

Summary prepared by BDO in Ukraine “Corporate finance” Team  
04 April, 2023



# POLITICAL AND WAR RISK INSURANCE BY STATE OR PUBLIC AGENCIES

*The information contained in this document is gathered from open sources, and not guaranteed as being accurate and does not purport to be a complete statement or summary of the available data. BDO assumes no responsibility or liability of any kind, as to the accuracy or completeness of any information and opinions contained in the document.*

Political risks are associated with government actions which deny or restrict the right of an investor/owner i) to use or benefit from his/her assets; or ii) which reduce the value of the firm. Political risks include war, revolutions, government seizure of property and actions to restrict the movement of profits or other revenues from within a country.

By purchasing political risk insurance (PRI), investors can successfully strengthen their position in the host state, allocating the burden of political risk to third parties (insurance agencies). PRI is provided by **international organizations**, such as the Multilateral Investment Guarantee Agency (MIGA) and **state-sponsored insurance agencies**, known as export credit agencies (ECAs) or public insurance agencies.

Political risks covered PRI providers cover very similar sets of political risks:

- 1) Currency inconvertibility and transfer restrictions.
- 2) Confiscation, expropriation, nationalization.
- 3) Political violence/war.
- 4) Default on obligations such as loans, arbitral claims, and contracts.

*Most credit agencies have frozen their limits for Ukraine because of the lack of instruments in place. The exceptions are MIGA, DFC (USA), UKEF (UK), KUKE (Poland). Negotiations are also under way with Bpifrance (France). The French agency is considering both insuring through its ECA and joining the MIGA risk reinsurance trust fund. War risk insurance in theory would be needed for the first years but not for the entire project (for example 10 years).*

## INTERNATIONAL ORGANIZATIONS

### MIGA - Multilateral Investment Guarantee Agency

<https://www.miga.org/products>

MIGA is a member of the World Bank Group. MIGA's mandate is to promote cross-border investment in developing countries by providing guarantees (political risk insurance and credit enhancement) to investors and lenders.

MIGA provides political risk insurance guarantees and credit enhancement to private sector investors and lenders. MIGA's guarantees protect investments against non-commercial risks, and can help investors obtain access financing on improved terms and conditions. Political Risk Insurance products include:

- ▶ **WAR AND CIVIL DISTURBANCE.** Protection against loss from, damage to, or disappearance of tangible assets caused by political acts of war or civil disturbance.
- ▶ **BREACH OF CONTRACT** coverage provides protection against losses arising from a government's breach or repudiation of a contract with an investor.
- ▶ **CURRENCY INCONVERTIBILITY AND TRANSFER RESTRICTION.** Protection against losses arising from an inability to legally convert local currency into hard currency.
- ▶ **EXPROPRIATION.** Protection against losses arising from certain government actions that may reduce ownership of the insured investment.

MIGA's War and Civil Disturbance coverage provides protection against loss from, damage to, or the destruction or disappearance of, tangible assets or total business interruption (the total inability to conduct operations essential to a project's overall financial viability) caused by politically motivated acts of war or civil disturbance in the country, including revolution, insurrection, coups d'état, sabotage, and terrorism.

For tangible asset losses, MIGA pays the investor's share of the lesser of the replacement cost and the cost of repair of the damaged or lost assets, or the book value of such assets if they are neither being replaced nor repaired. For total business interruption that results from a covered war and civil disturbance event, compensation is based, in the case of equity investments, on the net book value of the insured investment or, in the case of loans, the insured portion of the principal and interest payment in default. This coverage encompasses not only violence in the host country directed against a host country government, but also against foreign governments or foreign investments, including the investor's government or nationality.

Temporary business interruption may also be included upon a request from the investor and would cover a temporary but complete cessation of operations due to loss of assets or unreasonably hazardous conditions in the host country, which result in a temporary abandonment or denial of use. For short-term business interruption, MIGA pays unavoidable continuing expenses and extraordinary expenses associated with the restart of operations and lost business income or, in the case of loans, missed payments.

