



INVESTMENT INSURANCE



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SCOPE AND LEVEL OF COVER

The investment insurance cover targets South African business entities, which want to invest in foreign countries. The investment insurance covers equity instruments and shareholder loans. This insurance coverage is provided against political risk only.

Equity investment or shareholder loans are covered against political risks, such as:

- Expropriation, nationalisation or confiscation of the insured investment, including creeping expropriatory actions of the foreign government, which may cause a gradual erosion of profitability of the foreign business to the extent that the foreign business cannot operate for at least 1 (one) year as envisaged or produce profits for 3 (three) consecutive years.
- War i.e. loss or damage to the investment due to war, civil war, rebellion, revolution or insurrection in the foreign country as well as loss due to the inability of the foreign business to operate for at least 1 (one) year as envisaged or produce profits for 3 (three) consecutive years due to the occurrence of the abovementioned events.
- Transfer risk i.e. loss directly due to any action by the foreign government that prevents, restricts or controls the transfer of the investment and/ or shareholder loan or commercial

loan or dividends and/or interest payments from the foreign country to South Africa.

- Change in Law (discriminatory).
- Breach of contract (Breach of sovereign obligations) – cover may be provided, on a case-by-case basis.

Indemnification by ECIC will be limited to 90% of the loss suffered by the investor.

Premium payable in terms of the investment insurance cover will take into account the following:

- The risk rating of the country where the investment will be made;
- The investment period to be covered; and,
- The scope of covered political risk events.

The applicable Waiting Period may vary depending on the political risk event.

QUALIFICATION CRITERIA

To qualify for this cover, an investment or shareholder loan must adhere to the following criteria:

- It can be a new, an existing or additional investment, made as standalone or as part of multiple-country portfolio; and, it can be associated with a new project, expansion or financial restructuring of existing projects or privatisation of a state-owned enterprise.
- Approval must be obtained from the host country government (where applicable) and the South African Reserve Bank;
- Minimum shareholding shall be subject to the approval by the South African Reserve Bank and the host country (where applicable).
- There is no minimum investment period. Typically, the maximum period of cover is 15 years.
- The cover can be provided for US Dollar or Rand denominated investment.

(i) Equity instruments include common share, preference share or interest acquired in any business undertaking outside of South Africa.

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Tel: +27 12 471 3800 | **Email:** info@ecic.co.za | **Web:** www.ecic.co.za

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