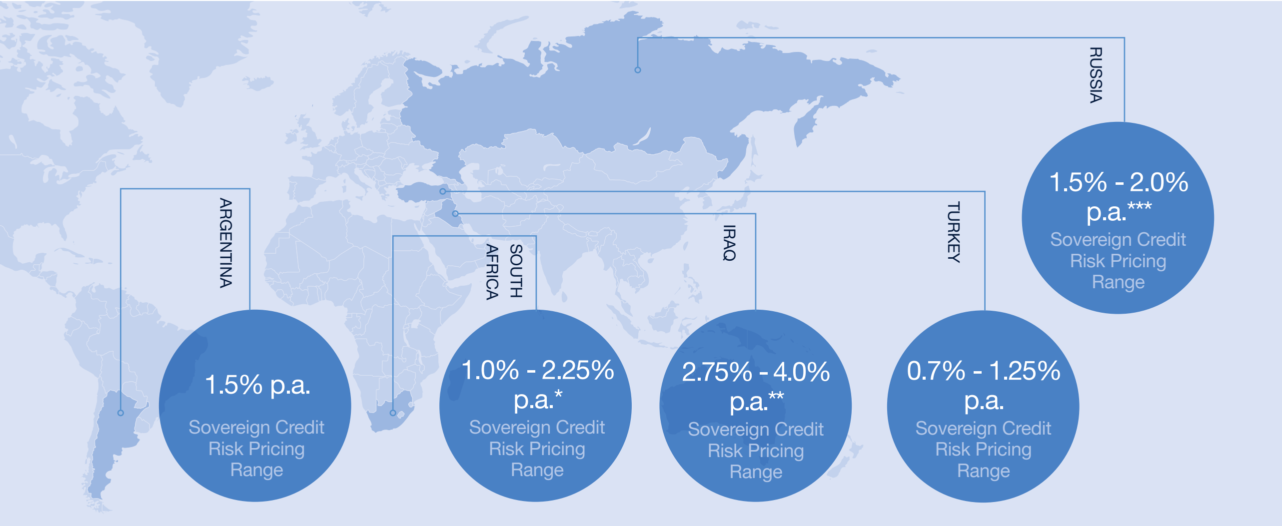
RISK OUTLOOK

CREDIT, POLITICAL AND SECURITY RISKS MARCH 2018



SOUTH AFRICA

Cyril Ramaphosa was sworn in as South Africa's president on 15 February 2018, and is expected to pursue a business-friendly reform agenda.

Page 3

TURKEY

Geopolitical headwinds have increased in 2018, following the launch of an offensive in northern Syria in January and increased tensions with Cyprus in February 2018.

Page 5

RUSSIA

President Vladimir Putin is likely to be re-elected in March 2018, given a weak opposition and his continuing domestic popularity.

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ALSO IN THIS ISSUE

Introduction

In this issue of Risk Outlook we focus on the potential for business-friendly reforms in a number of key markets. There are significant investment opportunities across a range of sectors in these countries, although reforms will be necessary to improve the challenging economic and operating conditions that have limited investor interest to date.

In South Africa, the end of the Zuma era brings expectations of reform, paving the way for renewed investment in the country. We look beyond the headlines and consider the potential for reform under Cyril Ramaphosa. We also provide a detailed, forward-looking assessment of developments within the security, trading and investment environments in Turkey, Russia, Argentina and Iraq, all of which have been the subject of recent enquiries from JLT's client base. We also provide a Rating Roundup, summarising a selection of World Risk Review ratings changes in additional countries.

The relationship driven, consultative approach within the Credit, Political and Security (CPS) Risks division helps us to quantify, prioritise and minimise our clients' political risk, security and trade credit exposures.

N.B

In addition to the sovereign credit risk pricing ranges shown above, this Risk Outlook contains pricing information on confiscation, expropriation, nationalisation and deprivation (CEND), full political violence and terrorism and sabotage insurance. The various costs for contractors, investors and lenders are available for a three to five year tenor, for the countries covered in this month's Risk Outlook.

* Given political uncertainty in the country, the range in pricing reflects the diverging outlooks of underwriters.

** A number of underwriters are willing to consider Iraqi enquiries, and pricing will significantly depend on the location and sector. In general, underwriters are most interested in the oil and gas sector.