#### Other MIGA's products:

- ▶ MIGA's CAPITAL OPTIMIZATION product is designed for global retail banks with significant exposures to central banks in emerging markets. MIGA can insure mandatory reserves held by a parent bank's emerging-market subsidiaries, which reduces the counterparty risk and can lead to a reduction in the bank's risk-weighted assets (RWA) on a consolidated basis. The RWA capacity that is freed up can then be used to grow the bank's loan book.
- ▶ MIGA's SMALL INVESTMENT PROGRAM (SIP) is designed to facilitate investments into small and medium-size enterprises involved in the finance, agribusiness, manufacturing, and services sectors. The program offers a streamlined approval process, allowing investors to get MIGA coverage in place quickly.
- ▶ MIGA offers a solution to these issues by providing its GUARANTEE COVERAGE TO PRIVATE EQUITY FUNDS that meet MIGA's eligibility criteria and commit to MIGA's environmental, social, and anti-corruption policies. Those funds are offered a master contract of guarantee that reserves MIGA capacity and provides up-front pricing to the General Partners of the fund for a specific period (two to three years). The fund managers may use this contract to raise funds from institutional investors who are interested in taking the commercial risks (and returns) associated with these investments. MIGA then provide political risk insurance to each underlying investment using MIGA's regular underwriting process.

MIGA covers capital and debt insurance up to 90%.

***October 24, 2022 The Head of the Government of Ukraine has noted that Ukraine is working to minimize military risks for investors. In particular, there has been established cooperation with the MIGA. MIGA has successful cases in countries that were facing terror attacks. The Agency has disbursed \$30 million to Ukraine for the implementation of a pilot project on investment insurance.***

***November 17, 2022 Raiffeisen Bank International AG has applied for MIGA's guarantee of up to €50 million in Expropriation of Funds cover for mandatory cash reserves for a period of up to one year and one day into its subsidiary JSC Raiffeisen Bank in Ukraine.***

***February 23, 2023 MIGA has provided an indicative proposal for a pilot project of political-military risk insurance at the expense of their authorized capital. However, MIGA stopped processing applications due to the lack of reinsurance opportunities.***

***Although MIGA products can cover risks for international investors, this mechanism is not available to Ukrainian companies.***

## 2. SOME STATE-SPONSORED INSURANCE AGENCIES

### USA

#### DFC - U.S. International Development Finance Corporation

<https://www.dfc.gov/what-we-offer-our-products/political-risk-insurance>

DFC is a development finance institution and agency of the United States federal government. DFC invests in development projects primarily in lower and middle-income countries. DFC's lending capacity is used to provide Loans, Loan guarantees, Direct equity investments, and Political risk insurance for private-sector led development projects, Feasibility studies, and Technical assistance.

POLITICAL RISK INSURANCE provides coverage of up to \$1 billion against losses due to currency inconvertibility, government interference, and political violence including terrorism. DFC also offers reinsurance to increase underwriting capacity.

#### POLITICAL RISK INSURANCE - TYPES OF COVERAGE:

##### 1) Currency Inconvertibility

Protects conversion and transfer of earnings, returns of capital, principal and interest payments, technical assistance fees, and similar remittances. This product insures against potential host country government acts:

- ▶ New, more restrictive foreign exchange regulations
- ▶ Failure by an exchange control authority to approve of—or simply to act on—an application for hard currency
- ▶ An unlawful effort by the host government to block funds for repatriation
- ▶ Discriminatory host government actions resulting in an inability to convert and transfer local earnings

DFC's inconvertibility coverage does not protect against the devaluation of a country's currency.

##### 2) Government interference (Expropriation)

Protects against acts of expropriation and other forms of unlawful interference by the host government that deprive investors of their fundamental rights in a project. Government interference in a project can take many forms including:

- ▶ Nationalization
- ▶ Confiscation and creeping expropriations
- ▶ Abrogation, repudiation, or impairment of contract, including forced renegotiation of contract terms
- ▶ Imposing of confiscatory taxes
- ▶ Confiscation of funds and/or tangible assets
- ▶ Outright nationalization of a project

DFC can provide arbitral award default and denial of justice coverage for U.S. debt and equity investors, protecting the insured from nonpayment of an arbitral award by a host country government.

##### 3) Bid, Performance, Advance Payment, and Other Guaranty Coverages

Guarantees issued on behalf of a U.S. exporter of goods or services, or a U.S. contractor in favor of a foreign government buyer can be covered against the risk of a wrongful calling. The guarantees usually are in the form of irrevocable, on-demand, standby letters of credit. A wrongful calling is one that is not justified by the terms of the underlying contract, or the invitation for bids.

In the case of a bid guaranty, the insured may file a claim when it believes a wrongful calling has occurred and DFC will make a determination. With performance, advance payment and other guaranties, the insured must invoke the dispute resolution procedure in its contract with the foreign buyer before DFC will pay compensation.

#### 4) Breach of Contract for Capital Markets

DFC political risk insurance supports U.S. capital market financing structures that catalyze private capital in emerging markets.

