Structured Credit and Political Risk Insurance

# Report and Market Update

January 2021

Gallagher

Insurance | Risk Management | Consulting

# About Gallagher

Founded by Arthur Gallagher in Chicago in 1927, Gallagher has grown to become one of the largest insurance brokerage, risk management, and human capital consultant companies in the world. With significant reach internationally, the group employs over 34,000 people and its global network provides services in more than 150 countries.

Gallagher's London divisions offer specialist insurance and risk management services. We provide bespoke policy wordings, programme design and risk placement solutions, and consulting support across a range of specialisms. We manage complex, large, global risks on a direct and wholesale basis and serve as primary access point to Lloyd's of London, London company markets, and international insurance markets.

**We help businesses go beyond their goals. It's the Gallagher way.**

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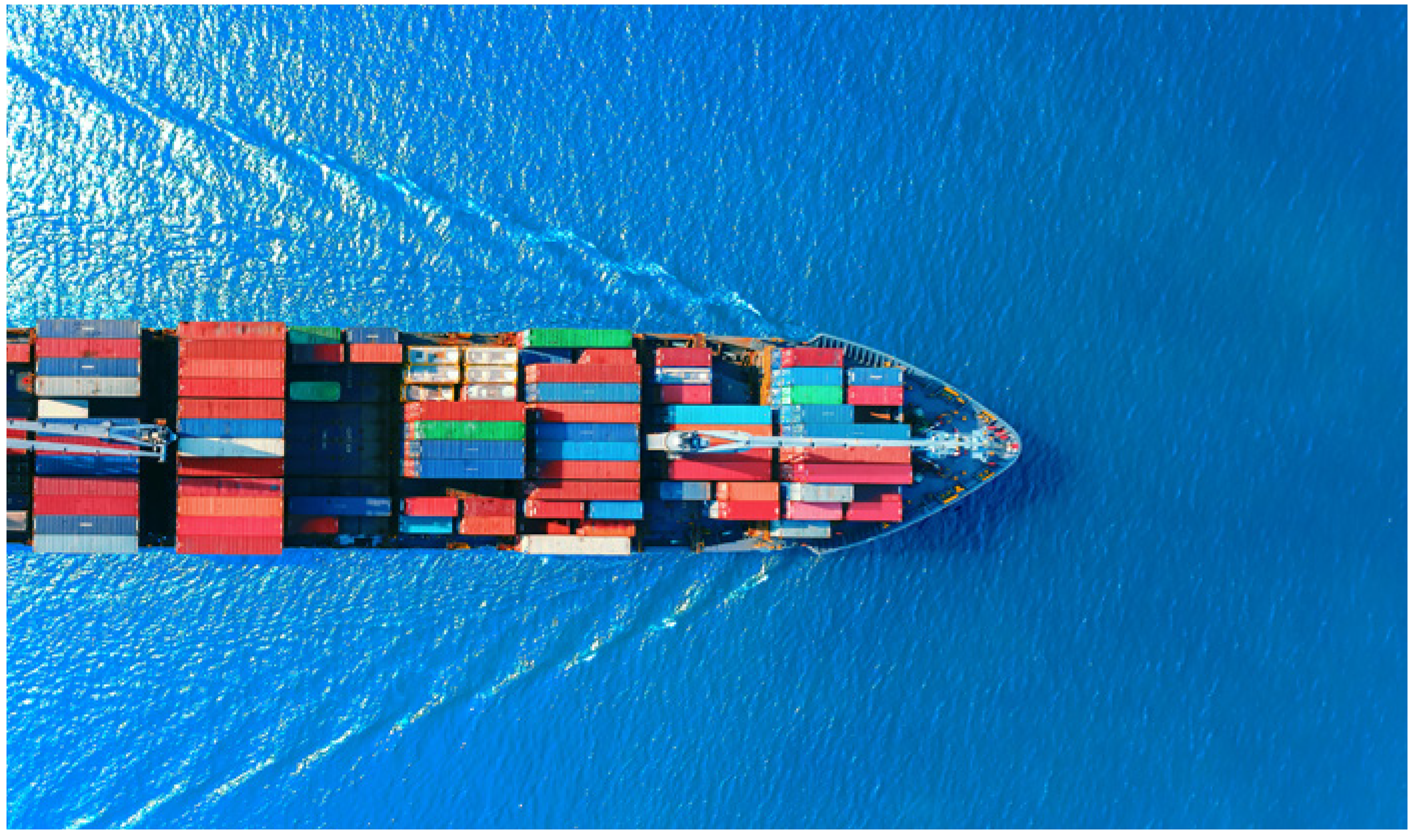
In association with



# Introduction



Welcome to the latest edition of our Market Report and Update focussed on the commercial insurance market as far as it pertains to Structured Credit and Political Risk (SCPR). At the time of writing, the recent change of government in the USA and the COVID-19 pandemic and its impact (at both a local and international level), dominate the headlines. As does the hope offered by vaccines, which are being looked to as the foundation for the returning of normality to our daily lives and the broader economy.

Brexit has also featured heavily and whilst the UK officially left the EU in January 2021, the transition period has now ended, and the UK moves forward under the banner of a new trade deal. Again, the implications for the long term are not clear, however, for the purposes of our European clients and prospective buyers wanting to ensure continued access to the insurance market, we are happy to advise that the significant majority of insurers active in this field (Lloyd's syndicates via the Lloyd's Brussels platform and companies through their own vehicles) have made the necessary arrangements to allow uninterrupted trading. Likewise, at Gallagher, we are able to continue to service our European clients through our Gallagher group entity, Nordic Försäkring & Riskhantering AB ("Nordic"), which holds the necessary regulatory permissions to operate in the EEA.

As with our July 2020 edition of this report, we have anonymously surveyed the SCPR underwriting community and are pleased to share with you the findings. The feedback represents responses from 63 underwriters spanning 49 insurers. As before, the data does in some cases include the thoughts of more than one underwriter at each insurer, for the purposes of catching underwriter sentiment and not just the 'party line'. Again, we must highlight that not all questions are relevant to all insurers, for example new insurers in this class do not have legacy exposure. Therefore, the volume of response can differ slightly from question to question.

Following the below summary of some key themes, we provide a series of graphs that set out the findings.

### Current Concerns and Claims

Responding to the question: *"At the time of responding to this survey, have you been notified of any claims whether due to government action taken, or a deterioration in credit, that you consider specifically attributable to COVID-19?"* only 29% answered yes.

This precisely mirrors the results when we posed this question in July 2020. What we can confidently assert, therefore, is that in terms of actual notifications of claims attributable to COVID-19, there has in fact been no uptick in the second half of 2020. Whilst this statistic does not guarantee the same future pattern of performance, this will be music to the ears of both direct and reinsurance underwriters in this class.

Even with the relatively low notifications of COVID-19 driven claims, underwriters maintain a watchful eye over certain sectors and geographies. Fuller details are provided later on, however top of the charts for what is currently of most concern to insurers is as follows:

**1. Aviation**
**2. Tourism**
**3. Oil & Gas**

These sectors are the same as those highlighted within our July 2020 report, however Tourism and Oil & Gas have changed places. This is a positive given the importance of the Oil & Gas sector to the commercial SCPR insurance market and is no doubt driven by the stabilising in the relevant commodity prices.

**Government Non-Payment:**

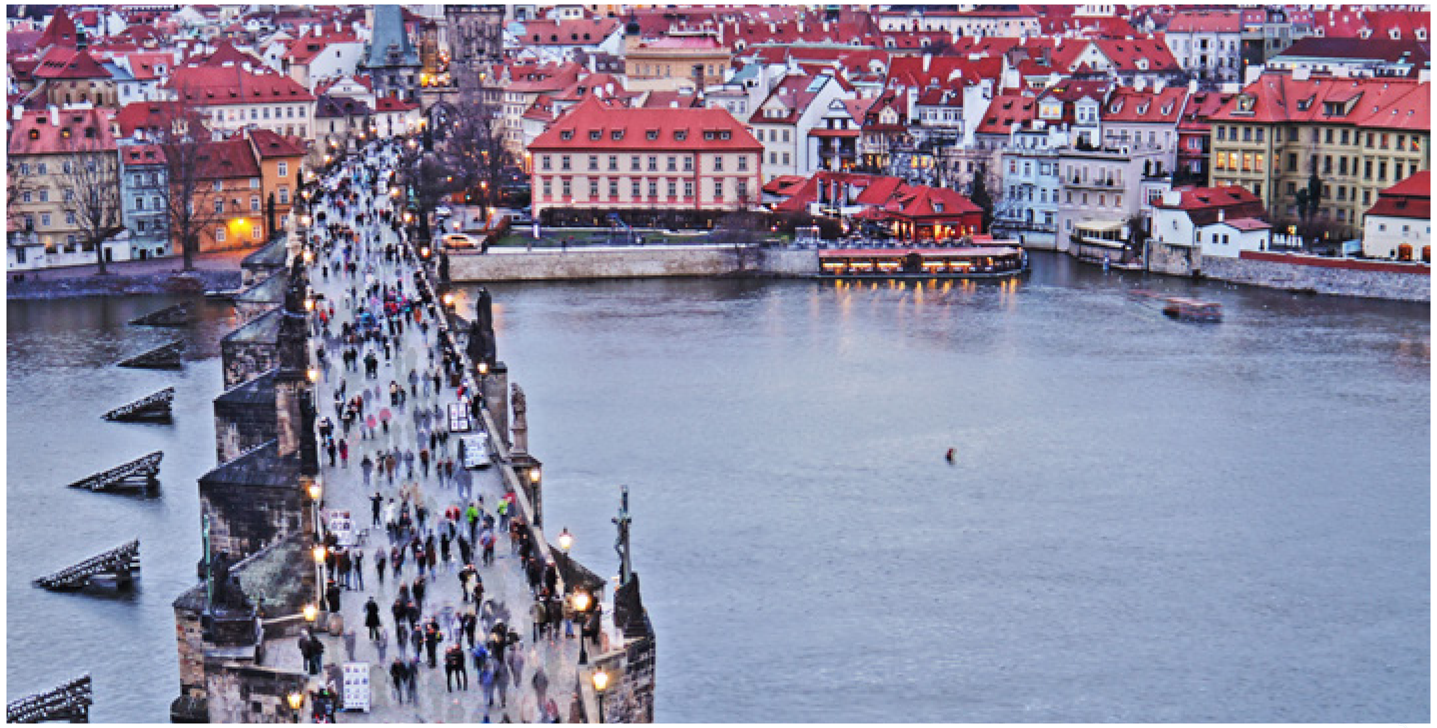
1. **Zambia**
2. **Angola**
3. **Ecuador**

Again, this reflects the findings of our last report and on this occasion, in the same order.

**Government Political Risk:**

1. **Argentina**
2. **China**
3. **Mexico**

With respect to political risk, the top two positions, being Argentina and China, remain unchanged. However, Mexico now features in third place surpassing Tanzania. This is positive news for Tanzania (previously third), for whom the perception of risk has at least improved in relative terms given that they do not feature as high up the list.



## Risk Appetite

Whilst this report demonstrates that the commercial SCPR insurance market maintains capacity at all-time high levels, what is of most interest to readers is of course the application of this capacity. As driven by concerns highlighted above, as well as those reported further on, risk appetite – particularly for lesser quality private counterparty risk – remains somewhat muted.

In seeking to understand how insurers have practically adjusted their approach, the findings of our survey present a similar position to that in July. We summarise the insurers' free text commentary under the following headings presented in the order of frequency:

1. **Maintaining new minimum criteria.** Including minimum rating requirements, tougher credit analysis, and a focus on security.
2. **Sector specific approach.** Comments largely driven by what insurers are seeking to avoid but also targeting.
3. **Risk pricing and minimum premiums.** With appetite established at a transactional level, insurers are looking for enhanced returns.
4. **Line size, indemnity and tenor.** Where possible, insurers seek greater risk share from their clients and are moderating their own line size in terms of application at a transactional level. For some this also includes seeking to reduce the tenor of the portfolio.

## Opportunity and Engagement

The economic and political risk outlook continues to be unpredictable and as such the job of the SCPR underwriter continues to be challenging. However, there nonetheless remains opportunity and in addressing this point to insurers, whilst there was a diversity in the feedback, there were also themes.

Quality of risk is one of these, with the volume of investment grade credit shown to the market having increased. In connection with this and essentially on the non-payment side, bank clients in particular, appear willing to distribute a greater share of their respective portfolios across a variety of asset classes.




Another theme is the anticipated infrastructure spend as global government stimulus continues in order to facilitate economic stability, as well as meeting the infrastructure gap that exists in some markets. Underwriting opportunities are expected to flow from this.

