



# Zurich's Transitional Collateral Build-Up Program

Innovative solutions for corporate casualty customers



Moving your large loss sensitive casualty program from one carrier to another can be a complex, time-consuming undertaking. And even though the long-term benefits of a switch may make it well worth the effort, the process can involve upfront, transactional costs, such as those associated with the new collateral requirements under a new large loss sensitive casualty program with a new carrier.

Zurich understands. As one of the largest corporate casualty providers in the global insurance industry, our commitment is to offer innovative solutions that can make the transition of a large loss sensitive casualty program to Zurich as seamless, cost-effective and efficient as possible. Under a Zurich Transitional Collateral Build-Up Program, qualified customers with sound financial backgrounds and proven business strategies may be able to have their collateral obligations reduced initially and eventually built up on an aggregate basis for all policy periods over the course of a transition period of two to four years.

Our recognition of the sound financial condition of a customer helps us to determine appropriate collateral amounts and secured ratios over multiple years. This approach allows your collateral commitment to build up over time and relieves some of the up-front collateral obligations. That way you can plan on collateral adjustments over the transition period, making it easier for you to manage.

## Zurich's incremental secured ratio approach

The Zurich Transitional Collateral Build-Up Program utilizes an incremental secured ratio approach designed to ease the transition of your large loss sensitive casualty program to Zurich by allowing your collateral obligation to build up over the course of a transition period of two to four years. This is done by targeting a percentage of your financial liabilities to be secured. The target secured ratio for all policy years increases as additional program years are renewed over the transition period of two to four years.

In establishing the first year's secured ratio, Zurich will take a time horizon of two to four years in determining the financial liabilities under the program. This approach demonstrates to new customers our commitment to establishing and building a collaborative relationship with the customer from the outset of a program by effectively easing some of the collateral burden associated with moving to a new carrier.

The key aspects of the incremental secured ratio approach for the establishment of transitional collateral include:

- The “secured ratio” is the ratio of collateral you are obligated to post for Zurich’s benefit in relation to your financial liabilities.
- The initial secured ratio could be 50 percent or lower during the first year, depending on the customer’s public debt ratings and Zurich’s evaluation of the customer’s financial condition.
- The secured ratio applicable to all policy periods will increase over the next several renewals until an ultimate target ratio is achieved at the end of the transition period of two to four years.

## Summary of program qualifications

The Zurich Transitional Collateral Build-Up Program is for financially secure customers with proven business strategies that continue to meet the following requirements during the transition period\*:

- The program is for qualified new business customers.
- The program is for qualified customers with an investment grade rating or equivalent based on Zurich’s internal credit evaluation of the customer.
- The overall unsecured financial exposure will be subject to a predetermined maximum limit. Any increase in unsecured financial exposure over this limit may require additional collateral for the amount exceeding the limit.

- The customer must remain an active Casualty account of Zurich North America to qualify for the incremental secured ratio approach to collateral.
- The financial rating at inception must be maintained throughout the transition period.
- If the customer fails to meet any of the above qualifications, Zurich reserves the right to require collateral in accordance with the loss sensitive program agreements.

## Zurich

1299 Zurich Way, Schaumburg, Illinois 60196-1056  
800.382.2150 [www.zurichna.com](http://www.zurichna.com)

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\*As of September 1, 2018. The requirements are subject to change.

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