

# Political Risk Insurance: A Tool to Unlock Business Potential in Africa

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**Jef Vincent, CUO**

**2012 FANAF Conference**

**Kigali, Rwanda**



**African Trade Insurance Agency**  
Agence pour l'Assurance du Commerce en Afrique

# Africa's Export Credit Agency



## The ATI Story

In 2001 seven African countries came together to determine how best to attract more FDI into the continent. Their study showed political risks to be the biggest deterrence to investments.

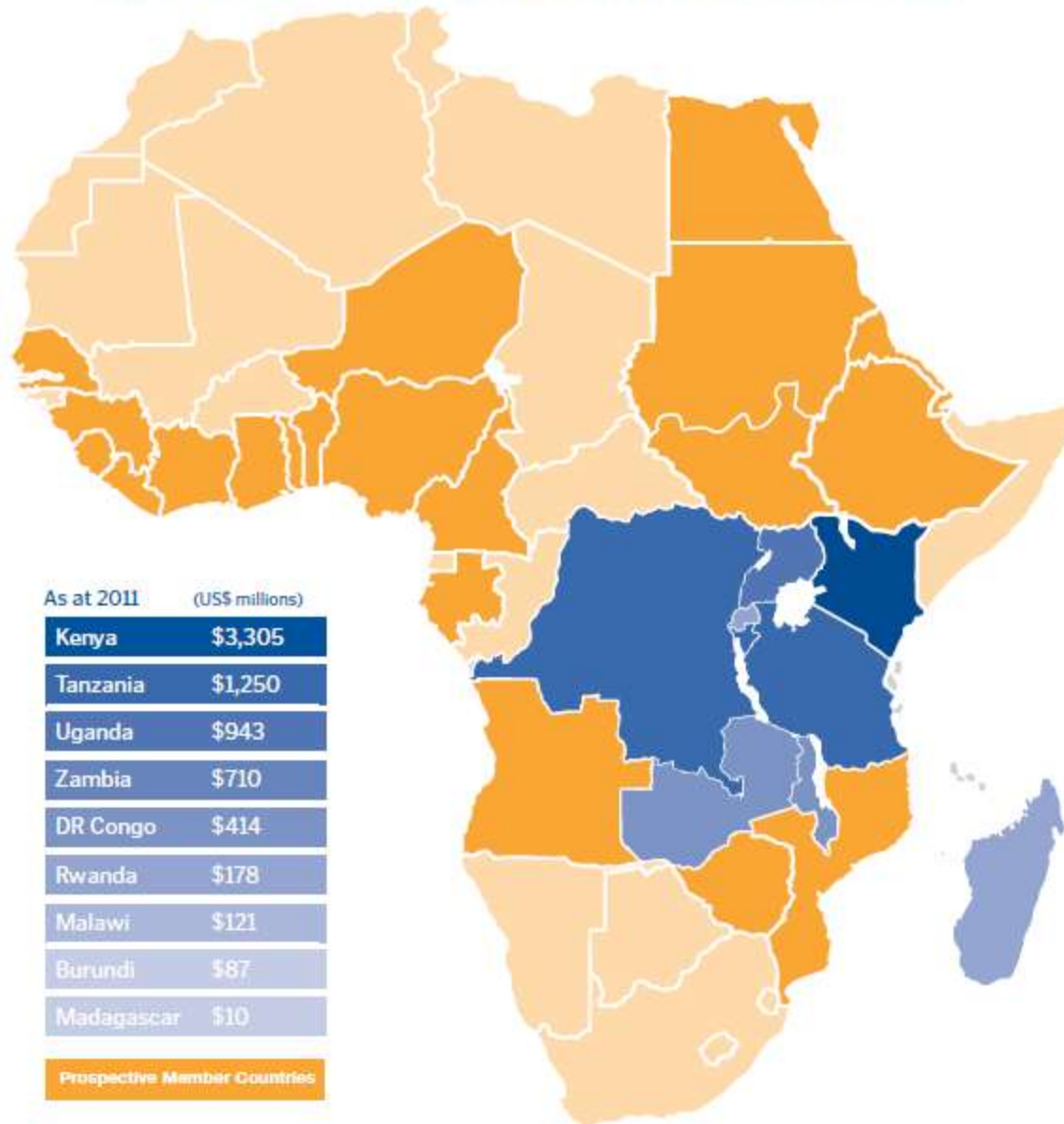
This study led to the creation of the African Trade Insurance Agency. ATI is registered with the UN as a multilateral organisation. We offer insurance, co-insurance, reinsurance and other instruments.

