

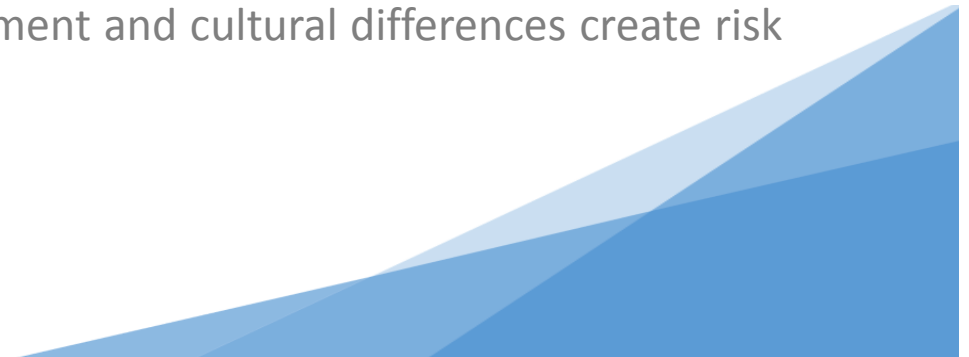


Understanding Financial Risks:
Trade Credit and Political Risk Insurance Explained



WHO WE ARE:

- A specialist Insurance intermediary practice, servicing clients within the Political Risk and Trade Credit environment.
- Regional offices across the Middle East, Latin America and the Caribbean, with first-hand experience the exposures of Globalization brings to our clients.
- With full access to Multinational and Corporate Insurers, well positioned to enable clients to achieve business certainty across economies where the political environment and cultural differences create risk to our clients business.





WHAT WE DO:

- Trade Credit Insurance
- Political Risk Insurance





TRADE CREDIT INSURANCE: BACKGROUND

- World Trade US\$17.3trillion
- Amount Credit Insured US\$ 1.8trillion
- European Penetration 83%
- Claims Paid Since 2008 US\$20.0billion





TRADE CREDIT INSURANCE: CONTEXT

- Biggest Asset is Accounts Receivable
30% - 40%
- How Do You Protect Against Not Being Paid





TRADE CREDIT INSURANCE: COVERS

- Bankruptcy
- Protracted Default
- Political Risks





TRADE CREDIT INSURANCE: FOCUS

- Goods
- Services





TRADE CREDIT INSURANCE: EXCLUSIONS

- Dispute
- Inter-Company Sales
- Fraud





TRADE CREDIT INSURANCE: SEGMENTATION

- Single Account to Whole Turnover
- Domestic or Export
- Specific Division or Sales Term or Credit Limit





TRADE CREDIT INSURANCE: TARGET SECTORS

- Agriculture
- Mining and Gemstones
- Manufacturing
- Automotive
- Information Technology
- Textiles





TRADE CREDIT INSURANCE: PRE-REQUISITES

- Corporate Sales
- Credit Terms
- Annual Insured Sales of at Least US\$5million





TRADE CREDIT INSURANCE: RATES

- Generic Average of 30bps.





TRADE CREDIT INSURANCE: BENEFITS

- Curtails Bad Debts
- Provides Security for Working Capital Borrowings
- Improves Bank Advance or Margining Rates
- Expand Product Sales Securely
- Eliminate Over or Under Reserving
- Maximize Effectiveness of a Credit Department





POLITICAL RISK INSURANCE: BACKGROUND

- World Recession
- Increasing Political Instability
- Growing Uncertainty
- Changes to Old World Order





POLITICAL RISK INSURANCE: CONTEXT

- How Do You Protect Against Political Acts
Beyond Your Control





POLITICAL RISK INSURANCE: COVERS

- Contract Frustration/ Repudiation
- Non-payment by Government / Non-Honouring of Guarantee
- Force Majeure
- Exchange Transfer/ Currency Inconvertibility
- Import/ Export Embargo
- Concession or License Cancellation
- Unfair Calling of Bonds
- Confiscation/ E/ N and Deprivation





POLITICAL RISK INSURANCE: FOCUS

- Goods
- Services
- Projects
- Bonds





POLITICAL RISK INSURANCE: EXCLUSIONS

- Acts of Own Government
- Contributory Negligence
- Collusion





POLITICAL RISK INSURANCE: SEGMENTATION

- Specific or Global Sales Contract(s)
- Specific or Global Project(s)
- Specific or Global Bond Portfolio(s)
- Specific or Global C/E/N Coverage





POLITICAL RISK INSURANCE: TARGET SECTORS

- Foodstuffs
- Cement and Construction Materials
- Textiles and Clothing
- Mining and Gemstones
- Defence Equipment
- Software



POLITICAL RISK INSURANCE: PRE-REQUISITES



- Corporate Sales or Projects
- Credit Terms
- International Scope
- Insured Limit of at Least US\$10million



POLITICAL RISK INSURANCE: RATES



- “A” Rated Countries – Europe, US 10bps to 150bps
- “B” – Abu Dhabi, Qatar 75bps to 175bps
- “C” – China, India 100bps to 250bps
- “D” – Bahrain, Kenya 150bps to 300bps
- “E” – Algeria, Senegal 200bps to 400bps
- “F” - Egypt, Iraq 250bps to 450bps
- “G” – Iran, Afghanistan ?





POLITICAL RISK INSURANCE: BENEFITS

- Balance Sheet Protection
- Dividend and Asset Preservation
- Security for Financing
- Peace of Mind





QUESTIONS?





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