#### 5) Reinsurance

To increase underwriting capacity and support development in countries where investors have difficulty obtaining political risk insurance, DFC can reinsure licensed U.S. and international insurance companies.

#### 6) Political violence including terrorism

Protects against assets and income losses caused by:

- ▶ Declared or undeclared war.
- ▶ Hostile actions by national or international forces.
- ▶ Revolution, insurrection, and civil strife.
- ▶ Terrorism and sabotage.

Investors may purchase this insurance for Assets, Business Income, or both. In addition, DFC can provide coverage for:

- ▶ Evacuation expenses.
- ▶ Income losses resulting from temporary abandonment of a project caused by political violence.
- ▶ Income losses resulting from damage to specific sites outside the insured facility, such as a critical railway spur, power station, or supplier.

***DFC has announced some steps in Ukraine for private investors. DFC covers capital insurance up to 85%, and 100% debt insurance.***

***DFC is prepared to support both direct lending and credit and political (military) risk coverage. The credit risk insurance product assumes that the borrower, having obtained DFC insurance, will approach a commercial bank or other international financial institution.***

***February 23, 2023 DFC has demonstrated a higher level of interest in insuring Ukrainian business. Unlike MIGA, they are already considering projects initiated by Ukrainian investors, but they are also limited in their capabilities and need refinancing.***

## CHINA

### SINOSURE - China Export and Credit Insurance Corporation

<https://www.sinosure.com.cn/en/Insurance/oii/index.shtml>

SINOSURE is a state-funded and policy-oriented insurance company established and supported by the state to promote China's foreign economic and trade development and cooperation.

#### SINOSURE's Products & Services include:

- ▶ M/LT Export Credit Insurance.
- ▶ Overseas Investment Insurance.
- ▶ ST Export Credit Insurance.
- ▶ Bond&Guarantee.

Overseas Investment Insurance protects investors and financial institutions from economic losses resulting from political risks such as expropriation, exchange restrictions, war, political riot and breach of contract in the country where investment is made. The maximum tenor is 20 years.

Covered risks:

- ▶ **EXPROPRIATION.** The host country deprives the ownership and management of an investment project or the use and control of the funds and assets of an investment project through nationalization, confiscation or compulsory acquisition.
- ▶ **EXCHANGE RESTRICTIONS.** The host country hinders or restricts investors from free exchange of currencies or raises the exchange cost and prevents outward remittance of a currency from the country.
- ▶ **WAR AND POLITICAL RIOT.** A war, revolution, riot, coup, civil war, rebellion, terrorist activity or other warlike operations occur in the host country, which results in the investors' loss of assets or permanent inability to operate.
- ▶ **BREACH OF CONTRACT.** The host government or any other entity approved by the insurer breaches or fails to perform the agreement on the investment project and refuses to pay compensation.

**Covered percentage Up to 95%.**

**Products:**

1. **OVERSEAS INVESTMENT (EQUITY) INSURANCE.** It is a product SINOSURE offers to encourage Chinese enterprises to invest overseas by assuming the loss of shareholder's equity in overseas investment.
2. **OVERSEAS INVESTMENT (DEBT) INSURANCE.** It is a product SINOSURE offers to companies or financial institutions encouraging Chinese companies to grant shareholder loans for their overseas investment projects, or encouraging financial institutions to provide loans or other financing recognized by SINOSURE forms of financing for overseas investment projects of Chinese companies, by assuming the loss of their claims on debts.

## GERMANY

### Investment Guarantees

<https://www.investitions Garantien.de/en>

Investment Guarantees of the Federal Republic of Germany is well-established and proven foreign investment promotion scheme of the Federal Government. They hedge eligible German direct investments abroad against political risks that may occur. The Federal Government has mandated PricewaterhouseCoopers GmbH to manage this investment promotion scheme.

The promotion scheme:

- ▶ **INVESTMENTS.** Investment Guarantees protect direct investments of German companies in emerging markets and developing countries against political risks.
- ▶ **EXPORT.** Export Credit Guarantees (Hermes Cover) protect export transactions, in particular in difficult and high-risk markets, against a payment default for commercial / political reasons.
- ▶ **RAW MATERIALS.** Untied Loan Guarantees support the external financing of raw materials projects abroad which are eligible for cover and secure the supply of the German industry with raw materials.

The subject of the guarantee is primarily the capital invested in cash or in kind (capital cover). Additionally and depending on the individual project, earnings due can also be included in the guarantee, for example in the form of dividends or interest (earnings cover). The duration of the investment guarantee is generally 15 years.