An upward pricing trend is unsurprisingly referenced, as are certain sectors. One positive note in this regard is renewables which on a weighted basis comes in at joint fifth (alongside telecoms and technology) in terms of sectors where insurers currently see the greatest demand. This is significantly higher than in our July 2020 report.

Lastly, when it comes to the underwriting of non-payment insurance, one of the challenges we faced during 2020 was convincing SCPR insurers to accept new clients. With insurers' conservative stance, several held back from writing business from new insureds, preferring to support entities with whom they had experience. As such, we asked insurers to list three key considerations when on-boarding a new client. As you can imagine we received a range of commentary but again, there were themes. These we share below:

- **Experience and Track Record:** Included here is depth of knowledge, reputation, experience with the relevant sector and counterparty, the Insured's own process in the selection of projects or borrowers and how they have managed distressed situations.
- **Information and Transparency:** The two key points under this heading being the rationale for buying insurance and information sharing, with emphasis on the insured's own analysis.
- **Risk Sharing and Indemnity:** The big focus here is the share of risk that the insured is willing to hold net. Insurers see this as a tool to ensure motivation is aligned and to avoid the dumping of risk.
- **Expertise, Management and Governance:** Whilst this links to experience, there was a high level of commentary around the prospective insured's internal governance, risk and credit process, sophistication, strategy and internal controls.
- **Type of Insured:** The thrust here was really the level of opportunity that the insured presents, with insurers citing the breadth of assets to insure, business that may not already be seen, type of insured, size and market share.

**Whilst the SCPR insurance market has not been hit by the torrent of losses that it feared, it maintains a cautious approach driven by the broad impact of COVID-19, primarily on existing exposures as opposed to new underwriting. There remains good opportunity to leverage the capacity of the insurance market, understanding that underwriters are looking more closely at the entities they insure with a focus on expertise, alignment of interest and transparency. As always, we hope that you find this report to be a useful tool in considering risk distribution to the SCPR insurance market.**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# Product Glossary

On behalf of our clients, Gallagher's Structured Credit and Political Risk team arrange insurance products to mitigate the risks arising out of trading, financing and investing - often with a focus on developing markets.

### Interpreting the Numbers

The Lloyd's market uses risk codes to track cover being provided. The applicable risk code is determined by the characteristics of the underlying loan, trade, contract or investment being made. These risk codes are also recognised by non-Lloyd's insurers. Later in this report, we provide market capacity data by risk code for each insurer. To assist with interpretation of this data, below we summarise the primary risk codes, as well as the main types of insurance which relate to these risk codes.

As advised previously, the Financial Guarantee ('FG') risk code is no longer used for the insuring of unsecured non-trade finance. However, as many insurers still have different underwriting capabilities depending on whether the financing is for 'trade' or 'non-trade', we use the letters 'NT' to show the capacity for underwriting the latter (please note: NT is not a formal risk code).

### Risk Codes

**Credit Risk (Risk Code CR)**

Applicable where the counterparty risk insured is a commercial entity with a majority private ownership.

**Contract Frustration (Risk Code CF)**

Applicable where the counterparty risk insured is a government entity or a commercial entity controlled and/or majority-owned by a government entity(ies). Alternatively, this risk code is applicable where the counterparty risk is a privately-owned commercial entity but the perils insured are limited to political risks.

**Political Risk (Risk Code PR)**

Applicable where the cause of loss is limited to government frustration and/or political perils.

### Types of Cover

**Non-Payment (CR, CF or NT)**

- Indemnifies the policyholder for loss caused by the failure and/or refusal of an obligor to honour its contractual debt obligation.

**Non-Delivery / Pre-Finance (CR or CF)**

- Indemnifies the policyholder for loss caused by the failure and/or refusal of a supplier to honour its obligations under a pre-financed supply contract or return pre-financed sums.

**Pre-Shipment Insurance (CR or CF)**

- Indemnifies the policyholder in circumstances where, prior to the establishment of an amount owing under an export contract, the buyer terminates the contract (in circumstances where they have no right to do so), or where there is an occurrence of certain pre-defined political perils which prevent the fulfilment of the contract.
- Can be combined with Post-Shipment Insurance to form 'Pre and Post-Shipment Cover'.

**Post-Shipment Insurance (CR or CF)**

- Indemnifies the policyholder in circumstances where, after the establishment of an amount owing under an export contract, the buyer fails to pay sums due, or is unable to, as a consequence of the occurrence of Currency Inconvertibility and/or Exchange Transfer.
- Can be combined with Pre-Shipment Insurance to form 'Pre and Post-Shipment Cover'.

**Political Risk Insurance (PR)**

- Indemnifies the policyholder for loss caused by government frustration and/or political perils, including but not limited to:
  - Confiscation, Expropriation, Nationalisation, Deprivation (CEND)
  - Forced Abandonment or Divestiture
  - Selective Discrimination
  - Licence Cancellation
  - Political Violence and Terrorism (including strikes, riots, civil commotion, malicious damage, sabotage)
  - War and Civil War
  - Currency Inconvertibility and/or Exchange Transfer
- Cover can be placed in respect of assets or the repayment of debt.



# Market Research

When considering the findings of the survey, please note the following:

1. We wrote to **136 individual underwriters** representing **49 insurance companies** or Lloyd's syndicates. We have spoken to multiple underwriters from each insurer to ensure that we are not only presenting market statistics, but also painting a picture of underwriter sentiment (as opposed to the 'party line'). Whilst this risks skewing the figures a little, i.e. the risk of double counting the themes that affect one business, we are confident the findings paint an accurate picture as presented.
2. Whilst we have feedback from 63 respondents, not all questions are relevant to all insurers. For example, not all insurers underwrite private counterparty default, under the CR risk code. As such, the level of feedback can differ from question to question.

**The survey was completed between 12th – 21st January, 2021.**

## Our Findings

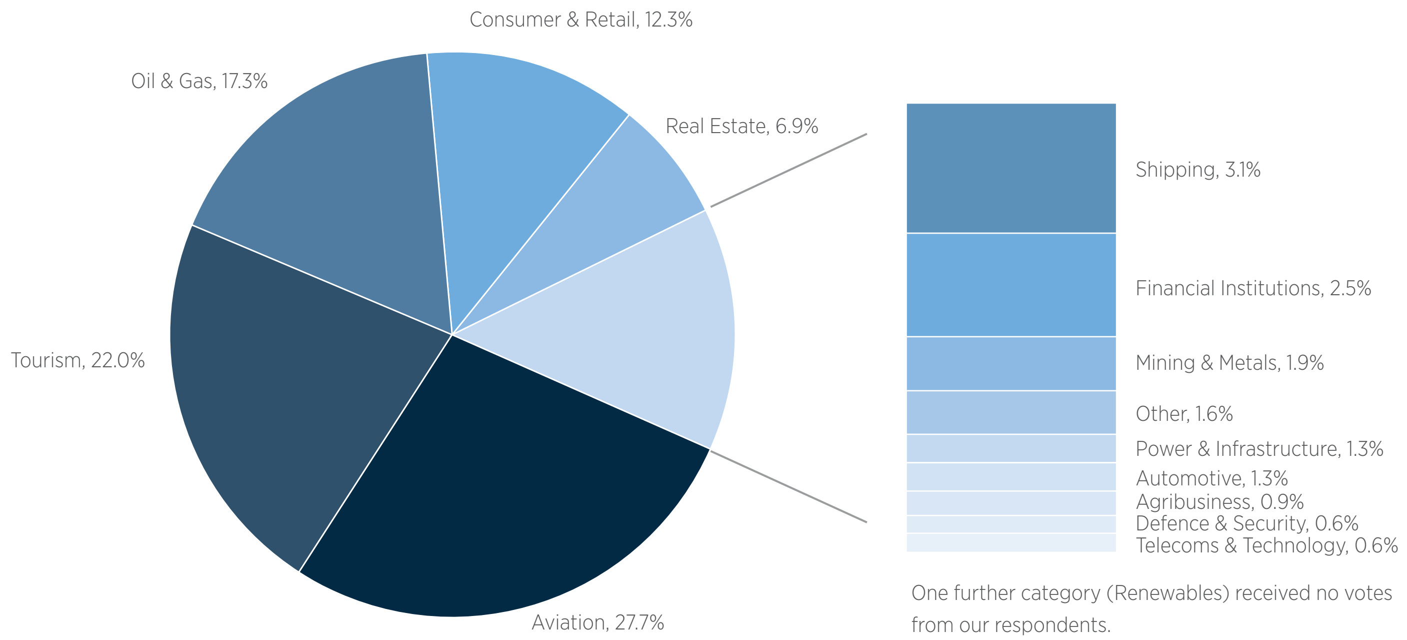
### 1. Claims Notifications

At the time of responding to this survey, have you been notified of any claims whether due to government action taken, or a deterioration in credit, that you consider specifically attributable to COVID-19?


## 2. Sectors of Concern

List the top three sectors in your portfolio which concern you the most.

*Note: responses are weighted according to the order of each Respondent's answer (i.e. their top choice carries more weight than their third choice).*

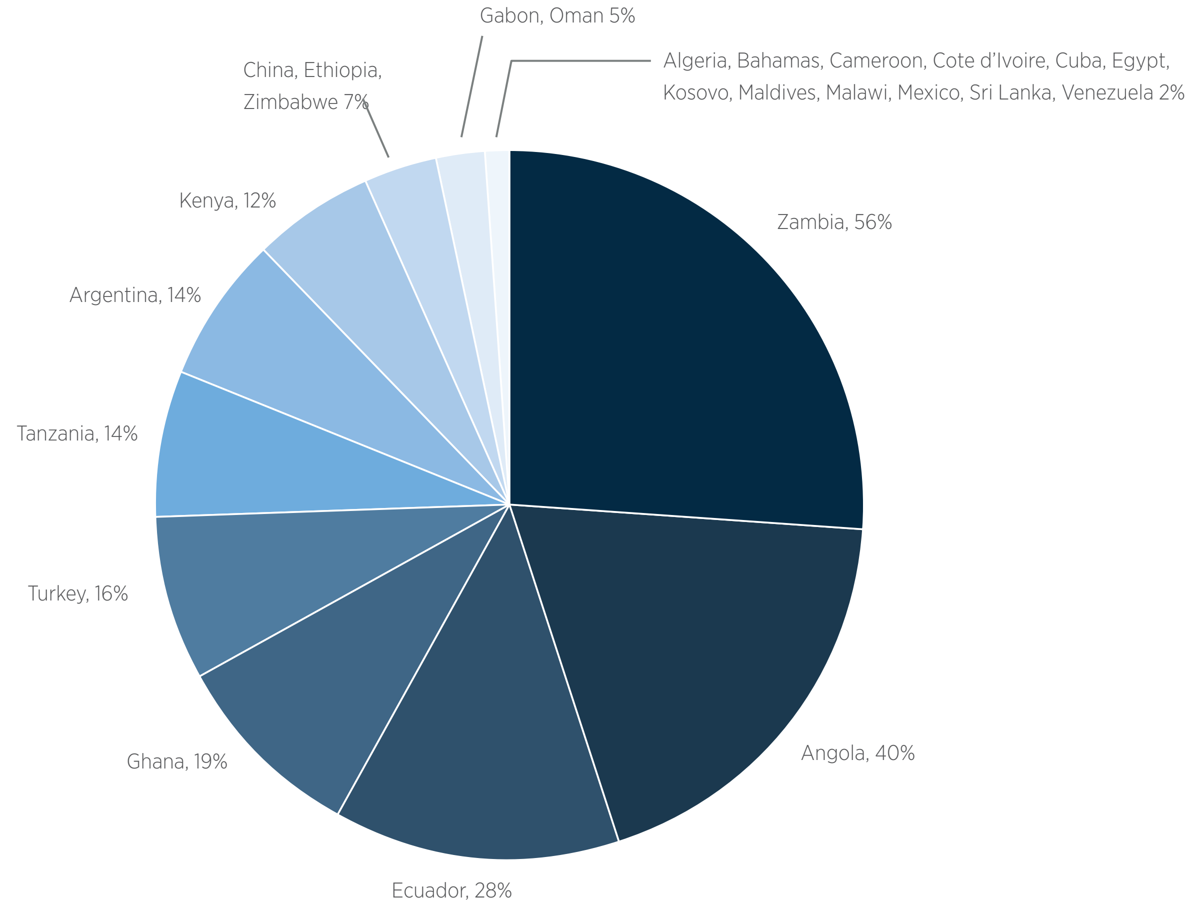



One further category (Renewables) received no votes from our respondents.

