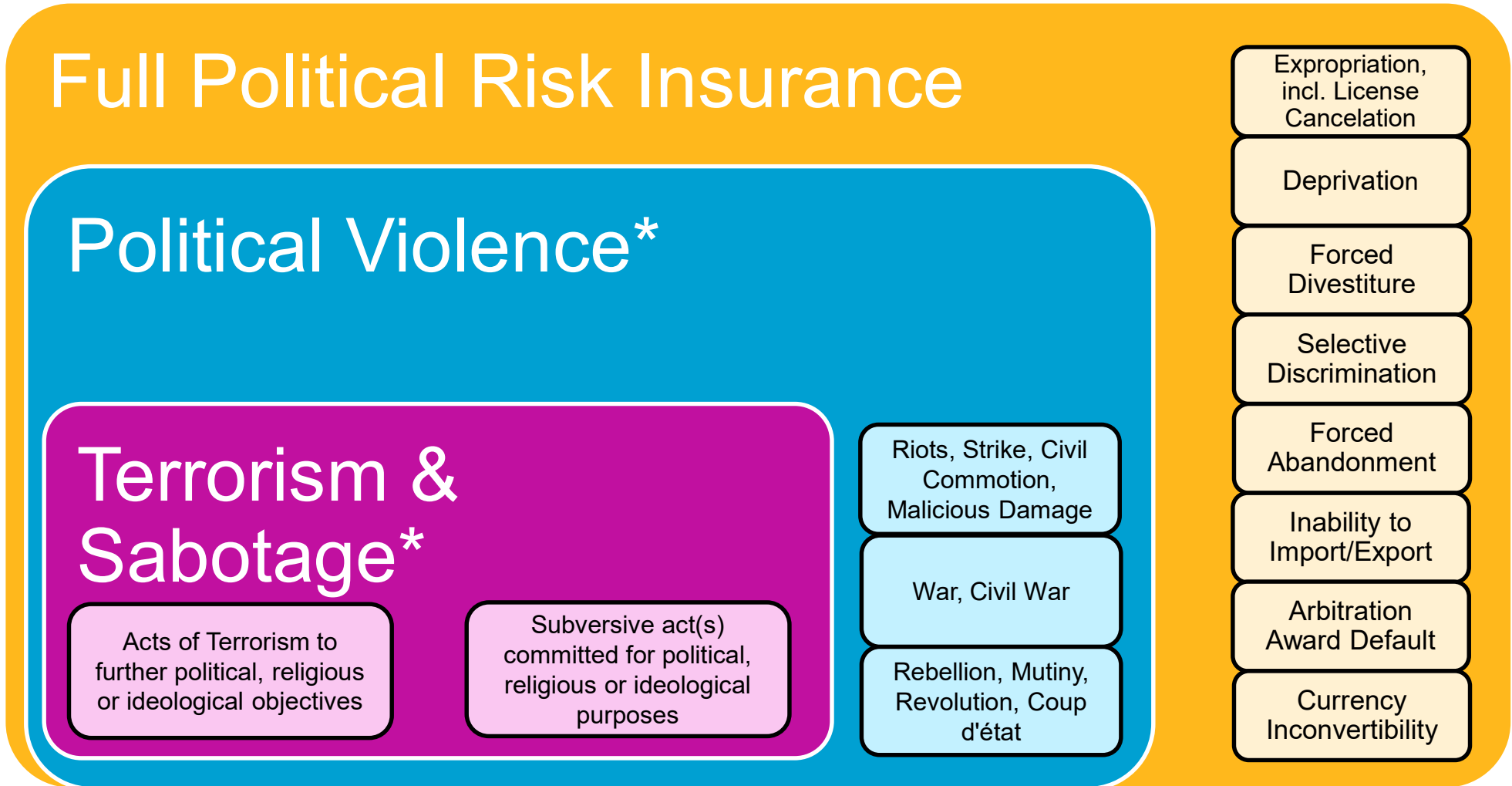
What is Political Risk Insurance (PRI)?

Political Risk Definition: An action (or a series of actions) from the host country or within the international environment that adversely affects your investment or impairs your business.



What cover does a PRI Policy afford?

Political Risk Definition: An action (or a series of actions) from the host country or within the international environment that adversely affects your investment or impairs your business.



