

Take the **politics** out of **investing**...

Political Risk Insurance for Private Equity Investors

Founded in 1997, Sovereign is now the second largest and highest rated private Political Risk Insurance (PRI) company in the world, with a portfolio spread over more than 100 emerging market countries and outstanding exposures in excess of \$10 billion. We can offer per-project capacities up to \$80 million and tenors out to 15 years. Sovereign is a wholly owned subsidiary of Chubb, a \$150 billion (by total assets) insurance company that is rated AA by S&P. Sovereign's clients include most major commercial and investment banks, Development Finance Institutions, Export Credit Agencies, Multilateral Agencies, private equity investors, and multinational corporates. Sovereign is a member of the Berne Union (the International Union of Credit & Investment Insurers).

What is Political Risk Insurance?

PRI is a specialized form of insurance that protects against unexpected, often catastrophic, political and/or macroeconomic events in emerging markets.

- Investors are protected against equity losses
- Lenders are protected against loan defaults
- Exporters are protected against contractual defaults

What can be covered?

Sovereign is able to customise its policies for limited partners, private equity funds, and direct investors, including coverage for partial investment losses, extended business interruption, and consequential losses, following a wide range of perils. Typical risks that are covered include:

- Confiscation, expropriation and nationalization by a host government (including “creeping”/regulatory expropriation)
- Currency inconvertibility, non-transfer and remittance restrictions
- War, terrorism, and other acts of political violence
- Selective discrimination
- Forced divestiture/abandonment
- Non-payment of contractual obligations, and other breaches of sovereign / sub-sovereign contracts (e.g. PPAs, concessions)
- License cancellations, embargoes
- Non-payment of loans or non-honoring of guarantees by Ministries of Finance, state-owned banks or sub-sovereign entities



Who uses Political Risk Insurance?

Transaction Type	Typical Client
Cross Border Equity Investments	Multinational Companies, PE Funds, Family Offices, SWFs, LPs in PE Funds
Project Finance	Commercial or Investment Banks
Export/Import/Trade finance	Commercial Banks
Commodity Finance	Commercial and Investment Banks, Commodity Trading Companies
Corporate Lending	Commercial Banks

As a result of significant country diversification across more than 100 emerging markets, Sovereign's PRI premia are generally much lower than the country risk premia applied by investors in their returns / cost of capital analysis, resulting in greater balance sheet efficiency for the investor.

PRI protection offers significant commercial value to investors:

- Opens up new markets for investment that were previously “off-limits” due to political risks
- Facilitates the flow of capital – PRI can assist with subsequent capital raisings, both for existing portfolio companies as well as for new fund launches
- Boosts returns – companies protected by PRI can often raise capital (or be sold) at higher valuations, resulting in less dilution and better returns for the original shareholders / investors
- Levels the playing field – PRI “hedged” foreign investors are much better able to compete with local investors when bidding on attractive assets in emerging markets since they are no longer discounting the political risks as heavily
- Offers peace of mind and facilitates more value enhancing portfolio management – the investor can remove many key concerns of capital loss due to political risks, focusing instead on the commercial, operational and financial components of their investments