## 3. Countries of Concern (Sovereign Non-Payment)

With respect to the risk of non-payment of government obligations, please list the three countries in your portfolio which currently concern you the most.

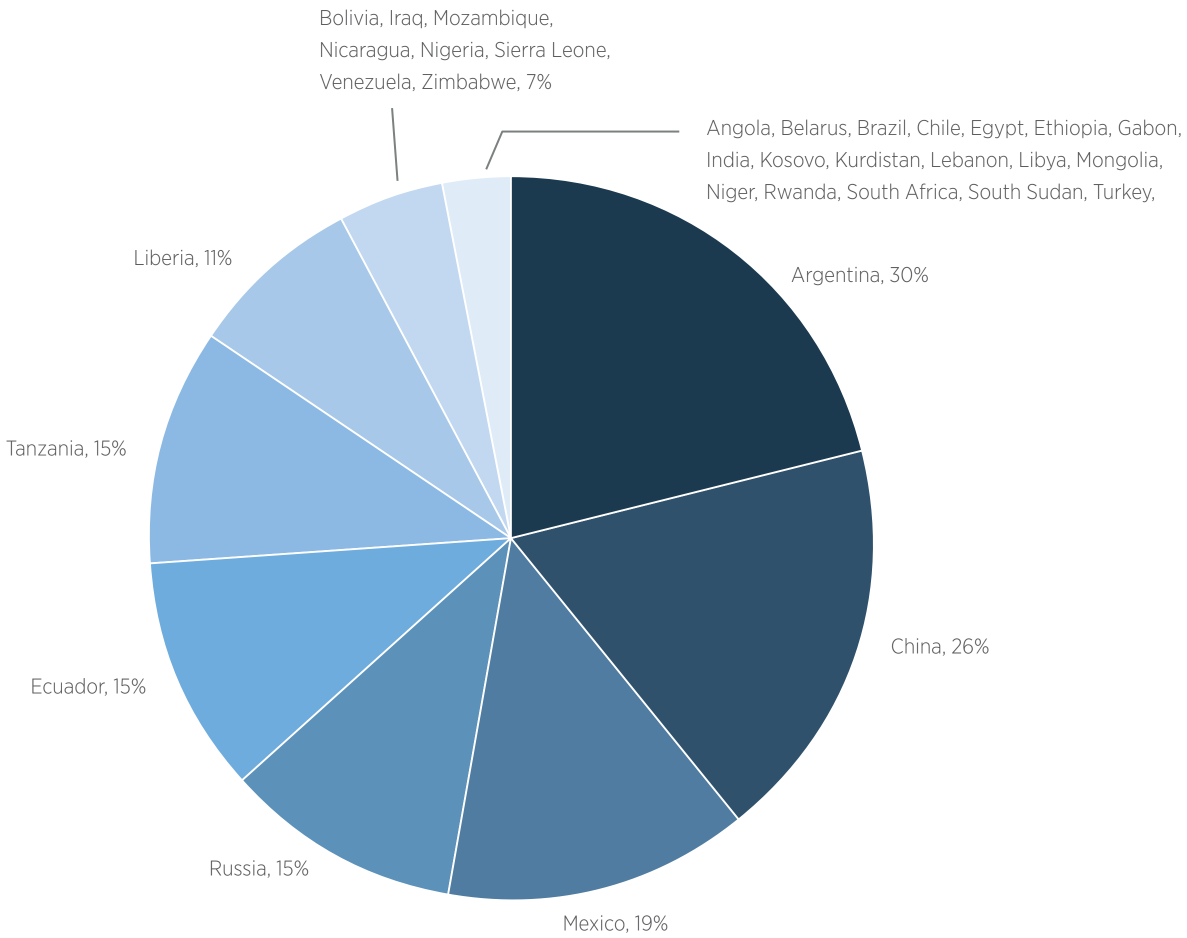
*Note: figures represent proportion of respondents who mentioned the relevant country as one of their top 3 countries of concern.*




## 4. Countries of Concern (Expropriation, etc.)

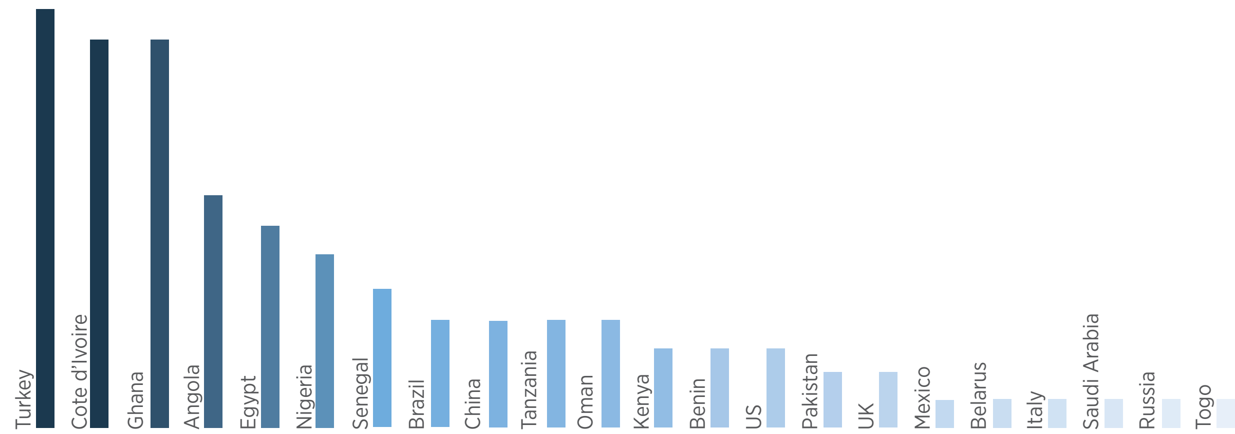
With respect to political risk (Expropriation, etc.), please list the three countries in your portfolio which currently most concern you.

*Note: figures represent proportion of respondents who mentioned the relevant country as one of their top three countries of concern.*



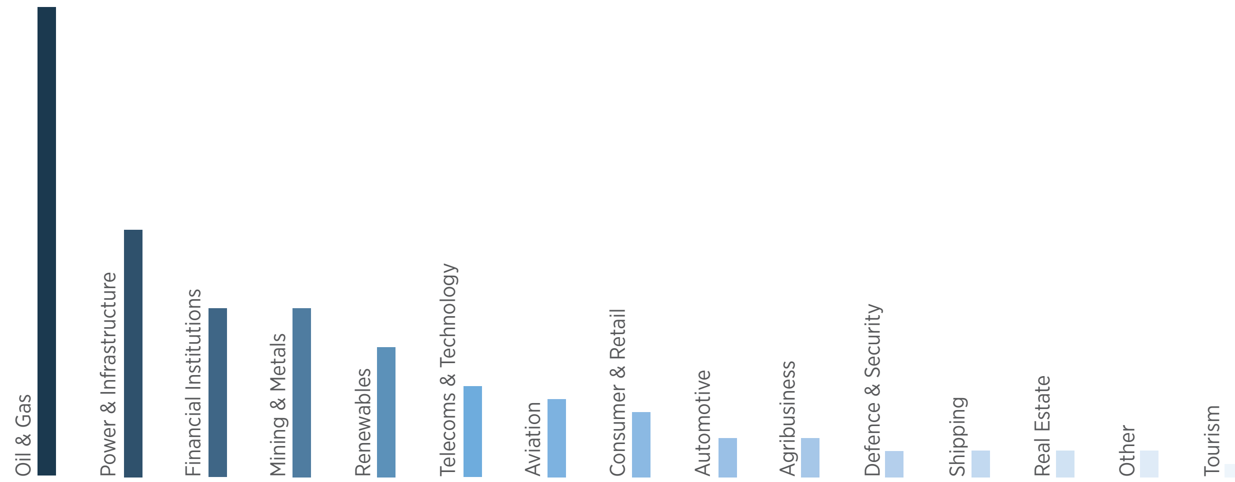

## 5. Countries in Greatest Demand by Transactional Volume

Please name the three countries for which you are currently seeing the greatest demand. Please consider this by volume of enquiries rather than the aggregate of limit you are being asked to insure.



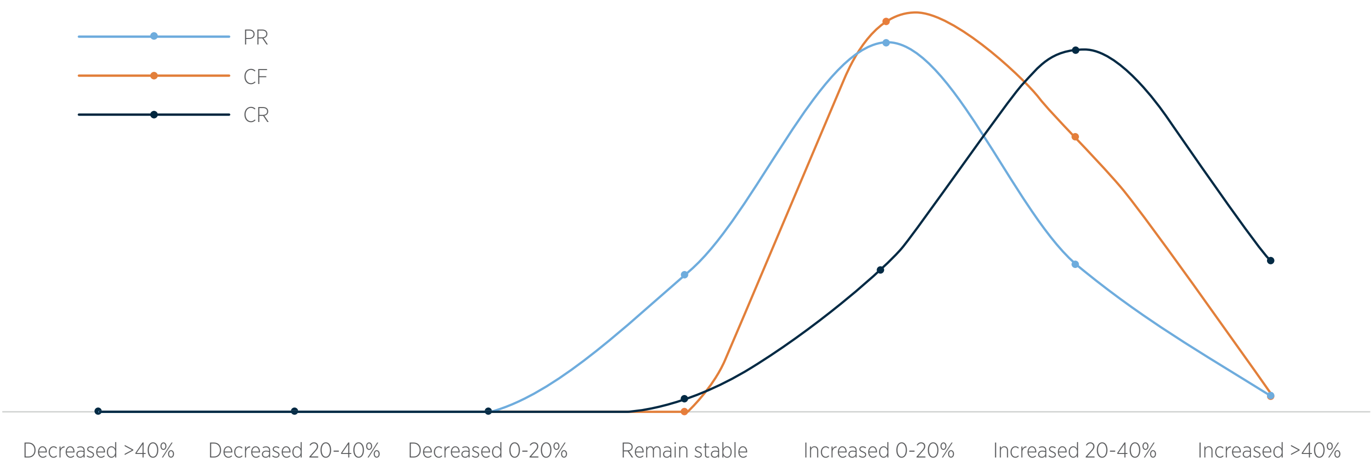

## 6. Sectors in Greatest Demand by Transactional Volume

Please name the three sectors in which you are currently seeing the greatest demand. Please consider this by volume of enquiries rather than the aggregate of limit you are being asked to insure.



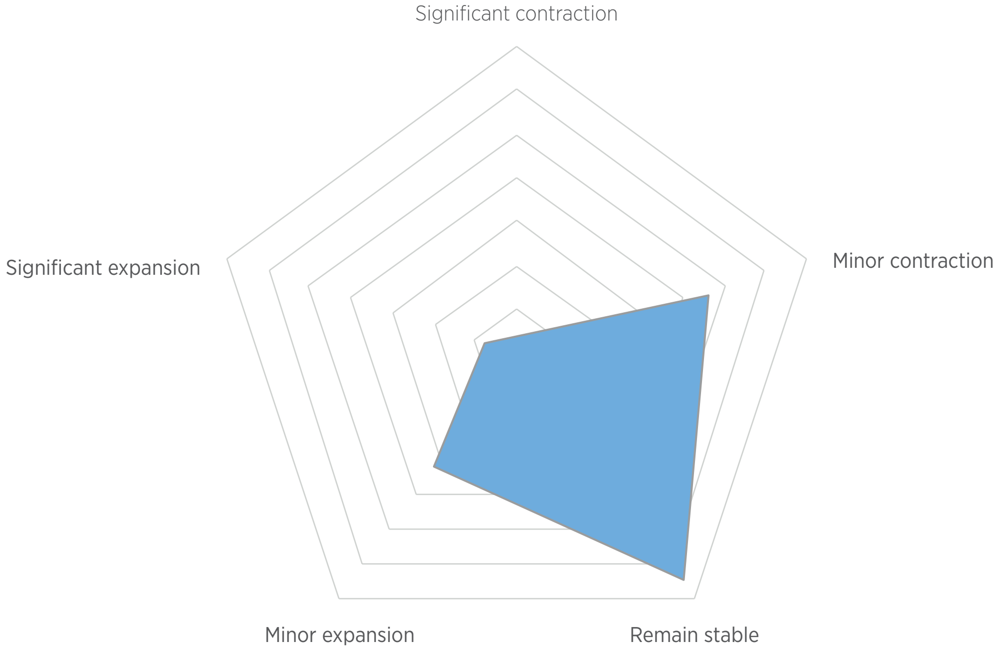

## 7. Expected Adjustment to Pricing Levels

On average, for Private Counterparty Default (CR), Sovereign Default (CF), and Political Risk Insurance (Expropriation, etc., under PR risk code), how do you expect pricing to adjust as a result of COVID-19?




