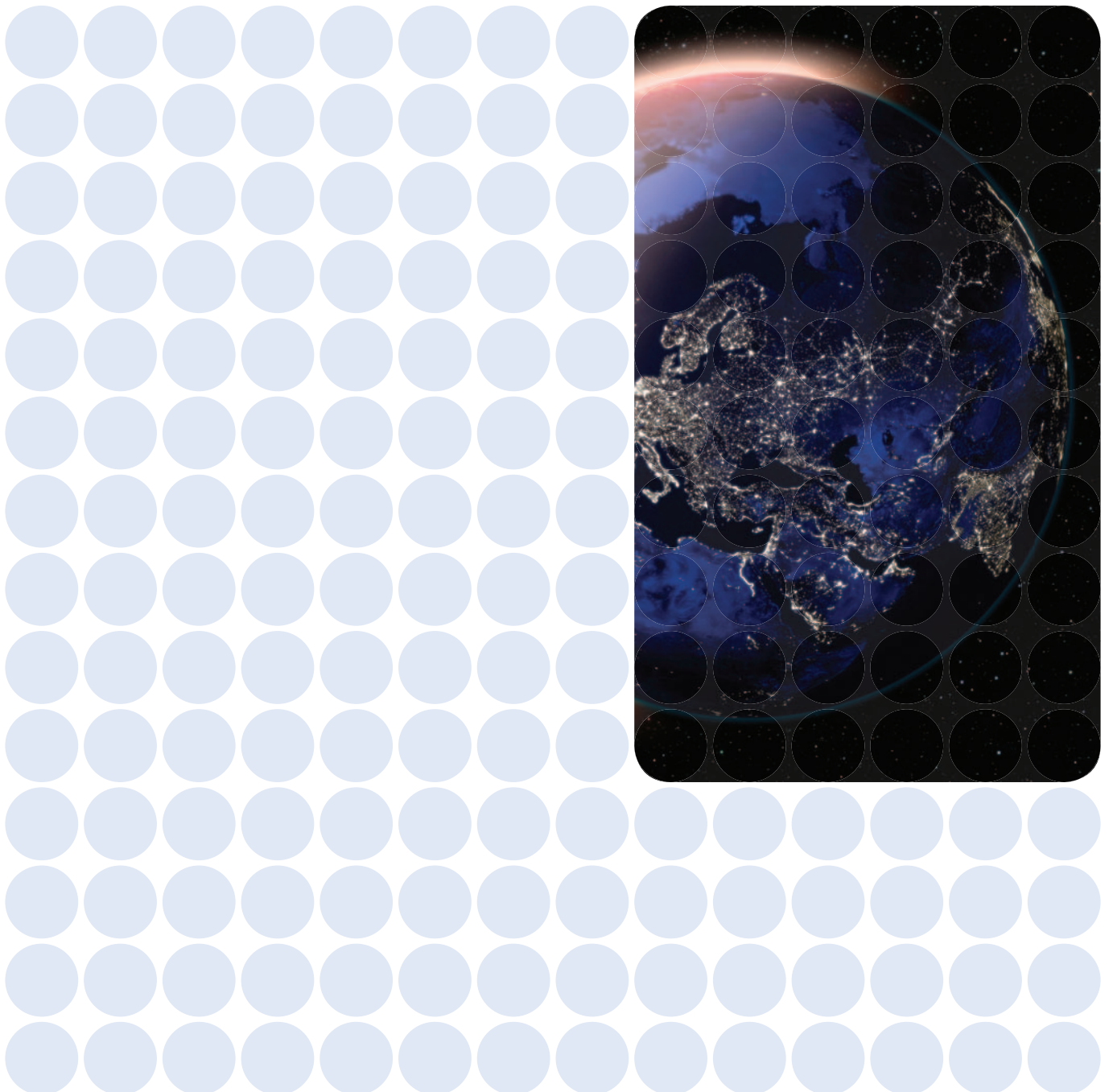


Financial & Professional Lines

International Programs from Zurich Step-by-Step Guide



Introduction

International Programs from Zurich reflect our commitment to assessing and managing change in today's complex regulatory environment. Through innovative technology and a globally integrated underwriting platform, an international program from Zurich will bring certainty and transparency to brokers and customers, through a globally sustainable insurance solution.

