



Market Insight 2018

Credit and Political Risk Insurance

Leading the world in CPRI since 1983



years of Credit and Political Risk Insurance

BPL Global is the world's leading broker specialising exclusively in credit and political risk insurance (CPRI) for multinational corporations, banks and financial institutions.

LONDON • PARIS • SINGAPORE • HONG KONG • DUBAI

bpl-global.com

Foreword



Sian Aspinall
Managing Director, BPL Global

As the ink dries on this year's reinsurance renewals, it is clear that appetite for the credit and political risk (CPRI) class among insurers remains on an upward trajectory. Encouragingly, this is evident not only in USD capacity (which has grown 30% since 2015) but also in terms of tenors.

The market is recognising the need to match the natural return on investment for areas such as project finance structures and is adapting its capability accordingly. For the right risk profiles, infrastructure investments can be accommodated for up to 25 years. Also notable is the significant growth in non-trade related credit insurance, an area previously significantly constrained by Lloyd's regulatory requirements. Market capacity in that area has jumped to over US\$1.5bn per risk, providing both depth in monetary amounts and increasing breadth in terms of the number of different insurance carriers participating in that segment. All good indicators of increasing market strength.

Obviously, the value of insurance is only demonstrated at the point of claim and great strides were made by the CPRI market in 2017 to provide collated industry claims data. The first figures released late last year focused solely on financial institutions but this will be expanded into other areas in due course. A snapshot of these results appears in this report, but suffice to say the data supports the market's responsiveness in meeting its responsibilities throughout the challenging economic climate of the global financial crisis and beyond.

Analysis of our own portfolio at BPL Global evidences the sheer volumes of exposure the market is willing and able to absorb – predominantly in Africa, the Middle East and Latin America. However, some of the most significant growth is emanating from OECD-located risks associated with non-trade related loans. This recent trend highlights that the global CPRI market is responding to the developing needs of clients by providing appetite for global risk. We will continue to adapt our own services to ensure we continue to support this, and look forward to opening offices in New York and Geneva in the second quarter of 2018.

We are proud that 2018 marks 35 years of BPL Global. CPRI was in its infancy when we were founded in 1983 and the market today is almost unrecognisable in comparison. But we remain committed to the same goal that has underpinned our business since the start: to be the leading, independent specialist in our field by putting our clients' interests first.



In this report

Market Capacity	4
BPL Global's Portfolio	5
Claims Update	6

Market Capacity

Over the past three years, overall CPRI market capacity has seen a substantial increase across all product lines – with maximum lines for non-payment private obligor risks (CR) and public obligor risks (CF) rising by 30% to US\$2.4bn and US\$3.0bn respectively. This comes off the back of a steady increase in capacity post-2008, with the recent uptick attributable to a combination of both new entrants to the market and increases in line sizes from the more seasoned players.

There is also now significant capacity for non-trade related credit risks (FG) and project finance business (PF). Growth in these areas has been primarily driven by the market responding well to client demand for partnership with insurers across a wider range of their portfolios – with insurers bringing in dedicated expertise to serve the complex, specialist and long-term nature of these business lines. This rate of adaptation is an encouraging sign for future market development and continued relevance as clients’ needs change over time.

For FG business, the lion’s share of total capacity – US\$1.5bn – is available for policies with tenors of up to seven years, though there are still meaningful volumes (US\$700m) remaining available for risk tenors of 10 years.

This increased appetite for longer tenors is evident across all aspects of the CPRI product range.

BPL GLOBAL QUICK STATISTICS

BPL Global portfolio exposure

Approx. US\$41bn
74% relates to Medium Long Term (MLT) risk

US\$2.4bn claims collected since 1983

Of which over US\$800m relates to Financial Institutions post-GFC

(BPL Global figures as at January 2018)

MARKET STATISTICS

Gross exposure in CPRI market

Approx. US\$147bn for single-situation business

(Source: ICISA survey 2014)

Max. per risk capacity

Approx. US\$3bn per risk

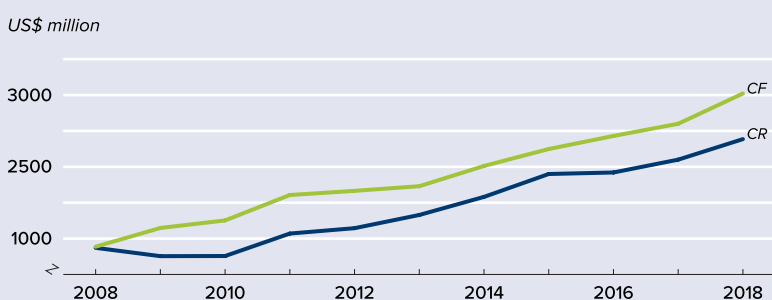
(BPL Global Market Capacity Survey, 2018)