## 8. Impact to Market Capacity

The market has seen significant expansion in the aggregate stamp capacity for CR, CF and PR over the last decade. How do you expect COVID-19 and the current climate to affect market capacity over the next two to five years?






# Emerging Market Review

The following pages monitor changes in Country Risk Ratings, compiled by Fitch Solutions (formerly BMI research), and provide an outlook for various emerging markets.

We compare selected countries' Country Risk Ratings as at January 2020 to those just prior to the publication of this Market Report, as at January 2021.

# Emerging Market Review

This section, and the commentary on specific countries which follows, has been compiled in association with Fitch Solutions.

## About Fitch Solutions

Fitch Solutions help clients to excel at managing their counterparty risk, gain deeper insights into the debt and fixed income markets, and get comprehensive intelligence about the macroeconomic environment.

For more than 30 years Fitch's Country Risk and Industry Research service has provided business intelligence that helps their clients better understand the risks and opportunities they face in emerging markets. Their global team of economists, political risk experts and industry analysts deliver frequent, forward-looking insights, data and forecasts to improve their customers' decision-making.

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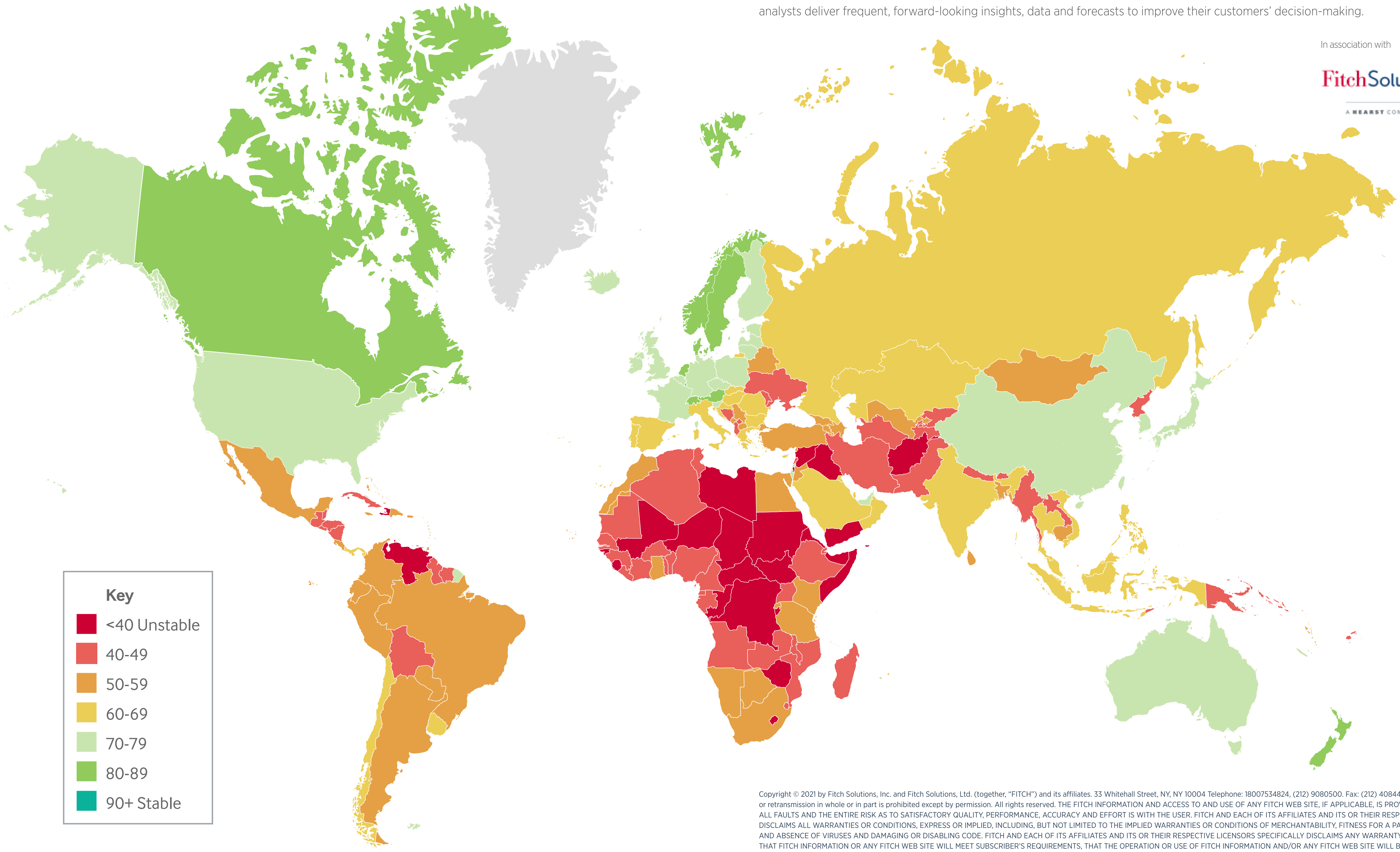
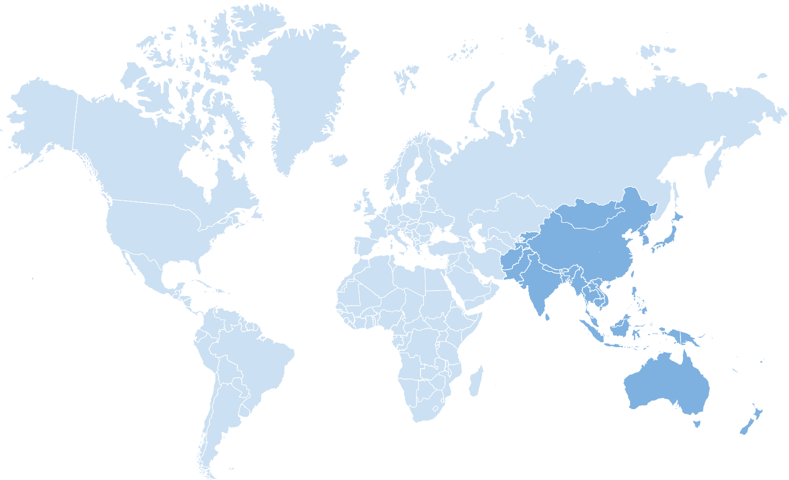
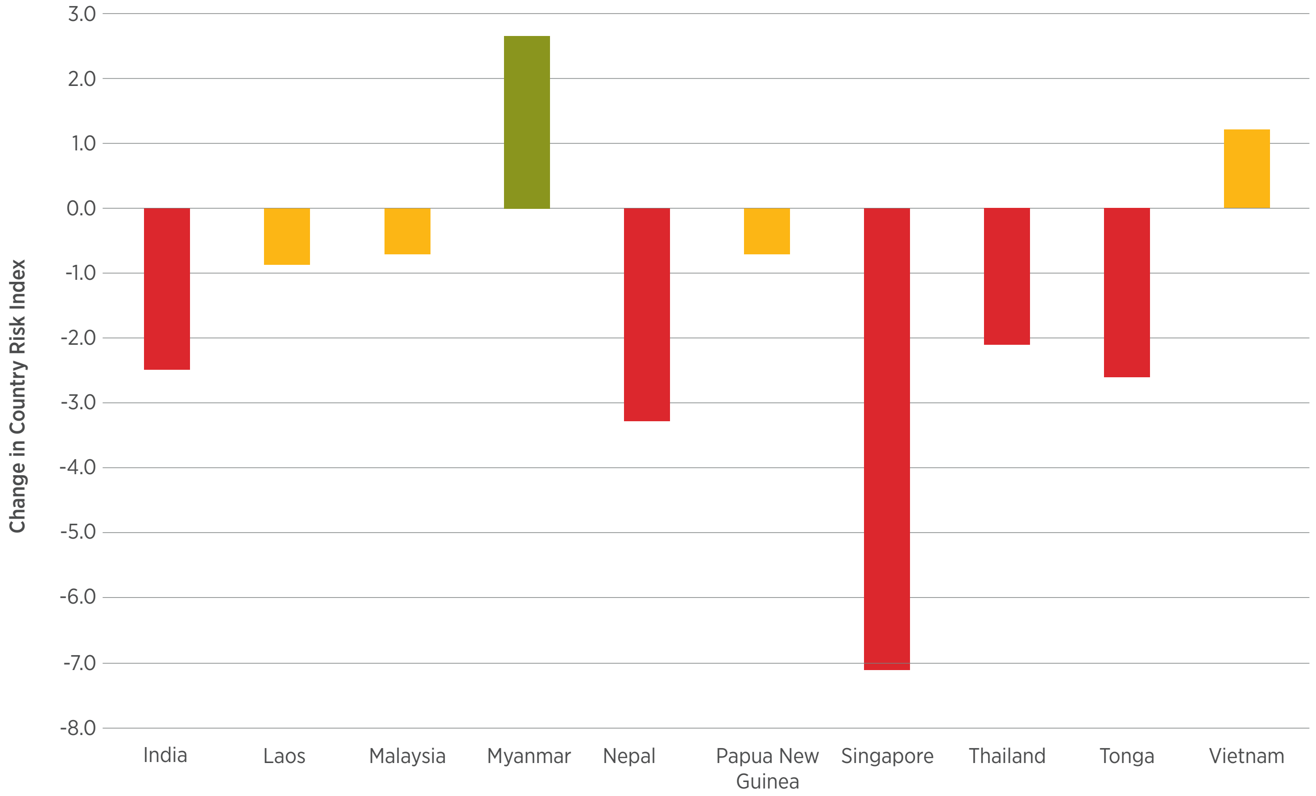


## Asia Pacific






**Papua New Guinea** will continue to experience political instability in 2021. While Prime Minister James Marape survived a major opposition challenge in December 2020, his government remains fragile and will struggle to resolve divisive issues, such as key LNG development projects, fiscal reforms and the Bougainville Independence process.

In **Thailand**, we expect challenging economic conditions will help fuel social discontent. We believe the authorities will respond with a mixture of assertive dispersal tactics and fiscal stimulus measures but struggle to address more structural issues, meaning fresh bouts of protests are possible once COVID-19 restrictions are relaxed.

We anticipate only limited reform progress in **Myanmar**, despite a resounding electoral victory of the ruling party in November 2020. This is due to deep distrust between the military and ethnic militias, which will impede constitutional and economic reforms promised by the authorities in the near term.*

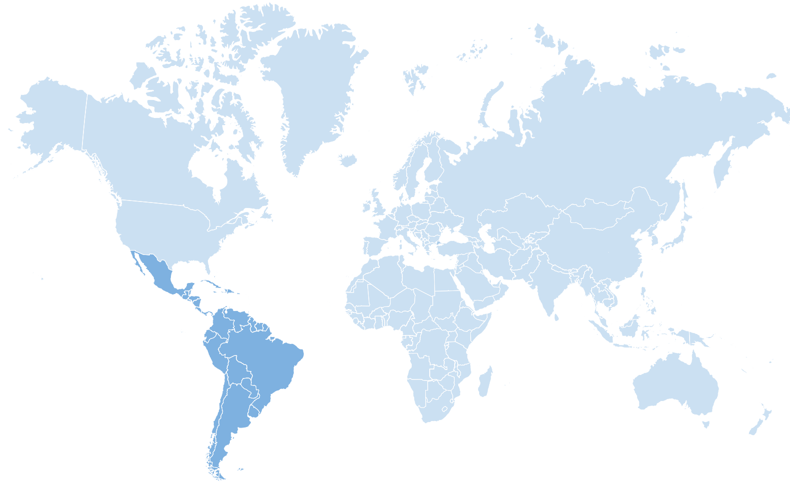
**Singapore** will face depressed private consumption and investment in early 2021, though we forecast a robust recovery in H221. Allegations that the government misused its COVID-19 contact tracing app pose only limited risks thanks to a robust vaccination programme, which should allow for most restrictions to be lifted by Q421.

