



POLITICAL RISK

The global economic crisis has been very difficult for certain national economies in recent years. Important political decisions have been made to rescue local economies; for instance, the US government rescuing several organizations, including banks, from bankruptcy or the eruption of protectionism in several countries; case in point Venezuela expulsing a leading French distributor.

Protectionism in all shapes and forms represents an increased threat to foreign investors, but political risk insurance can help reduce the potential financial consequences, as well as protect the assets of the investor. At BFL CANADA, we can tailor coverage to your requirements, whether equity investments, physical assets, cross-border loans or contracts for goods and services.

Which types of investors should consider political risk insurance?

- Foreign subsidiaries of manufacturers
- Construction companies working on foreign infrastructure projects
- Companies involved in joint ventures with foreign organizations

What protection does political risk insurance provide?

The main coverages include:

- Confiscation, expropriation or nationalization of your mobile assets situated in foreign jurisdictions: for example, you operate a plant that manufactures screws in Malaysia and the Malaysian government confiscates your machinery
- Currency inconvertibility and non-transfer
- Contract frustration, sovereign non-performance or payment default
- Privatization or incapacity to finish manufacturing of product in a foreign country
- Discrimination by a foreign government against your company, depriving said company of its rights
- Cancellation of your Canadian export license
- Non-conversion order by a foreign country preventing you from transferring dividends or other resources to your country of origin
- Political violence or physical damage caused by military actions, terrorism, civil war, insurrection, sabotage, rebellion
- Forced abandonment of your mobile assets in a foreign country



Which high-risk countries should you be concerned about?

The answer changes with the changing environment. With BFL CANADA's ability to tap into information channels and networks of worldwide brokers, we can bring the answer to you and your management teams in a timely fashion as your operations evolve.

Who provides this insurance?

Public and private markets provide political risk insurance. In view of the political constraints applying to governments in general, public markets are generally more restrictive and less flexible than private markets.

In addition, private markets are well rated and endowed with much capacity, as is the insurance market in general. More than ever, these markets are solid alternatives to public markets.

The sophisticated buyer is well aware of the fact that specialized insurers can also experience problems from a variety of sources including the increase in the number of claims and pressure from reinsurers. At BFL CANADA, we can keep you abreast of changes in coverage, markets, capacity and volatile environments: a responsible approach to an unpredictable world.