**The following foreign direct investments may be covered:**

- ▶ **EQUITY PARTICIPATIONS.** Shares in a project company acquired upon its formation, during a capital increase or purchased from a withdrawing shareholder (in return for a capital contribution in cash, in kind or in the form of other benefits - combined with voting and controlling rights and the right to share in liquidation proceeds).
- ▶ **INVESTMENT-LIKE LOANS.** Shareholder or bank loans which in their purpose and conditions resemble equity.
- ▶ **PARTICIPATIONS THROUGH HOLDING COMPANIES**
- ▶ **ENDOWMENT CAPITAL.** For foreign branches or plant locations of German companies.
- ▶ **RIGHTS QUALIFYING AS ASSETS (IN THE FORM OF LONG-TERM INVESTMENTS).** E.g. concessions (production sharing agreements for oil and gas) and bonds.

**Covered risks:**

- ▶ **EXPROPRIATION.** Nationalization, Expropriation, Sovereign acts which in their effects are equivalent to expropriation.
- ▶ **WAR.** War or other armed conflicts, revolutions, breaches of public peace or terrorist acts associated with such events. Isolated terrorist acts (on special request).
- ▶ **CONVERTIBILITY AND TRANSFER RISKS.** Convertibility and transfer risks. Payment embargoes or moratoriums.
- ▶ **BREACH OF CONTRACT** (on special request). Payment commitments. Sub-sovereigns.

**Handling fee:**

- ▶ No fee for investments up to €5 million
- ▶ 0.5 ‰ for the amount exceeding €5 million
- ▶ Total fee for each application may not exceed €10,000

**Premium:**

- ▶ Capital cover: 0.5 % p. a. of the maximum amount of cover.
- ▶ Earnings cover: 0.5 % p. a. of the capital or interest earnings which are at risk during a contract year

A policy on individual markets varies and can assume 100% cover for some countries.

With regard to applications for investment guarantees for investments in Ukraine, the Federal Government is continuously monitoring the current dynamic situation. It is and remains the aim of the German Government to provide Ukraine with the best possible economic support. Decisions on applications are made on a case-by-case basis on the basis of the respective risk situation. Existing investment guarantees continue to protect investors and financing banks against political risks in Ukraine.

**UK****UKEF - UK Export Finance**

<https://www.gov.uk/guidance/overseas-investment-insurance>

UK's export credit agency and a government department, working alongside the Department for International Trade.

**UKEF's product include:**

- ▶ The attractive financing terms UKEF can offer to overseas buyers of UK goods and services.
- ▶ Guarantee schemes to fulfil a contract.
- ▶ Insurance to manage risks in challenging markets.

When a UK company wants to invest overseas, for example a subscription for shares, building a new factory or opening a branch in another country to help boost sales in a particular market, investors may wish to seek protection for their investment.

**Overseas Investment Insurance policy can protect a UK investor against potential losses on overseas investments due to defined political events that may arise in a non-OECD country:**

- ▶ Cover against losses caused by specified risks, for up to 90% of the loss value.
- ▶ The option for annual renewal, maintaining the same premium and terms for up to a maximum of 15 years.
- ▶ The option to adjust the amount of cover with each renewal, to reflect the invested amount that year (given it does not exceed a specific maximum).
- ▶ Long-term projects, up to 15 years.

## JAPAN

### NEXI - Nippon Export and Investment Insurance

<https://www.nexi.go.jp/en/products/types/investment.html>

NEXI is a Japanese insurance corporation owned by the Japanese government. NEXI provides Trade and Investment Insurance services to facilitate and enhance Japanese companies' international business. NEXI covers losses incurred from i) the Commercial Risks in which the counterpart of overseas transactions such as trade is responsible, and ii) the Political Risks that arise from overseas transactions such as trade which the party concerned are not responsible.

**COVERED POLITICAL RISKS.** These are for example restriction/prohibition of exchange dealings, raise in tariffs, restriction/prohibition of imports, acts by a third party other than the party concerned such as war or revolution, or natural disasters and extraordinary events. Inability of export due to political risks, inability to collect export proceeds or prepaid money, or when stocks acquired through overseas investment is confiscated due to political risks, the losses will be covered by trade insurance.

**NEXI's types of insurance include:**

- ▶ Export Credit Insurance.
- ▶ Export Credit Insurance for SMEs and AFF Sector.
- ▶ Trade Insurance for Standing Orders from Specific Buyer.
- ▶ Comprehensive Export Insurance with Simplified Procedure.
- ▶ Export Bill Insurance.
- ▶ Prepayment Import Insurance.
- ▶ Buyer's Credit Insurance.
- ▶ Overseas Untied Loan Insurance.
- ▶ Overseas Investment Insurance.
- ▶ Investment and Loan Insurance for Natural Resources and Energy.