MAX. PER RISK CAPACITY

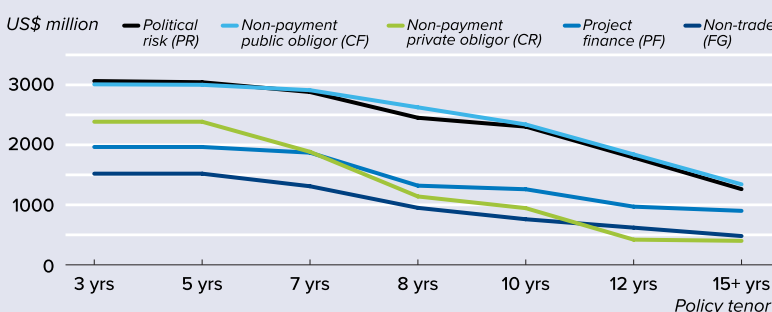
	Max. Line (US\$)	Max. Tenor (yrs)
Non-payment private obligor (CR)	2.4bn	15
Non-payment public obligor (CF)	3.0bn	20
Non-trade (FG)	1.5bn	15
Political risk (PR)	3.0bn	20
Project finance (PF)	2.0bn	25

(BPL Global Market Capacity Survey, 2018)

CAPACITY BY PRODUCT / LINE SIZE (BPL Global Market Capacity Survey, 2018)

