

Political Risk Insurance for Companies with Overseas Assets

FOR CANADIAN COMPANIES OF ALL SIZES DOING BUSINESS GLOBALLY

If you are doing business in a developing country, you may be exposed to political risks that can result in significant losses. Whether you own a warehouse, open a sales office, run a manufacturing firm, operate a mine, conduct exploration work or hold equipment overseas, reducing your exposure to political risks is a key aspect of doing business globally today.

PROTECT YOUR ASSETS

Unpredictable political events can occur suddenly in developing countries. Such events can have an adverse impact on your foreign operations and quickly destroy the value of your investment. Examples of such events include illegal seizure of assets by the government, outright nationalization, government acts that have the effect of expropriation, breach of contractual obligations by the government, war, civil strife, terrorism and restrictions on the conversion and transfer of currency.

Any of these risks can jeopardize your foreign assets and investments. Export Development Canada's (EDC) Political Risk Insurance (PRI) can insure you for up to 90% of your losses.

INCREASE YOUR ACCESS TO CASH

Your bank or potential investors in your company may find the commercial risks associated with your overseas project acceptable, but may be concerned about the country where your expansion is taking place. Political Risk Insurance can make your foreign venture more attractive by protecting against the political risks that may be of concern to bankers or business partners. If you wish, you can assign the policy proceeds directly to the bank – often giving it the comfort it needs to grant you a new loan or an extension of credit to support your project.

ASSETS AND INVESTMENTS COVERED

EDC Political Risk Insurance can protect various forms of overseas business interests. These include:

- direct investment through share ownership in a foreign subsidiary or joint venture;
- loans made to a foreign subsidiary or joint venture;
- equipment and other physical assets held overseas; and
- a range of other forms of assets or commitments.

INSURED POLITICAL RISKS

Breach of contract: if a state-owned entity or foreign government does not live up to its end of a contract and ultimately refuses to honour an arbitral award in your favour, you would be exposed to "breach of contract" risk.

Creeping or outright expropriation: for no apparent reason or with no justification, foreign governments can seize, confiscate or otherwise expropriate your investment. They can even adopt a series of measures that have the effect of expropriation. In either case, the result is that you can basically lose your overseas investment.

KEY BENEFITS

Protect your assets against political risks.

1. Cover against political risks

Insure your company for up to 90% of your losses due to political risk such as illegal seizure of assets, outright nationalization, war, civil strife and more.

2. Increased access to cash

PRI can make your foreign venture more attractive by protecting against the political risks that may be of concern to bankers or business partners.

3. Flexible coverage

A PRI policy can be tailored to almost any investment or transaction.

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Political violence: political terrorism, war, civil strife or other forms of political violence can damage or destroy your assets or force you to shut down business operations for an extended period of time.

Conversion: during an economic crisis, foreign governments or central banks may decide to impose restrictions or prohibitions on the conversion of the local currency to hard currency.

Transfer: in times of crisis, foreign governments or their central bank may prevent hard currency from leaving the country.

Repossession: if a foreign government prevents you from repossessing or re-exporting physical assets brought into the country (e.g. machinery, equipment, rolling stock, an aircraft, etc.), then you would be faced with repossession risk.

Non-payment by a government: foreign governments may refuse or be unable to make scheduled loan payments or honour a financial guarantee, exposing you to non-payment risk.

FLEXIBLE COVERAGE

A Political Risk Insurance Policy can be tailored to almost any investment or transaction. Assets and investments of any size and in any industry can be insured by EDC. With EDC Political Risk Insurance you have the flexibility to choose the political risks that you want to cover and pay premium only on those risks.

COSTS OF COVERAGE

Premium rates will vary based on the type and number of political risks you decide to insure and on a risk assessment that considers country, industry and transaction characteristics. Rates start as low as 0.5% per annum to insure one political risk (e.g. political violence risk) depending on the country. A discount typically applies when you insure more than one political risk.

EDC'S POLITICAL RISK EXPERTISE

EDC's PRI Team is composed of dedicated specialists who are experts in working with Canadian companies that do business in developing countries. As the largest political risk insurance provider in Canada, EDC has the experience and detailed market knowledge to assess and help you manage political risks.

› FIND OUT MORE

To learn more about EDC's insurance solutions, visit www.edc.ca/insuranceform.

Ce document est également disponible en français.