**Overseas Investment Insurance:**

- ▶ This insurance covers losses suffered by a Japanese company with a subsidiary or a joint venture in a foreign country. The losses are incurred when the relevant subsidiary or the joint venture is forced to discontinue business due to war, terrorism, or force majeure, such as a natural disaster. The insurance also covers losses incurred when a Japanese company is unable to remit dividends to Japan due to prohibition of foreign currency exchange or suspension of remittance.
- ▶ NEXI can provide cover for premium (goodwill, etc.) paid by an investor to secure a stake in natural resources or to become a shareholder.
- ▶ The other type of Overseas Investment Insurance covers rights and acquired profits (real estate, etc.), while the above insurance covers investment (equity investment, etc.).



## POLAND

### KUKE - Export Credit Insurance Corporation

<https://pfr.pl/en/offer/insurance-of-direct-investments-abroad.html>

KUKE is the official Polish export credit agency that provides solutions in the form of credit insurance, guarantees, factoring, and investment insurance. Solutions for banks, small and large companies.

KUKE can protect the outlays borne by Polish investors against losses caused by risky political events in investment countries. The insurance covers documented pecuniary and tangible expenditures as well as intangible and legal assets (net) invested in a foreign business, which give the right to participate in profits, in the estate in bankruptcy, guarantee the right to vote and to supervise and co-manage.

The insurance covers losses incurred in connection with the execution of a direct investment abroad as a result of events referred to as political risk and force majeure.

- ▶ Decisions in the form of government interventions preventing an investment from going ahead.
- ▶ The announcement of a universal payment moratorium.
- ▶ Decisions concerning trade restrictions consisting of prohibitions on exports.
- ▶ The transfer of receivables being rendered impossible (e.g. dividends).
- ▶ The exercise of rights related to an investment being rendered completely impossible.
- ▶ War, revolution, riots, protracted mass strikes, earthquakes, volcano eruptions, typhoons, flood, and fires of catastrophic dimensions.

## ITALY

### SACE - Servizi Assicurativi del Commercio Estero

<https://www.sace.it/en/solutions/category-detail/expand-into-target-markets>

SACE is the Italian insurance-financial company specializing in supporting businesses and the national economic fabric through a wide range of tools and solutions to support competitiveness in Italy and around the world. It also supports the banking system to facilitate access to credit for companies with its financial guarantees.

**SACE offers a wide range of products and services:**

- ▶ Medium-long term financing to purchase goods and services from Italy.
- ▶ Recover receivables in case of default.
- ▶ Safely invest abroad with the support of an Institutional partner.
- ▶ Contractual guarantees to participate in tenders and carry out construction works.
- ▶ Contract-tied financing for Italian procurement.

**INVESTMENT PROTECTION.** With SACE investors can safely invest abroad, getting insurance against the risk of loss of invested capital, interests and profits due to political events. SACE covers business from expropriation, nationalization, war and civil unrest, currency restrictions and breach of contract. In addition, if investors are unable to continue operations abroad due to war or civil unrest, with SACE they can recover loss of profit.

**Italian companies and their subsidiaries abroad planning to make foreign direct investments can get benefits:**

- ▶ Safely invest abroad.
- ▶ Insurance of sums due to investors by way of future dividends, revenues from the sale of the investment and interests on shareholder's loans.
- ▶ Possibility of transferring policy rights to a bank to obtain better terms of financing for the foreign subsidiary.
- ▶ Equity investment supported by SIMEST can be insured against political risks.

SACE takes equity participation in foreign direct investments, providing additional financial resources to safely grow and expand into foreign markets.

SIMEST takes direct participation in up to 49% of the equity of foreign Italian subsidiary for a maximum duration of 8 years. If the company is established in a non-EU country, SACE can also offer interest rate subsidy.

SIMEST's participation can be considered for establishing the company, for capital injection and/or M&A transactions.

## NORWAY

### EKSFIN - Export Finance Norway

<https://www.eksfin.no/en/country/ukraine/>

EKSFIN is a governmental financial enterprise established to ensure that Norwegian export industries are financially competitive abroad. EKSFIN can provide government loans and guarantees for promoting specific sales contracts abroad, investments in Norway that contribute to exports, or other transactions that help to generate value and employment within Norway.

EKSFIN handles all applications to Ukraine on a case-by-case assessment and price premiums individually. Today (21.01.2023) Ukraine is defined as risk class 6 out of 7, and the risk guarantees probably expected to be prized relatively high.

