

# Understanding Political Risk

An Interview with Jim Thomas,  
Head of Credit and Political Risk, Zurich North America

**EDITORS' NOTE** *Jim Thomas heads Zurich's global Credit & Political Risk business and he is part of Zurich North America's Special Products leadership team. Jim joined Zurich in 2000 and prior to his current role as head of the group, he was the Regional Manager of the Americas for Credit & Political Risk where he managed Zurich's structured credit and political risk underwriting in the United States, Canada,*



*Jim Thomas*

*and Latin America. Prior to joining Zurich, Jim's experience included roles at Euromoney Publications in London and the United Nations Economic Commission for Latin America and the Caribbean in Santiago, Chile. He earned a Master of Arts degree in International Economics with Distinction at The Johns Hopkins University School of Advanced International Studies, and he continued his studies in the Johns Hopkins University PhD program with a concentration in International Economics and Latin American Studies.*

## **How critical have emerging markets been to Zurich's business?**

As a global enterprise, Zurich has worked very hard to establish a network of multi-line insurance companies in emerging markets at the local level, simply to go where the business is. There is a lot of business being done in very large markets that have been traditionally underserved by insurance companies.

In Brazil, for example, there has been great economic growth and a growing middle class, which is creating demand for a wide range of insurance products. This is a trend that is happening around the world.

Zurich has established a large network of operations in emerging markets to serve these new customers and also to support foreign companies that are operating in these growing markets.

Zurich's Credit and Political Risk business is no different, as we have some unique capabilities that many of our competitors don't have in that we're providing coverage locally to local companies but also to foreign companies working in the emerging markets.

## **Is there an education process for these emerging markets on the value of your product?**

When we're developing a new market, there is often a great deal of education that takes place. We want to make sure the customer understands the risks they're facing and then help protect them against those risks.

We're covering risks such as expropriation, political violence, business interruption, and other risks associated with political uncertainty.

These are things a risk manager might not think of each day but they are certainly risks that many companies face.

## **How do you assess risk when you're dealing with so much uncertainty?**

Analyzing political risk requires a great deal of expertise and experience.

We specialize in forecasting and understanding political risk, and we take the long view. We write non-cancelable coverage and we provide coverage for up to 15 years, so a multinational company can make investments knowing they have non-cancelable coverage for the long-term.

## **How important is the close coordination within Zurich from region to region?**

Our global network is our key strength and what makes us one of the leaders in this space. We have 16 offices in 12 countries, which is one of the largest networks of political risk underwriters, and those 16 offices are co-located with other Zurich operations, which gives us vast capabilities as a global insurer.

The entire global operation is centrally managed, so we have a closely coordinated group and all of our underwriting teams work very closely together. Having true political risk and trade credit specialists in the local markets allows us to better serve our customers by helping them understand the risks they face. This in turn allows us to help companies make the foreign investments that they need to make so as to grow their businesses.

## **Does the sale for the product need to be made at the C-suite level?**

It depends on the size of the company and the industry. At the multinational level, we tend to work with the risk managers and

the CFOs. However, given the recent geopolitical turmoil that we're seeing, CEOs and boards are increasingly expressing concerns over political risk and that's creating more demand for our product.

We don't interact directly with the boards, but this growth and interest in political risk coverage often comes from the top because they are seeing things often about increasing geopolitical turbulence.

## **Should markets like Brazil, China, and India still be considered emerging?**

That's a great question and we have to ask ourselves, at what point do we stop referring to some of the largest economies in the world as "emerging markets"? Many of these markets, such as China, Brazil, and India will play an increasingly important role in shaping global policy. They are demanding a seat at the table. Take, for example, the recent creation of the Asian Infrastructure Investment Bank in Shanghai. This will no doubt become a very important multilateral institution in the near future.

As someone who takes risks in these markets, it's tempting to look at emerging markets as one monolithic entity – people realize regions are different, but like to see two classes of countries, developed and emerging. While certain countries are considered emerging, some have clearly emerged quite a bit more than others.

I would caution that we not fall into the trap of defining just two groups. Some of the economic and political turmoil we've seen in Europe demonstrates that things can go the other way too.

## **What has made Zurich such a good fit for you?**

I've been here 15 years now. The capabilities that Zurich has developed globally and its unique product offerings show that it's a company that innovates and is on the forefront of thinking about what is next and what companies will need in underserved markets. There aren't too many companies that have the resources to do that and not many that could get it right. We've had tremendous success over the years. Zurich is a company that doesn't take its customers or existing markets for granted and is willing to put resources behind the next big thing to help our customers grow their business. ●