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REPORT TO THE CONGRESS ^{09J}



Examination Of
Financial Statements Of Overseas
Private Investment Corporation
Fiscal Year 1973 B-173240

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

MARCH 13, 1974

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-173240

To the President of the Senate and the
Speaker of the House of Representatives

We examined the statement of financial condition of the Overseas Private Investment Corporation (OPIC), a Government-owned corporation, as of June 30, 1973, and the related statements of net income, changes in investment of U.S. Government, and changes in financial condition for the year then ended. This examination, pursuant to the Government Corporation Control Act (31 U.S.C. 841), was made in accordance with generally accepted auditing standards, and accordingly we included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. 17

OPIC insures and guarantees U.S. investors against potential risks of loss of their overseas investments due to expropriation; inconvertibility of currency; and war, revolution, or insurrection. As of June 30, 1973, OPIC's insurance reserve for such losses amounted to \$142.5 million. However, as explained in note 8 to the financial statements, potential charges against this reserve for claims filed total \$394.2 million, consisting of direct liabilities related to claim settlements (\$43.8 million), claim settlement guarantees (\$75.7 million), pending claims (\$28.2 million), and denied claims (\$246.5 million).

Section 237(c) of title IV of the Foreign Assistance Act of 1961, as amended, provides that the full faith and credit of the United States of America is pledged for the full payment and performance of obligations incurred by OPIC under its insurance and guarantee contracts. Thus, if claim settlements are in excess of available reserves, OPIC will be required to request supplementary funds from the Congress to pay the claims.

Due to the many imponderable factors affecting the foregoing claims, as well as those affecting the contingent liability

that OPIC has incurred as the result of its other contracts of insurance and guarantees in force (see notes 8 and 9 to the financial statements), we are not able to express an opinion on the adequacy of the amount reserved for losses OPIC may suffer as a result of its insurance and guarantee contracts.

With the exception as to the adequacy of the amount reserved for losses, in our opinion, the accompanying financial statements present fairly the financial position of OPIC at June 30, 1973, and the results of its operations, the changes in the investment of the U.S. Government, and the changes in financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and with applicable Federal laws.

The accompanying financial statements (schs. 1, 2, 3, 4, and 5) are those contained in OPIC's annual report.

We are sending copies of this report to the Director, Office of Management and Budget; the Secretary of the Treasury; the Administrator, Agency for International Development; and the President, Overseas Private Investment Corporation.



Comptroller General
of the United States

STATEMENT OF NET INCOME

	June 30, 1973	June 30, 1972
INCOME		
FEEES		
Political risk insurance (net of reinsurance fees)	\$26,329,473	\$26,310,413
Investment guaranties	2,710,038	2,327,353
Direct investment interest	780,578	118,855
Registration fees	44,050	37,420
Other fees	61,693	59,178
Total fees	<u>29,925,832</u>	<u>28,853,219</u>
OTHER INCOME (principally interest on U.S. obligations)	5,851,327	4,345,588
Gross income	<u>35,777,159</u>	<u>33,198,807</u>
ADMINISTRATIVE EXPENSES		
Salaries and fringe benefits	2,618,141	2,592,158
Travel	139,690	183,954
Rent, communications & utilities	306,530	288,131
Printing & reproduction	64,806	46,807
Contractual services	942,622	627,403
Supplies & materials	28,306	21,434
Depreciation & amortization	24,472	23,018
Maintenance charges on claims-related assets	—	47,867
Representation expense	7,617	4,621
Pre-investment assistance	356,153	223,009
Total	<u>4,488,337</u>	<u>4,058,402</u>
Prior year's adjustments (primarily fee adjustments)	(148,622)	354,112
Administrative costs reimbursed by A.I.D.	(83,466)	(114,617)
Total administrative expenses	<u>4,256,249</u>	<u>4,297,897</u>
NET INCOME	<u>\$31,520,910</u>	<u>\$28,900,910</u>

The Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF FINANCIAL CONDITION

	June 30, 1973	June 30, 1972
ASSETS		
CURRENT ASSETS		
Cash on hand and in transit	\$ 775,302	\$ 1,603,500
Fund balances with U.S. Treasury	148,946,666	159,531,231
Foreign currency (U.S. equivalent) (Note 3)	9,868,000	9,868,000
Cash	\$159,589,968	\$171,002,731
Investment in U.S. obligations (Note 4)		
Valued at par	127,590,000	95,210,000
Less unamortized discount net of accrued interest	2,610,054	1,315,974
Investments	124,979,946	93,894,026
Direct Investment Fund loans outstanding (current) (Note 5)	146,825	—
Accrued interest & fees	844,001	684,228
Accounts receivable	142,276	231,129
Prepaid reinsurance premium	852,811	518,549
Other current assets	1,985,913	1,433,300
Total current assets	286,555,827	266,330,000
OTHER ASSETS		
Direct Investment Fund loans outstanding (long-term) (Note 5)	12,312,517	5,200,000
Assets acquired from claims settlements (Note 6)	63,678,483	7,250,000
Less reserve against claims-related assets (Note 6)	19,856,653	—
	43,821,830	
Leasehold improvements	61,629	61,629
Less accumulated amortization	35,873	22,996
	25,756	
Furniture and fixtures	184,328	178,015
Less accumulated depreciation	91,048	82,674
	93,280	
TOTAL ASSETS	\$342,809,210	\$278,630,000

The Notes to the Financial Statements are an integral part of this statement.

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	June 30, 1973	June 30, 1972
LIABILITIES, CAPITAL & RESERVES		
LIABILITIES & DEFERRED INCOME		
Current liabilities & deferred income		
Accounts payable & accrued expenses	\$ 2,107,107	\$ 971,661
Fees paid in advance	439,234	761,875
Fee adjustments—due contract holders	2,819,230	2,819,913
Deferred income	<u>12,667,034</u>	<u>12,969,153</u>
Total current liabilities & deferred income	\$ 18,032,605	\$ 17,522,602
Other liabilities		
Direct liabilities related to claims settlements (Note 6)	43,821,830	3,076,820
Total liabilities & deferred income	<u>61,854,435</u>	<u>20,599,422</u>
 CAPITAL & RESERVES (Exhibit I)		
Capital held by U.S. Treasury (Note 5)	40,000,000	40,000,000
Insurance reserve (Notes 7 & 8)	142,563,079	114,357,323
Guaranty reserve (Notes 7 & 9)	74,877,750	75,000,000
Retained earnings	13,645,946	19,125,036
Foreign currency allocation from U.S. Treasury (Note 3)	<u>9,868,000</u>	<u>9,868,000</u>
Total Capital & Reserves	280,954,775	258,350,359
TOTAL LIABILITIES, CAPITAL & RESERVES	<u>\$342,809,210</u>	<u>\$278,949,781</u>
Contingent Liabilities (Notes 7, 8 & 9)		

SCHEDULE 3

STATEMENT OF CHANGES IN INVESTMENT OF U.S. GOVERNMENT

(Exhibit I)

	<u>Foreign Currency Allocation from U.S. Treasury</u>	<u>Capital</u>	<u>Insurance Reserve</u>	<u>Guaranty Reserve</u>	<u>Retained Earnings</u>	<u>Total</u>
Balances, July 1, 1972	\$9,868,000	\$40,000,000	\$114,357,323	\$75,000,000	\$19,125,036	\$258,350,359
Appropriations by Congress	—	—	12,500,000	—	—	12,500,000
Net income	—	—	—	—	31,520,910	31,520,910
Losses on claims settlements (net of recoveries)	—	—	(330,842)	(1,228,999)	—	(1,559,841)
Transferred to reserve for collection of claims- related assets acquired for cash	—	—	(17,319,402)	(2,537,251)	—	(19,856,653)
Transferred from retained earnings	—	—	33,356,000	3,644,000	(37,000,000)	—
Balances, June 30, 1973	<u>\$9,868,000</u>	<u>\$40,000,000</u>	<u>\$142,563,079</u>	<u>\$74,877,750</u>	<u>\$13,645,946</u>	<u>\$280,954,775</u>

The Notes to the Financial Statements are an integral part of this statement.