Right now, Norway does not have a specific war risk guarantee scheme target to the situation in Ukraine. The only arrangement from the government so far, has been a loan guarantee offered to companies who faced liquidity problems because of lost revenue from Ukraine after the war outbreak. Requirement for applying was >40% revenue from Ukraine and EKSFIN was able to totally provide NOK 500 million in loans (\$50 million). As far as is known, public authorities have not yet published any plans to increase the support of war risk insurance or subsidized loans directly to investment activities in Ukraine.

## FRANCE

### BPIFRANCE - Banque publique d'investissement

<https://www.bpifrance.com/>

BPIFRANCE is a French public investment bank. Since 2017, Bpifrance Assurance Export, a subsidiary of Bpifrance, has been managing public export guarantees in the name, on behalf and under the control of the French Government. Bpifrance Assurance Export covers long-term investments abroad against political risks.

#### BPIFRANCE's products:

- ▶ Credit Insurance for french companies - Commercial contracts insurance, Services and intangible property insurance, Discounts and supplier credit assignment insurance.
- ▶ Credit Insurance for foreign companies.
- ▶ Exchange risk insurance.
- ▶ Export Bond & Working Capital Insurance.
- ▶ Investment Insurance.

Investment Insurance protects investors or credit institutions issuing investment loans against risks of property damage and/or non-payment of amounts due to investors resulting from non-transfer, expropriation or political violence risks. The insurance covers up to 95% of the investor's loss of an asset or of the receivable.

Any French-law company making a long-term investment abroad in a new or existing company, or any credit institution granting a bank loan to a foreign subsidiary, is eligible for Investment Insurance. Examples of insurable investments: equity investments, guarantees granted on local medium and long-term loans, bank loans serving to finance assets, long-term shareholder loans, or fees on a licence concession agreement associated with the foreign company's business. An investment protection and recourse mechanism in the host country is required (bilateral investment protection agreement, ICSID ratification, etc.).

Bpifrance retains very limited risk exposure: 5% or even 0% depending on the product.

Today Bpifrance does not have the appropriate instruments for insuring military risks, however, the French government will listen to the proposals of Ukraine and is ready to consider and implement such instruments in the near future.

## SWEDEN

### EKN - Exportkreditnämnden

<https://www.ekn.se/en>

EKN, The Swedish Export Credit Agency, is an authority with the task of promoting Swedish exports by insuring the risk of not being paid in export transaction. EKN also insures banks' lending to both exporting companies and their buyers.

#### Guarantees for companies and banks:

- ▶ Buyer Credit guarantee
- ▶ Guarantees for non-payment in supplier credits
- ▶ Counter guarantee - for contract guarantees
- ▶ Working capital credit guarantee
- ▶ Guarantee for investments abroad
- ▶ Other guarantees

#### Guarantee for investments abroad:

- ▶ The investment guarantee covers the risk of loss due to political events associated with investment or investment loans abroad. Such risks include nationalization, expropriation, broken agreements, war, natural disaster, currency barriers, and events associated with economic change.
- ▶ The guarantee can be used by investors or financiers of investment loans.
- ▶ A guarantee is eligible for investments and investment loans that promote Swedish interest.
- ▶ EKN offers guarantees for investments in both goods and service production. Examples of investments are share acquisition through capital or in kind, licenses or franchises. EKN can also guarantee the risk that investor cannot take home the return on the investment.
- ▶ The guarantee usually covers 90 percent of your invested amount or claim.
- ▶ The premium is paid annually in advance and is usually in the range of 0.5%-2% per year on invested capital or loan amount disbursed. Premiums for returns are paid separately in case the return is to be guaranteed.

Today (04.04.2023) Ukraine is defined as risk class 7 out of 7 (the lower the number, the better the country's creditworthiness). Indicative Premium rate for corporates with credit period 12 months in Ukraine 3.39%.

### 3. ISRAEL - TERRORISM RISK INSURANCE PROGRAMME

The Compensation Fund in Israel originated in 1941 with the foundation of a national fund for war damages. Over the years the coverage has expanded for additional damages- not only war damages, but damage from hostile actions and terrorism as well. The law compensates for direct damage, household objects, damage outside of Israel (such as aircraft and ships) and indirect damages.

**War damage, direct damages** to assets due to acts of war caused by:

- 1) Foreign armies;
- 2) Hostile actions (terrorism) against the State of Israel;
- 3) Other acts of war by the Israel Defence Forces.

**Indirect damages:** Loss of revenue or prevention of profits as a result of war damage caused by foreign armies, hostile actions or other acts of war by the Israel Defence Forces.