ATI has both a business and a development mandate aimed at reaching profitability while improving the business climate in each of our member countries.



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## Value Of Investments & Trade Facilitated By ATI in our Member Countries



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Countries that have benefited from ATI's insurance



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# The ATI Advantage

## **Deterrence**

As a condition of joining into membership, our African member countries sign an preferred creditor status agreement with ATI. This prevents our member governments causing claim in any project that ATI insures in their country.

## **Financial Strength**

Since 2008, ATI has been rated the second highest institution in Africa with an 'A' long-term stable outlook from Standard & Poor's based on our strong capitalisation.



# The ATI Advantage



# The Private Market: Capacity by Tenor (July 2011)

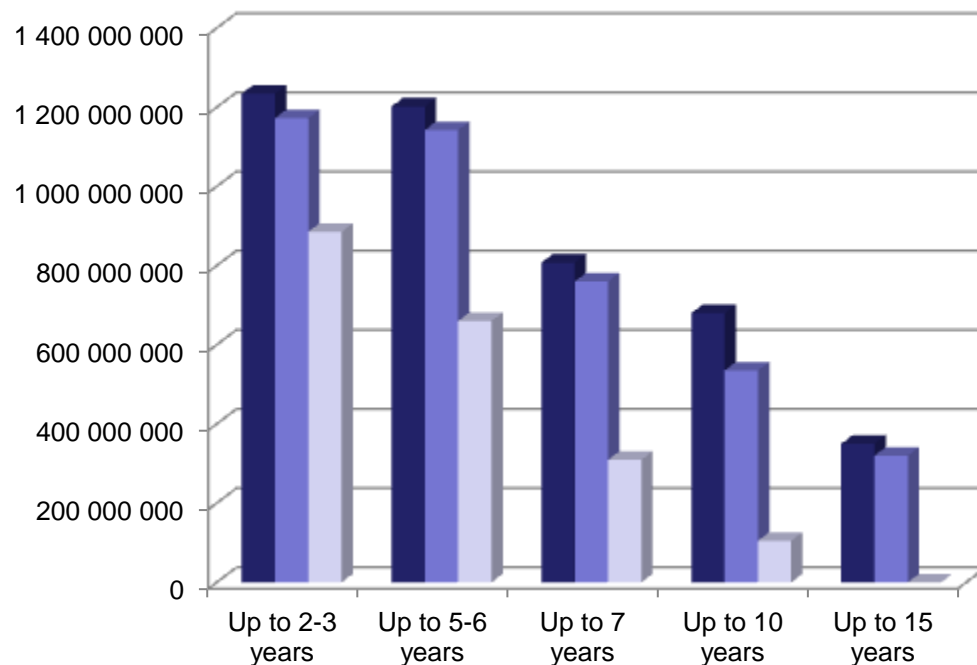
Market Capacity  
by Tenor

Investment Insurance  
(for Equity Investors  
and  
Project Financiers)

Payment/Performance  
Risks  
(Sovereign Obligors)

Payment/Performance  
Risks  
(Private Sector  
Obligors)

- Tenors vary from insurer to insurer.
- Capacity for 15 year tenors is available from only a few insurers.
- The shorter the tenor, the more insurers can cover it.
- The graph shows theoretical maximum capacity per transaction.



