

August 27, 1974

Office of the White House Press Secretary

NOTICE TO THE PRESS

The President has signed S. 2957, the Overseas Private Investment Corporation Amendments Act of 1974. The bill extends certain basic authorities for the Corporation until December 31, 1977; authorizes the Corporation to issue reinsurance in lieu of direct insurance; terminates certain activities of the Corporation; and for other purposes.

The Overseas Private Investment Corporation (OPIC) was created in 1969 to assume operation of the private investment incentive programs then operated by the Agency for International Development (AID). Its purpose as stated in its authorizing legislation, was "To mobilize and facilitate the participation of United States private capital and skills in the economic and social progress of less developed friendly countries and areas; thereby complementing the development assistance objectives of the United States..."

To carry out its purpose OPIC was authorized to conduct, among other things, programs of investment insurance and investment guarantees. Investment insurance constitutes the bulk of the Corporation's operations, and in this regard, OPIC offers protection to United States corporations and other entities investing abroad against the political risks of inconvertibility, expropriation, and war, revolution and insurrection. Investment guarantees are available to cover not only the political risks but the commercial risks of overseas investment as well.

S. 2957, which has no significant budgetary impact, extends OPIC's program authority for both investment insurance and guarantees from December 31, 1974, to December 31, 1977. OPIC's authority to operate any of its programs, except investment insurance and the new reinsurance activities authorized by this bill, will be terminated after December 31, 1979. Under the bill, the President is authorized to transfer these terminated programs to other United States agencies. When transferred, these programs will be limited to countries with per capita incomes of \$450 or less in 1973 dollars.

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With respect to its investment insurance activities, OPIC's role as a direct insurer against political risks will be gradually phased out in favor of a role as reinsurer of private insurance companies and other financial institutions.

Specifically, the bill prohibits OPIC from directly writing inconvertibility and expropriation insurance after December 31, 1979, and terminates such activity with regard to war risk insurance as of December 31, 1980, unless Congress modifies these cut-off provisions by law. Thus, the Corporation will be restricted to acting solely as a reinsurer as of December 31, 1980.

In authorizing OPIC to enter into various reinsurance arrangements with private insurance companies and other entities, S. 2957 permits OPIC to incur maximum reinsurance liabilities of up to \$600 million annually and up to an aggregate amount of \$7.5 billion at any one time -- the maximum liability currently authorized for OPIC's political risk insurance programs. Any reinsurance issued by the Corporation will require the direct insurer to cover certain portions of the liability itself and OPIC would be directed to try to increase the amount of this liability coverage to the maximum extent possible.

Other significant features of the bill:

- Authorize OPIC to seek appropriations to replenish or increase its insurance reserves only when those reserves fall below \$25 million and to issue, for purchase by the Secretary of the Treasury, notes, debentures, bonds or other obligations (not to exceed \$100 million at any one time) to discharge its investment insurance or reinsurance liabilities;
- Require the Corporation to report to Congress by January 1, 1976, regarding the possibilities of transferring all of its activities to private insurance companies, multilateral organizations and institutions, or other entities;
- Bar OPIC from insuring or reinsuring any investment if the Corporation determines that such investment would significantly reduce the number of the investor's United States employees;
- Require the Corporation to develop and implement, within 6 months after the date of enactment of this bill, specific criteria intended to minimize the potential environmental implications of projects undertaken by investors abroad under any programs OPIC operates.

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