Our global Financial & Professional Lines capabilities have allowed us to issue*:

- more than 650 Financial or Professional Lines programs, with more than 5000 local policies in over 170 countries and growing.
- local Directors & Officers Liability Insurance policies in over 135 countries and growing.
- local Professional Liability Insurance policies in over 170 countries and growing.
- local Employment Practices Liability policies in over 90 countries and growing.
- local Commercial Crime policies in over 90 countries and growing.
- local Pension Trustee Liability policies in over 10 countries and growing.

The success of an International Program depends on team work involving the Policyholder, the Broker and the Underwriter. On the following pages you will find a step-by-step explanation of how to structure an International Program from Zurich and what you can expect from it.

* Source: Zurich data from our internal international program system (IPS), Jan-Dec 2010.

Step-by-step guide

Step 1: 60 days before inception date

In order to analyze the risk and send you our proposed terms, your Zurich underwriter requires the following information:

- Proposal form.
- Consolidated financials.
- For Employment Practice Liability and Professional Indemnity we may require an employee count.
- Risk allocation (list of all countries where your company/group has subsidiaries and the percentage of assets or revenues that the subsidiary represents as part of the group. (See table 1 below for an example of a completed Risk Allocation Map).

Table 1: Typical Risk Allocation Map

Risk Allocation Map: # Information based on: assets (revenue or assets)				Date:	16 October 2009		
				Program currency:	USD		
#	Country	Local insured company name	Insured's contact name, address, telephone number and e-mail	% of assets or revenues the subsidiary represents towards the Parent Company	Requested limit (in program currency)	*Local Broker	*Local Broker contact name, address, telephone number and e-mail
1	UK	XYZ Holding (Parent Company)	John Smith 15, Sunny Street. London, XCY 2RT E-mail: jh@xyz.com Tel: +44(0)1234-5678	60%	20,000,000		
2	Brazil	XYZ Brazil	Joao Silva Rua G, 15 Sao Paulo, 6543-09 E-mail: js@xyz.com Tel: +55 (11) 123-456	30%	1,000,000	Brazil Insurance Brokers Ltd	Maria Souza Rua W, 22 Sao Paulo, 6543-09 E-mail: ms@bis.com Tel: +55 (11) 789-1934
3	Malaysia	XYZ China	Frederick Smith 59, Sunway Selangor, 98875 E-mail: js@xyz.com.br Tel: +60(3) 124-5678	10%	1,000,000		
				Total: 100%			

*Only to be completed where a local broker is requested.

Please list all countries where the Policyholder and its subsidiary companies have exposure, whether or not they require a local policy.

Step 2: 30 days before inception date

- Your underwriter will send you Zurich's proposed terms and conditions for your International Program.
- Your quote letter will have Program Information including a schedule with all local policies, their limits of indemnity, local premiums and any policy administrative fee, if applicable.
- The program is structured using a combination of local policies, master DIC/DIL policy, Freedom of Services for European Economic Area countries, and other coverage options.
- Due to local regulations, some restrictions and rules may apply. For further details please refer to the Appendix 'Country guide: quick tips for clients'.

Step 3: Upon inception

- Please make sure all local brokers and subsidiaries are aware of the global program. Wherever local policies are being issued the local premium and tax is paid locally. In certain territories they will be requested to provide some local documents to Zurich or our local partner. It is essential that they do this as quickly as possible.
- If the local subsidiaries have any questions or concerns regarding the global program, they should contact the risk manager of their parent company and/or their global broker.
- In some countries a local broker is mandatory.

Step 4: After binding

- After your underwriter has received the fully completed Risk Allocation Map, premium allocation is agreed and coverage is bound, our network of offices will be instructed to issue the local policies.
- Failing to deliver the satisfactory fully completed Risk Allocation Map prior to binding will result in delay of local policy issuance and may lead to coverage gaps.