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# The Private Market: The Players

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- Corporates – About 10 including the ‘big 3’,  
Chartis, Sovereign & Zurich
- Lloyd’s – About 25 Syndicates
  - The prominent Lloyd’s PRI Insurers are:  
ACE, CV Starr, Catlin & Chaucer





# Total Global Capacity: PRI Market



Company Markets	Capacity (USD)	Lloyd's Markets	Capacity (USD)
Zurich	150,000,000	Catlin 2003	90,000,000
Chartis	120,000,000	Kiln 510	60,000,000
Sovereign	80,000,000	Beazley 2623/623	30,000,000
ACE European Group*	80,000,000	Hiscox 33	25,000,000
Aspen*	70,000,000	Ark 4020	20,000,000
Atradius	70,000,000	Chaucer 1084	20,000,000
Coface	70,000,000	Hardy 382 (as at July 09)	20,000,000
Axis	50,000,000	MAP 2791	20,000,000
QBE*	50,000,000	Marketform 2468	20,000,000
CV Starr*	40,000,000	Novae 2007	20,000,000
Houston Casualty	30,000,000	Starr PFR 1919/1458	20,000,000
Garant	25,000,000	Talbot 1183	20,000,000
		O'Farrell 1036	20,000,000
		Ascot 1414	15,000,000
		Liberty 4472	15,000,000
		Amlin 2001	12,500,000
		Pembroke 4000	10,000,000
<b>Total</b>	<b>835,000,000</b>	<b>Total**</b>	<b>632,500,000</b>
<b>Overall Market Capacity</b>			<b>1,262,500,000</b>
*Can also underwrite as Lloyd's Syndicate		**Incl ACE, Aspen, QBE and Starr	

# The Private Market: 'The Arab Spring' Experience

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- Fewer Credit/Political Risks claims than expected
- Tunisia – no claims
- Egypt – a few small political violence losses
- Yemen, Bahrain, Syria : few claims
- Libya : claims thought to total USD 500m+



# The Private Market: Sub-Saharan Africa

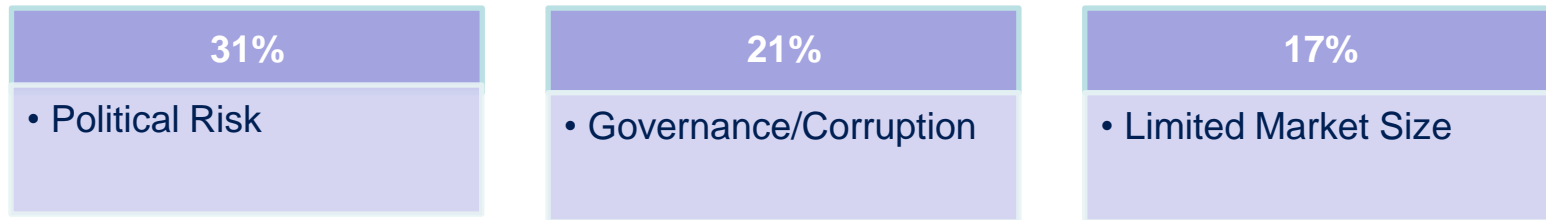
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- Most insurance activity historically centred on Nigeria (petroleum imports) and Angola (oil industry)
- Commodities related business : for example, Cote d'Ivoire, Ghana, Burkina Faso
- Extractive industries : Zambia, DRC
- Some adverse experience : Ghana (Tema), DRC



