



The Future Prospects for Onshore Wind – Risk Management

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Agenda



1. About JLT Specialty Limited (JLT)
2. Key project risks
3. Key underwriting criteria
4. Project Finance insurance requirements
5. Losses/Claims examples
6. Insurance solutions
7. Insurance timeline
8. Risk Management – Key takeaways

About JLT Specialty Limited (JLT)



- Leading UK headquartered specialist insurance broker and risk management consultant
- FTSE 250 company, operate in more than 100 offices in over 36 countries and employ over 7,200 staff with a 2011 global revenue of GBP 818 Million
- Focus on all renewable energy sectors on a global basis; from planning and construction, through to operation, maintenance, and ultimately decommissioning
- Work on behalf of Project Sponsors and Financiers
- Have successfully placed over 2.5GWs of wind power insurance in the last 3 years
- Have completed Financier Due Diligence on 100+ renewable energy projects



Key project risks



Risk type	Key considerations
Financial	Access to capital
Planning	Location, Experience, Supply chain, Local content, Grid connection
Construction	Delivery, Cost overrun, Delays, Testing and commissioning
Operation	Reliability of Technology, Grid; O&M regime
Political/Regulatory	Market volatility, Feed In tariffs and Incentives, Commodities pricing
Weather	Available data; Intermittency, Storms, Climate change?

Key



Conventional insurable risks

Key underwriting criteria

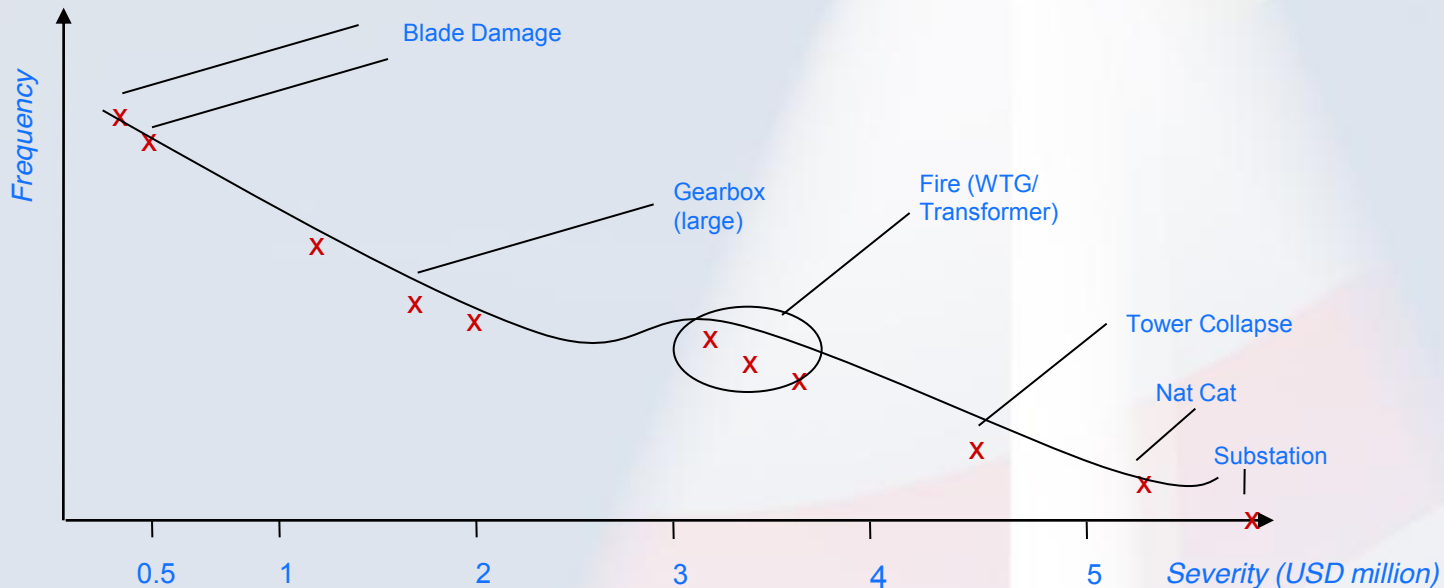
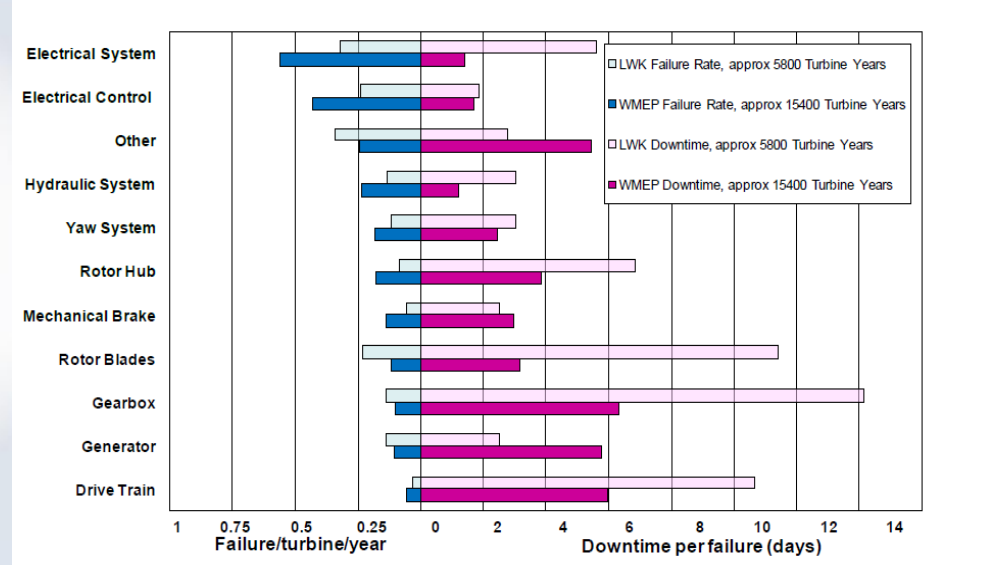