Compensation is to be partially paid by the State of Israel and partially by the insurance industry. To obtain compensation, the business must first file a claim with their insurance provider, who will then assess the damage and determine if the claim is covered under the terms of the policy. If the claim is approved, the insurance provider will work with the Israeli government to obtain compensation through the Terrorism Risk Insurance Program.

It is important to note that the program only provides coverage for losses resulting from acts of terrorism that are officially recognized by the Israeli government. If the government does not classify an attack as an act of terrorism, the business may not be eligible for compensation through the program. Additionally, businesses must meet certain eligibility requirements, including compliance with government regulations and security standards, in order to participate in the program.

**In addition to compliance with government regulations and security standards, there are several other eligibility requirements that businesses must meet to participate in the Israeli Terrorism Risk Insurance Program and obtain compensation for losses resulting from acts of terrorism. These requirements may include:**

- ▶ The business must have property located in Israel that is at risk of damage or loss from acts of terrorism.
- ▶ The business must have an insurable interest in the property, meaning they must own or lease the property or have a financial stake in the property.
- ▶ The business must pay the required premiums to participate in the program.
- ▶ The business must provide accurate and complete information about their property and terrorism risk exposures when applying for coverage.
- ▶ The business must comply with all terms and conditions of the policy, including any requirements for maintaining security measures or reporting claims in a timely manner.

The insurance premium for the Israeli Terrorism Risk Insurance Program is determined based on several factors, including the insured entity's exposure to terrorism risk and the level of coverage requested. Premiums are subsidized by the Israeli government, with insured entities paying a portion of the total premium.

The exact premium rate is not publicly disclosed, as it is based on proprietary risk modeling and underwriting factors that are determined by the insurance providers participating in the program. However, businesses can work with their insurance providers to obtain a quote for coverage and understand the factors that are being considered in the premium calculation.

It is important to note that while the Israeli government subsidizes a portion of the premium, businesses are still responsible for paying a significant portion of the total premium cost. This is designed to encourage businesses to take an active role in managing their terrorism risk and implementing security measures to reduce their exposure to potential losses. The Israeli Terrorism Risk Insurance Program is administered by the Israeli government through the Ministry of Finance, and insurance coverage is provided by private insurance companies and reinsured by the Israeli government.

There are several insurance providers that participate in the program and offer terrorism risk insurance to businesses and property owners in Israel. These insurance providers may include both Israeli and international companies with a presence in Israel. Some of the insurance providers that have been known to participate in the program include:

- ▶ Clal Insurance
- ▶ Harel Insurance
- ▶ Menora Mivtachim Insurance
- ▶ Phoenix Insurance
- ▶ AIG
- ▶ Allianz
- ▶ AXA
- ▶ Chubb
- ▶ Zurich Insurance

It is important to note that the list of insurance providers may change over time, and businesses should work with a licensed insurance agent or broker to determine which providers are currently participating in the program and can offer the best coverage options for their specific needs.

The Israeli Terrorism Risk Insurance Program is a public-private partnership that is designed to provide coverage to businesses and property owners in Israel against losses resulting from acts of terrorism. The program is administered by the Israeli government through the Ministry of Finance, and insurance coverage is provided by private insurance companies and reinsured by the Israeli government.

The mechanism of cooperation between private insurance providers and the Israeli government is based on a reinsurance model. Under this model, private insurance providers issue policies to insured entities and assume a portion of the risk of losses resulting from acts of terrorism. The insurance providers then cede a portion of the risk to the Israeli government through a reinsurance agreement. In this way, the Israeli government serves as a backstop for losses that exceed a certain threshold, providing a financial guarantee to insured entities and their insurers in the event of a catastrophic terrorism event.

*Despite the fact that this publication has been carefully prepared by the company's specialists, it can only be used to get a general idea of the subject discussed in it. It is not recommended to use the information presented in the publication as professional advice on a specific issue. Prior to making any decision or taking any action that may affect your finances or business, a qualified professional advisor should be consulted. Please, contact BDO in Ukraine for advice.*