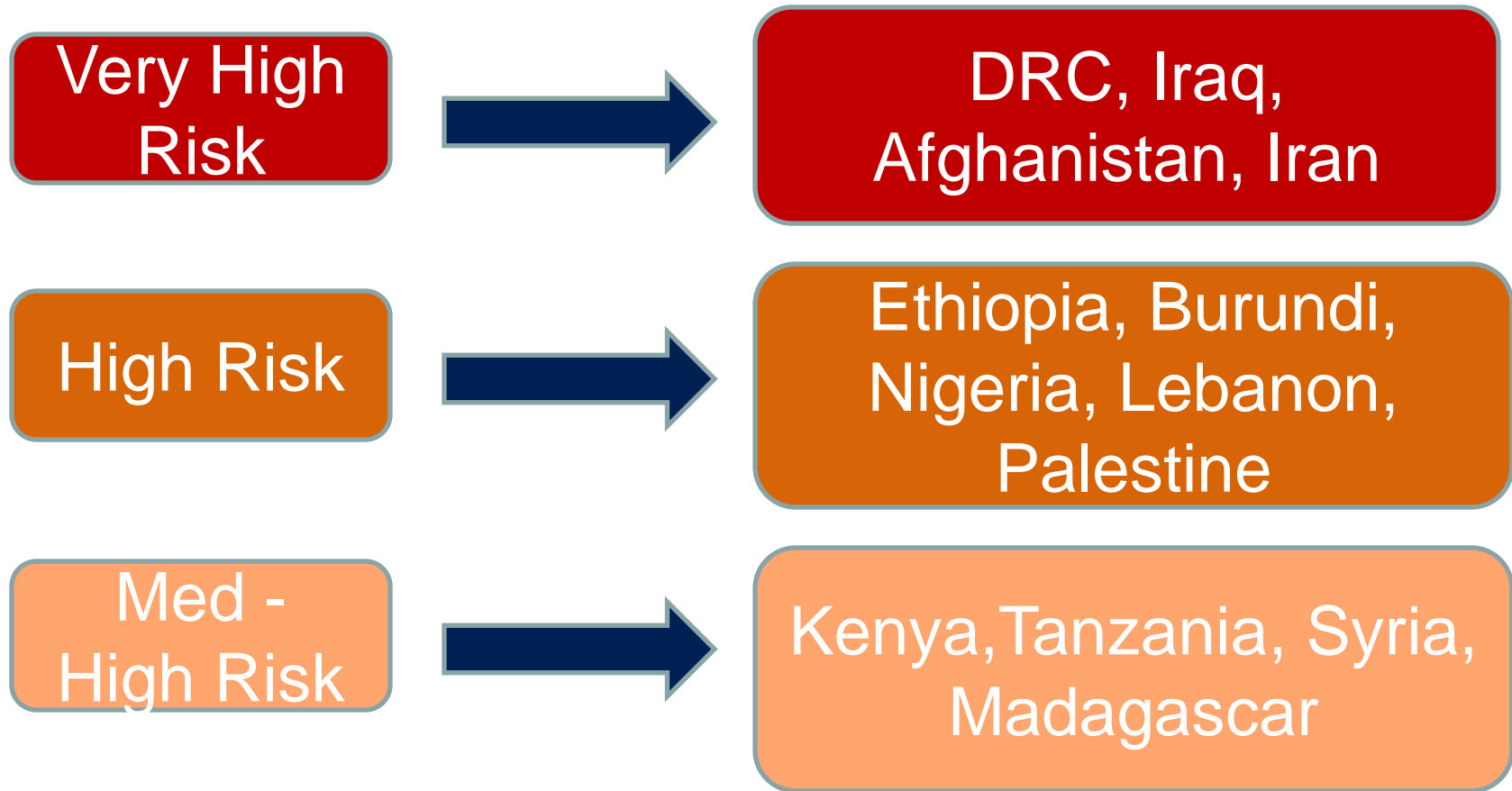
# Investors' Perceptions

Factors inhibiting regional investments that could fund infrastructure development:



**“Risk factors include fear of political interference and lack of legal/regulatory reforms”**

# Risk Perception



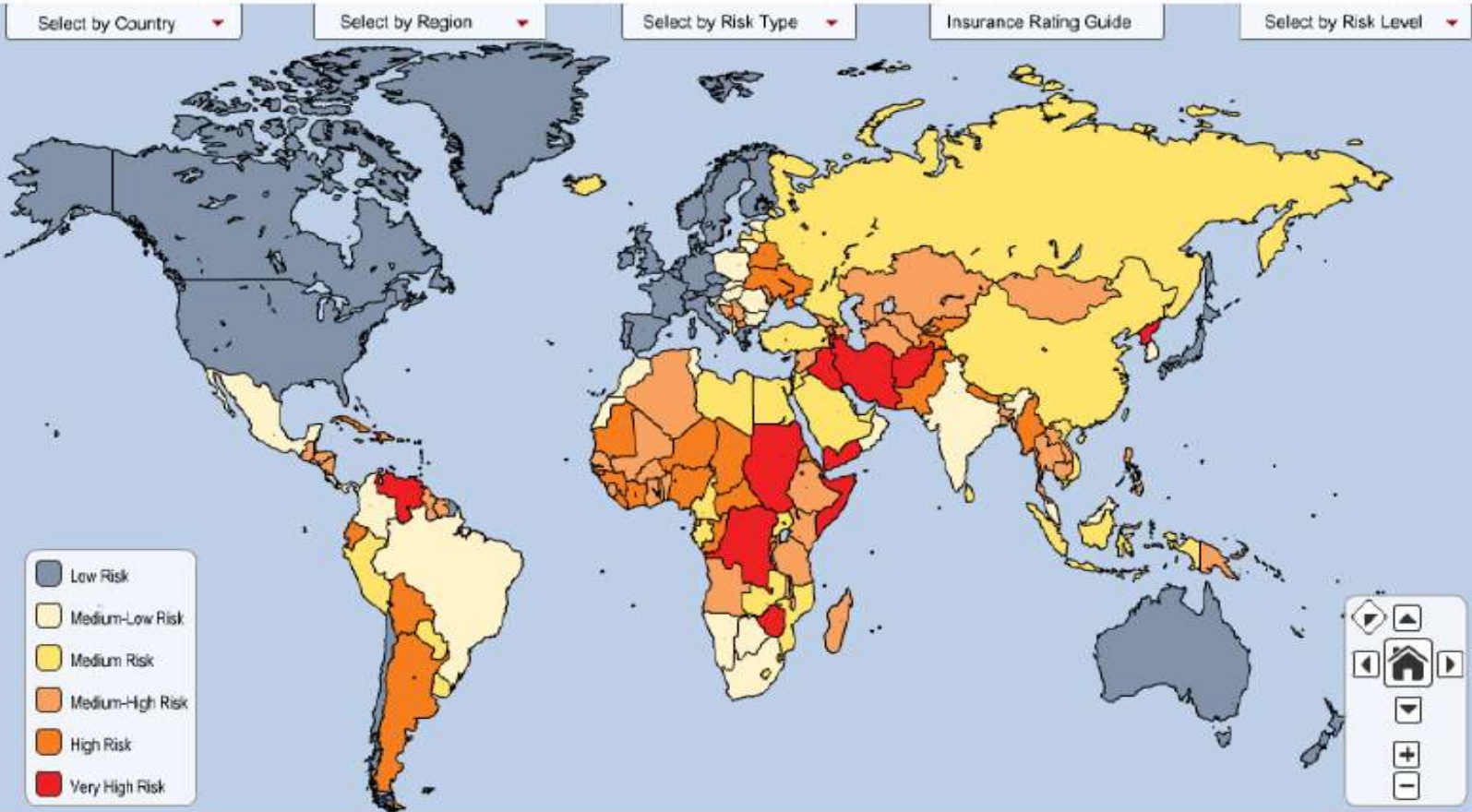
Source: AON 2011  
Political Risk Map



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# Political Risk Map 2011

## 2011 Political Risk Map



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# 2011 Reality

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Very High  
Risk



DRC

- GDP predicted to exceed 6.5%
- exceeded inflation targets
- met administrative reforms

“ We commend the authorities on the good performance in the first trimester of this year”

