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Case Study:

Solar Projects in Senegal

Political Risk Insurance from the Overseas Private Investment Corporation (OPIC)

Presented by:

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Two Solar Projects in Senegal

TEN MERINA: A 29.5 MW photovoltaic solar farm in Merina Dakhar Commune approximately 150 km north of Dakar.

- **Insured:** Meridiam Africa Investments SAS
- **Insurer:** Chubb Bermuda International Insurance (Ireland) dac
- **Reinsurer:** OPIC (\$2,960,000)

SENERGY: A 29.49 MW photovoltaic solar farm in Santhiou Mekhe (commune de Meouane) approximately 150 km north of Dakar.

- **Insured:** Meridiam Africa Investments SAS
- **Insurer:** ACE Bermuda International Insurance (Ireland), Limited
- **Reinsurer:** OPIC (\$2,025,124)

DISCUSSION

1. Risk mitigation instruments used and risks addressed?

- The primary insurer provided inconvertibility, expropriation and political violence for the equity of the investor, which is a private equity fund. OPIC provided reinsurance.
- OPIC can use reinsurance or co-insurance partnerships with licensed U.S. and international insurance companies and multilateral insurers to support developmental projects in emerging markets with U.S. involvement. OPIC can also provide indirect insurance support to projects, by reinsuring a private U.S. insurer that provides political risk insurance equal to at least 25% of the project's equity.

2. Effectiveness of the risk mitigation instruments?

- De-risking the fund's equity investments for its limited partners.

DISCUSSION

3. *Key strengths of the risk mitigation instrument used?*

- PRI for such investments has the potential to attract more pension funds and similar sources of capital into private equity funds that are focused on long term investments in emerging markets. These funds are seeking high quality long term investments but are finding that the IRRs in emerging markets are not significantly higher than in more developed countries; nevertheless the risks are there. PRI helps to mitigate these risks.
- OPIC reinsurance of U.S. private insurers helps to expand the reach of the private market into difficult markets, with OPIC as an advocate behind them and the investor.