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STATEMENT OF CHANGES IN FINANCIAL CONDITION

	June 30, 1973	June 30, 1972
FUNDS PROVIDED		
Net income		
Fees	\$29,925,832	\$28,853,219
Other income, principally interest on U.S. obligations	5,851,327	4,345,588
Costs reimbursed by another agency	83,466	114,617
	<u>35,860,625</u>	<u>33,313,424</u>
Less: administrative costs	4,339,715	4,412,514
Net income	<u>31,520,910</u>	<u>28,900,910</u>
Investment of U.S. Government		
Appropriation for insurance reserve	12,500,000	12,500,000
Foreign currency allocation from U.S. Treasury	—	9,868,000
Increase in direct obligations arising from claims settlements	40,745,010	3,076,820
Depreciation and amortization	24,472	23,018
TOTAL FUNDS PROVIDED	<u>\$84,790,392</u>	<u>\$54,368,748</u>
FUNDS USED		
Direct Investment Fund loans disbursed	\$ 7,112,517	\$ 5,200,000
Increase in assets acquired from claims settlements	56,393,340	3,770,712
Furniture & fixture purchases & leasehold improvements	9,533	19,905
Losses on claims settlements (net of recoveries)	1,559,841	642,677
Increase in working capital	19,715,161	44,735,454
TOTAL FUNDS USED	<u>\$84,790,392</u>	<u>\$54,368,748</u>

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SCHEDULE 5

SOURCE OF INCREASE IN WORKING CAPITAL

	June 30, 1973	June 30, 1972	Change
GAIN IN CURRENT ASSETS			
Fund balances	\$159,589,968	\$171,002,731	(\$11,412,763)
Investments in U.S. obligations	124,979,946	93,894,026	31,085,920
Other current assets	1,985,913	1,433,906	552,007
	<u>286,555,827</u>	<u>266,330,663</u>	<u>20,225,164</u>
Less: increase in current liabilities and deferred income			
Accounts payable	2,107,107	971,661	1,135,446
Fees paid in advance	439,234	761,875	(322,641)
Fee adjustments due contract holders	2,819,230	2,819,913	(683)
Deferred income	12,667,034	12,969,153	(302,119)
Total liabilities & deferred income	<u>18,032,605</u>	<u>17,522,602</u>	<u>510,003</u>
Working capital	\$268,523,222	\$248,808,061	
Increase in working capital			<u>\$19,715,161</u>

The Notes to the Financial Statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BACKGROUND OF CORPORATION

Title IV of the Foreign Assistance Act of 1961, as amended by the Foreign Assistance Act of 1969, December 30, 1969 (Public Law 91-175) (hereafter, "FAA") authorized the creation of the Overseas Private Investment Corporation (OPIC) as a wholly-owned U.S. Government corporation. The interim administration of the programs and activities of OPIC was delegated to the Agency for International Development from December 30, 1969 to January 19, 1971 at which time Executive Order 11579 transferred all obligations, assets and related rights and responsibilities of predecessor programs and authorities to OPIC. For accounting purposes the transfer was effective as of January 31, 1971.

NOTE 2: SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

Income Recognition: Revenues from insurance premiums, from guaranty fees, and from interest on loans and on investments are included as income in the period in which they are earned. The unamortized balance of annual insurance premiums received from customers constitutes the balance in the deferred income account.

Recording of Expenses: Expenses are recorded on an accrual basis in accordance with commercial practices.

Prior Year Adjustments: Income and expenses pertaining to prior years, for which accruals were not previously made, are segregated and are not commingled with current year figures.