(IMF, 2011)

A Youthful  
Continent



# Some Causes of Violence in Africa

- Governance
- Food & fuel shortages
- Uneven distribution of natural resources
- Religion/ethnicity
- Border disputes
- Youth unemployment



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# Trends to Watch that may Impact Africa's Risk Profile

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- Youth Unemployment/access to resources
- Governments' response to infrastructure challenges - Food & Fuel Shortages
- Governments' response to environmental crises (droughts/floods)
- Rate of implementation of regulations to ease burden on businesses
- Election outcomes
- Economic contagion from recession in the West
- Political contagion from the "Arab Spring" uprisings



# What We Offer

## Political Violence, Terrorism & Sabotage Insurance

Political Violence  
Terrorism & Sabotage

Protects investors against financial losses in the event of a political or terrorist-motivated event

## Political Risk Insurance

Political Risks

Protects against any unfair action or inaction by a government that would negatively affect your business or investments

## Trade Credit Insurance

Commercial Risks

Non-payment or delayed payment by a private, sovereign or sub-sovereign buyer

ATI can offer a combination of all products for comprehensive coverage as well as co-insurance or reinsurance on specific products.



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# Specific Risks Covered

## Political Violence, Terrorism & Sabotage Insurance

- Financial loss
- Business interruption or damage

## Political Risk Insurance

- Expropriation of assets
- Currency transfer or conversion restrictions
- Business interruption or damage
- Trade embargos
- Non-payment or payment default
- Breach of contract
- Contract frustration
- Forced abandonment
- Discriminatory taxes
- Nationalisation

## Trade Credit Insurance

- A buyer/debtor who refuses or is unable to pay due to bankruptcy
- A buyer/debtor who cannot pay due to deteriorating financial circumstances
- A buyer/debtor who extends your payment beyond the agreed credit period



# Recent Projects

**\$250 million**

Political Risk Insurance  
Lending facility to fund  
infrastructure development  
Standard Bank of South Africa  
Tanzania

**\$8.7 million**

Lenders All Risk Insurance Cover  
for supplier contracts of a  
Japanese telecoms manufacturer  
Zambia

**\$60 million**

Political Risk Insurance  
Loan to a government-owned  
airline to purchase planes  
Regional Development Bank  
Rwanda

**\$631,500**

Political Risk Insurance  
Construction of government  
buildings  
A Kenyan contractor  
Kenya

**\$5 million**

Trade Credit Insurance  
Exports of agricultural products to  
Europe and New Zealand  
A farm producing food and flowers  
Zambia

