



***Political Risk Insurance:  
Investment Risks & OPIC Solutions***

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# Currency Inconvertibility

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- **Definition:** Inability to convert local currency into a foreign currency or transfer it U.S. outside the host country, including:
  - excessive delays in acquiring foreign exchange caused by host government action or failure to act,
  - adverse changes in exchange control laws or regulations, or
  - deterioration in conditions governing the conversion and transfer of local currency.
  - Not coverage for devaluation risk



# Expropriation

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- **Definition:** Loss of an investment due to expropriation, nationalization, or confiscation by the host government
  - Includes “creeping” expropriation and denial of justice
  - Can include a breach of contract by or disputes with foreign government agency or government owned and controlled company



# Political Violence

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- **Definition:** Loss of assets or business income due to political violence, including war, revolution, insurrection, politically motivated civil strife, terrorism, sabotage, etc.
  - Can provide coverage for temporary loss of use of assets, damage to or loss of use of critical infrastructure, extraordinary expenses, and forced abandonment





# OPIC Political Risk Solutions

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- OPIC can provide political risk insurance (PRI) or reinsurance for new projects, or modernizations, expansions, or privatizations of existing projects
  - Coverage available for equity, shareholder loans, commercial bank loans, guarantees, leases, consigned equipment, technical assistance agreements, and contracts with a foreign government agency or government owned and controlled company
  - Coverage is long-term, typically not less than three years, up to 20 years for equity, longer for other types of investments such as long-term debt
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# What products can OPIC provide?

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- Indicative Rates and Terms (NBI)
  - Letter of Interest
    - Nonbinding letter documenting OPIC's interest in supporting an investment with PRI
  - Commitment Letter
    - With requisite policy approvals, OPIC can issue a commitment to provide PRI for an investment
      - Useful for investor to raise capital
      - Useful to reserve capacity for coverage when needed
  - Insurance Contracts (Customized Coverage)
    - Each project is underwritten using standard contracts forms tailored with the project specifics and coverage requested by the investor.
    - Specialized coverage by type of investment (equity, debt, etc.)
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# Coverage for Various Forms of Investment

Investment	Form of Investment/Exposure	% Covered
Equity	Equity, including retained earnings, subordinated debt	90%
Debt	Bank loans, bonds, and capital or operating leases from third party financial institutions	100%
Assets	Tangible property, including consigned equipment	90%
Private Contracts	Contracts among private parties to provide services, including construction, procurement, management, technical services, “know how” or franchise agreements	90%
Contracts with Foreign Governments	Contracts with a foreign government agency or company:	
	- Bid bonds or guaranties , including advance payment, performance, warranty or customs bonds	90%
	-Tangible assets used to perform the contract	90%
	- Disputes that arise, including non-payment	90%

# Coverage Tailored by Type of Project and Special Risks

Type of Projects & Risks	Specialized Forms of Coverage
<p><b>Infrastructure</b>, including power, airports, ports, railways, etc.</p>	<ul style="list-style-type: none"> <li>- Creeping expropriation, including breach of contract, denial of justice, arbitral award default for long-term purchase or supply agreements with government owned and controlled companies.</li> </ul>
<p><b>Renewable Energy Infrastructure</b>, including solar, wind, hydro, etc.</p>	<ul style="list-style-type: none"> <li>- Loss of business income due to “regulatory risks” or breach of “feed-in tariff” contract.</li> </ul>
<p><b>Non-governmental and not-for-profit organizations</b>, including emergency relief services or schools</p>	<ul style="list-style-type: none"> <li>- Loss of bank accounts, tangible property and extraordinary expenses (such as evacuation expenses or forced abandonment of assets)</li> </ul>
<p><b>Microfinance</b></p>	<ul style="list-style-type: none"> <li>- Foreign government acts affecting microenterprise borrowers, partial expropriation (bank accounts), and local currency risks</li> </ul>





# Benefits of OPIC Insurance

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- Experience in 150+ countries and high levels of risk
  - Can help attract a larger pool of capital and obtain long-term financing for projects
  - Cooperation with private insurers and multilaterals
  - Advocacy
  - Full faith and credit of the U.S. government
  - Claims Payments as of 9/30/11
    - \$970.8 million of claim payments and settlements for 291 individual claims since FY71
    - \$892.6 million or 92 percent has been recovered by OPIC
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# Coverage Available for “Eligible Investors”

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- U.S. Citizens
  - Corporations established in the U.S. and more than 50% owned by U.S. citizens or corporations
  - Not-for-profits established in the U.S.
  - Corporations established outside the U.S. and more than 95% owned by U.S. citizens or corporations
  - Entities other than corporations established outside the U.S. and 100% owned by U.S. citizens or corporations.
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# Terms and Conditions of Insurance

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- Eligible Investors
  - Assignable to eligible investors
- 20+ year coverage (3 year min.)
- Coverage of up to \$250 million per project
- Up to 90 percent of investment (10 percent self-insurance) for equity
- 100% coverage for commercial bank loans or leases (from unrelated third parties)
- Premium rates fixed for full term of coverage



# Premium Rates

Coverage	Indicative Premium Rate Ranges
Currency Inconvertibility	\$0.18 - \$0.42
Expropriation	\$0.28 - \$0.60
Political Violence:	
- Assets	\$0.21 - \$0.53
- Business Income Losses	\$0.21 - \$0.53

- Rates are per \$100 of coverage.
- Rates may fall outside of these ranges, depending on the particular risk profile of the project or for specialized coverage.
- Discounted rates may be available for small businesses or a combination of coverages.

# Application and Underwriting

- Project Screening
- Registration
- Application
- Retainer Fee Agreement
- Project Team Formation
- Policy Approvals
- Underwriting Approval
- Insurance Contract Issued