Reimbursable Costs: Except for reimbursements from the Agency for International Development for expenses incurred in administration of the Cooley Loan program on its behalf, all reimbursable costs are netted out of the appropriate operating expense.

Depreciation and Amortization: Furniture and fixtures are depreciated on a 10-year straight-line method. Leasehold improvements are amortized over the remainder of the life of the lease on existing premises. (This lease expires August 31, 1975.)

Losses on Claims Settlements: Net income is exclusive of losses on claims settlements which are charged directly to the applicable Insurance or Guaranty Reserve at the time a claim is paid.

Claims-Related Assets Acquired for Cash: On occasion, as a consequence of claims payments which are made out of funds in the Insurance or Guaranty Reserve, assets, such as notes and stock, will be acquired by OPIC. Since a 100 percent provision against realization is made at the time these assets are acquired for cash, all recoveries made in the course of liquidating these assets are credited to the Reserve against which the related claims payments were charged. OPIC's management intends to exercise legal remedies necessary to collect on these assets.

NOTE 3: FOREIGN CURRENCIES

The allocation of 75,000,000 Rupees (U.S. equivalent \$9,868,000) made available to OPIC in 1972 from excess currencies held by the U.S. Treasury was returned to the Treasury during fiscal year 1974.

NOTE 4: INVESTMENTS IN U.S. OBLIGATIONS

In conformance with Section 239(d) Foreign Assistance Act of 1961, as amended, investments in U.S. obligations are limited to funds derived from fees and other revenues. Fees and revenues available for investment as of June 30, 1973 were \$126,701,496.

NOTE 5: DIRECT INVESTMENT FUND

The status of the Direct Investment Fund (DIF) on June 30, 1973 was as follows:

	(Millions of Dollars)
Original DIF capital	40.0
Uncommitted	<u>22.7</u>
Executed loan agreements (net of participations)	17.3
Less: Undisbursed portion	<u>4.8</u>
Loans outstanding	12.5
(of which \$146,825 is repayable within one year)	

As of June 30, 1973, \$3.1 million had been received from the sale of participations in some of these loans (revolving such loans out of the DIF loan portfolio), with the proceeds credited in accordance with legislative provisions to the DIF

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for further lending. Payment of the participated portion of the DIF loans is fully guaranteed by OPIC (Sections 239(d) and 234(b) FAA), and this contingent liability is included in the investment guaranty amount outstanding as of June 30, 1973, (Note 9).

NOTE 6: ASSETS AND DIRECT LIABILITIES RELATED TO CLAIMS SETTLEMENTS

Of the assets acquired from claims settlements, \$19,856,653 resulted from cash payments made out of the Insurance or Guaranty Reserve and, in accordance with current OPIC accounting policy, full provision has been made against their collection (Note 2).

The balance of \$43,821,830 represents an interest in payments owing under promissory notes issued by Chilean entities and guaranteed (except for a small portion thereof) by the Republic of Chile. Approximately \$36 million of this sum represents an interest in Series A Notes of Sociedad Minera El Teniente S.A. to be purchased by OPIC from the holder in 1978, and as to which payments will fall due from Chile in semi-annual installments through June 1980. An additional \$3 million represents an interest in payments falling due between 1983 and 1988, and the remainder represents an interest as subrogee in certain notes presently due but in default.

The interest of OPIC in the above payments has been created by virtue of undertakings by OPIC to make payments to former insureds and others in advance of the payments to which OPIC will be subrogated. These undertakings are reflected in the liability section of the balance sheet. The distribution of these liabilities over time is shown in Note 8, which also contains a discussion of related contingent liabilities incurred by OPIC in claims settlements.