*These perils can also be offered in the market as: Terrorism & Sabotage only, Terrorism and Sabotage plus SRCCM, Political Violence Excluding War, Political Violence Including War

'Political risks' are perils relating to government or political action that are typically excluded from property & casualty coverage



Political Violence

- Physical damage to property caused by: War, Civil War, Terrorism, Strikes, Riots, Civil Commotion, Revolution, Coup d'Etat
- **Exposure:** Replacement cost of assets damaged



Forced Abandonment

- A non-damage scenario in which, due to dangerous operating conditions in a country or a region of that country, property must be abandoned or sites/locations cannot be accessed
- **Exposure:** Replacement cost or Net Investment Value



Expropriation/ Government Actions

- Taking by government through decree
- "Creeping expropriation" through a series of measures
- License Cancellation
- Inability to export or import
- Forced Divestiture from US Government sanction or embargo
- Third Party Country Quarantine or Blockade
- **Exposure:** Net Investment Value



Business Interruption

- Loss of revenue (and potentially extra expense) resulting from business operations interrupted by political violence or expropriation
- **Exposure:** profit, extra expense, or ongoing expenses during the period of indemnity



Currency Inconvertibility

- Inability to transfer hard currency out of the country
- Inability to convert local currency into hard currency (such as USD/GBP/EUR/JPY)
- Remittances include profits, dividends, other intra-company payments, technology transfer fee etc.
- **Exposure:** Sums of funds attempted to be repatriated



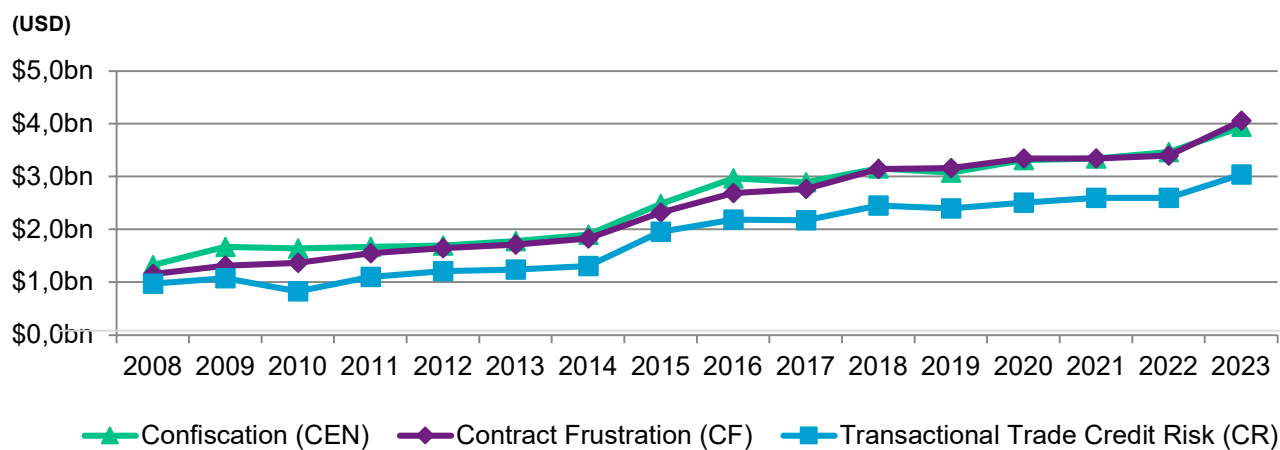
Contract Frustration

- Non-payment or frustrated contract with a sovereign counterparty
- **Exposure:** payments not received (milestone, work order, termination fees) + pre-invoiced expenses (e.g., component part expenses prior to shipment)