Additional points

Payment

Once the risk is bound, time starts to count down in countries where premiums must be paid within 30, 45 or 60 days, to comply with local regulations. Some countries require cash before coverage. Please refer to the Appendix 'Country guide: quick tips for clients'.

Exchange rate

Unless otherwise previously agreed by the underwriter, local policies will be issued in local currencies. The applicable exchange rate for the policy limit will be the one published in the Financial Times newspaper on the policy bind date, unless otherwise previously agreed.

Tax schedule

The tax schedule prepared by the broker must accurately mirror the premium allocation set by Zurich. The premium allocation is based on the Risk Allocation Map, minimum rates per territory, the local policy limit, local administrative fee and also the type of solution being provided by Zurich to enable indemnification in each country (direct payment, payment to the Parent Company or DIC/DIL).

To clarify the tax position:

- Locally issued policies will have a local premium and local premium tax allocated to them.
- Under the Master policy, the tax schedule should reflect the fact that:
 - (a) admitted territories will have a premium and tax allocated to them in the tax schedule (as we will be settling claims into these territories from the Master Policy)
 - (b) non-admitted territories should not have any premium and tax allocated to them (as no claim can be settled into such territories from the Master Policy).
 - (b.1) Non-admitted territories where local policies are not being issued all premium and taxes should be allocated to the Master Policy (as the claim will be dealt with at the Parent Company level).
 - (b.2) Non-admitted territories where local policies are being issued all local premium and taxes are paid locally.

Zurich employees cannot provide any kind of tax advice, or information. The Insured should consult an independent tax consulting firm.

Target

We aim to issue local policies as quickly as possible, usually within 30 to 90 days after receiving the fully completed Risk Allocation Map, once tax has been agreed and the risk is bound.

Local policies

Local policy wordings are standardized and legally approved in each country to comply with local laws and regulations. They are issued in the local languages and cannot be amended.

At Zurich, local policies include a difference in conditions (DIC) clause (where legally permissible). As a result of the DIC clause, the scope of coverage under the local policies (as interpreted under their applicable laws) is deemed to be at least as wide as that under the Master Policy. Therefore, where the local wording is broader than the Master, the terms and conditions of the local wording applies. If the Master is broader then the terms and conditions of the Master are incorporated into the local wording (if legally permitted) - thus providing the best of both worlds for the customer.

In most territories minimum rates apply.

Certain countries require local brokers to be appointed, see 'Appendix – Country guide'.

Brokerage

Where brokerage is applicable, it will be paid in accordance with the premium allocation.

Brokerage will be paid locally when a local broker is necessary.

Limit of Liability

Local policies have an average Limit of Liability from USD 1,000,000 to USD 5,000,000, depending on the solution being provided and whether or not DIC/DIL is permitted.

In countries such as Algeria, Argentina, Bolivia, Brazil, Colombia, Costa Rica, Poland (except when covered under an FOS Policy), Qatar, and Russia the tie-in of limits clauses are not permitted by law. In these cases Zurich prefers to use a maximum Limit of Liability allowed for local policies no greater than USD 5,000,000.

Certain territories have a maximum local Limit of Liability and local sub-limits of which the local policy needs to be capped. For further information, please contact your Zurich underwriter.

Appendix: Country guide

ALGERIA:	As of 1 March 2010 we are no longer issuing D&O contracts in Algeria.
ARGENTINA:	Minimum rates apply.
BAHAMAS:	Local broker required.
BANGLADESH:	Premium payment must be received by the insurer before cover can incept (so called 'Cash before Cover').
BRAZIL:	Minimum rates apply.

Broker:

A local broker is required and must be appointed by the Producing Country.

Policy Period:

Policy periods cannot be less than 12 months. For periods longer than 12 months it requires special consultation, previous approval and authorization.

Backdating:

Backdating is only possible within the first half of the policy period.

(e.g. If the Policy incepts on January 1, 2009, *issuance* must happen before June 30, 2009).

Therefore, please leave adequate time for policy preparation (roughly 1 month).

Retroactivity/Pending and Prior Date:

Retroactivity/Pending and Prior Dates can be set regardless of the backdating rules or policy period.