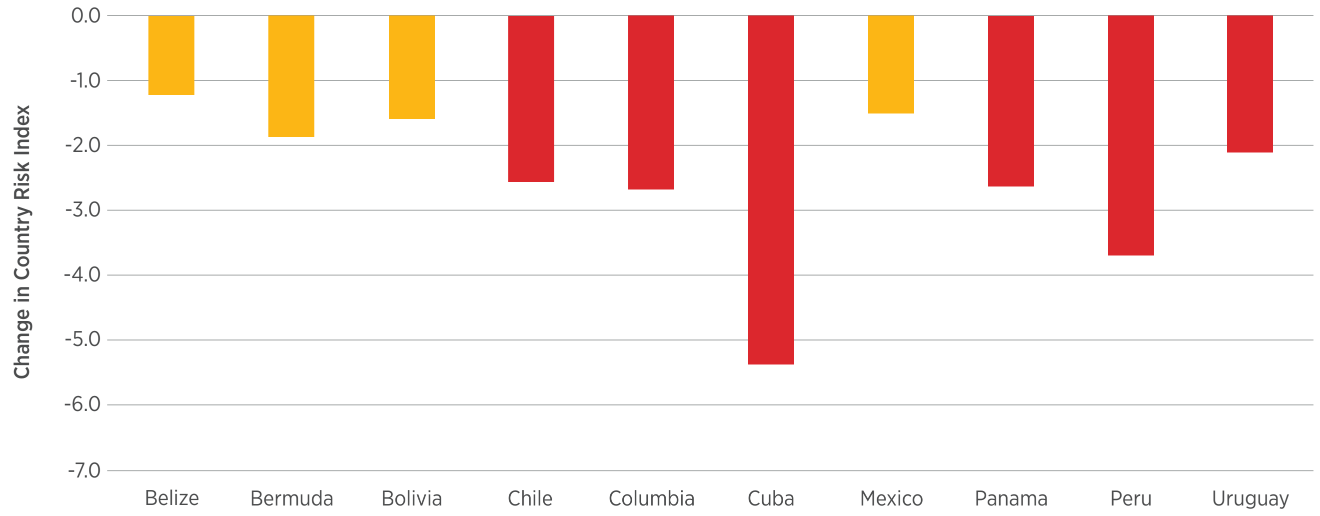
*Since collating this information the situation in Myanmar has deteriorated significantly and will undoubtedly lead to a further downgrade.

- Improvement in Fitch's Country Risk Index rating of >1
- Improvement/deterioration in Fitch's Country Risk Index rating of <1
- Deterioration in Fitch's Country Risk Index rating of >1



## LATAM and Caribbean





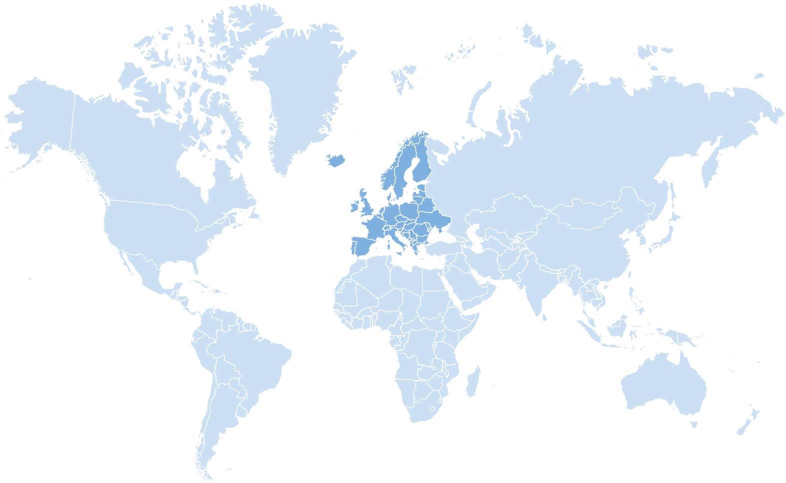

**Colombia**'s government will face fresh unrest risk in 2021 over its plans to pursue fiscal and other structural reforms amid weakened household incomes and an unpopular approach to police reform. While the Colombian health ministry announced deals to secure the COVID-19 vaccine and vaccinate up to 15 million Colombians by end-2021, a new round of public health restrictions, or a slower-than-expected vaccine roll-out, may disrupt the country's economic recovery and threaten social stability in the months ahead.

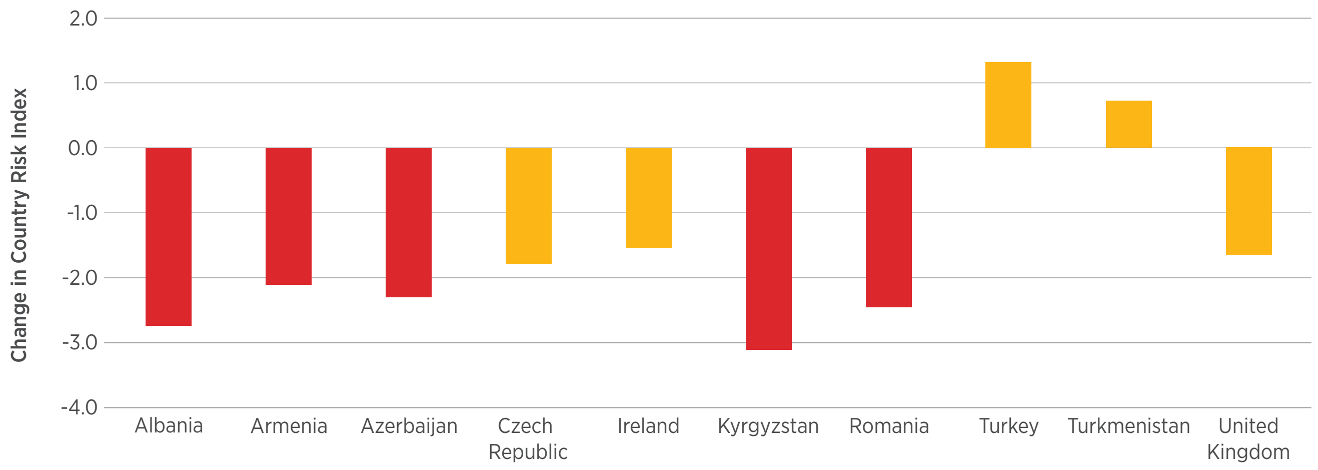
Similar to its Latin American peers, **Uruguay** will experience higher social instability amid government efforts to enact fiscal consolidation from 2021 despite double digit unemployment rates. Uruguay faces additional downside risks due to limited access to COVID-19 vaccines, as it lacks agreements with vaccine producers, in contrast with most regional peers.

In **Cuba**, only a modest recovery is forecast for 2021, following a deep recession in 2020, though we see some upside as the government has responded to the crisis with some economic reforms (such as currency unification). The pace of Cuba's recovery will depend on the roll out of vaccines in tourism source markets, and could benefit significantly from US sanctions relief under the incoming Biden presidency.

- Improvement in Fitch's Country Risk Index rating of >1
- Improvement/deterioration in Fitch's Country Risk Index rating of <1
- Deterioration in Fitch's Country Risk Index rating of >1

# Europe and CIS






The new Biden administration raises the risk of new sanctions on **Turkey** and its economy. However, a reshuffle of high-level economic policymakers in Q420 (including central bank governor) signals a return to economic orthodoxy, while Turkey's appeal to investors could also benefit from falling reform momentum in parts of Emerging Europe in 2021.

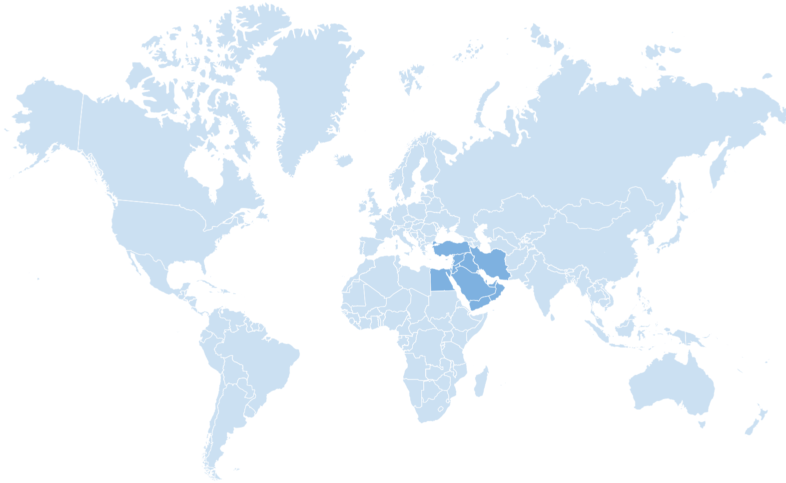
Despite an improvement in **Turkmenistan**'s country risk rating over the last 12 months, it is predicted that its economy will struggle to overcome the economic impact of the COVID-19 pandemic by 2022 due to depressed global energy prices and weak natural gas demand from China. This will put further constraints on the government's fiscal policy, while also slightly elevating unrest risks.

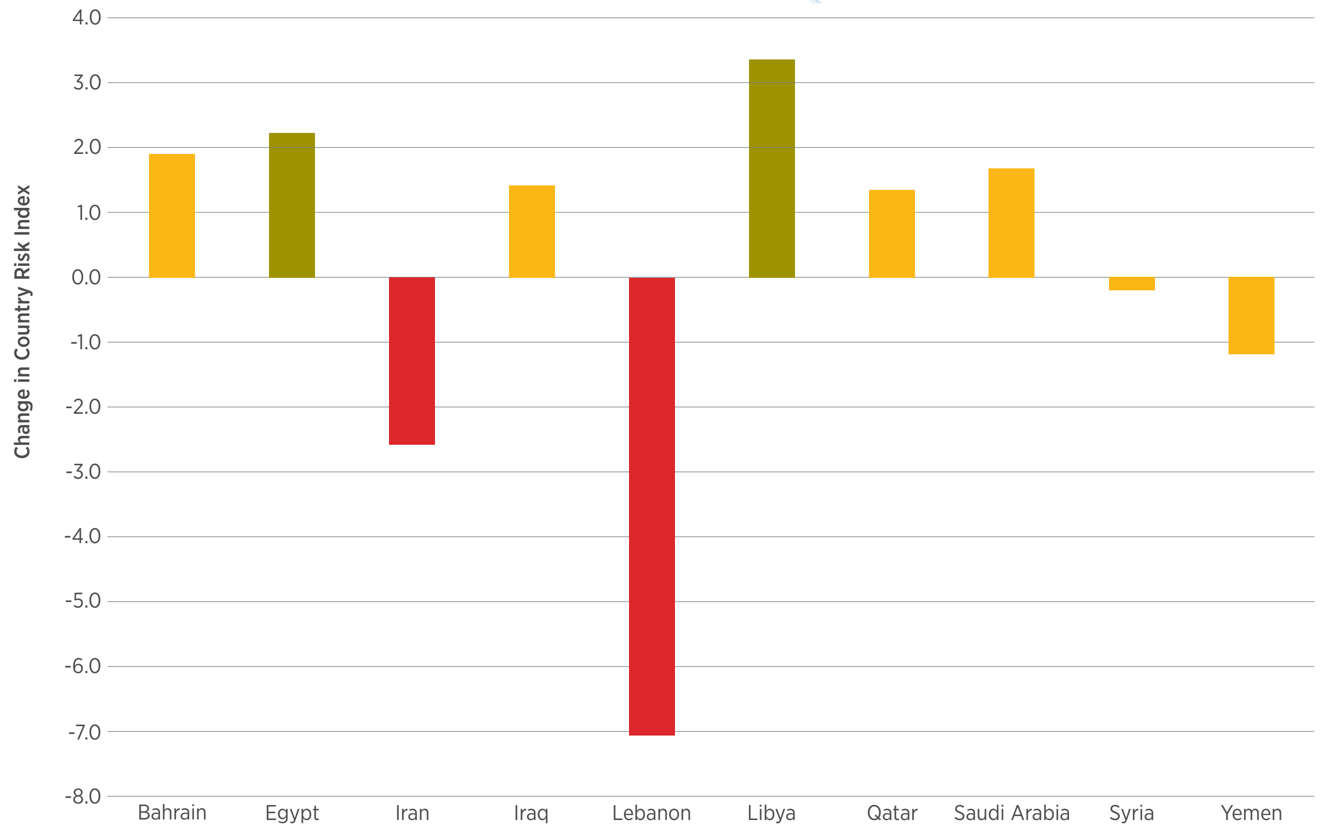
A tepid economic recovery from the COVID-19 crisis is expected in **Azerbaijan**, due to a lack of vaccine contracts. The government will, however, benefit from its perceived victory over Armenia and the presence of Russian peacekeeping forces, ensuring broad political stability.

