



Political Risk: An Exposure Trap for Life Science Companies – No Matter Their Size or Reach.

Life science companies are aware of the need to address fire, theft or other natural catastrophe exposures outside of the U.S. But do they think about political risk coverage? They should.

In today's increasingly volatile world and interdependent economy, political risk coverage for life science companies is critical. Whether it is protecting the integrity of a clinical trial conducted overseas, or ensuring that perishable products reach their destinations in time and intact, life science companies cannot afford to ignore political risk.

Property insurance policies – even those that address foreign assets – typically exclude political risks such as government actions and political violence, leaving a company exposed. Berkley Life Sciences – with its unique focus on the life science industry – has developed a specialized insurance solution to fill this gap: *LS Prime® Political Risk Insurance*.

When should I think about Political Risk Insurance?

- Foreign research operations
- Source materials overseas
- Foreign sales operations
- Any property located or in transit overseas

Key Perils Addressed by LS Prime®

- Actions by a government such as *confiscation, expropriation, nationalization, requisition and sequestration*.
- *Political violence* such as war, civil war, rebellion, sabotage and terrorism.
- *Detention or delay of perishable material* by a foreign government:
 - ⇒ While material is in detention the shelf life expires or the material is stored improperly making it unusable.
 - ⇒ Delay prevents a policyholder from meeting delivery requirements or satisfying contractual obligations.
- *Currency inconvertibility* preventing repatriation of earnings.

LS Prime® Differentiators

- *New life science specific coverages*: We offer new coverages unavailable in the standard market: **wastage of perishable life science material** and **delayed access**. These coverages have been specifically crafted for life science companies and are available only through LS Prime®.
- *Broad coverage territory*: Coverage applies anywhere a policyholder has a foreign enterprise without the need to schedule such countries on the policy. Additionally, our unique **wastage** and **delayed access** coverages *apply in intermediary countries where covered property is in transit, storage or use* – the policyholder need not have operations in that country for coverage to apply.
- *Convenient and easy*:
 - ⇒ *No separate policy required*: simply request the coverage as part of a life science package policy.
 - ⇒ *Qualified LS Prime® package submissions are eligible for up to \$250,000 political risk insurance without an application*; higher limits may be available with submission of a brief application.
 - ⇒ *No need to schedule* addresses or a list of countries in which overseas assets are located.
 - ⇒ *No need to amend* the policy when assets are moved.
 - ⇒ *Clarity* as to when the loss event occurs (an issue typically not addressed by other forms).
 - ⇒ Unique provisions allow life science companies to *maintain control over recovered assets*.

Products and services are provided by one or more insurance company subsidiaries of W. R. Berkley Corporation. Not all products and services are available in every jurisdiction. Certain coverages may be provided through surplus lines insurance company subsidiaries of W. R. Berkley Corporation through licensed surplus lines brokers. Surplus lines insurers do not generally participate in state guaranty funds and insureds are therefore not protected by such funds. In California, Berkley Life Sciences conducts business as Berkley LS Insurance Solutions, LLC, a licensed surplus lines broker (License Number 0H44165).

Any reference to insurance is descriptive and presented for discussion purposes only. Coverage afforded under any insurance policy issued is subject to the individual terms and conditions of that policy as issued. Claims scenarios are hypothetical in nature and for illustrative purposes.

Life Science Political Risk Claims Examples:

Political Violence: A biologics company ships its experimental product – valued at over \$100,000 – to its European R&D facility for a clinical trial. Shortly after the shipment arrives at the airport in the nation’s capital, a terrorist attack on the airport causes extensive damage to the cargo facilities and the company’s shipment is destroyed. LS Prime® Political Risk Insurance pays the company for the lost product.

Nationalization: A medical device firm buys a stake in a key supplier’s manufacturing facility in Asia. A year after the device firm completes capital improvements to the facility, the device firm receives written notice that the government is nationalizing the facility. LS Prime® Political Risk Insurance compensates the device firm - up to the limits of insurance - for its lost investment in the Asian facility.

Political risks are generally not addressed by standard property insurance

Forced Abandonment: The U.S. government issues an advisory requiring a pharmaceutical company with manufacturing operations in a Middle Eastern country to immediately evacuate from and curtail all future travel to that country. The company is forced to leave behind critical equipment valued at over \$200,000. LS Prime® Political Risk Insurance pays the policyholder for its loss.

Wastage: An insured drug company procures sensitive research materials from a supplier overseas under condition that the drug company takes ownership prior to shipment. Due to the supplier’s location, the materials are transported by truck to a neighboring country where they will be transferred to an air cargo carrier. At the transfer point in the intermediary country, the government stops all goods passing through customs for 30 days. The sensitive materials are inappropriately stored during the delay making them unusable. LS Prime® Political Risk Insurance pays the drug company – up to the limit of insurance – for the wasted R&D materials.

Delay: A U.S. based company ships \$60,000 worth of pharmaceutical product to a customer in Asia pursuant to a supply agreement. Upon the product’s arrival in the customer’s country, customs officials inexplicably deny the U.S. firm documentation necessary to release the shipment. This causes the product to sit for several months in the customs warehouse. The governmental delay in access to the product requires the U.S. firm to replace the shipment - at its own expense - to satisfy the customer’s contractual demand. LS Prime® Political Risk Insurance pays the U.S. company for the increased cost necessitated by the product replacement. This allows the policyholder to fulfill its contractual obligations, and also preserves its ongoing business relationship with its customer.

Currency Inconvertibility: A pharmaceutical company has sales operations in a Latin American country. Restrictions on currency exchange by the government prevent the pharmaceutical company - despite its best efforts for over six months - from converting its funds in local currency to U.S. dollars and repatriating its earnings. LS Prime® Political Risk Insurance provides protection for lost earnings.

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