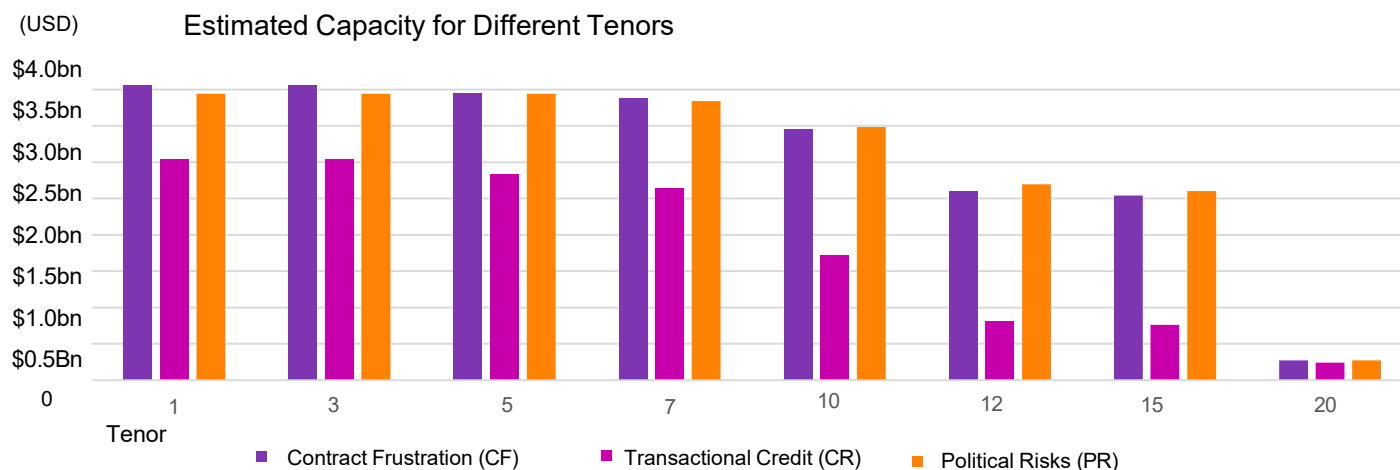
Separate policy

2. Political Risk Insurance market

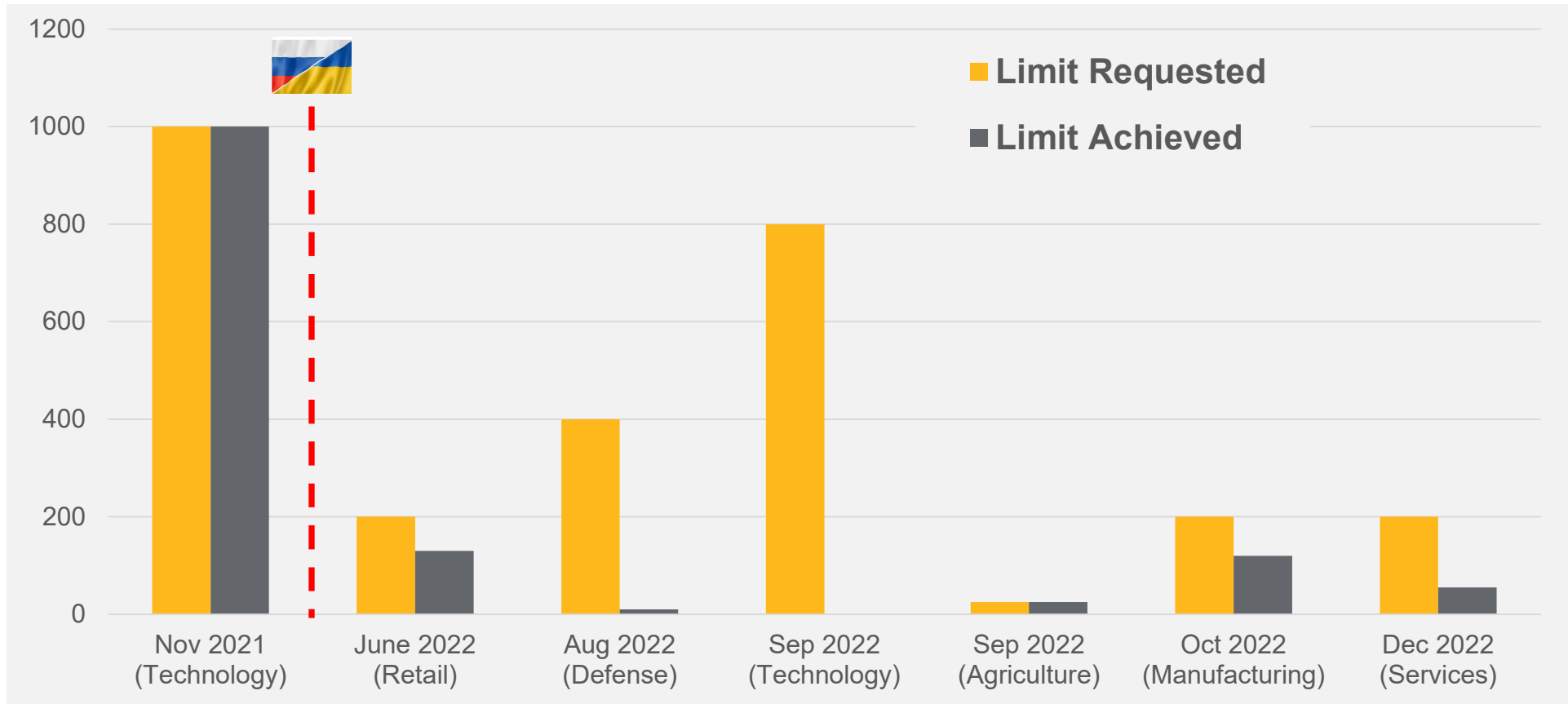
Global Political & Credit Risk capacity & tenor



