Political Risk Insurance Facilities for Private Equity Investment Funds
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Private equity fund managers ("Funds") face significant challenges in raising capital to invest in emerging and frontier markets. Private investors are uneasy about unpredictable losses due to political risks associated with developing countries, such as government interference, discriminatory changes in regulations, currency exchange restrictions, and political violence.

To address these challenges, OPIC offers political risk insurance ("PRI") for Funds to cover risks of loss to their investments caused by expropriation, currency inconvertibility, and political violence. OPIC-supported PRI facilities can attract capital for Funds by providing fund managers and their limited partners with long-term risk-mitigation coverage backed by the U.S. government's Full Faith and Credit and AAA rating.

COVERAGE TYPES

OPIC can insure either a Fund's specified individual investments in portfolio companies, or all of a Fund's investments in portfolio companies. This can be done through either *direct insurance* with OPIC as the insurer, or – where OPIC is not able to insure the Fund directly - through an OPIC-sponsored PRI facility in partnership with a private sector insurer backed with an OPIC *reinsurance* facility.

This PRI coverage may be as broad or as narrow as needed. It can include protection against governmental actions and political violence that cause losses to the Funds' investments in any portfolio company, including the risks of:

- Nationalization, confiscation, or expropriation (including "creeping" expropriation)
- Civil strife, insurrection, terrorism, sabotage, war, civil war
- Changes in currency convertibility or right to transfer or repatriate currency
- Discriminatory changes of laws or regulations
- Breach of contract, agreement, or obligation (e.g. power purchase, concessions, technical or management services)
- Contract frustration or denial of justice
- Nonpayment of an arbitral award

OPIC's PRI coverage may provide:

- Up to $250 million per Fund investment in a portfolio company
- Coverage up to 20 years for equity investments made by a Fund
- Non-cancellable coverage and guaranteed rates for entire term of the insurance contract
- Claims avoidance through advocacy by various U.S. government agencies on behalf of the Fund
- Transparent and fair claims determination
- 90% coverage limit for equity investments and 100% coverage for debt investments
- Available discounts based on volume and spread of risk

Where OPIC provides political risk insurance, Fund portfolio companies must also demonstrate positive host country economic development impact, and comply with OPIC policies on human and worker rights, environmental impact, and impact on U.S. economy.

For additional information on OPIC Political Risk Insurance, please visit our website at https://www.opic.gov/what-we-offer/political-risk-insurance or contact (877) 654-3611 or applyins@opic.gov.

ELIGIBILITY

When acting as the primary insurer, OPIC PRI requires significant U.S. participation in the Funds it supports. OPIC *direct* insurance for political risk is available if a Fund fits one of the following thresholds:

- Fund is incorporated in the U.S. and majority-owned (over 50%) by U.S. investors;
- Fund is incorporated outside the U.S. and is more than 95% owned by U.S. investors.

If a Fund does not meet the above requirements, OPIC may still provide PRI support by sharing liabilities through reinsurance or co-insurance arrangements in cooperation with a private insurer or a public insurer (e.g., multilateral or bilateral political risk insurance provider):

- If the primary insurer is a U.S. insurance company, OPIC can provide reinsurance regardless of the sources of the Fund's capital;
- If the primary insurer is not a U.S. insurance company, OPIC may provide reinsurance so long as the Fund can demonstrate sufficient U.S. participation; or
- OPIC can directly insure the U.S. portion of the Fund's capital and arrange political risk cover with multilateral or bilateral entities for the portion of the Fund's capital provided by non-U.S. investors.

Examples of OPIC PRI for Private Equity Investment Funds

DIRECT INSURANCE

OPIC Directly Insures Majority U.S.-Owned Fund –
OPIC and the Fund established in the U.S. and having *majority* U.S. LP capital enter into a Master Insurance Contract ("MIC"). MIC reserves insurance capacity to match Fund's planned pipeline. OPIC will then issue coverage for each investment as it is made by the Fund.

OPIC Directly Insures Minority U.S.-Owned Fund –
OPIC enters into a MIC with a Fund (i) established in the U.S. but having *minority* U.S. LP capital, or (ii) established outside the U.S and having less than 95% U.S. LP capital. MIC reserves insurance capacity to match the Fund's planned pipeline. Concurrently, OPIC enters into a Master Reinsurance Contract with a multi- or bilateral reinsurer to cede coverage on the non-U.S. portion of the investment. OPIC will then issue coverage for each investment as it is made by the Fund, and a portion of such coverage will be reinsured.

REINSURANCE

OPIC Reinsures U.S. Private Insurer's Coverage of a Fund -
A Fund with some or no U.S. LPs enters into an insurance policy with a U.S. private PRI insurer. OPIC reinsures the U.S. insurer. OPIC can partner with U.S. private PRI insurers to provide coverage to any Fund.

OPIC Reinsures Private Insurer's Coverage of Majority U.S.-Owned Fund -
A Fund with significant U.S. LPs enters into an insurance policy with a private non-U.S. PRI insurer. OPIC reinsures the private PRI insurer, based on the significant (e.g., 25% or greater) U.S. LP capital in the Fund. OPIC can partner with any private PRI insurer to provide coverage to a Fund with significant U.S. LPs.