*** Underwriters remarked that they rarely see this type of risk.

RATING ROUNDUP
THIS MONTH'S WORLD RISK REVIEW RATINGS CHANGES

Germany

↑ Strikes, Riots & Civil Commotion (5)

Protestors from the far-right Alternative for Germany (AfD) and counter-demonstration groups clashed with police in Berlin on 17 February 2018. Several individuals were arrested although there were no specific reports of injury or property damage. Major strikes also took place in February 2018. Industrial action by IG Metall, Germany's largest trade union, ended in a deal with employers on 6 February 2018, while 10,000 workers at energy firm E.ON were called out on strike from 19 February 2018 over a pay dispute.

Maldives

↑ War & Civil War (3)

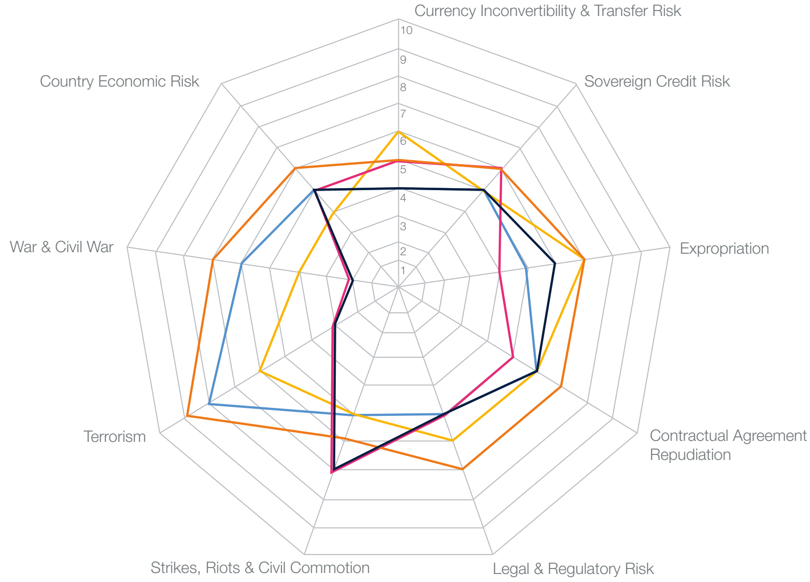
Ongoing political turmoil has increased war and civil war risks in the Maldives. President Abdulla Yameen Abdul Gayoom imposed a 15-day state of emergency following a Supreme Court ruling to free imprisoned opposition leaders. Tensions between the ruling party and the opposition are high, and have also fuelled geopolitical competition between India and China, which support the opposition and the ruling party respectively, for influence over the island country. Presidential elections to be held later this year may see the political crisis escalate further, particularly as parliament approved a 30-day extension of the state of emergency on 20 February 2018.

1 = Low Risk ↑ = Increased Risk

10 = High Risk ↓ = Decreased Risk

JLT's World Risk Review Ratings

March 2018



SOUTH AFRICA	●	IRAQ	●
TURKEY	●	Low Risk	1
RUSSIA	●	High Risk	10
ARGENTINA	●		

The monthly Risk Outlook is supported by JLT's proprietary country risk rating tool, World Risk Review (WRR), which provides risk ratings across nine insurable perils for 197 countries. The country risk ratings are generated by a proprietary, algorithm-based modelling system incorporating over 200 international indices.

SOUTH AFRICA

Rating Outlook: Country Economic Risk; Legal & Regulatory Risk

President Jacob Zuma resigned on 14 February 2018 following a leadership struggle in the ruling African National Congress (ANC). Cyril Ramaphosa was sworn in as the country's president on the following day.

TURKEY

Rating Outlook: War & Civil War; Terrorism; Country Economic Risk; Legal & Regulatory Risk

In January 2018, Turkey launched Operation Olive Branch, an air and ground offensive against the Kurdish YPG (People's Protection Forces) in Syria's northwest Afrin region.

RUSSIA

Rating Outlook: Country Economic Risk; Legal & Regulatory Risk

President Vladimir Putin is likely to be re-elected for a fourth term in March 2018, with opposition candidates posing a limited challenge to the incumbent.

ARGENTINA

Rating Outlook: Strikes, Riots & Civil Commotion; Sovereign Credit Risk; Legal & Regulatory Risk

In December 2017, following the strong performance of ruling Cambiemos coalition in October 2017's midterm elections, Macri secured the passage of tax and pension reforms.

IRAQ

Rating Outlook: War & Civil War; Terrorism; Contractual Agreement Repudiation

An improved security environment will support improved GDP growth of 2.7% in 2018, up from an estimated 0.1% contraction in 2017. ■

South Africa

Cyril Ramaphosa was sworn in as South Africa's president on 15 February 2018, and is expected to pursue a business-friendly reform agenda. However, the economic outlook will remain weak in 2018, as corruption investigations continue to deter foreign investment. Water infrastructure will be prioritised for investment as the Western Cape water crisis continues.