NOTE 7: STATUTORY RESERVES AND FULL FAITH AND CREDIT

Section 235(c) FAA established separate funds known as the Insurance Reserve and the Guaranty Reserve for the charge of liabilities under investment insurance and of liabilities under guaranties issued under Section 234(b) FAA and similar predecessor guaranty authority, respectively. Section 240(e) FAA provides that the Guaranty Reserve shall be available for the discharge of liabilities under guaranties issued under Section 240 FAA. Both Reserves may be replenished or increased at any time by transfers from OPIC's retained earnings and by new Congressional appropriations. OPIC's retained earnings as of June 30, 1973 available for transfer to the Insurance or Guaranty Reserve were \$13,645,446.

Should the funds in OPIC's existing Insurance Reserve or Guaranty Reserve plus those available through transfers from retained earnings not be sufficient at any time to discharge OPIC's obligations arising under investment insurance or such guaranties, as the case may be, Congress would have to appropriate funds to fulfill the pledge of full faith and credit to which such obligations are entitled. Standing authority for such appropriations is contained in Section 240(e) FAA.

All political risk investment insurance, all guaranties given by OPIC in connection with the settlement of claims under political risk investment insurance, and all guaranties referred to in the preceding two paragraphs, constitute obligations of the United States of America, and the full faith and credit of the United States of America is pledged for the payment and performance of such obligations.

NOTE 8: OBLIGATIONS BACKED BY INSURANCE RESERVE

The Insurance Reserve as of June 30, 1973 totalled \$142,563,079, and, except for miscellaneous items which were not material, consisted of cash and marketable securities. Claims against the Insurance Reserve are set out of certain direct liabilities shown on OPIC's balance sheet, as well as out of certain OPIC contingent liabilities.

Direct liabilities in the amount of \$43,821,830 shown on OPIC's balance sheet as of June 30, 1973 represent obligations against the Insurance Reserve. The origin of these liabilities, and the nature of the corresponding assets, are set out in Note 6. OPIC will be required to make payments to discharge these liabilities in the following years and in the following amounts:

Fiscal Year(s)	OPIC Liability
1975	\$ 4,736,292
1978	31,908,113
1980-1982	3,076,820
	<u>\$ 43,821,830</u>

Contingent obligations of OPIC which could give rise to additional claims on the Insurance Reserve include (A) obligations under guaranties issued in settlement of claims arising under investment insurance contracts, (B) pending claims under investment insurance contracts, (C) pending arbitration, in connection with

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ment insurance contracts which OPIC has denied, and (D) obligations under outstanding investment insurance contracts. These four categories of contingent claims against the Insurance Reserve are discussed in more detail in the balance of this Note.

(A) Claims Settlement Guaranties

Pursuant to sections 237(i) and 239(d) FAA, OPIC has in some instances settled claims arising under contracts of political risk investment insurance by issuing payment guaranties in substitution for the insurance obligations being discharged. These claims settlement guaranties represent contingent obligations of OPIC backed by the Insurance Reserve.

The contingent liability of OPIC as of June 30, 1973 under these guaranties, including liability as to interest, was \$75,724,009. If the principal obligors defaulted in full, and if OPIC does not exercise prepayment rights which it holds in certain cases, the liability of OPIC under its guaranties would be discharged as follows:

Fiscal Year(s)	Contingent Liability
1974	\$ 13,568,523
1975-1978	50,539,926
1978-1983	<u>11,615,560</u>
	\$ 75,724,009

Of the total OPIC contingent liability under claims settlement guaranties, \$67,724,009 represents guaranties in respect of obligations incurred by the Government of Chile in compensation agreements with OPIC insureds, or recognized by the Government of Chile in respect of debt previously insured by OPIC.