- Improvement in Fitch's Country Risk Index rating of >1
- Improvement/deterioration in Fitch's Country Risk Index rating of <1
- Deterioration in Fitch's Country Risk Index rating of >1



# MENA





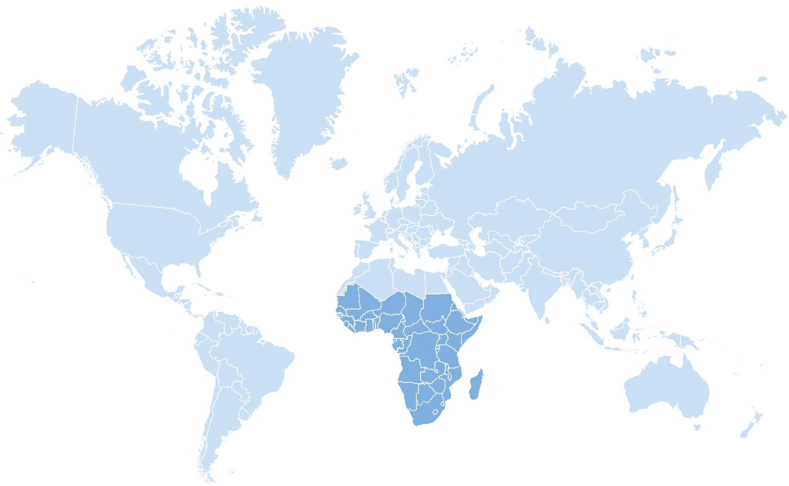

**Libya** will ramp up its oil exports in 2021 after a ceasefire reached between its warring parties led to the partial lifting of the blockade of the country's eastern ports by militia groups. While a lasting resolution to the country's civil war remains unlikely in the near term, the lifting of the blockade will be a major boost to headline growth and government revenues.

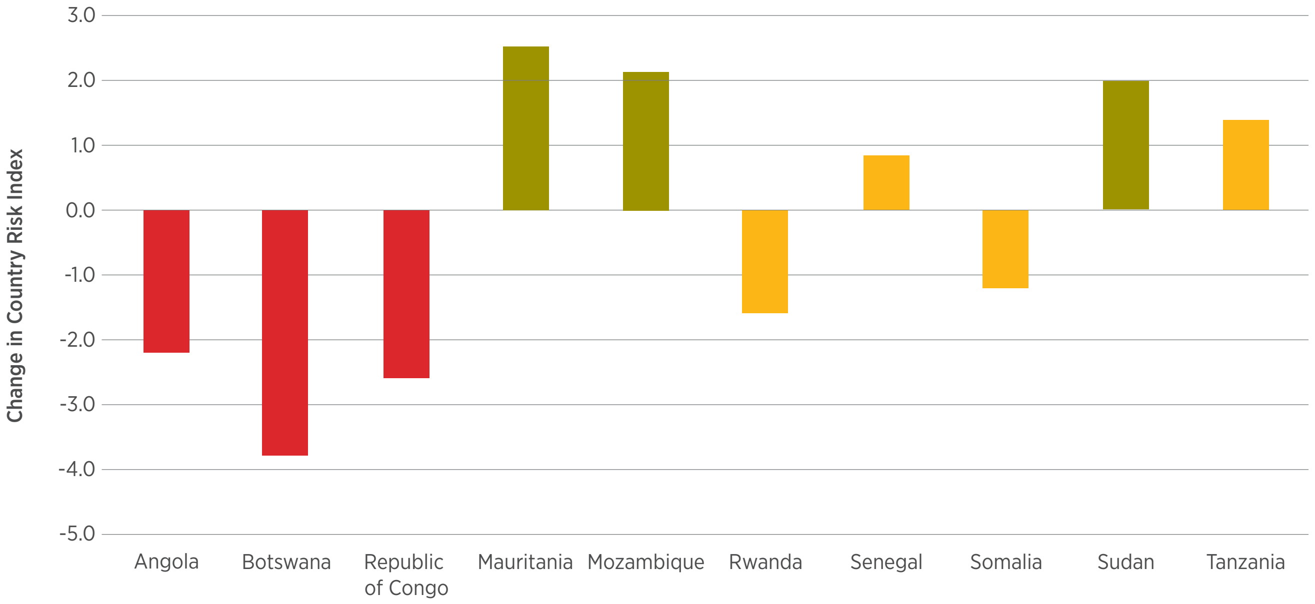
Further economic deterioration is expected in **Lebanon** in 2021, as reform progress will likely be limited due to opposition from ruling political factions, which will also constrain negotiations with the IMF. Social unrest risks will remain an additional downside risk, particularly following the August 2020 Beirut explosion.

**Egypt** has weathered the COVID-19 pandemic relatively well, but will continue to face several geopolitical challenges. The most significant of these is the dispute over the Grand Ethiopian Renaissance Dam (GERD), where trilateral negotiations with Sudan and Ethiopia will likely remain inconclusive in 2021.

- Improvement in Fitch's Country Risk Index rating of >1
- Improvement/deterioration in Fitch's Country Risk Index rating of <1
- Deterioration in Fitch's Country Risk Index rating of >1

# Sub-Saharan Africa






The **Tanzanian** economy will likely outperform most other EMs globally in 2021, thanks to a strong recovery in private consumption and fixed investment. While the re-election of President John Magufuli in October 2020 bodes well for policy continuity, concerns about resource nationalism and the country's democratic image will weigh on investment in the longer term.

Fitch forecast **Mauritania** to outperform the Sub-Saharan Africa growth aggregate in 2020, though continued political uncertainty continues to weigh on investor sentiment; an anti-corruption probe into ex-President Mohamed Ould Abdel Aziz (2008-2019) triggered a government reshuffle in Q320, and further tensions are likely as judicial proceedings into Aziz are seen as politically motivated by his supporters.

**Botswana** suffered a significant contraction in 2020, which is the main driver behind its lower country risk index score. Nonetheless, the country's government retains a majority in parliament, ensuring continuity of business-friendly policies, and should secure a renewal of a crucial diamond sales deal with the De Beers company in 2021.

One of the strongest economic performances in Sub-Saharan Africa comes from **Senegal**, driven in part by base effects (due to low growth in 2020), but also thanks to accelerating private consumption and overseas investment on the back of a relatively successful management of the COVID-19 pandemic. We expect the government will remain stable as a result, despite a recent bout of protests against COVID-19 restrictions.

- Improvement in Fitch's Country Risk Index rating of >1
- Improvement/deterioration in Fitch's Country Risk Index rating of <1
- Deterioration in Fitch's Country Risk Index rating of >1



# Market News

### Aegis

Tessa Horan has joined Aegis as an Underwriting Assistant.

### Arch

Previously at Canopius, Tim Watson is joining Arch's Political Risks Team as Senior Underwriter.

### Aspen

James Burley joins the team as Assistant Underwriter from the Aspen graduate programme.

### AXA/XL

Rebecca King joins AXA XL as Underwriter, previously at Antares.

### Canopius

James Fletcher and Eugene Regis have joined Canopius' underwriting team as Technical Assistant and Credit Analyst, respectively.

### Channel

Caroline Coulson and Mike Melis join the team as Senior Underwriter and Junior Analyst, respectively.

### Chaucer

After twenty-two years, leading industry figure, Nick Kilhams, is leaving Chaucer. Having set-up the account, he has developed the business from a two person operation in London to include international underwriting presence and represents a substantial book of business. Nick hands over the reins to Deborah Wyatt (whom he recruited), who will take over full responsibility for Chaucer's activity in this area. Likewise, Neil Edwards receives a promotion as Deputy Team Leader. In further developments, Jaime Taylor will be joining Chaucer's Singapore Team as Class Underwriter, as Patrick Sheriff returns to the London team.

### Chubb

Jonny Shallcross has joined Chubb as an Underwriter, with several years of market experience. Freya Elley also joins the team as an Underwriting Assistant.

### Hamilton

Florence Mognetti joins Hamilton as Head of Political Risk, following six years with Acappella Syndicate 2014, where she was Divisional Head of Political Risk.

### Hartford

Amea Koziol joins The Hartford's London team as Credit Analyst.

### HDI Global Specialty

Edmund Arghand joins HDI Global Specialty's Political & Credit Risk team as a Senior Underwriter, having previously been Singapore Country Manager for Political and Credit Risk at Zurich.

### Liberty

Tom Bailey and Wayne Lewis join Liberty's Financial Risk Solutions team as Assistant Underwriter and Senior Credit Analyst, respectively.

### QBE

Alex Brasse joins QBE's London team as Assistant Underwriter.

### MS Amlin

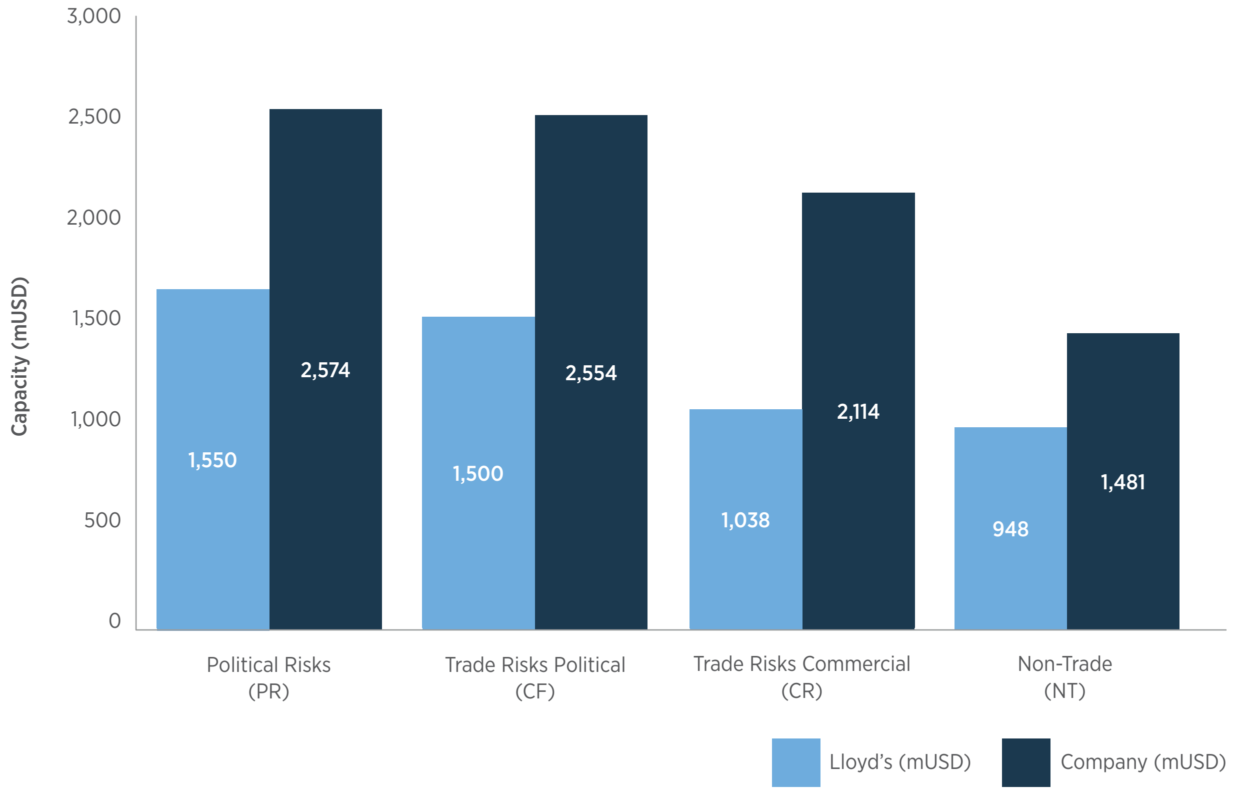
James Toms has joined MS Amlin as an Underwriting Assistant. Patrick Allen moves from the London to Singapore team as Underwriter.