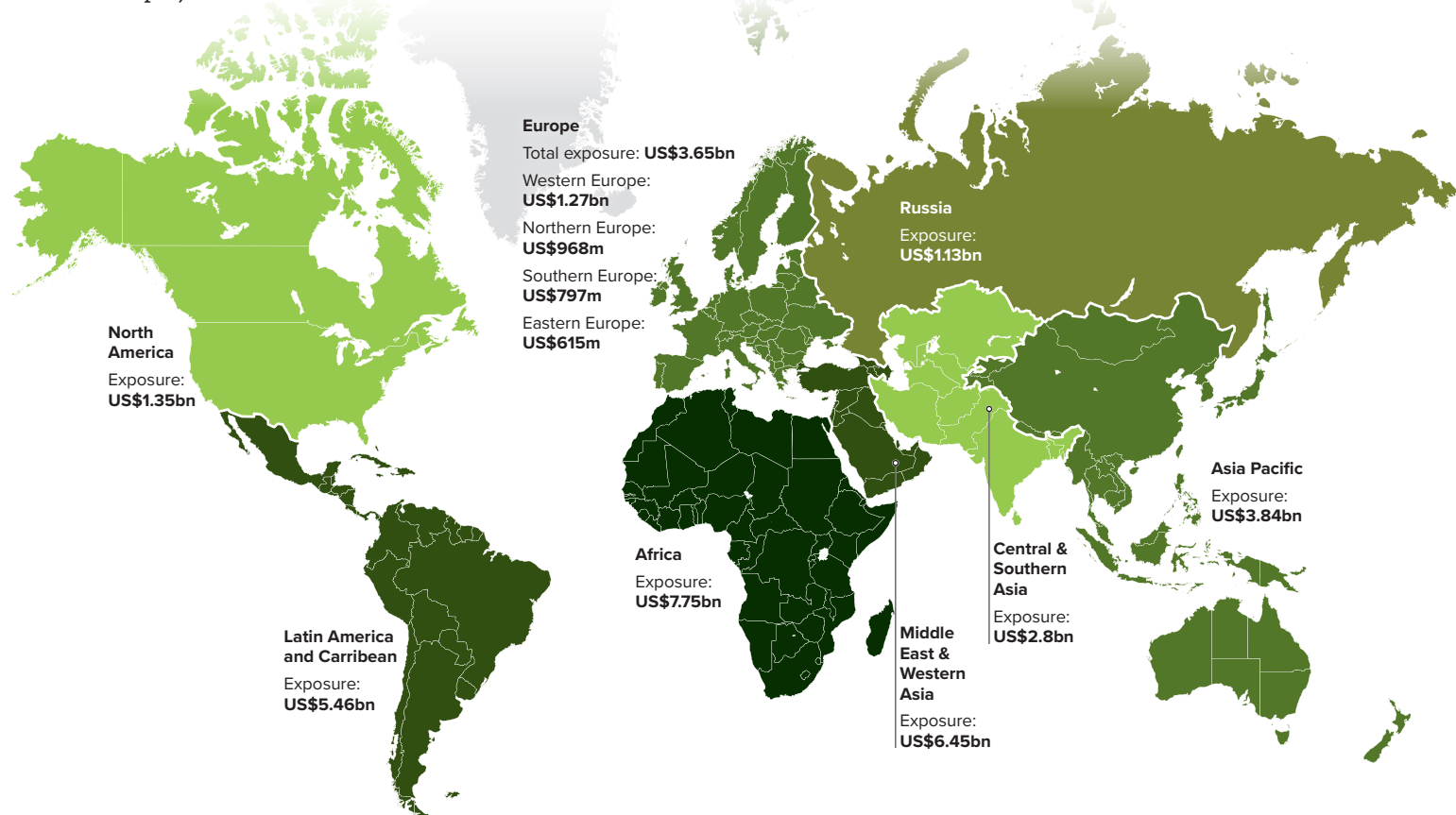


CAPACITY BY TENOR (BPL Global Market Capacity Survey, 2018)



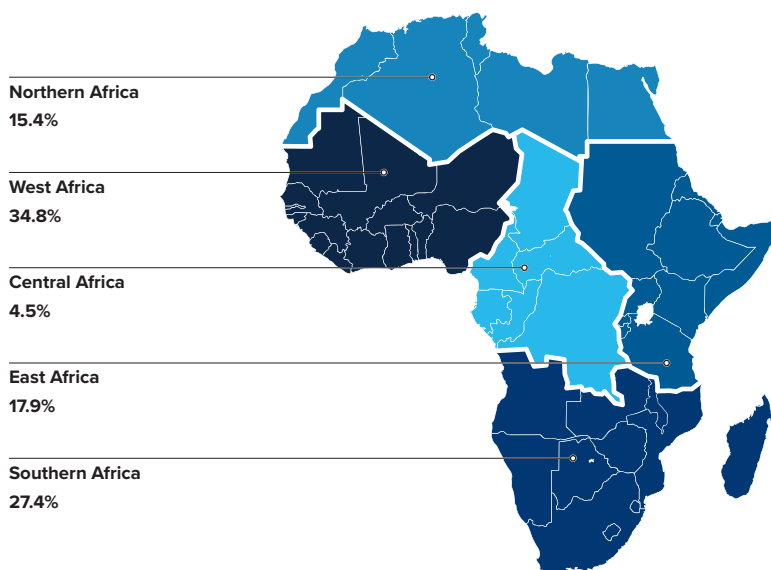
BPL Global's Portfolio

The total exposure of BPL Global's portfolio stood at **US\$41.1bn** in January 2018 – the largest proportions of which reside in Africa and the Middle East. In addition, we have seen increasing appetite amongst insurers to cover Latin American risks. Also noteworthy is the total exposure in Europe which reflects increasing coverage for project finance and non-trade business in OECD countries.



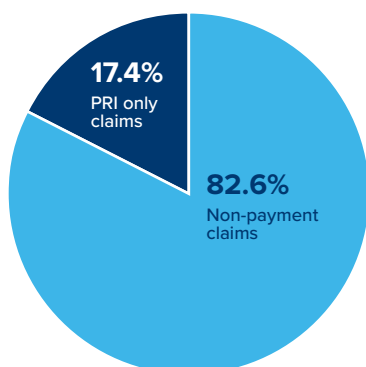
[Multi-country exposure: **US\$8.67bn**]

Africa represents, as it has for the past few years, BPL Global's largest regional exposure, currently accounting for approximately 18.8% of the portfolio (not accounting for multi-country programmes which also include African exposures). This demonstrates that there is a prevailing appetite among insurers for well-structured transactions in economically challenged markets with often difficult political environments.



Claims Update

BPL GLOBAL CLAIMS SINCE 1983



Total paid claims: US\$2.41bn

BPL Global figures as at January 2018

Ensuring that claims are paid in full and on time is the essence of an effective insurance product. As such, our claims statistics – tracing back to 1983 and providing data by product type, country of risk, region and client type – give us unrivalled historical data on the performance of the CPRI market in general.

Since our establishment, we have settled over 440 CPRI claims for our clients worth in excess of US\$2.4bn and arising from losses occurring in over 80 countries, and of which a large bulk relates to non-payment claims.