Security Environment

President Jacob Zuma resigned on 14 February 2018 following a leadership struggle in the ruling African National Congress (ANC). Zuma's deputy, Cyril Ramaphosa, was sworn in as the country's president on 15 February 2018. Over the coming months, there will be an elevated risk of protests among Zuma's Zulu support base, centred in KwaZulu-Natal, particularly if they believe that Zuma is being unfairly pursued in corruption investigations. Zuma currently faces 783 corruption charges linked to a 1999 arms deal, and may stand trial in 2018. However, support for Zuma is dwindling and protests are unlikely to be attended by more than a few hundred people in urban centres. Incidents are not likely to be violent or cause significant disruption for businesses.

> Over the coming months, there will be an elevated risk of protests among Zuma's Zulu support base, centred in KwaZulu-Natal

Protests are also likely in South Africa in response to poor service provision. For example, in January 2018, hundreds of people protested outside a civic centre in Cape Town against the city authorities' management of the on-going water crisis. No violence was reported during the incident, although service-delivery protests can become violent. Protesters may throw stones at government buildings and/or establish road blockades. However, the risk to commercial assets is limited, as most protests will not occur in business areas.

Trading Environment

As president, Ramaphosa is expected to progress with business-friendly economic reforms. Since becoming ANC leader in December 2017, he has pursued a number of reforms, including replacing

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the board of state-owned utility company Eskom. Ramaphosa intends to create a million jobs in five years, introducing tax reform and creating special economic zones. However, Ramaphosa's ability to restore investor confidence in South Africa will be limited by the country's otherwise weak economic outlook. The South African economy is currently forecasted to grow by 1.3% in 2018, and a Ramaphosa presidency is unlikely to have an immediate impact on this outlook. The ANC remains divided on key policy areas, with a significant wing of the party continuing to support expansionary fiscal policies. This will make it difficult for Ramaphosa to enact reform measures, and many are likely to be watered down. In addition, Ramaphosa must balance the need to please investors with pressure to rebuild public confidence in the ANC ahead of 2019's general election.

The ongoing water crisis affecting Western Cape poses a further risk to South Africa's economy. Severe dry-weather is likely to impact the region's wine industry, with yields estimated to fall by 20% this year. Given that Western Cape accounts for 13.6% of GDP, a prolonged water crisis has the potential to weigh on South Africa's weak growth outlook in 2018.

The ongoing water crisis affecting Western Cape poses a further risk to South Africa's economy

Investment Environment

In light of the Western Cape water crisis, the government will prioritise investment into water infrastructure. In November 2017, Cape Town's city authorities allocated USD 140 million for seven additional water projects, temporarily halting progress on any non-water projects. Moreover, in February 2018 the deputy mayor revealed plans for two temporary desalination plants in Cape Town, which are currently at tender stage. The plants are expected to be operational in May 2018.

Foreign investors may be deterred from entering South Africa's infrastructure sector by a challenging business environment. Allegations of 'state capture', in which Zuma is accused of facilitating Gupta family influence over state institutions, raise reputational risks for foreign firms. For example, major international firms have been implicated in malpractice accusations after working for companies linked to the Gupta family. In late 2017, the corporate registry filed criminal complaints against McKinsey, KPMG South Africa and SAP over the companies' work for Gupta-linked companies. McKinsey was accused of fraud and collusion after ignoring staff warnings about the legitimacy of firms linked to the Guptas, and in January 2018, state prosecutors indicated that they would enforce an order to seize McKinsey assets.

See full pricing outlook for South Africa on page 11.

RATING OUTLOOK

Country Economic Risk; Legal & Regulatory Risk

Turkey

After rapid growth in 2017, Turkey faces a more challenging economic environment this year. Geopolitical headwinds have increased in 2018, following the launch of an offensive in northern Syria in January and increased tensions with Cyprus in February 2018. However, the government's ambitious plans to diversify its energy mix ensure that there are significant opportunities in the renewables sector.

Security Environment

In January 2018, Turkey launched Operation Olive Branch, an air and ground offensive against the Kurdish YPG (People's Protection Forces) in Syria's northwest Afrin region. Syrian government-backed forces were sent to reinforce the YPG in February, drawing Turkey deeper into the Syrian conflict and damaging investor confidence, with the lira weakening by as much as 1.5% against the US dollar on 20 February 2018. The operation has also severely strained relations with the US, whose troops are stationed with YPG forces in the town of Manbji near the Syria-Turkish border, and risks intensifying broader Turkish-Kurdish conflict.