# Market Capacity

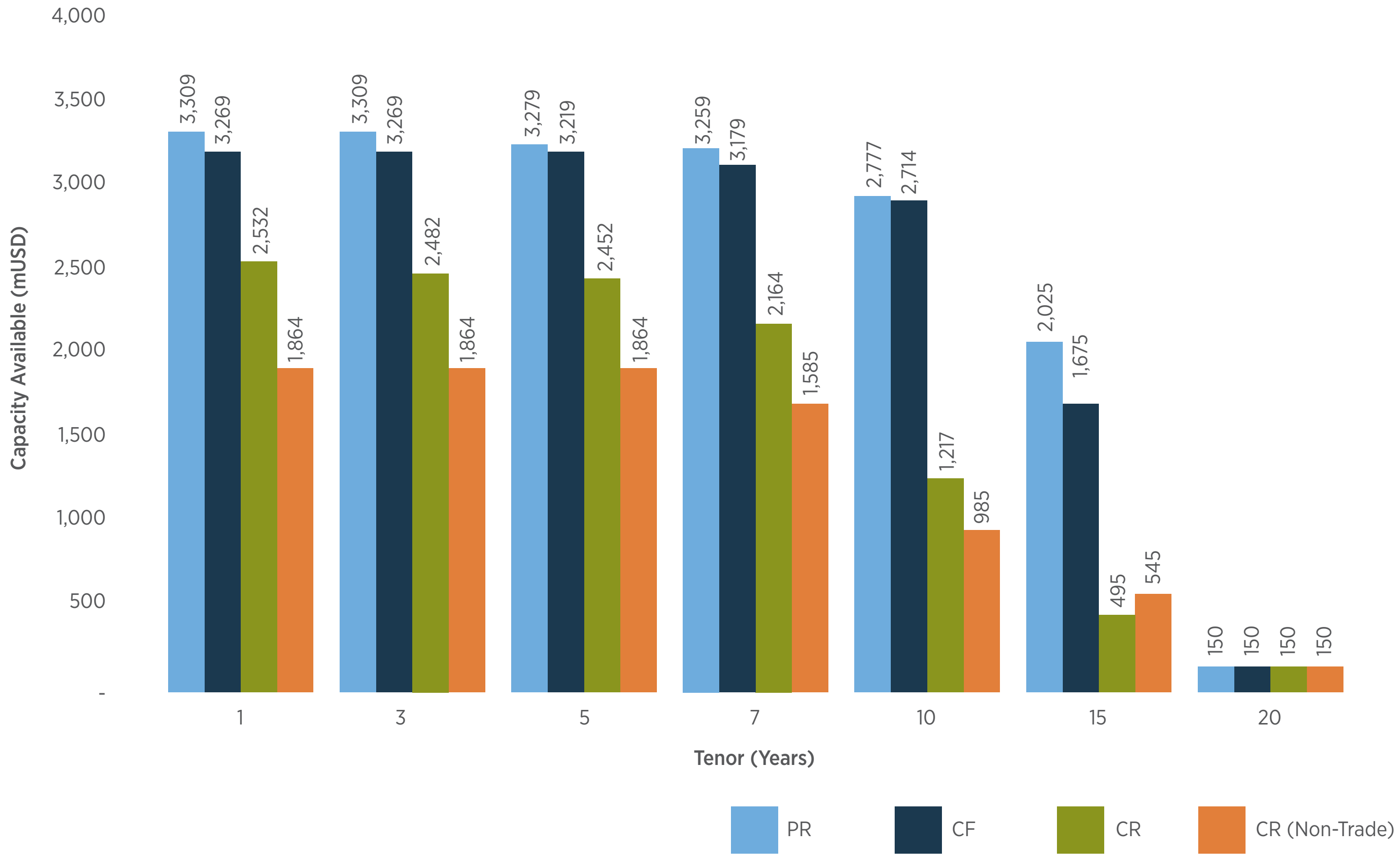
The following market capacity data has been compiled by Gallagher from information provided by each insurer to summarise the recent changes in the Structured Credit and Political Risk insurance market. Capacity is broken down between each insurer (whether Lloyd's syndicate or insurance company), showing their maximum line size and policy tenor, as well as the category of insurance (see Product Glossary). All data is correct as of January 2021, and where an insurer has a Lloyd's and company market platform, their data is not double-counted in the calculation of total capacity.

## Total Market Capacity

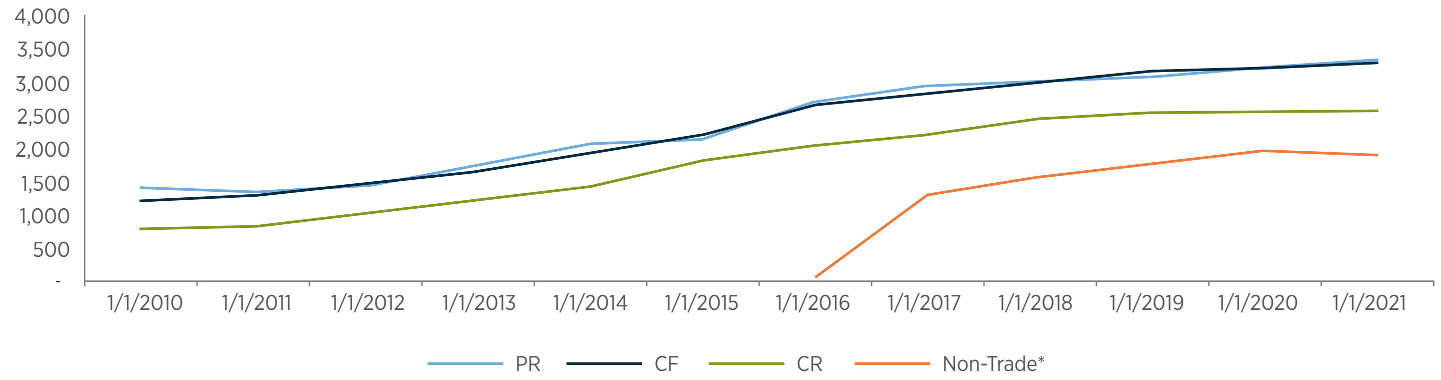
| | Political Risks (PR) | Trade Risks Political (CF) | Trade Risks Commercial (CR) | Non-Trade (NT) |
|---|---|---|---|---|
| Lloyd's (mUSD) | 1,550 | 1,500 | 1,038 | 948 |
| Company (mUSD) | 2,574 | 2,554 | 2,114 | 1,481 |
| Total January 2021 | **3,309** | **3,269** | **2,532** | **1,864** |
| Total July 2020 | **3,274** | **3,196** | **2,391** | **1,782** |




## Total Capacity Available by Tenor




## Market Growth by Capacity*




* Non-trade data includes that previously referred to as 'Financial Guarantee', data for which has only been recorded since July 2016.

# Commercial Market Overview – Lloyd's Market

The following data has been compiled by Gallagher using information provided by each insurer. Data is correct as at 1st January 2021.

*Please note that the following data refers to UK syndicate numbers, however the same capacity is available via Brussels stamps for EEA Insured's.*

| ENTITY | Political Risk (PR) Line | Political Risk (PR) Tenor | Contract Frustration (CF) Line | Contract Frustration (CF) Tenor | Credit (CR) Line | Credit (CR) Tenor | Non-trade (NT) Line | Non-trade (NT) Tenor | RATING(S) |
|---|---|---|---|---|---|---|---|---|---|
| AEGIS Synd 1225 [1] | 30 | 10 | 30 | 10 | 15 | 7 | 15 | 7 | Lloyd's: A+ [S&P] |
| Antares Synd 1274 [2] | 30 | 10 | 30 | 10 | 20 | 7 | 20 | 7 | Lloyd's: A+ [S&P] |
| Apollo Synd 1969 [3] | 15 | 7 | 15 | 7 | 5 | 7 | 15 | 7 | Lloyd's: A+ [S&P] |
| Arch Synd 2012 [4] | 25 | 10 | 25 | 10 | 5 | 5 | 25 | 5 | Lloyd's: A+ [S&P] |
| Argenta Synd 2121 | 20 | 7 | 20 | 7 | 20 | 5 | 0 | 0 | Lloyd's: A+ [S&P] |
| Argo Synd 1200 [5] | 50 | 15 | 50 | 15 | 35 | 7 | 35 | 7 | Lloyd's: A+ [S&P] |
| Ark Synd 4020 [6] | 20 | 7 | 20 | 7 | 0 | 0 | 20 | 7 | Lloyd's: A+ [S&P] |
| Ascot Synd 1414 [7] | 50 | 10 | 50 | 10 | 15 | 8 | 15 | 8 | Lloyd's: A+ [S&P] |
| Aspen Synd 4711 [8] | 60 | 15 | 60 | 10 | 60 | 8 | 60 | 8 | Lloyd's: A+ [S&P] |
| AXA XL Synd 2003 | 150 | 20 | 150 | 20 | 150 | 20 | 150 | 20 | Lloyd's: A+ [S&P] |
| Axis Synd 1686 [9] | 50 | 12 | 50 | 12 | 30 | 12 | 50 | 7 | Lloyd's: A+ [S&P] |
| Beazley Synd 623 / 2623 | 50 | 15 | 50 | 15 | 30 | 15 | 0 | 0 | Lloyd's: A+ [S&P] |
| BRIT Synd 2987 | 40 | 10 | 40 | 10 | 40 | 10 | 40 | 10 | Lloyd's: A+ [S&P] |
| Canopius CPR Synd 4444 | 100 | 15 | 100 | 15 | 100 | 15 | 100 | 15 | Lloyd's: A+ [S&P] |
| Canopius TPR Synd 4444 | 50 | 7 | 50 | 7 | 10 | 7 | 10 | 7 | Lloyd's: A+ [S&P] |
| Channel Synd 2015 [10] | 35 | 15 | 35 | 15 | 35 | 10 | 35 | 7 | Lloyd's: A+ [S&P] |
| Chaucer Synd 1084 [11] | 40 | 12 | 40 | 12 | 20 | 7 | 20 | 7 | Lloyd's: A+ [S&P] |
| Chubb Synd 2488 [12] | 150 | 15 | 100 | 15 | 25 | 8 | 25 | 7 | Lloyd's: A+ [S&P] |
| Cincinnati Synd 318 | 10 | 7 | 10 | 7 | 5 | 5 | 10 | 7 | Lloyd's: A+ [S&P] |
| Hamilton Synd 4000 [13] | 20 | 7 | 20 | 7 | 8 | 5 | 8 | 5 | Lloyd's: A+ [S&P] |
| Hartford Synd 1221 [14] | 40 | 15 | 40 | 15 | 40 | 7 | 25 | 7 | Lloyd's: A+ [S&P] |
| LRE 5370 – Reinsured by Lloyd's Syndicate LRE 3010 [15] | 50 | 10 | 50 | 10 | 0 | 0 | 0 | 0 | Lloyd's: A+ [S&P] |
| Liberty Synd 4472 [16] | 100 | 15 | 100 | 15 | 100 | 10 | 100 | 7 | Lloyd's: A+ [S&P] |
| MAP Synd 2791 | 20 | 3 | 20 | 3 | 0 | 0 | 0 | 0 | Lloyd's: A+ [S&P] |
| Markel International Synd 3000 [17] | 30 | 10 | 50 | 10 | 100 | 7 | 20 | 5 | Lloyd's: A+ [S&P] |
| MS Amlin Synd 2001 [18] | 40 | 12 | 40 | 12 | 10 | 5 | 40 | 12 | Lloyd's: A+ [S&P] |
| Munich Re Synddicate 457 | 35 | 15 | 35 | 15 | 35 | 7 | 35 | 7 | Lloyd's: A+ [S&P] |
| NOA Synd 3902 | 20 | 10 | 20 | 10 | 0 | 0 | 0 | 0 | Lloyd's: A+ [S&P] |
| QBE Synd 1886 | 20 | 5 | 20 | 7 | 50 | 2 | 15 | 5 | Lloyd's: A+ [S&P] |
| Starr Synd 1919 [19] | 50 | 10 | 50 | 10 | 0 | 0 | 50 | 10 | Lloyd's: A+ [S&P] |
| Talbot Synd 1183 [20] | 50 | 7 | 50 | 7 | 10 | 7 | 10 | 7 | Lloyd's: A+ [S&P] |
| Tokio Marine HCC Synd 4141 | 25 | 5 | 25 | 5 | 25 | 5 | 0 | 0 | Lloyd's: A+ [S&P] |
| Tokio Marine Kiln Synd 510 | 60 | 7 | 40 | 5 | 40 | 5 | 0 | 0 | Lloyd's: A+ [S&P] |
| WR Berkley Synd 1967 [21] | 15 | 10 | 15 | 10 | 0 | 0 | 0 | 0 | Lloyd's: A+ [S&P] |

Notes

[1] For PR/CF, Aegis can write to 15 years for specified multilaterals.

[2] For non-payment (CR & CF), Antares can write to 12 years on aircraft finance business. For CF & PR, they can write to 15 years if reinsuring a multilateral.

[3] Their figures for NT relate to CF non-trade only.

[4] Arch's NT figures relate to CF non-trade. They can only write USD 5m for 5 years on non-trade CR business.

[5] Argo can write up to 15 years for long-term infrastructure/asset finance including aviation finance

[6] For CF, Ark can write to 10 years for specified multilaterals. Their figures for NT relate to CF non-trade only.

[7] For PR/CF, Ascot can write to 15 years for ECAs/multilaterals.

[8] On the syndicate paper, Aspen can write USD 60m for 15 years on project finance business.

[9] Axis can only write USD 30m for non-trade CR business.

[10] SCOR|Channel are able to offer up to a maximum of USD 87.5m on Lloyd's and Company platforms. They can also write to 12 years for aircraft finance business.