The last decade has seen a significant increase in the market’s claims activity, both in the number of claims made and the scope of product lines affected. Indeed, in addition to non-payment and political violence-related claims, we have handled claims across non-delivery, forced abandonment, expropriation and deprivation, unfair calling of contractual bonds, and pre- and post- shipment policies.

The tables below highlight a similar degree of diversity across the countries in which claims have arisen, again demonstrating the value of the CPRI product in being able to respond to losses occurring in a vast array of political and economic climates and consistently securing the best outcome – that is, a fully paid claim – for the insured.

Ukraine tops our country lists for both claims frequency and value. The bulk of these Ukraine-related claims have emerged in just the past decade as a result of repercussions from the global financial crisis and the ongoing conflict in Crimea. As such, the country has seen claims arising across nearly all lines of our products – thus underlining the complementary value of differing CPRI covers available.



Tony Taylor

Claims Director, BPL Global

With over 25 years’ experience, Tony is widely regarded as the leading claims practitioner in the CPRI market.

BPL GLOBAL'S TOP 10 COUNTRIES BY CLAIMS

AMOUNTS PER COUNTRY (US\$m)			NUMBER OF CLAIMS BY COUNTRY		
#	Country	Amount	#	Country	Claims
1	Ukraine	509	1	Ukraine	57
2	Russia	195	2	Brazil	31
3	Brazil	187	3	Russia	27
4	Indonesia	172	4	India	22
5	Venezuela	117	5	Iran	20
6	Kazakhstan	108	6	Poland	17
7	India	91	7	Azerbaijan	15
8	Thailand	71	8	Romania	11
9	Cuba	56	9	China	11
10	Ghana	54	10	Mexico	10

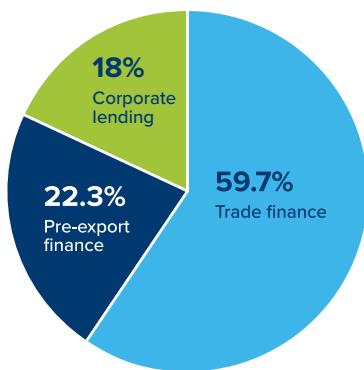
BPL Global figures as at January 2018



2007–2017 “SINGLE SITUATION” NON-PAYMENT CLAIMS FOR BANKS & FINANCIAL INSTITUTIONS (CLAIMED/PAID IN FULL/COMPROMISED)			
Claims	BPL Global	Total Market	Total
Claimed (US\$2.63bn)	146 (33%)	292 (67%)	438
Paid in full (US\$2.57bn)	145 (34%)	277 (66%)	422
Compromised	1 (6%)	15 (94%)	16

CPRI market survey conducted by LMA/IUA, November 2017

2007–2017 BANK AND FINANCIAL INSTITUTION-RELATED CLAIMS BY SECTOR (US\$822m)



BPL Global figures as at January 2018

We are now ten years on from the global financial crisis which saw a spike in the frequency of non-payment claims, particularly from banks and financial institutions. Fortunately, the insurance market was able to respond effectively to this increased claims activity, both in terms of its service levels and the values of compensation collected. According to market-wide data as represented above, of the 438 CPRI claims made by banks and financial institutions between 2007 and 2017, 422 were paid in full to the value of US\$2.57bn.

Over this period, BPL Global dealt with approximately a third of all bank-related claims arising in the CPRI market, across corporate lending, pre-export finance and trade finance-based policies, amounting to US\$822m. Of this, only one out of the 146 claims we handled was compromised. This excellent track record has been underpinned by our dedicated claims department, led by the most experienced claims handler in the CPRI market, Tony Taylor.

This experience has driven the development of the CPRI product in its sophistication and in the flexibility of policy wordings – meaning that the product is now adaptable to suit a wide variety of financial structures and continues to evolve in harmony with client need.

Overall, our claims data validates the CPRI market’s non-payment product as a reliable and effective credit risk mitigation tool for banks under the Basel regulatory framework.



bpl-global.com

 [@BPL_Global](https://twitter.com/BPL_Global)

 [berry-palmer-&-lyle](https://www.linkedin.com/company/berry-palmer-&-lyle)



Best Trade and Political Risk
Insurance Broker
2013 2014 2015



Best Trade and Political Risk
Insurance Broker
2012 2013 2015



Best Credit and Political
Risk Broker
2016



Best Trade Credit and Political Risk
Insurance Broker
2013 2014 2015 2016