Of this amount, approximately \$44 million represents OPIC guaranties issued in respect of the ten installments of principal and interest due between June 30, 1973 and December 31, 1977, inclusive, on notes (the "Series A Notes") of Sociedad Minera El Teniente S.A., guaranteed by the Republic of Chile. OPIC also guaranteed the installment of principal and interest due December 31, 1972 under the Series A Notes. Neither Sociedad Minera El Teniente S.A. nor the Republic of Chile has disputed its obligation to pay when due the installments guaranteed by OPIC. Nevertheless, the first two installments of principal and interest due on December 31, 1972 and June 30, 1973, respectively, were defaulted upon and OPIC has had to pay \$9.5 million in respect of its payment guaranties. The first payment of \$4.8 million was charged against the Insurance Reserve and recorded as a claims-related asset during fiscal year 1973. The second payment of \$4.7 million was made on August 1, 1973, as required by OPIC's guaranty, and therefore still is included in the contingent liability of OPIC as of June 30, 1973 as shown above. OPIC is presently discussing with the Government of Chile the possibility of rescheduling the amounts in default, as well as a portion of future amounts due on the Series A Notes which OPIC has guaranteed.

Except in the case set forth above, OPIC has not yet been called upon to make payments under its claims settlement guaranties. Of the three other cases in which claims settlement guaranties have been issued, in one case no payments have yet fallen due, and in another all payments have been made by the principal obligors when due. In the third case, the first installment of principal has been paid in part, and discussions between the U.S. investor and the foreign government concerned have continued on a variety of unresolved problems, so that it is as yet not possible to determine whether recourse will be taken against OPIC under its partial guaranty of payment as to the installment in question.

(B) Pending Claims

OPIC follows a policy of recording claims under political risk investment insurance as a financial liability only upon a determination that a claim is valid. In the case of most expropriation claims, the expropriatory action must continue for a period of one year before the claim matures. Then OPIC has six months from the date the investor's application for compensation is complete to process the claim and make its determination.

The total amount of compensation requested from OPIC in connection with claims filed but not yet determined as of June 30, 1973 was \$28.2 million. Of this amount, the sum of \$23.2 million involves expropriation claims with respect to investments in Chile.

Number	Amount of Compensation Requested (Millions of Dollars)
	June 30, 1973
13 Claims under \$10 million each	\$ 14.0
1 Claim over \$10 million	<u>14.2</u>
14	\$ 28.2

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Types of Coverages Involved

7 Expropriation	\$ 25.8
5 Inconvertibility	1.6
2 War, revolution and insurrection	.8
<u>14</u>	<u>\$ 28.2</u>

(C) Denied Claims—Pending Arbitrations

In September 1972, concurrently with OPIC's payment of Anaconda's claim under Contract No. 5850 with respect to its equity investment in the nationalized Exotica mine, OPIC denied two expropriation claims in the amount of approximately \$154 million which had been submitted by The Anaconda Company and its subsidiary, Chile Copper Company ("Anaconda"), under Contracts Nos. 5928 and 5936, with respect to their former Chuquicamata and El Salvador mine properties in Chile. OPIC's predecessor, the Agency for International Development, had informed Anaconda in 1969 that Anaconda's right to coverage under these contracts had been extinguished by events occurring in that year at a time when Anaconda had elected not to convert its standby coverage into current coverage. This matter has already been described in OPIC's 1972 Annual Report. Subsequent to that report, on December 1, 1972, Anaconda filed a demand for arbitration with the American Arbitration Association, as is permitted by standard provisions of investment insurance contracts. Dates for hearing of Anaconda's claims have not been set. OPIC has been advised by outside legal counsel that it has no liability for these claims. In Anaconda's claim with respect to its equity investment in Exotica, Anaconda stated that it reserved the right to assert a future claim with respect to approximately \$11 million of debt coverage under Contract No. 5850. OPIC has informed Anaconda that in its view such debt coverage is no longer in force.

On April 9, 1973 OPIC, having been advised by outside legal counsel that it had no obligation to pay compensation under the terms of the contracts, denied four expropriation claims in the combined amount of \$92.5 million which had been submitted on October 8, 1971 by International Telephone and Telegraph Corporation, Sud America ("ITTSA"), under Contracts of Guaranty Nos. 5369, 5370, 5778 and 5925, with respect to ITTSA's investment in the Chile Telephone Company. On April 30, 1973 ITTSA filed a demand for arbitration which included a claim that the amount of its insured investment was as much as \$95,066,000 depending upon a determination of the date of actual expropriation. No date for arbitration has been set.