In addition to the threat posed by Islamic State (IS), businesses operating in Turkey may therefore be exposed to an increased terrorism risk from the Kurdistan Workers' Party (PKK). The PKK is known to target energy infrastructure, and in February 2016 the group attacked the Kirkuk-Yumurtalik oil pipeline, rendering it inoperable for a week. The Turkish military offensive in northern Syria has also increased the likelihood of protests in major cities and in southeast Turkey. By early February 2018, 124 people had been detained for participating in protests against the operation.

Tensions between Turkey and Cyprus are also elevated. In February 2018, Turkish warships blocked an Italian rig from reaching a site on the coast of Cyprus, before a Turkish patrol boat damaged a Greek coast guard vessel during a collision. Shipping routes near Cyprus are likely to be disrupted by the Turkish navy, causing business interruption. However, escalation into interstate conflict remains unlikely.

Trading Environment

Turkey faces a slowdown in real GDP growth from an estimated 6.5% in 2017

In addition to the threat posed by IS, businesses operating in Turkey may be exposed to an increased terrorism risk from the Kurdistan Workers' Party

to a forecasted 3.6% in 2018, driven by policy tightening and reduced availability of credit. Turkey's current-account deficit widened last year to 5.6% of GDP following a period of expansionary economic policies, while annual inflation stood at 11.92% by the year's end. Political tensions will weigh on foreign direct investment.

The lira has lost almost 6% of its value against the dollar since the beginning of 2017 and will remain volatile. Further depreciation is likely and will expose Turkish companies to difficulties in meeting foreign-currency debt obligations. In

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February 2018, Yildiz Holdings, one of Turkey's largest companies, requested to restructure USD 7 billion in loans. While lira weakness will also weigh on the government debt position, Turkey's debt-to-GDP ratio stood at 28% at the end of 2017, while government foreign-currency debt was also comparatively modest at 36% of total debt by the end of 2016. The weakness of the lira is also an added incentive for the Turkish government to reduce its reliance on coal and gas imports.

Investment Environment

Turkey's total renewables capacity is expected to more than double by 2026, rising from its current 10GW to 26GW, driven primarily by growth in wind energy production. However, the independence of the judiciary has also been undermined, as nearly a quarter of judges have been dismissed since the coup attempt. The risk of expropriation and contract alterations has increased since the failed coup in July 2016. In September 2016 for instance, Turkey's bank regulator took control of Boydak Holding, a conglomerate with interests in renewable energy, as a result of its alleged ties to opposition movements. Wholly foreign-owned firms are less likely to be directly affected, and power sector diversification has received strong government approval.

There is a significant risk of the US Treasury imposing punitive measures against Turkish banks following the January 2018 conviction of Mehmet Hakan Atilla, a former executive at Turkish state-owned lender Halkbank. The prosecution implicated Halkbank and other Turkish lenders in a scheme to evade US sanctions on Iran, although large fines are more likely than sanctions. In addition to further straining US-Turkey relations, financial penalties would dampen investor sentiment and lead to a tightening of credit conditions

See full pricing outlook for Turkey on page 11.

RATING OUTLOOK
War & Civil War; Terrorism; Country Economic Risk; Legal & Regulatory Risk

Russia

President Vladimir Putin is likely to be re-elected in March 2018, given a weak opposition and his continuing domestic popularity. Enhanced policing at football events will moderate the risk of violent clashes between rival supporters, although foreigners may be attacked by Russian fans. Sanctions will continue to deter foreign investors from entering the Russian market, whilst the pace of economic reform will be slow in the coming years.

