



Insurance Issues in Iraq

by

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27th April 2004

BPL Global

- Insurance broker specialising in trade credit and political risk insurance
 - Founded 1983
 - Based in London and Paris
 - Employee owned
 - Global Partners: USA, Italy, Austria
- Clients: major international corporations and financial institutions
- Insurers: private and public insurers worldwide

BPL Global

- Specialist insurance brokers
 - political risk insurance
 - trade credit insurance
- Head network of specialists brokers for Iraq
 - Personal Accident/Emergency Repatriation/K&R
 - Marine
 - Cargo (Land, sea and air)
 - Aviation
 - Liability (Defence Base Act)

Products: Trade Credit Insurance and Investment Insurance

- Exports, contracts and trade
 - » “failure to pay” insurance
 - » contract frustration insurance
 - » pre-delivery / pre-acceptance risk
 - » pre-export finance / structured trade finance
 - » project finance
 - Assets, investments, joint-ventures, projects
 - » political violence (war, civil war, terrorism, etc)
 - » abandonment of operations
 - » expropriation
 - » breach of contract
 - » currency inconvertibility
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Insurers

Exports, contracts, trade

Assets, Investments

Public Sector

ECGD
Exim-Bank
Hermes, Coface
Ducroire
etc

MIGA
OPIC
ECGD
Coface
etc

Private Sector

ACE, AIG,
Chubb, Exporters,
FCIA, Lloyd's
QBE, Sirius, TUA,
Unistrat, XL, Zurich

ACE, AIG,
Chubb, Exporters
Lloyd's, Unistrat
Sovereign
XL, Zurich
etc

Euler Hermes, Coface
Gerling NCM

Insurance Availability in Iraq

- Insurance available today for:
 - Personnel
 - Mobile assets, contractors plant & equipment
 - Marine/Aviation/Cargo
 - Aid Funded contracts
 - Short term trade debts / Trade Bank of Iraq L/Cs
- Insurance that needs to become available in the future for major projects and investments
 - Medium / long term trade credit insurance
 - Investment insurance

But.....

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- Standard products have exclusions often making them ineffective for work in Iraq.
 - The market is small with relatively few specialist underwriters willing to insure risk in Iraq.
 - Security is a key underwriting issue
 - Who is protecting your personnel/assets
 - Are they known to underwriters
 - Good quality information is required.
 - The market is dynamic, prices do fluctuate with the situation.
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Exclusions: General Insurance Policies

- Have always excluded War
 - Now exclude Terrorism
 - Excluding all losses directly or indirectly caused by or resulting from An act, including but not limited to the use of force or violence and / or threat thereof, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organisation(s) or government(s), committed for political, religious, ideological or similar purposes including the intention to influence any government and / or to put the public, or any section of the public, in fear.
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War Exclusions: General Insurance Policies

- ...losses directly or indirectly arising from
 - war, invasion or warlike operations.....hostile acts of sovereign or government entities.....civil war.....rebellion, revolution,insurrection, civil commotion assuming the proportions of or amounting to an uprising.....military or usurped power or martial law..... confiscation by order of any Government or public authority
 - hostile or warlike action in time of peace or war.....by any military force

Interests needing cover in Iraq

- Personnel
- Mobile assets
- Funded contracts
- Projects
- Trade debts and loans

Personnel

- Personal Accident/ Emergency Repatriation Insurance
 - Accidental Death/Permanent Disability
 - Medical Expenses
 - Repatriation Expenses
 - specialist cover available, including declaration policies
 - rates 0.5-1% per person per month
- Kidnap and Ransom Insurance
- Key Man Insurance

Defence Base Act Insurance

- Required under nearly all US originated contracts.
- Primarily a Workers Compensation Cover
- If the contract is USAID or US State Dept funded then DBA available through sponsored programmes at 2.15% of wagheroll.
- Other contracts rate is 18-25% of wagheroll

Political Risk Cover for Plant and Equipment

- Interest: Contractor's plant and equipment
 - Location: Iraq
 - Cover: Political risk insurance
 - Political Violence
 - » War, civil war
 - » Terrorism
 - Abandonment
 - Expropriation
 - Deprivation (inability to re-export)
 - Premium: +/- 0.35% per month and up
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Contract Frustration

- Contract: USAID or other Aid funding
 - Interest: Mobilisation costs, work in progress, demobilisation etc.
Costs and commitments
 - Risks: Cancellation and abandonment of contract due to
 - war, civil war, uprising, terrorism etc
 - Government action, embargo
 - sanctions, etc
 - Premium: +/- 3.0% per annum
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Short Term Trade Credit Insurance

- Obligor: Trade Bank of Iraq
- Instrument: Letters of Credit
- Tenors: Sight, 180 days, 360 days
- Cover: Default / “failure to pay”
- Insurers:
 - Government Export Credit Agencies
 - » Austria, Australia, Belgium, Czech Rep., Denmark, Germany, Italy, Japan, Luxembourg, Netherlands, Poland, Spain, Sweden, Switzerland, UK, USA.
 - Certain Private Insurers

Non-Performance

- Interest: Oil delivery as part of barter contracts with Iraqi Ministries
- Risks: Non-performance of Ministry in delivering the oil
 - war, civil war, uprising, terrorism etc
 - Government action, embargo
 - sanctions, etc
- Premium: +/- 2.0% of value

Investment Insurance

- Interest: Project Finance in Iraq
 - Exposure: Equity Investment/Project Lending
 - Cover: Breach of contract, confiscation, expropriation, abandonment due to political violence
 - Premium rates: to be agreed, this cover is only being offered by OPIC to companies 50% US owned or above for a maximum period of 4 years
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Conclusion

- General insurance market
 - limited availability and efficacy
 - » War and Terrorism exclusions
- Specialist insurance market
 - cover available, enquiries welcome
- Your security arrangements and the quality of information will be key for underwriters.