(D) Political Risk Investment Insurance

OPIC issues political risk investment insurance under limits fixed by the legislative authorizations in the FAA and prior authorities. The utilization of these authorizations as of June 30, 1973 (excluding obligations under guaranties sued in settlement of claims) was as follows:

	Millions of Dollars		
	Legislative Authorization	Uncommitted	Outstanding
Prior Authorities	\$ 4,648	\$ —	\$4,648
Section 235 FAA	<u>7,500</u>	<u>5,649</u>	<u>1,851</u>
	\$12,148	\$5,649	\$6,499

OPIC may and often does insure the same investment against a variety of risks (e.g., inconvertibility of currency, expropriation, and war, revolution and insurrection). It is unlikely, but in many instances theoretically possible, that an investor could make successive claims against OPIC under more than one coverage with respect to the same investment. The outstanding amount of investment insurance under legislative authorizations, as shown above, is calculated on the basis of this theoretical possibility, and therefore counts separately insurance under different risks with respect to the same investment. The outstanding amount of insurance under legislative authorizations also includes standby insurance which has been contracted for to provide investors with coverage for planned increases in insured investment, retained earnings, and which represents insurance not currently in force but which may be converted to a current basis annually on the anniversary date of the contract by election of the investor. The amounts of standby insurance outstanding as of June 30, 1973 by category were: expropriation \$875 million; war, revolution and insurrection \$775 million; and inconvertibility \$2,142 million.

The existence of standby coverage and the improbability, in the view of OPIC's management, that multiple claims could arise for all investments, make the amount of legislative authorizations utilized of little use in evaluating OPIC's maximum exposure to claims arising as of June 30, 1973 under investment insurance contracts. It is assumed that only one claim would be brought under each such contract but that the coverage under which the claim would be brought would be the coverage with the highest amount of current insurance in force on the date in question. It is not calculated which OPIC's management believes would represent OPIC's maximum evaluated exposure to claims.

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as of that date under investment insurance contracts. The amount of this figure as of June 30, 1973 was \$2,776 million. In calculating this figure, OPIC has taken into account the portion of OPIC's current expropriation coverage which was reinsured through Lloyd's of London as of June 30, 1973. If the reinsurance had not been in force, the maximum evaluated exposure as of June 30, 1973 would have been \$2,924 million. The reinsurance agreement does not apply to contracts covering investments in Chile. Lloyd's and OPIC each has the right to terminate the reinsurance agreement effective December 31, 1973, by notice given to the other prior to September 30, 1973. If neither party elects to terminate, the reinsurance agreement will remain in effect for successive one-year periods, subject to the same right of termination on each anniversary date thereof.

An alternative way to evaluate OPIC's maximum exposure to claims arising as of June 30, 1973 is by category of coverage. Thus, the maximum liability of OPIC under war, revolution and insurrection coverage, if all insured projects had been totally destroyed on June 30, 1973, would have been \$2,041 million; the maximum liability under expropriation coverage (net of reinsurance) if all insured investments had been expropriated on that date would have been \$2,009 million; the maximum liability under inconvertibility coverage to claims arising as of that date would have been \$919 million.

NOTE 9: OBLIGATIONS BACKED BY GUARANTY RESERVE

The guaranty authority and outstanding guaranties constituting contingent obligations of OPIC as of June 30, 1973 were as follows:

	Legislative Authorization	Uncommitted	Outstanding	Drawn Down (Net of Repayments)
Prior authorities	\$ 56,246,600	\$ —	\$ 56,246,600	\$ 53,556,600
Sections 234(b) and 235 FAA	750,000,000	615,870,800	134,129,200	110,104,200
Section 240 FAA	<u>15,000,000</u>	<u>14,181,250</u>	<u>818,750</u>	<u>102,090</u>
	<u>\$821,246,600</u>	<u>\$630,052,050</u>	<u>\$191,194,550</u>	<u>\$163,762,890</u>

Guaranties under prior authorities and Section 234(b) FAA include guaranties of debt, equity, and participations in DIF loans.