Year	Total Capacity (mn USD)		
	CF	CR	CEN
2010	1364	825	1640
2011	1547	1098	1670
2012	1642	1205	1694
2013	1712	1239	1775
2014	1824	1306	1900
2015	2317	1952	2480
2016	2721	2209	2999
2017	2765	2172	2890
2018	3139	2452	3154
2019	3157	2397	3073
2020	3339	2507	3312
2021	3341	2596	3312
2022	3395	2595	3461
2023	4054	3040	3940



Decline in capacity for political risk insurance to cover China since Q4 2022



Source: WTW

What do Insurers look for? What is the underwriting process?

Underwriting Considerations

- Host country
- Quality and experience of the insured
- Nature of the investment/asset
- Security
- Legal considerations
- Commercial involvement of the host government
- Local competition to the industry
- Benefits to the host country
- Structure and retention

Information Required

- Asset/Investment type
- Values
- Tenor
- JV's
- Experience
- Existing coverages

3. WTW Financial Solutions

Our Credentials



Speciality practice established **1979**. Our team has a **dominant position** in the insurance of political & credit risks



Global team of 130+ specialists with **broad career backgrounds** (insurance, banking, manufacturing, consulting, legal, ECAs, etc)



Advanced degrees in **international relations and international business/trade** which enables us to translate geopolitical issues into insurance



Significant relationships with the insurance markets
In the top 3 for premium volume for most insurers



Full-time specialist **in-house claims team** with unrivalled claims record.



Extensive **experience in placing** large policies with innovative and economical structures



Focus on **innovation and technology** with investment on products such as VAPOR – a first in class tool to quantify political risks



Centre of excellence for managing and placing transaction-based credit and political risks

Case Studies

Kingsgate prepares for legal challenge to mine closure

March 2019 – Bangkok Post - “The Australian mining company Kingsgate Consolidated, armed with a US\$55-million insurance payout for the closure of its gold mine in Thailand, says it now has the financial means to pursue its arbitration case against the Thai government.”



Political Violence: Hong Kong 2019



Riots-hit SMU Rendic buys new \$100mn SRCC cover excluded from the property policy

Feb 2020 - Insurance Insider - Chile's largest supermarket chain, SMU Rendic, has bought \$100mn of standalone strikes, riots and civil commotions cover in the London.



Non Honouring of an Arbitration Award

Case study: Nigeria

The Nigerian government was accused of reneging on its obligation to supply gas to UK-based Process & Industrial Development Limited (P&ID) under an agreement to build and operate an Accelerated Gas Development Project (Gas Project) to be located in Cross River State, Nigeria.

In 2010, P&ID entered into a 20-year agreement with the federal government of Nigeria to execute this project.

P&ID claimed that the negligence of the Federal Government of Nigeria frustrated the construction of the Gas Project, and as a result, deprived P&ID the potential benefits expected from 20 years' worth of gas supplies.

Arbitration commenced in 2012 before a tribunal in London.

In July 2015, the tribunal in London unanimously concluded that Nigeria was liable for the government having repudiated the agreement with P&ID. In January 2017, the tribunal ordered the Nigerian government to pay P&ID US\$6.6 billion in damages, plus interest.