Security Environment

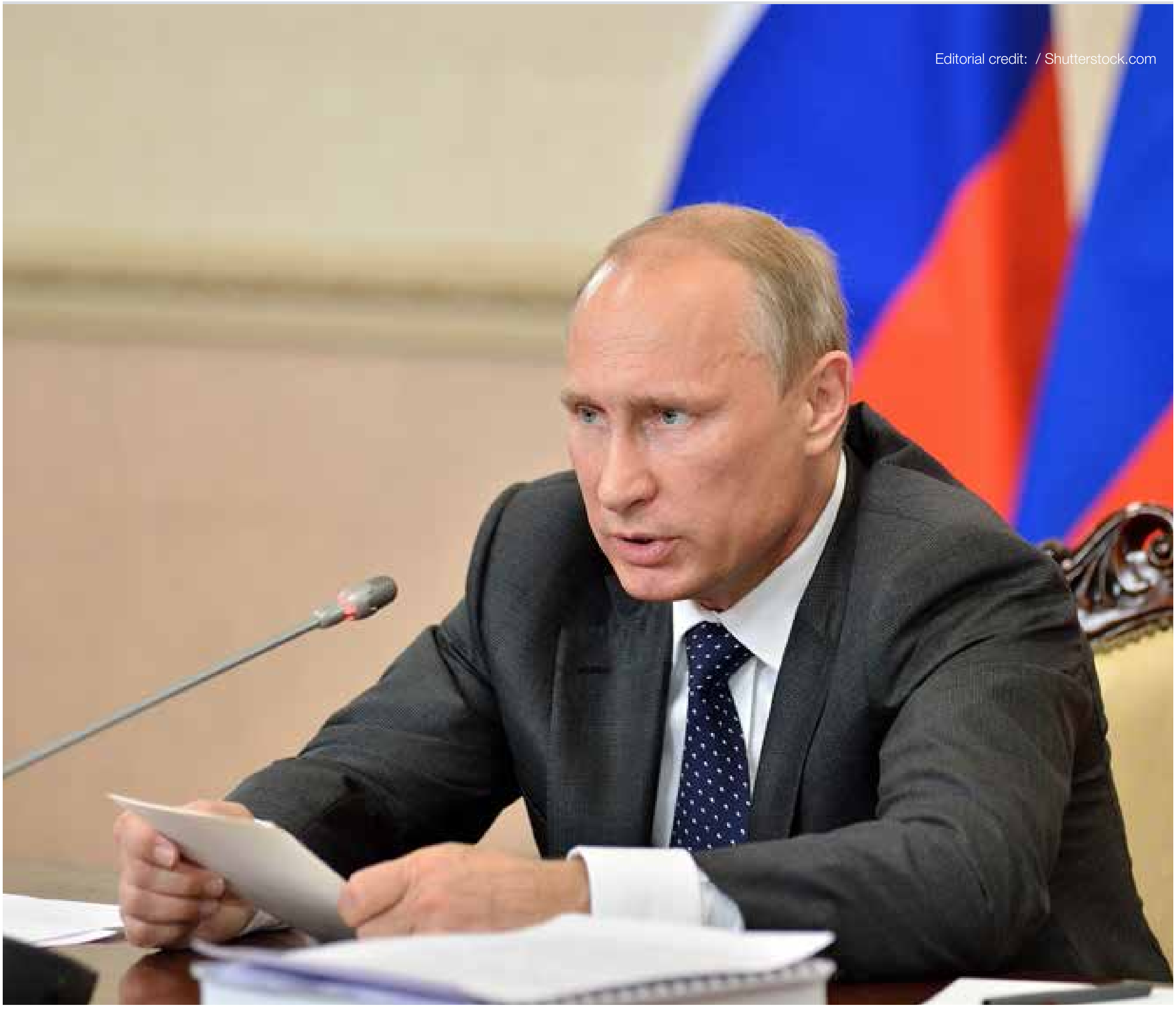
President Vladimir Putin is likely to be re-elected for a fourth term in March 2018, with opposition candidates posing a limited challenge to the incumbent. Putin enjoys high approval ratings of over 70%, whilst the government has successfully weakened opposition effectiveness. Alexei Navalny, Putin's most vocal opponent, has been banned from running for president. However, the opposition may organise anti-government rallies in the aftermath of the election. These are likely to be centred in major cities, such as Moscow and St. Petersburg and may attract thousands of people. The government is expected to respond by detaining opposition leaders and demonstrators, and will enforce a ban on unapproved demonstrations. However, the use of tear gas and water cannons is only likely in response to the largest rallies.

Individuals attending the 2018 FIFA World Cup in Russia will face an elevated risk of violence between Russian fans and rival supporters. Russian football fans routinely clash with rivals and police. For example, in September 2017, Zenit FC fans fought with riot police outside their St Petersburg stadium, after trying to break through security barriers. Following violence by Russian fans at UEFA Euro 2016, tighter security measures have been introduced at football games in Russia, with 191 Russian fans banned from games. During the 2017 Confederation Cup, which was held in Russia, no violent brawls were reported. The police will likely respond to any skirmishes close to World Cup venues quickly with batons and tear gas. However, foreign fans, particularly non-white individuals, may be targeted in attacks at hotels and restaurants, elevating the risk of death and injury.

