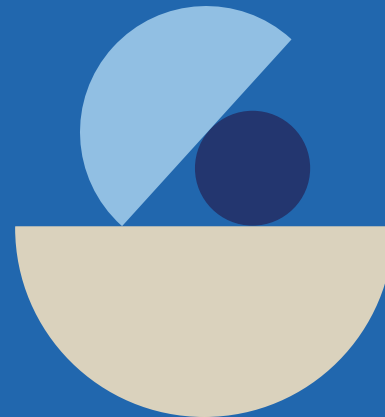


Financial Interest Cover

*AESIS Annual General Meeting,
Barcelona*

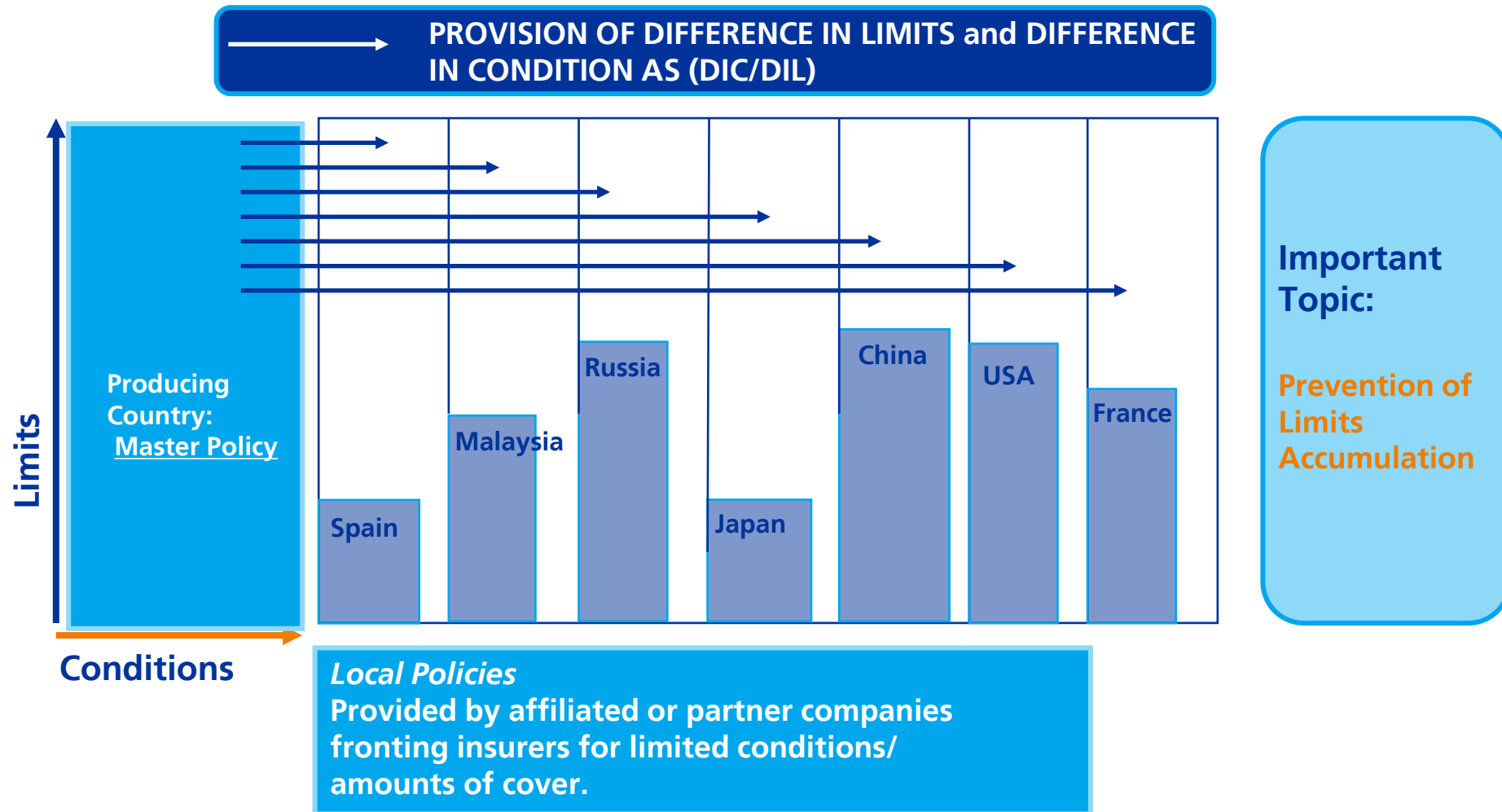
Martin Strnad / 15.9.2022



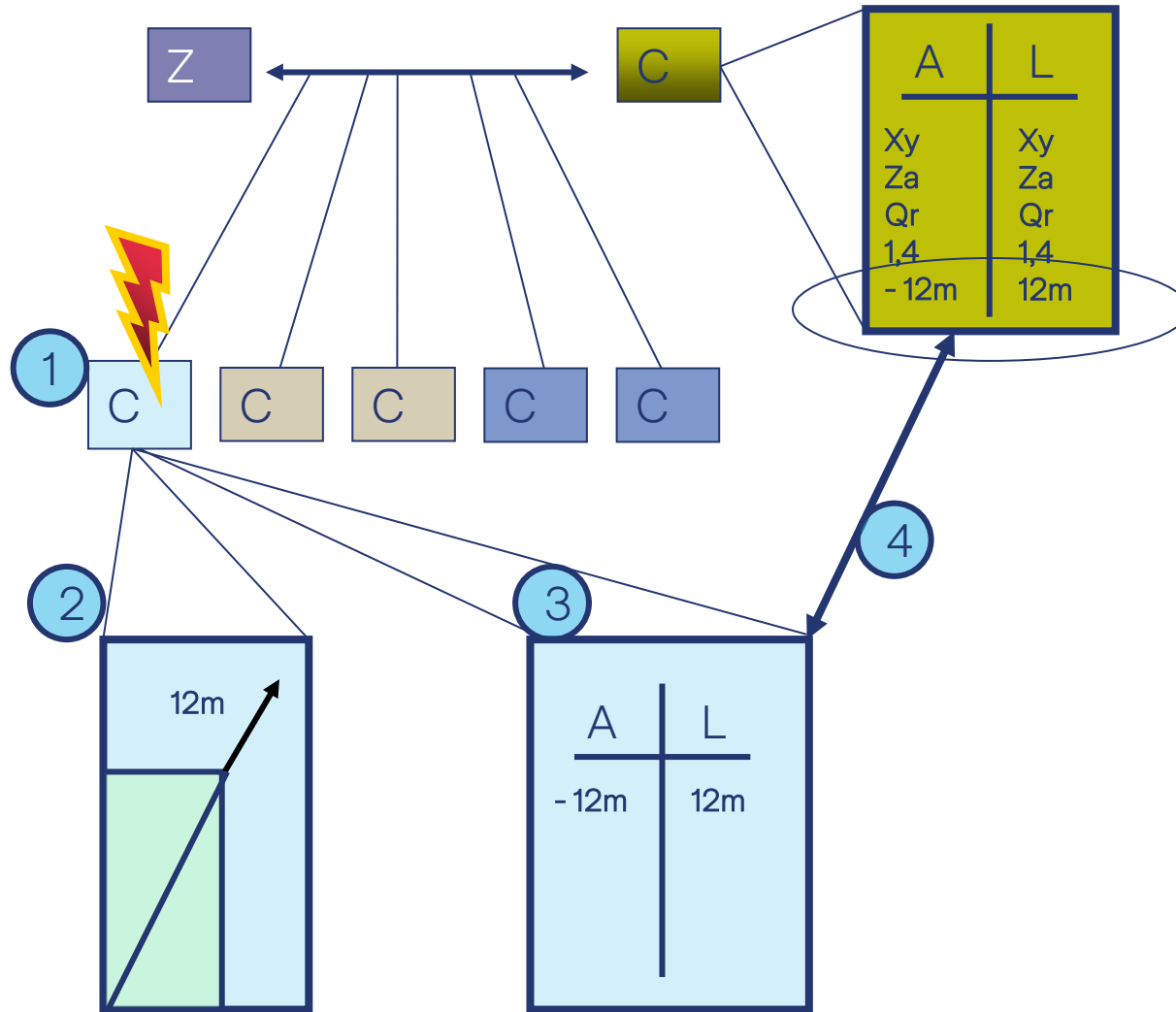
Agenda

- Context: International Insurance Programs (IIP)
- Concept of FInC
(including measurement of the loss)
- Legal & Regulatory Interpretation
(Location of Risk / Line of Business)
- IUA Guidance & Template
- Questions / Discussion

Model of an International Insurance Program



FInC insures the parent company's balance sheet



1. Loss in foreign country
2. Loss exceeds local policy limits and or conditions by 12m.
3. As the XS loss remains uncovered, the local operation suffers a 12m hit on its balance sheet
4. The local operation suffers a devaluation of 12m. Adequately, **the parent's financial assets / shareholding values in its local operation are diminished** by 12m.

This devaluation is the subject matter of the insurance granted by FInC.

- The Financial Interest Cover (FInC) provides insurance to the corporate customer's group parent company's balance sheet with respect to the corporation's shareholdings, participations or other investments (that are properly accounted for), which are being made into foreign subsidiaries or operations.
- Local subsidiaries/operations are not insured under FInC.
- As local subsidiaries/operations remain uninsured, any of their uninsured losses reduces their value.
- Accordingly, the respective shareholding or other investment accounted for under the parent's balance sheet will devalue. FInC is a financial loss insurance for the parent company against such devaluation.
- As insurance cover to the group parent's central balance sheet, the FInC is a domestic insurance provided by Zurich to the parent company under the master policy within the PC jurisdiction under the domestic financial loss license. Accordingly, premium/claims must be paid in the PC jurisdiction only.

- In contrast to DIC/DIL, FInC does not insure any of the foreign property, casualty or other line of business cover and cover in foreign countries is to be excluded. • From a regulatory and IPT perspective, FInC is accepted to clearly denominate the risk location as in the PC. However, Trade and Economic Sanctions laws are to be interpreted in a much more holistic and functionalist way, therefore: FInC cannot be provided, where any trade or economic sanctions do apply. • Any provision of FInC must be accompanied by the standard Zurich trade sanctions exclusion clause.
- Key Indicator and Test:
 - *Insured Customer's Corporate Structure and Economic Reality*

Commercial Risk ^{CR}

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Brokers and buyers welcome IUA's new model FINC clause

Next step is to bring risk managers into discussion

 **Ben Norris** · August 8, 2022