Issuance:

The questionnaire and Firm Order must be delivered to Zurich Brazil in time to comply with the backdating rule. The local policy issuance process will start only after **all** necessary documents are received.

Policy Cancellation:

Policies can be cancelled at any given time, but only upon official request by the local customer and only via the local broker. The unearned premium will be refunded according to a spreadsheet provided by the regulator and attached to every wording.

Local Proposal form/Questionnaire:

The Local customer must provide a questionnaire, signed and dated by a local legal representative of the company.

- The original signed form must be provided (no electronic versions or copies will be accepted).
- The questionnaire must be signed and dated within 30 days prior to the policy issuance date.
- If the signed date is more than 30 days older than the policy issuance date, a Clean Warranty Statement must be signed and dated. The Clean Warranty Statement is a simplified version of the questionnaire, which confirms that the indications on the questionnaire are still valid/correct.

Additional questionnaires will be required for all separate legal entities that are locally insured.

All questionnaires will be collected by the local broker.

Cession/Re-insurance/Captive

0% Cession:

There is no cession out of Brazil since all Financial Lines risks must be reinsured Zurich Brazil local treaty.

Exceptions:

- 1) Policies where a captive is involved and that will therefore require cession out of Brazil. These policies will have to follow the facultative re-insurance process.
- 2) Risks that are not acceptable under the Treaty and/or the respective product guidelines or our local underwriting authority

In both cases Zurich Brazil will proceed with a facultative re-insurance process, but will only be able to confirm the cession % after offering the risk to local re-insurers, as required by law.

- CANADA:** **Broker:**
A local broker is required
As of 1 January 2010, new laws on insurance were introduced in Canada that have a legislative effect in each province and territory. For more information please consult your underwriter.
An 'Entity Coverage for Securities Claims' endorsement will be issued as standard with all local D&O policies unless specifically requested otherwise by the Master Policy producing country.
- CHILE:** Policies issued on time (during the month of inception) must be paid within 30 days after the Local Policy has been issued (with no exceptions).
Policies issued retroactively must be paid in Chile, on the 25th of the month corresponding to the date whereupon the policy was issued. In case the local client can not pay at that indicated date, he must send a letter of compromise of payment, indicating the date in that the client commits itself to pay the outstanding premium. Be the case that on the 25th of the month the premium is still not paid in accordance to the letter compromising payment, the policy will be cancelled.
it is a mandatory legal obligation to have a formal proposal issued by the local broker, which would imply that the customer confirms/accepts the informed terms and conditions. In case of a direct program (no local broker involved), it is also necessary a written confirmation (such as a mail from the local customer), confirming the acceptance of the informed issued conditions by local Insurer.
- CHINA:** Minimum rates apply.
Limit of liability:
A maximum limit of liability of USD10 million applies.
Zurich Beijing might also ask for loss history over the last 3yrs or confirmation of no losses since inception.
Local client/broker needs to send their agreement to Zurich Beijing to issue the local policy.
- COLOMBIA:** A Money Laundering Questionnaire must be completed for any policy being issued in Colombia.
- INDIA:** Premium payment **must be received** by the **insurer** before cover can incept (so called 'Cash before Cover'). Therefore, final Instructions must be provided no less than 30 days prior to inception/renewal date.
Limit of liability:
A maximum limit of liability of USD10 million applies.
Brokerage:
Maximum local brokerage – 17,5%
- INDONESIA:** Minimum rates apply.
Limit of liability:
A maximum limit of liability of USD 5 million applies.
Premium must be paid within 45 days from inception of coverage, as otherwise policy cover lapses until premium is fully paid.
- JAPAN:** Premium payment **must be received** by the **insurer** before cover can incept (so called 'Cash before Cover'). Therefore, final Instructions must be provided no less than 30 days prior to inception/renewal date.
It is mandatory for the policyholder to complete and sign a one page declaration form prior to binding, this will be sent with the local invoice and part of it will be completed by Zurich Japan.
- MACAO:** Backdating of policies is not permitted.
- MALAYSIA:** Premium must be paid within 60 days from inception of coverage, as otherwise policy cover lapses until premium is fully paid.
Limit of liability:
Limit of liability should be *less than* MYR 10m (similar to USD3m, *ensure you check exchange rate first*).

