

www.budd-pni.com The BUDD Group

Political Risk

Visible reward for an invisible export

other hotspots and where tensions merely simmer, Lloyd's is in the insurance front line.

A young broker who has been key to enhancing Lloyd's cover for some of the most difficult risks in emerging markets and war zones has now earned prestige re-

Edward Nicholson, broker and assistant director at Berry Palmer Lyle, which is known as BPL Global, has won the second annual Young Exporter of the Year Award bestowed by the British Exporters' Association.

It is rare for a so-called invisible export to be widely acknowledged as a champion in this field, which still has many "visible" exporters at the fore including suppliers of capital goods.

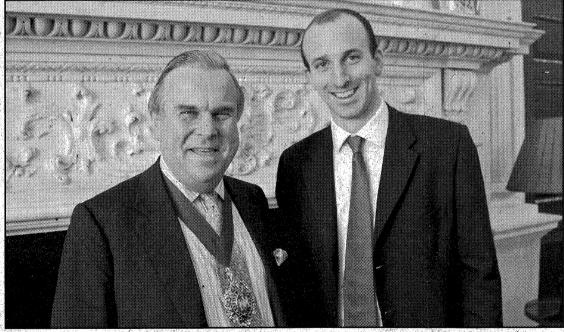
Mr Nicholson's product adds to the growing market for insuring land-based war risks and draws on the tradition of the marine and aviation insurance markets of covering war and related perils at sea and in the air.

It is sold to clients by top un-derwriting groups at Lloyd's led by Novae, Liberty Syndicate Management, Talbot, Beazley, Wellington, Hiscox and Atrium.

War on land is a highly specialised market, about which Lloyd's and individual insurers have been extremely cautious ever since the Spanish civil war posed the danger of wiping out huge tranches of

The War Risks Agreement signed by Lloyd's and other insurers that were around in the 1930s — relaxed the rules for cover of mobile assets on land in the early 1990s, and the rules for fixed assets were only eased in

FROM Iraq to Afghanistan, in other hotspots and where tensions. Broking group is rejuvenating land-based war risks market by backing a comprehensive marine-style approach, writes James Brewer



Honoured: the Lord Mayor of London, David Brewer, congratulates Edward Nicholson on winning an export award for his work on insuring business risk in emerging markets.

on land as part of a broader political risk policy.

The award recognised Mr Nicholson's work in designing and marketing policy wording for mobile assets that is significantly the sphere.

panel that selected Mr Nicholson agreed that "many exporters would not export without insurance cover".

But the political risk market oping this cover you are facilitathas preferred to underwrite war ing earnings from overseas for the UK and, by offering it to non-UK companies, you are also contributing to invisible exports."

The Lord Mayor of London, David Brewer, whose own career has been in international insuwider than previous offerings in rance, said: "It is gratifying that the vital role of the City in in-The exporters' association surance and other financial services has been recognised in this

"It is particularly satisfying that smart young people in the The judges told him: "By devel- City are leading the way with new

products." Mr Nicholson turned 30 — the age limit for the award - just after winning the prize. He joined BPL in 2001 after a spell in broker Aon's political risk division, which he joined from university with qualifications in the Spanish and Arabic languages.

The improved policy is the latest in a series of innovations by BPL Global, which has been tackling changing risk requirements posed by increasing world instability.

It covers any type of land-based mobile assets including contrac-

tors' plant, onshore drilling kets have taken this approach for political risk policy is a first-rate equipment, commodity stocks, armoured vehicles and filmmaking equipment.

A special option under the policy is cover for "scuttling" - a marine term that in this instance has been adapted to cover the insured destroying own equipment — say a fleet of vehicles, or information technology installations — to avoid it falling into enemy hands.

Normally, destroying one's own property is anathema in the insurance world.

Mobile asset cover has been a core feature provided by the political risk insurance market for many years and BPL deputy chairman Anthony Palmer has led much of the work.

Charles Berry, chairman of BPL Global, said: "Businesses now are going into far more dangerous situations and countries -Iraq, Ivory Coast, Nigeria, Afghanistan for instance. Besides high risk areas, this policy has been designed for use anywhere in emerging markets."

He said the policy was fundamentally no more expensive than the earlier product and policyholder excess could be quite low.

Take-up of policies with the expanded wording is described as good. Claims so far include loss of small pieces of equipment destroyed by roadside bombs.

Mr Berry said: "We feel that

terrorism and war risks are inseparable in emerging markets and are in turn linked to conventional political risk perils. Ed Nicholson's wording takes this holistic approach.

"The marine and aviation mar-

ages. They do not try, for example, to seperate terrorism from other 'war risks' by covering the former and excluding the latter.

"When you want terrorism insurance on your cross-Channel ferry you buy a war risks policy. If your assets are in emerging markets you need to apply the same thinking,

"For a long time even specialist political risk insurers in the private market were forbidden from offering property insurance poli-

cies covering war risks on land.
"Then, when rule changes in the 1990s permitted such policies, many were still reluctant to do so.

"But this is gradually chang-

"A proper specialist market for ing with a focus on assets in emerging markets, and these policies are often led in London.

example of innovation winning business.

• BPL acted as brokers for the World Bank and Lloyd's underwriters in the establishment in 1999 of the Investment Guarantee Agency in Bosnia-Herzegovina, which attracted new trade financing and investment.

The company played a similar role in the establishment of the Africa Trade Insurance Agency in 2000. More recently BPL introduced a radical new policy to plug gaps in the terrorism and political violence cover available to multinational companies seeking insurance on their international landbased assets.

Separately, the firm has responded to the Basel II Framework Agreement by helping banks to determine insurance options and developing policy wording to meet the criteria for acceptable this market and Ed's work in credit risk mitigants under the re-engineering the mobile assets new capital adequacy framework.

How BPL changed cover

NEW in the BPL policy: Seizure and capture by insurgent or rebel forces in-

stead of confiscation only by governments.

Damage or destruction by "unqualified ordnance" mines, unexploded bombs. 'friendly fire" and so on — in addition to damage caused by political violence and war. Inability to export resulting from political violence at or on the route to ports of

exit. Previous wording covered only inability to export due to government action such as cancellation of

 Abandonment if political violence poses an imminent danger to the security of the insured's staff. Earlier this applied only where the advice of the government of the insured or of the government on the spot was to leave the country.