Individuals attending the 2018 FIFA World Cup in Russia will face an elevated risk of violence between Russian fans and rival supporters

Trading Environment

Putin's re-election is unlikely to lead to any significant shift in economic policy-making, ensuring limited progress on structural reforms to diversify away from hydrocarbons and reduce state influence in the economy. Whilst the economy has emerged from recession and is projected to grow by 1.7% in 2018, it is unlikely to post higher growth over the coming years. Near-term growth will be driven by household spending and fixed investment. However, in the longer term outlook, continued overreliance on oil and gas exports will limit growth levels, as sector revenues remain below historical averages. The low oil price environment and limited growth



opportunities in domestic hydrocarbons will be contributing factors. However, the sector will continue to attract most investment into Russia, stymying growth elsewhere in the economy.

Russia will maintain large foreign exchange reserves, enabling it to meet its debt obligations

Despite limited reform momentum, Russia's sovereign credentials will be reinforced by a current account surplus. The surplus reached USD 26.6 billion in January-September 2017, up from USD 15.3 billion in the previous year. Russia will also maintain large foreign exchange reserves, enabling it to meet its debt obligations. Reserves are forecasted to reach USD 367 billion in 2018, up from USD 317 billion in 2016.

Investment Environment

The Russian government has tried to increase private investment in infrastructure projects by offering state guarantees for projects. However, a challenging operating environment will continue to deter foreign interest. US and European Union sanctions on Russia will limit investor interest, particularly as the Trump administration appears willing to threaten further sanctions. In January 2018, the US Treasury listed Russian political, business and government figures that may be added to existing sanctions and restrictions by Congress in future. Any further sanctions would substantially elevate the risk of retaliatory contract alterations for Western companies. Firms would also be likely to face arbitrary fines and tax claims, and could be pressured to exit the Russian market through measures amounting to creeping expropriation.

See full pricing outlook for Russia on page 11. ■

RATING OUTLOOK
Country Economic Risk; Legal & Regulatory Risk

Argentina

President Mauricio Macri continues to make gradual progress on economic reform, implementing tax and pension reform in late 2017. Business-friendly reforms will generate an uptick in private investment, supporting the growth outlook. Labour reform will be a priority in 2018, although Macri will need opposition support to pass legislation.

Security Environment

President Mauricio Macri's economic reform agenda continues to drive frequent protests in Argentina. On 18 December 2017, thousands of people demonstrated in Buenos Aires against government-proposed pension reforms, leading to clashes with police. Demonstrators threw Molotov cocktails and stones, whilst the security forces responded with tear gas and rubber bullets. There were reports of protestors damaging nearby properties, looting shops and setting motorbikes on fire. In the 12-month outlook, there will continue to be an elevated risk of property damage during protests, as Congress discusses labour reform. The relationship between unions and the government deteriorated in the wake of December 2017's protests, and this will exacerbate the risk of civil unrest. Protests are likely to be located in Buenos Aires and other major cities. Local police forces are likely to be supported by the Federal Police, who will respond with more hard-line tactics, elevating the risk of property damage, death and/or injury.

In the 12-month outlook, there will continue to be an elevated risk of protests

Trading Environment

Since assuming the presidency in December 2015, Macri has gradually implemented wide-ranging macroeconomic reforms. In December 2017, following the strong performance of ruling Cambiemos coalition in October 2017's midterm elections, Macri secured the passage of tax and pension reforms. Corporate tax rates will be cut from 35% to 30% from 2019-2020. Provinces will also receive financial compensation if they reduce gross revenue tax for

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companies to between 3 and 5%. Pro-business reforms will support an uptick in private investment, which will be the principal driver of growth in 2018. Gross fixed capital formation expanded by 13.9% y-o-y in Q3 2017, and is expected to continue on a positive trajectory in 2018. As a result, real GDP growth is forecasted at 3.3% in 2018.

Macri's success in the mid-term elections will also reassure investors of stable economic policy making in 2018. Policy stability will be supported in the medium-term by the expiration of the economic emergency law in January 2018. In place since 2002, the law allowed the executive to set currency exchange rates and renegotiate contracts with private companies. Macri allowed the law to lapse, signalling a reduction in executive interference in economic legislation and greater policy predictability.

Despite positive economic momentum, Argentina's fiscal deficit remains elevated and is forecasted at 4.9% of GDP in 2018. The government has taken some steps to cut spending on subsidies, raising public utility tariffs by 27% to 43% for households. However, the subsidy system remains extensive and continues to place strain on the fiscal position. In 2017, Argentina financed its elevated spending levels through the issuance of USD 13.4 billion in bonds on foreign markets, pushing up central government debt to 55.8% in 2018, from 49.0% in 2016. As a result, sovereign credit risks will remain a concern in Argentina, although the risk of a government default has fallen significantly since 2015.