MAURITIUS:	<p>The local Financial Anti Money Laundering Act 2002 and Regulations (FIAMLA) impose a number of obligations on insurance companies and these include the duty to obtain original or copies of Identification and KYC (Know Your Clients) documentation from our clients . In order to comply with the provisions of FIAMLA, the following documents are required:</p> <ol style="list-style-type: none"> 1. A Utility bill less than three months old or upper bank statement where names and addresses are clearly indicated (originals only). 2. Certificate of Incorporation or Registration of the Company (original or certified copy) 3. Memorandum and Articles of Association / Constitution of the Company (Original or certified copy) 4. List of Directors (names and addresses) and originals or certified copies of their National Identity Cards or Current Passports 5. Latest audited reports and accounts of the Company.
MEXICO:	<p>Premium must be paid within 30 days from inception of coverage, as otherwise policy cover lapses until premium is fully paid (automatic cancellation). On all risk a Money Laundering Questionnaire is required to be completed by the local subsidiary. Note that this does not apply to renewal business.</p>
MOLDOVA:	<p>Premium payment must be received by the insurer at the time of contract signing.</p>
NICARAGUA:	<p>A local broker required. We have capabilities for D&O and PI policies only and on a <i>case by case</i> basis depending on the risk appetite of the local partner.</p>
PORTUGAL:	<p>In accordance with the Portuguese Company Code, it is mandatory for directors of any kind of company registered in Portugal to have their liability guaranteed or insured for a minimum of €50,000 (or €250,000 for listed companies).</p> <p>Premium must be paid at the date of issuance of the policy. Failure to pay the premium results in the cancellation of the policy. Such ‘legal’ cancellation is effective without specific or written notice of cancellation to the insured.</p>
RUSSIA:	<p>Backdating to the previous insurance year is not possible (eg. inception: 01.12.2008, instructions received 01.02.2009: Inception date will be 01.01.2009)</p> <p>New customers are required to complete a Customer Information Form.</p> <p>Local client/broker needs to send their agreement to Zurich Russia to issue the local policy.</p>
REPUBLIC OF:	<p>Premium payment must be received by the insurer before cover can incept (so called ‘Cash before Cover’).</p>
KOREA (South Korea)	<p>Therefore, final Instructions must be provided no less than 30 days prior to inception/renewal date. Cession will be agreed on a case by case basis.</p> <p>An Application Form signed by the Insured is requested together with a signed Proposal Form. Policies and/or invoices must be physically handed over to the local customer.</p>
UKRAINE:	<p>If the client pays for the policy after the period expired it will be considered as back-dated insurance, which is prohibited in Ukraine.</p>
UNITED ARAB EMIRATES	<p>Due to recent currency fluctuations in the Dirham, it is preferable to issue local policies in USD rather than AED.</p>
USA:	<p>Minimum rates apply.</p> <p>Limit of liability:</p> <p>Limits of liability should be (at most) 50% of the MASTER policy limit (in USD), with a maximum limit of liability of US\$ 25 million. As the difference in limits (DIL) may be paid via the MASTER contract under USA laws, if there is a loss in excess of the local limit for a claim against the D&Os of the USA subsidiary this may be legally paid under the MASTER contract via DIL.</p> <p>Deductibles on US local policies:</p> <p>US local policies should always include a deductible.</p>

Local broker:

A local broker is required for all lines of business. Please note that brokerage over 20% is not recommended and is only permitted in limited circumstances subject to prior consultation.

Directors & Officers/Management Liability**Entity coverage:**

The D&O Select form will be used as standard in all states where it has been approved for use. Entity coverage for securities claims is automatically provided; therefore please make it clear in your instructions if this coverage is to be excluded.