## Selected Official Export Credit Agencies

No	Country	ECA	Web
1	Germany	Investment Guarantees (agent PWC)	<a href="https://www.investitions Garantien.de/en">https://www.investitions Garantien.de/en</a>
2	UK	UKEF - UK Export Finance	<a href="https://www.gov.uk/guidance/overseas-investment-insurance">https://www.gov.uk/guidance/overseas-investment-insurance</a>
3	USA	DFC - U.S. International Development Finance Corporation	<a href="https://www.dfc.gov/what-we-offer-our-products/political-risk-insurance">https://www.dfc.gov/what-we-offer-our-products/political-risk-insurance</a>
4	Poland	KUKE - Export Credit Insurance Corporation	<a href="https://pfr.pl/en/offer/insurance-of-direct-investments-abroad.html">https://pfr.pl/en/offer/insurance-of-direct-investments-abroad.html</a>
5	Japan	NEXI – Nippon Export and Investment Insurance	<a href="https://www.nexi.go.jp/en/products/types/investment.html">https://www.nexi.go.jp/en/products/types/investment.html</a>
6	Italy	SACE – Servizi Assicurativi del Commercio Estero	<a href="https://www.sace.it/en/solutions/category-detail/expand-into-target-markets">https://www.sace.it/en/solutions/category-detail/expand-into-target-markets</a>
7	Norway	Export Finance Norway	<a href="https://www.eksfin.no/en/products/political-risk-guarantee/">https://www.eksfin.no/en/products/political-risk-guarantee/</a>
8	Slovakia	Eximbanka SR	<a href="https://www.eximbanka.sk/en/english/products/insurance-products/insurance-of-investments-of-slovak-legal-entities-abroad-product-i.html?page_id=183221">https://www.eximbanka.sk/en/english/products/insurance-products/insurance-of-investments-of-slovak-legal-entities-abroad-product-i.html?page_id=183221</a>
9	Canada	Export Development Corporation	<a href="https://www.edc.ca/">https://www.edc.ca/</a>
10	France	BPIFRANCE – Banque publique d'investissement	<a href="https://www.bpifrance.com/">https://www.bpifrance.com/</a>
11	Bulgaria	Bulgarian Export Insurance Agency	<a href="https://baez.bg/zastrahovki-kam-finansovi-institucii">https://baez.bg/zastrahovki-kam-finansovi-institucii</a>
12	Estonia	KredEx	<a href="https://www.kredex.ee/en/financing-companies/exporting-companies">https://www.kredex.ee/en/financing-companies/exporting-companies</a>
13	Latvia	Development Finance Institution Altum	<a href="https://www.altum.lv/en/services/enterprises/">https://www.altum.lv/en/services/enterprises/</a>
14	Lithuania	INVEGA	<a href="https://invega.lt/en/business/all-services/114">https://invega.lt/en/business/all-services/114</a>
15	Czech Republic	Export Guarantee and Insurance Corporation	<a href="https://www.egap.cz/en/insurance-calculator">https://www.egap.cz/en/insurance-calculator</a>
16	Austria	Oesterreichische Kontrollbank AG	<a href="https://my.oekb.at/">https://my.oekb.at/</a>
17	United Arab Emirates	Etihad Credit Insurance	<a href="https://eci.gov.ae/project-financing">https://eci.gov.ae/project-financing</a>
18	Portugal	Companhia de Seguro de Créditos (COSEC)	<a href="https://www.cosec.pt/en">https://www.cosec.pt/en</a>
19	Spain	Compañía Española de Seguros de Crédito a la Exportación (CESCE)	<a href="https://www.cesce.es/es/w/riesgo-pais/riesgo-pais-ucrania">https://www.cesce.es/es/w/riesgo-pais/riesgo-pais-ucrania</a>
20	Sweden	EKN, Exportkreditnämnden	<a href="https://www.ekn.se/en">https://www.ekn.se/en</a>
21	International	MIGA	<a href="https://www.miga.org/products">https://www.miga.org/products</a>



## CONTACTS

### KYIV:

201-203, Kharkivske Road,  
10<sup>th</sup> floor

☎ +380 44 393 26 87, 88

📠 +380 44 393 26 91

### DNIPRO:

4, Andriia Fabra Street,  
4<sup>th</sup> floor

☎ +380 56 370 30 43

📠 +380 56 370 30 45

✉ [info@bdo.ua](mailto:info@bdo.ua)

🌐 [www.bdo.ua](http://www.bdo.ua)



This publication contains general information and does not constitute professional advice or service. Prior to making any decision or taking any action that may affect your finances or business, a qualified professional advisor should be consulted. Please, contact BDO in Ukraine for advice.

BDO LLC, a Ukrainian limited liability company, is a member of BDO International Limited, a British limited liability company with its members, and is part of the international network of independent BDO member firms.

BDO is a brand of the BDO network and each BDO member firm. BDO is formed from the first letters of the names of the company's founders: Binder, Dijker and Otte.

2023 © BDO LLC. All rights reserved.

**BDO**