Pursuant to Section 235 FAA OPIC is required to have at the time a Section 234(b) FAA guaranty is committed a reserve which is not less than 25 percent of guaranties outstanding under prior authorities and Section 234(b) FAA. As of June 30, 1973 the \$74,877,750 Guaranty Reserve (consisting of cash and marketable securities, except for miscellaneous items which in the aggregate were not material) was \$27,283,800 in excess of the minimum reserve required. See Note 7 for a description of the Guaranty Reserve and the full faith and credit status of OPIC guaranties.

NOTE 10: LOSSES ON CLAIMS SETTLEMENTS

Losses on claims settlements charged to the Insurance or Guaranty Reserve for fiscal years 1972 and 1973 were:

	1973	1972
Claims	\$2,343,501	\$2,337,125
Recoveries	(783,660)	(1,694,448)
Net	<u>\$1,559,841</u>	<u>\$ 642,677</u>

BEST DOCUMENT AVAILABLE

PRINCIPAL OFFICIALS OF THE
OVERSEAS PRIVATE INVESTMENT CORPORATION
AT NOVEMBER 30, 1973

	<u>Position</u>	<u>Date of appointment</u>
Board of Directors (note a):		
Daniel Parker (note b)	Chairman	10-12-73
Marshall T. Mays	Director	9-26-73
Willis C. Armstrong	do.	1-19-71
Bradford Mills (note c)	do.	9-26-73
James A. Suffridge	do.	1-19-71
Gustave M. Hauser	do.	1-19-71
Herbert Salzman	do.	9-26-73
Paul Volcker	do.	1-19-71
John K. Tabor	do.	9-10-73
Allie C. Felder, Jr.	do.	1-19-71
Donley L. Brady (note d)	do.	11-26-73
Officers:		
Marshall T. Mays	President and Chief Executive Officer	9-26-73
David Gregg III (note e)	Executive Vice President	-
Michael F. Butler	General Counsel	11-19-73
George R. Cooper	Vice President for Insurance	7-16-73
William A. Pistell	Vice President for Finance	3-19-73
Rutherford M. Poates	Vice President for Development	4- 1-71
Paul J. Muller	Treasurer	4- 9-73

^aOne vacancy exists on the board due to the retirement of John A. Hannah as Administrator of the Agency for International Development and ex officio board chairman of OPIC.

^bMember of the board since Jan. 19, 1971. Became ex officio chairman upon appointment as Administrator of the Agency for International Development.

^cServed on the board since Jan. 19, 1971, by virtue of previously holding the office of President and Chief Executive Officer of OPIC.

^dAppointment confirmed Nov. 26, 1973; not yet sworn in.

^eHas been appointed but has not yet reported for duty.

APPENDIX II

OVERSEAS PRIVATE INVESTMENT CORPORATION

BOARD MEMBERS

Daniel Parker	Administrator, Agency for International Development
Marshall T. Mays	President and Chief Executive Officer, Overseas Private Investment Corporation
Willis C. Armstrong	Assistant Secretary of State for Economic Affairs
Bradford Mills	Board chairman, F. Eberstadt International, Inc.
James A. Suffridge	President emeritus, Retail Clerks International Association
Gustave M. Hauser	President, Warner Cable Corporation
Herbert Salzman	Former Executive Vice President, Overseas Private Investment Corporation
Paul Volcker	Under Secretary of the Treasury for Monetary Affairs
John K. Tabor	Under Secretary of Commerce
Allie C. Felder, Jr.	Vice president, Cooperative League of the United States
Donley L. Brady	Attorney and business executive

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