Political Risk Insurance Facilities for Private Equity Investment Funds

December 2011

Typical OPIC PRI Facilities for Private Equity Investment Funds

Direct Insurance

Insurer: OPIC

Insured: Fund itself or a group of investors in the Fund, in either case 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.

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: Discounts available based on volume and spread of risk

Countries: Any country currently eligible for OPIC programs.

Agreements: (1) Framework 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 individual Project Annexes to provide effective coverage for the Fund investments in each portfolio company.

Statutory 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.

Reinsurance

Reinsurer: OPIC

Insurer: A private insurance company with an "A" or better rating from AM Best, significant presence in the U.S., and significant experience in PRI.

Insured: Fund Manager or General Partner acting on behalf of the Fund.

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

Capacity: Up to $250 million per Fund investment in a portfolio company, subject to any country and coverage limitations of the Insurer.

Tenor: 10-15 years for each insured investment, subject to limitations of the Insurer.

Pricing: 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) Framework 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 and Reinsurance Policies with individual Project Annexes to provide effective coverage for Fund investments in each portfolio company.

Statutory 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 via email at Jim.Williams@opic.gov or by phone (202 336-8575).

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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

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