**\$120,000**

Processing of iron ore  
International Bank  
DR Congo



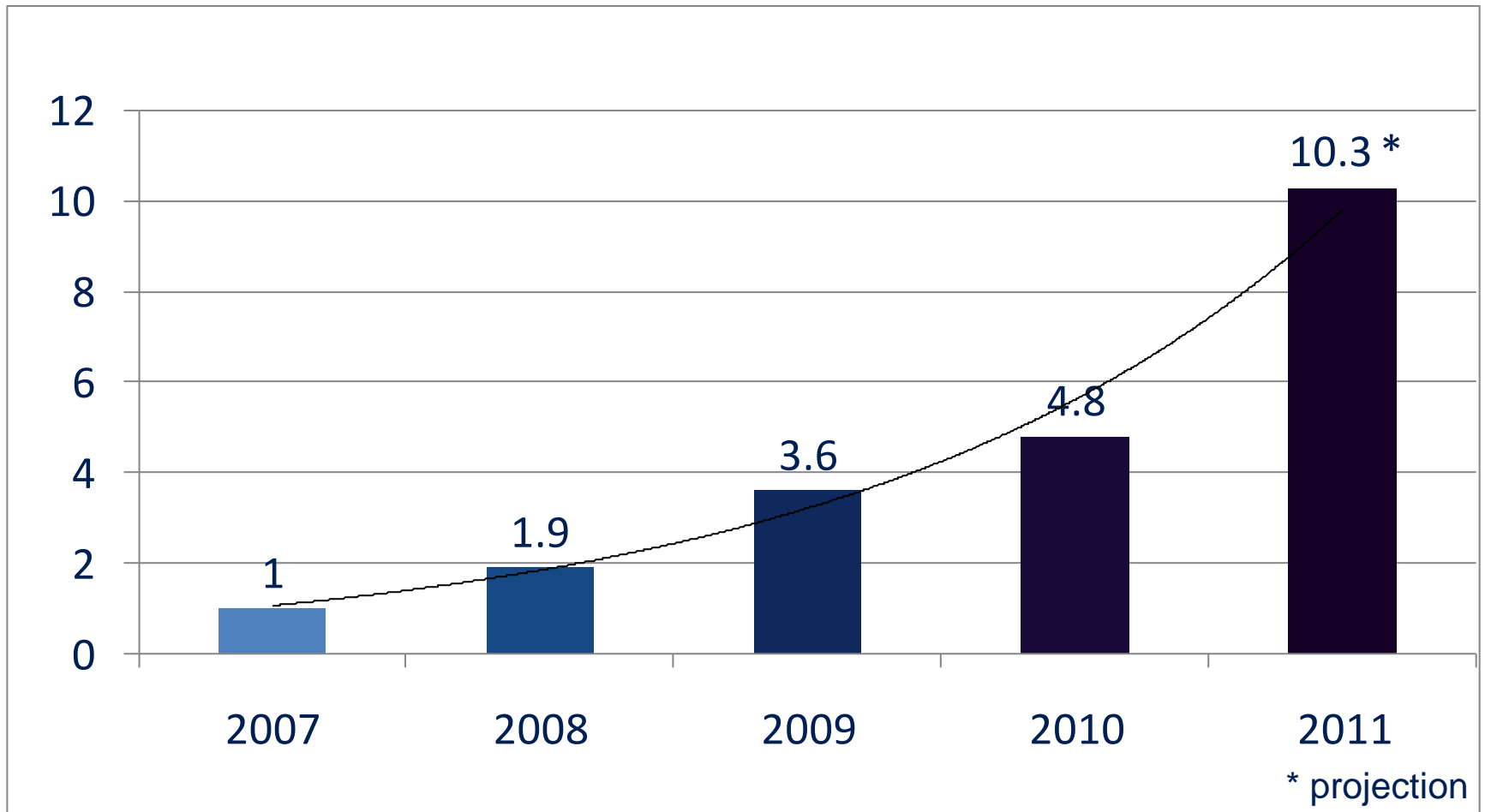


# A Selection of ATI Partners & Clients



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# Trends: Gross Written Premium