D&O – New York State

The Superintendent of New York State requires D&O Indemnification policies to include a retention and coinsurance amount subject to local guidelines. A special declarations page and will be used for all local policies with entities located in New York State. Please mention the size of the **full assets** of the local US policyholder in the Risk Allocation Map so that the schedule/declarations page may be completed accordingly.

TRIA:

The Terrorism Risk Insurance Act ('TRIA') had been scheduled to expire on December 31, 2007. Prior to the termination of the program the Congress enacted an extension of TRIA until December 31, 2014. **When issuing a local policy in the US it is mandatory to offer TRIA coverage.**

A TRIA Policy Disclosure Form is required whether TRIA cover is provided or not and will be attached to the policy. It is mandatory for the Insurer to have prove in their files that (i) TRIA coverage has been offered to the client, and (ii) that the Insurer have received confirmation **in writing** (from the client/ broker) advising TRIA acceptance/declination. TRIA does not apply to PI/E&O.

Professional Indemnity/Errors & Omissions

Due to complexities in state legislation and compliance considerations in the USA, you could experience delays/complications in the issuance of US local PI policies. To facilitate local policy issuance, please take note of the following important points:

The paper used for the issuance of a local US PI/E&O policy depends on the **US State** listed in the declarations page/schedule (ie. where the US entity/policyholder is based).

If you are involved in an upcoming negotiation regarding an IPZ PI/E&O program with a US local policy, your underwriter shall contact the US receiving team to clarify whether the local policyholder's state is Admitted (can use ZAIC paper) or Non-Admitted (must use surplus lines/Steadfast paper). If the main policyholder is based in a non-admitted state, your underwriter will ask broker/customer if the parent company has a US subsidiary in another location/state.

Special Considerations for issuing on Surplus Lines/Steadfast Paper:

If a policy is to be issued on surplus lines paper, the US local broker should be licensed to do so. The local broker should initiate the tender process: **three declinations** (five in the state of Ohio) must be obtained from Admitted carriers pre-binding, before they can use and accept a non-admitted paper such as Steadfast. US local brokers usually need about three weeks to obtain the declinations pre-binding so that must be factored into your renewal negotiation.

NB: if it is not possible to issue on admitted paper and the program is bound before broker declinations have been received, the local policy may not be issued!

PI Lawyers

PI Lawyer firms based in the state of New York may qualify for a Free Trade Zone exemption. Please be aware that you may be asked to provide additional information about the local policyholder to facilitate policy issuance. For further guidance on limits, premiums and options, please consult your underwriter. Note that for limits of liability greater than USD 1 million, coverage of defence costs is mandatory within the limits.

General note

Specific procedures and considerations for the various PI sub-lines continue to evolve. For the latest information or referral advice, please contact your Zurich underwriter.

Please note the above is not an exhaustive list of special legal developments or issues for the countries listed or all jurisdictions globally. We do not guarantee, or warrant the accuracy, or generally undertake any responsibility for any information provided within the whole document. Also the above information is subject to modification without warning, due to changes in local law. Therefore, please consult zurich for further information on any changes to the above and any other rules and regulations relating to the issuance of international program policies in any countries and jurisdictions.

Visit our website at: www.zurich.com/globalfinanciallines

This is intended as a general description of certain types of insurance and services available to qualified customers through subsidiaries within the Zurich Financial Services Group including, in the United States, Zurich American Insurance Company, 1400 American Lane, Schaumburg, Illinois 60196 and, in Canada, Zurich Insurance Company Ltd., 400 University Avenue, Toronto, Ontario M5G 1S9, and, outside the U.S. and Canada, Zurich Insurance Plc, Ballsbridge Park, Dublin 4, Ireland; Zurich Insurance Company, Mythenquai 2, 8002 Zurich, Switzerland; Zurich Australian Insurance Limited, 5 Blue Street, North Sydney, NSW 2060, Australia and further legal entities, as may be required by local jurisdiction.

Your policy is the contract that specifically and fully describes your coverage. In contrast, the description herein gives a broad overview of coverages and programs and does not revise or amend a policy or program. Certain coverages are not available in all jurisdictions. Some coverages in the U.S. may be written on a non-admitted basis through licensed surplus line brokers.