Investment Environment

Macri continues to push for measures that would improve the investment environment for foreign investors. In November 2016, a public-private partnership (PPP) law was approved by Congress, opening up public infrastructure projects to private investment. The bill also allows foreign investors to seek international arbitration and allows for the tax-free import of machinery to be used during projects.

In 2018, Macri's focus will shift to labour reform, as he looks to reduce costs and enhance contract flexibility for employers. Discussions on labour laws are scheduled to begin in March 2018, with measures to bring informal workers into the formal workforce likely to be tackled first. More controversial matters, such as increased contract flexibility, will be addressed later in the year. However, Macri may find it difficult to pass labour reform. Cambiemos does not have a majority in either house in Congress, making it reliant on moderate Peronists in the opposition to pass legislation. These lawmakers have stated that their support for labour reform is conditional on union agreement to the changes, and this may slow the pace of reform in 2018.

See full pricing outlook for Argentina on page 11.

RATING OUTLOOK

Country Economic Risk; Sovereign Credit Risk; Contractual Agreement Repudiation

Iraq

Security risks in Iraq have stabilised in recent months as Islamic State (IS) has suffered territorial losses. However, IS remnants remain a threat and energy assets may be targeted. The economic outlook will improve in 2018, as foreign investment returns to Iraq. However, investors will continue to face a challenging business environment as government non-payment risks are elevated.

Security Environment

IS has suffered significant territorial losses in Iraq in recent months but retains the ability to inflict heavy losses on government forces. In February 2018, 25 government-backed militia fighters were killed by IS near Kirkuk. IS fighters are likely to prioritise vehicle-borne improvised explosive device (VBIED) attacks in Baghdad, Kirkuk, Anbar and Salahuddin provinces. The group's ability to target assets in the south is more limited, although any incidents are likely to target the oil sector, given its importance to state revenues.

In September 2017, Iraqi Kurds voted in favour of independence in a referendum. The following month, Iraqi government troops retook disputed territory held by Kurdish forces, including the Kirkuk and Bai Hassan oilfields. The military operation has caused disruption to the volume of oil flowing through the Kurdish pipeline from Kirkuk to Ceyhan in Turkey. The possibility of an escalation of the conflict poses a risk to oil and gas operations in Iraqi Kurdistan.

Employees of the oil sector face a significant threat of kidnap and ransom. In January 2016, three US government contractors were kidnapped in Baghdad but were released the following month. It is not clear if a ransom was paid. Organised crime has also become prevalent in Iraq, and the country loses around USD 8 billion a year due to oil theft. Violent protests in the lead up to Iraq's May 2018 elections may disrupt commercial operations. In February 2017, six people were killed during clashes between rival Shi'ite groups in Baghdad demanding changes to the electoral system.

Trading Environment

An improved security environment will support improved GDP growth of 2.7% in 2018, up from an estimated 0.1% contraction in 2017. Modest improvements in global oil prices will generate export gains, supporting a current account surplus of 3.6% in 2018. Foreign exchange reserves are forecasted to increase to USD 49 billion by the end of 2018, equivalent to 10.8 months of import cover. This will restore confidence in the Iraqi dinar's peg to the US dollar and enhance price stability.

This should mitigate the currency inconvertibility and transfer risks facing international firms in Iraq. However, this

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trend is contingent on the government's ability to maintain security in southern Iraq and protect oil exports, which account for 98% of export earnings. A rapid and sustained deterioration in the security environment around Basra could lead to renewed strain on foreign exchange reserves. Iraq's fiscal deficit is elevated, at a forecasted 6.9% of GDP in 2018. However, international assistance will mitigate sovereign credit risks. An International Monetary Fund (IMF) Stand-By Arrangement, agreed in July 2016, will provide USD 5.43 billion of funding in the period to June 2019.

Investment Environment

Despite disruption in the north of the country, oil production remains resilient and Iraq produced 4.41 million barrels per day in December 2017. In early 2018, plans were announced for the construction of a number of refineries at Faw, Nasiriya, Qayara, Kirkuk and in Anbar province, as well as a proposed pipeline to export oil from northern Iraq to Iran. However, the regulatory environment is poor in Iraq and corruption is pervasive at all levels of government and business.