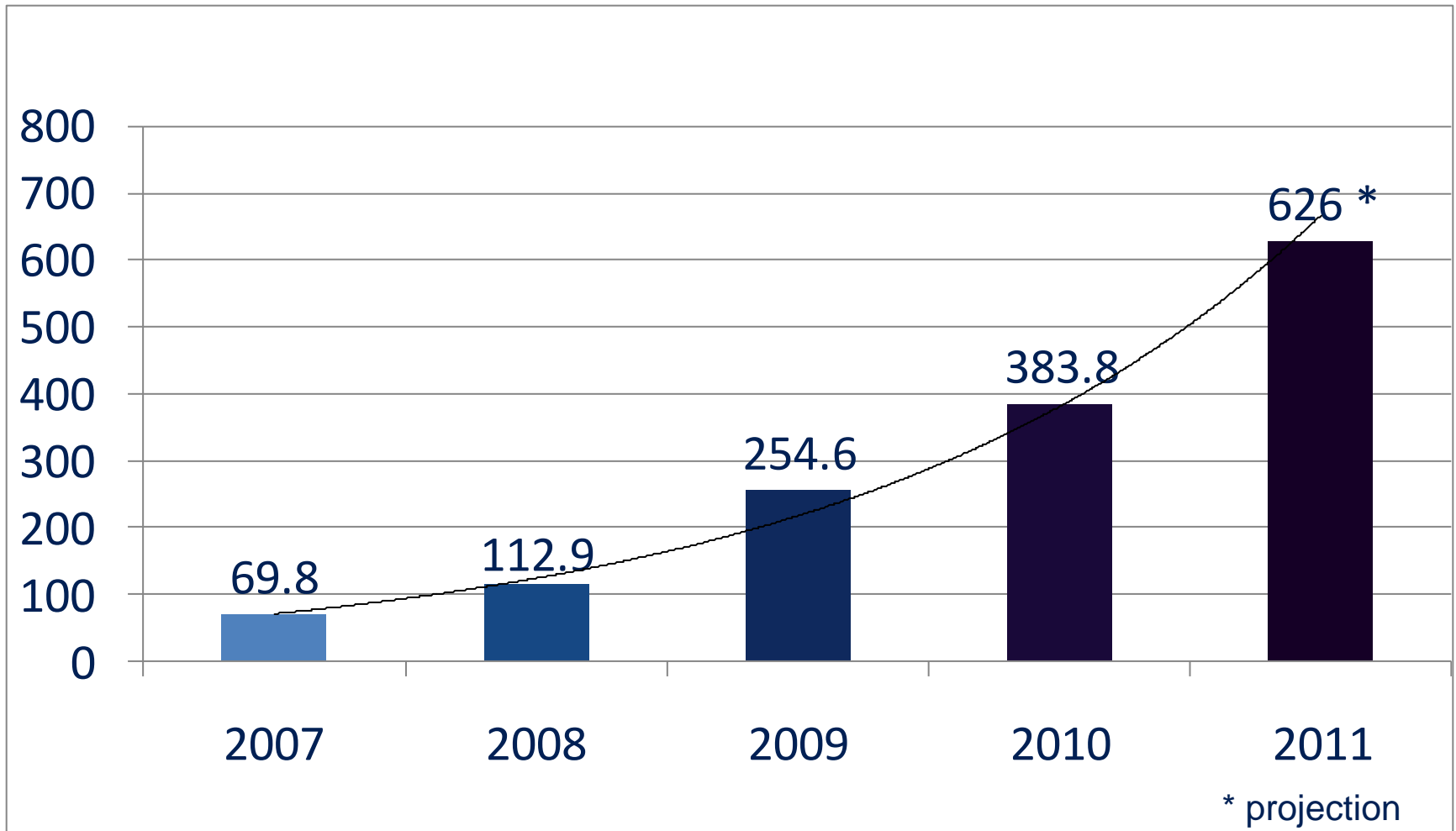


US\$ Millions



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# Trends: Gross Exposure



US\$ Millions



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# Common Questions

## Price?

PRI: 1.5% to 2.5% p.a.

CRI multiple buyers: <1%

CRI single buyer: 1% to 2.5%

## Time to process?

Average 1 week to 1 month

## How do I apply?

Email ATI, download form from [www.ati-aca.org](http://www.ati-aca.org), or just visit us



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# Office Locations



## **ATI Headquarters**

Nairobi, [underwriting@ati-aca.org](mailto:underwriting@ati-aca.org)

## **Rwanda/Burundi Office**

Kigali, [rwanda@ati-aca.org](mailto:rwanda@ati-aca.org)

## **ATI Tanzania Office**

Dar es Salaam, [tanzania@ati-aca.org](mailto:tanzania@ati-aca.org)

## **ATI Uganda Office**

Kampala, [uganda@ati-aca.org](mailto:uganda@ati-aca.org)

## **ATI Zambia/Malawi Office**

Lusaka, [zambia@ati-aca.org](mailto:zambia@ati-aca.org)

[www.ati-aca.org](http://www.ati-aca.org)



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