



Political Risk Insurance Facilities for Private Equity Investment Funds

October 2013

Emerging Market Risk

In emerging markets where potential returns for investors are growing far more rapidly than in developed markets, private equity investors now can be protected by political risk insurance (PRI) arranged by OPIC. These OPIC insurance products offer important protection for investors in such challenging and potentially lucrative markets as the Middle East, Africa, and Asia, where investment is most urgently needed but where political uncertainty has dampened investor interest. In addition, OPIC-supported PRI facilities will help to accelerate capital-raising cycles for investment funds by providing fund managers and their limited partners with long-term coverage against the risk of losses to their investments which may be caused by expropriation, currency inconvertibility, and political violence. PRI coverage can significantly mitigate the risks posed to emerging market private equity investors, and thereby increase their appetite to pursue the opportunities available in the developing world.

OPIC Can Help

As part of its mission to mobilize private sector investment in emerging markets, OPIC is one of the largest investors in private equity funds in developing countries and is typically one of the first fund sponsors to enter an unproven and untapped market. OPIC's political risk insurance can mitigate investors' risk concerns by providing them the assurance of the U.S. government that their investments will be protected by coverage that is both affordable and tailored to the investors' needs.

OPIC PRI Facilities for Private Equity Investment Funds

OPIC can insure either all of the individual investments in portfolio companies as they are made by a Fund for the benefit of all of the investors in the Fund or the specific beneficial interests of a select group of investors in a Fund for the individual investments in portfolio companies as they are made by a Fund. This can be done through either direct insurance with OPIC or through an OPIC-sponsored PRI facility in partnership with a private sector insurer that is backed with a reinsurance facility and OPIC's AAA rating. The OPIC-sponsored reinsurance PRI facility is used when the insured party is not a U.S. entity. The coverage provided can be as broad or as narrow as needed and can include protection against governmental actions and political violence that causes losses to the Funds investments in any portfolio company. Risks covered:

- 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
- Interference with or denial of carbon credits, feed-in tariffs
- Nationalization, confiscation, or expropriation (including "creeping" expropriation)
- Changes in currency convertibility or right to transfer or repatriate currency
- Civil strife, insurrection, terrorism, sabotage, war, civil war

OPIC's Products Provide

- Coverage for up to 20 years for equity investments made by a Fund
- Guaranteed rates for the entire term of the insurance contract
- Non-cancellable coverage for the entire term of the insurance contract
- Backed by the Full Faith and Credit of the U.S. government
- Claims avoidance through advocacy by various U.S. government agencies on behalf of the investor
- Transparent and fair claims determinations

For additional information on OPIC Political Risk Insurance, please visit our website at www.opic.gov or contact Jim Williams, Director of Insurance and Reinsurance, via email at Jim.Williams@opic.gov or by phone (202 336-8575).

Political Risk Insurance Facilities for Private Equity Investment Funds

October 2013



Typical OPIC PRI Facilities for Private Equity Investment Funds

A group of U.S. "eligible investors" in a Fund

Insurer: OPIC

Insured: A group of investors in the Fund, if they are (1) an entity established in the U.S. and majority owned by U.S. citizens or corporations, (2) a corporation established outside the U.S. and more than 95% owned by U.S. citizens, or (3) any other type of entity established outside the U.S. and 100% owned by U.S. citizens or corporations (each an "Eligible Investor").

Coverage: Any of the risks listed (see reverse side) as requested by the Insured.

Capacity: Up to \$250 million per Fund investment in a portfolio company.

Tenor: Up to 20 years for each insured investment.

Pricing: OPIC's premium rate. Discounts available based on volume and spread of risk as well as blended price with the private carrier.

Countries: Any country currently eligible for OPIC programs.

Agreements: (1) PRI Facility Agreement with OPIC commitment to reserve sufficient capacity as needed to help raise capital for the Fund and provide coverage for planned investments.

(2) Master Insurance Policy with annexes added for each Portfolio Company for which coverage is provided.

OPIC Policy

Requirements: Fund portfolio companies demonstrate positive host country economic development impact, Fund and portfolio companies comply with OPIC policies on human and worker rights, environmental impact, and impact on U.S. economy.

A Fund

Insurer: OPIC

Insured: The Fund, usually with the Fund Manager or General Partner acting on behalf of the Fund. A portion of the Fund's capital must be provided by Eligible Investors.

Reinsurance: OPIC will arrange reinsurance from a multilateral organization or other qualified entity for the portion of the Fund's capital provided by entities that are not Eligible Investors.

Coverage: Any of the risks listed (see reverse side) as requested by the Insured.

Capacity: Up to \$250 million per Fund investment in a portfolio company.

Tenor: Up to 20 years for each insured investment.

Pricing: OPIC's premium rate and the cost of reinsurance. Discounts available based on volume and spread of risk.

Countries: Any country currently eligible for OPIC programs.

Agreements: (1) PRI Facility Agreement with OPIC commitment to reserve sufficient capacity as needed to help raise capital for the Fund and provide coverage for planned investments.

(2) Master Insurance Policy with annexes added for each Portfolio Company for which coverage is provided.

(3) Reinsurance Agreement between OPIC and a multilateral or other qualified entity providing reinsurance to OPIC.

OPIC Policy

Requirements: Fund portfolio companies demonstrate positive host country economic development impact, Fund and portfolio companies 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 www.opic.gov or contact Jim Williams, Director of Insurance and Reinsurance, via email at Jim.Williams@opic.gov or by phone (202 336-8575).