The Nigerian Government refused to settle, challenged the award in subsequent proceedings in the US and the UK, and P&ID is still trying to recover the monies.

Appendix

Confiscation, Expropriation and Nationalisation

Expropriation coverage provides protection against losses arising from certain government actions that may reduce or eliminate ownership of, control over, or rights to the insured investment.

Coverage includes:

- 1) Nationalization, Expropriation and Confiscation (including license cancellation)
- 2) "creeping" expropriation—a series of acts that, over time, have an expropriatory effect
- 3) Expropriation of Funds
- 4) Selective Discrimination
- 5) Forced Divestiture (including the imposition of Sanctions)
- 6) Deprivation

Confiscation, Expropriation and Nationalisation (continued)

Expropriation coverage provides protection against losses arising from certain government actions that may reduce or eliminate ownership of, control over, or rights to the insured investment.

Calculation of Loss:

In the case of equity the Loss would be based on: the net book value of the insured investment. (Original equity, retained earnings, principle and interest on loans made to foreign enterprise, and inter-company payables to the parent company less receivables).

For expropriation of funds the Loss would be based on the insured portion of the blocked or seized funds.

In the case of Debt the Loss would be based on the Insured Percentage of a Scheduled Payment due to be paid, but which has not been paid due to the occurrence of a Expropriatory event.

Terrorism and Political Violence

Terrorism and political violence insurance offers policyholders cover for the physical loss and damage as well as the ensuing business interruption, extra expense and loss of rental income to a scheduled property and its contents, which belong to the insured, directly caused by an act of terrorism or sabotage.

Political Violence Cover Provides protection against:

- 1) Losses from, damage to, or the destruction of tangible assets.
 - The Loss would be calculated as:
the lesser of the replacement cost and the cost of repair of the damaged assets, or the book value of such assets if they are neither being replaced nor repaired

- 2) Total business interruption (the total inability to conduct operations essential to a project's overall financial viability) caused by politically motivated acts ('Forced Abandonment').
 - In the case of an equity investment, the loss would be calculated on the net book value of the insured investment.
 - **In the case of debt**, the loss would be calculated as the insured portion of the principal payment in default.

Terrorism and Political Violence (continued)

Terrorism and political violence insurance offers policyholders cover for the physical loss and damage as well as the ensuing business interruption, extra expense and loss of rental income to a scheduled property and its contents, which belong to the insured, directly caused by an act of terrorism or sabotage.

Political Violence Cover Provides protection against:

- 3) Temporary business interruption. This would cover a temporary but complete cessation of operations.
 - The loss is calculated as the unavoidable continuing expenses and extraordinary expenses associated with the restart of operations and lost business income or,
 - **In the case of Debt** the Loss would be based on the Insured Percentage of a Scheduled Payment due to be paid, but which has not been paid due to the occurrence of a Expropriatory event.

Currency Inconvertibility and Exchange Transfer

Currency Inconvertibility and Exchange Transfer provides protection against losses arising from the inability to convert local currency into a hard currency, and from the inability to legal take your money out of a country.

Currency Inconvertibility and Exchange Transfer provides protection against:

- 1) losses arising from an investor's inability to legally convert local currency (capital, interest, principal, profits, royalties, and other remittances) into hard currency (Dollar, Euro or Yen) and/or
- 2) to transfer hard currency outside the host country where such a situation results from a government action or inaction.

N. B. Currency depreciation is not covered.

Non Honouring of an Arbitration Award

Non Honouring of an Arbitration Award provides protection against losses arising from Foreign Government defaulting on its obligations under an Arbitration Award

Coverage works as follows:

- 1) Following a dispute between the Government and the Insured, the Dispute Procedure process (as per the underlying contract) is initiated
- 2) That results in an award in the favor of the Insured
- 3) The foreign Government defaults under its obligations under the award or the Insured is unable to enforce their rights under such award

Loss is calculated as follows:

In the case of an equity investment, the loss would be calculated as the Insured Percentage of the defaulted amount

In the case of debt, the loss would be calculated as the insured Percentage of the Principal payment in default (up to the Insured Percentage of the award not paid).

Thank You!

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