As a result of the government's reliance on foreign investment, expropriation risks are low in the oil sector. However, non-payment and contract alteration risks are elevated. The Iraqi government's financial position may expose companies operating in the country to payment delays in the event of a sudden reduction in foreign aid levels. In March 2016, the Iraqi government revealed that it was in arrears of USD 2 billion in payments due to oil companies under service contracts. Iraqi Kurdistan's ability to pay oil producers and creditors will be undermined now that Baghdad has reasserted control over much of the region's hydrocarbons revenues. The Iraqi government has also replaced the Kurdish-appointed contractor at the Kirkuk oilfield, Kar group, with the North Oil Company.

See the full pricing outlook for Iraq below. ■

RATING OUTLOOK
Strikes, Riots & Civil Commotion; Legal & Regulatory Risk

Pricing Outlook

	CEND RISK PRICING RANGE	SOVEREIGN CREDIT RISK PRICING RANGE	FULL POLITICAL VIOLENCE (PV) PRICING	TERRORISM & SABOTAGE ONLY PRICING
South Africa*	0.6% - 1.5% p.a.	1.0% - 2.25% p.a.	0.05% p.a.	0.03% p.a.
Turkey**	0.8% - 1.25% p.a.	0.7% - 1.25% p.a.	0.5% p.a.	0.04% p.a.
Russia	1.2% - 2.25% p.a.†	1.5% - 2.0% p.a.††	0.03% p.a.	0.025% p.a.
Argentina	1.0% p.a.	1.5% p.a.	0.03% p.a.	0.015% p.a.
Iraq***	1.5% - 2.5% p.a.	2.75% - 4.0% p.a.	0.75% p.a.	0.75% p.a.†††

* Given political uncertainty in the country, the range in pricing reflects the diverging outlooks of underwriters

** Pricing could be subject to upwards pressure in the near future due to significant capacity constraints

*** A number of underwriters are willing to consider Iraqi enquiries, and pricing will significantly depend on the location and sector. In general, underwriters are most interested in the oil and gas sector.

† The location of the asset is particularly important in pricing. Those closest to the Ukrainian border will be more highly priced

†† Underwriters remarked that they rarely see this type of risk

††† Due to the nature of the risk in Iraq, purchasing Terrorism & Sabotage cover only has no impact on pricing.

JLT provides insurance broking, risk management and claims consulting services to large and international companies. Our success comes from focusing on sectors where we know we can make the greatest difference – using insight, intelligence and imagination to provide expert advice and robust – often unique – solutions.
We build partner teams to work side-by-side with you, our network and the market to deliver responses which are carefully considered from all angles.

As one of the world's strongest credit, political and security risks teams we help banks, commodity traders and corporations to understand, mitigate and transfer the effects of political and country economic risk, counterparty (credit) risk, political violence and kidnap & ransom. Through a relationship driven, consultative approach we use a systematic methodology to quantify, prioritise and minimise your company's political risk, security and trade credit exposures.

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CLAIMS DATA

Claims management is central to the value that we seek to add at JLT, and foremost in our minds when we work for any client. Claims are not an afterthought; they drive our placing process. JLT has a diversified client base by sector and geography and JLT has had all Political Risk Insurance claims either paid in full, settled in agreement with the client or withdrawn by the client.

Please see below for historic claims data for the countries covered by this report:

LOCATION	YEAR	INDUSTRY SECTOR	SUMMARY OF CIRCUMSTANCES
South Africa	2013	Banking	Non-payment under a loan agreement following inadequate execution of mining plan. Claim for USD 15 million.
Iraq	2013	Oil and Gas	Potential claim for political risk as a result of buyer claiming force majeure under the contract.
Russia	2011	Commodity Trading	CEN Expropriation: Russian wheat embargo
Russia	2009	Banking	Contract frustration: Non-payment
Russia	2009	Energy	Non-honouring of arbitration award
Russia	2009	Telecomms	Non-payment

JLT'S CREDIT, POLITICAL & SECURITY RISK EXPERTISE

Organisations with international operations are exposed to counterparty and country risks in the course of their daily trade and investment. The diversity of JLT's client base reflects the fact that all balance sheets can benefit from the leverage and protection given by structured use of credit and political risk insurance.

JLT has been a leader in political risk insurance since the advent of the market in the early 1980s and enjoys strong relationships with all insurers in this sector. At any one time we manage upwards of USD 60 billion of insurance capacity and we have had extensive success in collecting claims on our clients' behalf.

The insurance contracts we arrange relate to a wide variety of transactions brought about by our diverse client base and we also offer a range of risk consulting services. ■