Project Finance insurance requirements



- Owner Controlled Insurance Programme (OCIP) vs. Contractor Controlled
- Dovetailing of construction and operation insurances
- Extent of Defects coverage provided
- Adequacy of sums insured and indemnity limits
- Adequacy of Delay in Start-Up/Business Interruption indemnity periods
- Deductible levels
- Assignment of insurance/reinsurance, vitiation and non invalidation; waivers, etc
- Financial security of insurers and their re-insurers – usually required to be S&P 'A-' rated (or equivalent) as a minimum

Losses/Claims examples



“Cradle-to-grave” solutions for different parties to a onshore wind Project(s);
Owner Controlled, Contractor Controlled, Contractor DIC/DIL Wrap etc.

Core products:

- Erection All Risks
- Transit/Cargo (Marine and Inland)
- Erection Works Delay in Start-Up/Marine Cargo Delay in Start-Up
- Operational All Risks Material Damage
- Mechanical/Electrical Breakdown
- Business Interruption
- Third Party Liability (Construction & Operational)

Additional products:

- Terrorism
- Performance Risk – Technology and weather risk e.g. “Lack of Wind”
- Manufacturer Credit/Warranty/Extended Warranty insurance
- Supplier/Contractor Surety and Performance Bonds
- Environmental covers
- Credit & Political Risk covers
- PI/Project PI
- Judicial Review/Defective Title/Restrictive Covenant Indemnity
- Alternative Risk Transfer solutions (Self Insured Retentions/Captives/Cat Bonds etc)

Insurance timeline



1. Risk evaluation
2. Risk Management
3. Insurance programme design
4. Information collection
5. Broking of insurance programme to insurers
6. Post placement administration
7. Claims service
8. Miscellaneous



Minimum of 2-3 months

A large red arrow pointing downwards, indicating a minimum duration of 2-3 months for the first five steps of the insurance timeline.

= Effective and “bankable” Project(s) insurance programme

Risk Management – Key takeaways



1. Selection of technology and contracting partners is key
2. Early engagement with the Insurance industry (they will ask similar questions to Financiers) = bankable insurance programme
3. Be able to evidence to insurers identification and mitigation/transfer of key Project(s) risks (again applicable in any Financier dialogue)
4. Independent 3rd Party engineering reviews are important
5. Appoint an experienced insurance broker with both; contractual risk and insurance review and project finance project experience –Your insurance programme should match your contractual position
6. Stress test/Agree with your broker and insurer(s) how your insurance programme will respond prior to a large loss occurring
7. Litigation, insurance and other risk transfer mechanisms should not replace best practice project risk mitigation (get your contracting strategy right)



For further details



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