[11] Their figures for NT relate to CF non-trade only.

[12] Chubb can write USD 25m for 10 years on project finance business.

[13] For PR/CF, Hamilton can write to 15 years behind an ECA/ Multilateral

[14] For CR, Hartford can write to 12 years for project finance and asset-backed finance business on private names

[15] This security is only for EEA domiciled Insured's

[16] For PR/CF, Liberty can write to 20 years for public agencies (ECAs, multilaterals etc.). They can also write to 15 years for project finance business and up to 12 years on asset-backed credit finance transactions.

[17] For CF & CR, Markel can write to 15 & 10 years respectively for ECAs/Multilateral Insureds.

[18] MS Amlin's NT figures relate to non-trade CF business only.

[19] Starr's NT figures relate to non-trade CF business only.

[20] For PR/CF, Talbot can write to 10 years for ECAs.

[21] WRB can write to 12 years for ECAs/multilaterals; 15 years for MIGA.

# Commercial Market Overview – Company Market

The following data has been compiled by Gallagher using information provided by each insurer. Data is correct as at 1st January 2021.

| ENTITY | Political Risk (PR) Line | Political Risk (PR) Tenor | Contract Frustration (CF) Line | Contract Frustration (CF) Tenor | Credit (CR) Line | Credit (CR) Tenor | Non-trade (NT) Line | Non-trade (NT) Tenor | RATING(S) |
|---|---|---|---|---|---|---|---|---|---|
| AIG [1] | 150 | 15 | 150 | 15 | 100 | 10 | 150 | 10 | A+ [S&P] |
| Arch Insurance Company (Europe) Ltd [2] | 40 | 15 | 40 | 15 | 5 | 5 | 40 | 15 | A+ [S&P/Fitch], A+ [A.M. Best], A2 Moody's |
| Ascent Underwriting [3] | 10 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | A+ [S&P], via Lloyd's |
| Aspen Insurance UK Ltd [4] | 100 | 15 | 100 | 10 | 100 | 8 | 100 | 8 | A- [S&P] A2 [Moody's] |
| Atradius | 0 | 0 | 150 | 7 | 150 | 7 | 50 | 5 | A [A.M. Best] Moody's A2 OL-ve |
| AXA XL | 150 | 20 | 150 | 20 | 150 | 20 | 150 | 20 | AA- [S&P/Fitch] |
| Axis CRS [5] | 50 | 15 | 50 | 15 | 50 | 15 | 50 | 15 | A+ [S&P] |
| Chaucer Dublin [6] | 40 | 12 | 40 | 12 | 20 | 7 | 20 | 7 | A - [S&P] |
| Chubb [7] | 150 | 15 | 100 | 15 | 25 | 8 | 25 | 7 | AA [S&P] |
| Coface [8] | 97 | 10 | 97 | 10 | 97 | 8 | 12 | 5 | AA- [Fitch] A2 [Moody's] |
| Convex UK [9] | 50 | 15 | 50 | 10 | 25 | 10 | 25 | 10 | A - [S&P] |
| Credendo ECA [10] | 50 | 15 | 50 | 15 | 50 | 10 | 10 | 5 | AA [S&P] |
| Credendo Single Risk [11] | 30 | 7 | 30 | 7 | 30 | 7 | 18 | 5 | A- [Fitch and AM Best] and A- [S&P] |
| Euler Hermes [12] | 182 | 8 | 182 | 10 | 182 | 10 | 61 | 5 | AA [S&P] |
| Everest Insurance [13] | 100 | 15 | 100 | 15 | 50 | 7 | 50 | 5 | A+ [S&P] |
| FCIA [14] | 25 | 7 | 80 | 7 | 80 | 7 | 0 | 0 | A+ [S&P] |
| Fidelis [15] | 300 | 15 | 250 | 15 | 125 | 15 | 125 | 15 | A- [S&P], A [AM Best] |
| Groupama | 0 | 0 | 30 | 3 | 30 | 3 | 0 | 0 | A [Fitch] |
| HDI Global Specialty SE | 50 | 15 | 50 | 15 | 40 | 15 | 30 | 7 | A+ [S&P]; A [A.M. Best] |
| Lancashire [16] | 200 | 10 | 75 | 10 | 0 | 0 | 75 | 10 | A-[S&P] |
| Liberty Mutual Insurance Europe [17] | 100 | 15 | 100 | 15 | 100 | 10 | 100 | 7 | A [S&P] |
| Markel | 30 | 10 | 50 | 10 | 150 | 7 | 20 | 5 | A/A+ [S&P/Fitch] |
| MS Amlin Insurance SE [18] | 40 | 12 | 40 | 12 | 10 | 5 | 40 | 12 | A [S&P] |
| QBE | 20 | 5 | 20 | 7 | 50 | 2 | 15 | 5 | A+ [S&P] |
| SCOR UK Company Ltd [19] | 35 | 15 | 35 | 15 | 35 | 10 | 35 | 7 | AA - [S&P] |
| Sompo International | 60 | 15 | 60 | 10 | 60 | 10 | 60 | 10 | A+ [S&P] |
| Sovereign [20] | 80 | 15 | 80 | 15 | 0 | 0 | 80 | 15 | AA [S&P/Fitch] |
| Starr International [21] | 50 | 10 | 50 | 10 | 0 | 0 | 50 | 10 | A [A.M. Best] |
| Swiss Re | 75 | 15 | 75 | 15 | 200 | 5 | 0 | 0 | AA-[S&P] Aa3 [Moody's] |
| The Hartford [22] | 100 | 15 | 60 | 15 | 40 | 7 | 25 | 7 | A+ [S&P] A1 [Moody's] A+ [AM Best] |
| Tokio Marine HCC [23] | 60 | 10 | 60 | 10 | 60 | 7 | 30 | 7 | A+ [S&P/Fitch] |
| Zurich [24] | 150 | 15 | 150 | 15 | 100 | 10 | 35 | 5 | AA- [S&P/Fitch] |

**Notes**

[1] AIG's NT figures relate to non-trade CF. Their non-trade CR line is USD 100m. AIG can write project finance lines of USD 100m, up to 10 years.

[2] Arch's NT figures relate to CF non-trade. They can only write USD 5m for 5 years on non-trade CF business.

[3] Ascent is an MGA writing on behalf of Lloyd's syndicate(s), hence their lines carries the Lloyd's security rating.

[4] On company paper, Aspen can write USD 100m for 15 years on project finance business.

[5] Axis CRS can write USD 75m for 20 years on project finance business. They also only write PR behind ECAs/multilaterals.

[6] Their figures for NT relate to CF non-trade only.

[7] Chubb can write USD 25m for 10 years on project finance business.

[8] Coface's maximum lines are denominated in EUR. For the sake of this report, a EUR/USD exchange rate of 1.21 has been used. For projects that benefit from ECAs/multilateral financing, they can write up to 15 years.

[9] Convex can write longer tenors and larger line sizes on an exceptional basis.

[10] Credendo ECA can write to 20 years for project finance business. Their max. tenor for bank-to-bank CR exposure is limited to 3 years.

[11] Credendo SR's maximum lines are denominated in EUR. For the sake of this report, a EUR/USD exchange rate of 1.21 has been used.

[12] Euler Hermes' maximum lines are denominated in EUR. For the sake of this report, a EUR/USD exchange rate of 1.21 has been used. They can write to 12 & 15 years for aircraft finance & project finance respectively. They can also write to 15 years for ECAs/multilaterals.

[13] Everest can write to 15 and 12 years for project finance and aircraft finance business, respectively.

[14] FCIA can write to 10 years for ECAs/multilaterals.

[15] Fidelis' USD 300m PR line applies to Confiscation (CEND) & Mortgagee's Rights Insurance (MRI). Furthermore, they can write up to 20 years on a case-by-case basis.

[16] Lancashire's NT figures relate to non-trade CF business only.

[17] For PR/CF, Liberty can write to 20 years for public agencies (ECAs, multilaterals etc.). They can also write to 15 years for project finance business and up to 12 years on asset-backed credit finance transactions.

[18] MS Amlin's NT figures relate to non-trade CF business only.

[19] SCOR|Channel are able to offer up to a maximum of USD 87.5m on Lloyd's and Company platforms. They can also write to 12 years for aircraft finance business.

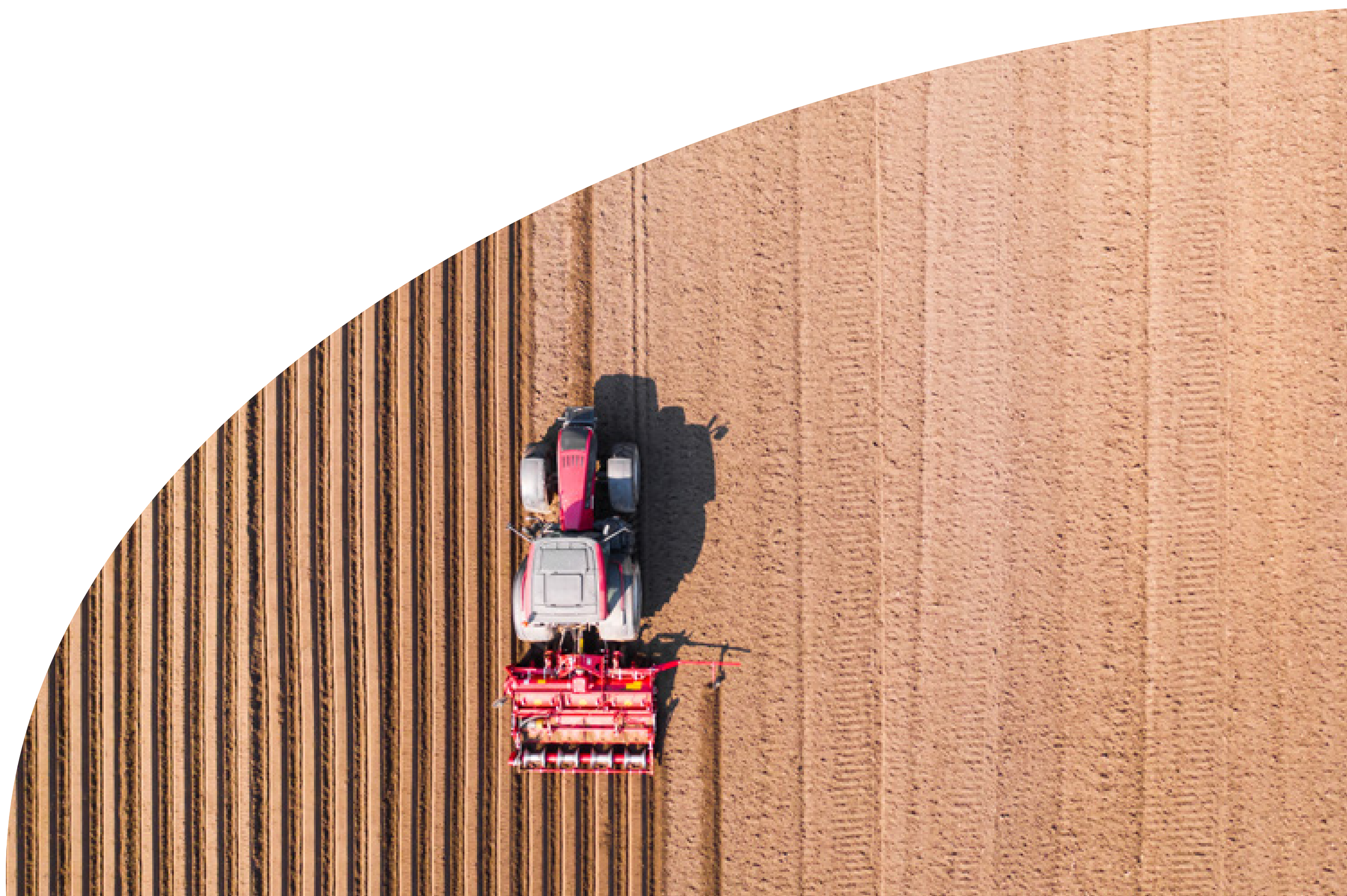
[20] Sovereign's NT figures relate to non-trade CF business only.

[21] Starr's NT figures relate to non-trade CF business only.

[22] Hartford can write to 12 years for project finance and asset-backed finance business on private names

[23] TMHCC can write to 12 years for ECAs/multilaterals, and can exceed the advised tenors on a set number of PF deals annually.

[24] For Non-Trade, Zurich can write USD 35m for 5 years for obligors rated BBB- and above. For obligors rated BB- to BB+, Zurich can write USD 25m for 3 years.



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