

Cover your losses

The wind power industry faces numerous technical challenges and therefore requires carefully calibrated insurance solutions. Mathias Hörmann, offshore expert at **Munich Re**, explains the benefits of serial loss cover for wind farms.

What are the characteristics of serial loss cover for wind farms?

Mathias Hörmann: Our insurance solutions provide indemnification for the repair or replacement of defective turbines or individual components if they result from serial loss. In this case, Munich Re will also cover the cost of deploying any special vessels or cranes required. Our five-year cover includes retrofits carried out on units upon which defective parts have been installed, even if no loss or physical damage has been sustained.

The need for serial loss cover has unfortunately been demonstrated frequently in the history of the wind industry, and offshore projects still face substantial technical challenges. New technical trends such as higher towers and larger rotors, for instance, are increasing investment risks, and few ambitious offshore projects have so far been implemented as planned.

How do you calculate and offer serial loss cover?

Munich Re carries out detailed surveys of the manufacturing processes in close cooperation with the insured. Our deep understanding of the underlying risks and expert identification of major claim scenarios enables us to price our clients' risks fairly. The exchange of knowledge with important industry players, such as certification bodies, research institutions and investors, is also key when tailoring such specialist insurance solutions.

For those in the wind power industry, optimised quality and risk management are cost-effective alternatives to traditional property insurance. This is because the financial position of a company is generally endangered not by individual losses but by large-scale risks such as a serial loss. Premium calculations show that, depending on the cover structure, serial loss cover in combination with optimised risk management can also reduce insurance premiums.

One of your newest offerings covers serial losses of offshore wind farms. What are the most relevant risks and what components are most vulnerable?

The most relevant risks are environment, distance from the coast and larger turbines, while the most vulnerable technical components are those exposed to wind, waves and salt. Critical components include gearboxes, rotor blades and foundations.

What qualifies Munich Re to offer reasonable insurance solutions to the wind industry?

It's an innovative solution, but Munich Re has developed a number of other specialised renewable energy covers in recent years, such as those that insure the risk of loss of income should there be less wind than projected.

We are supporters of promising new products and industries with strong business cases. Our long-standing experience of



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wind power projects, weather and environment assessment expertise, capacity, technical knowledge and risk-structuring excellence enables us to make accurate risk assessments.

What does this mean for investors and financiers of such projects?

Thanks to Munich Re's serial loss cover, turbine manufactures are able to secure guarantees, which is beneficial considering the extremely high cost of repairing turbines at sea. This in turn facilitates the financing of major offshore projects as it gives investors more security; by providing insurance and guarantee claims cover, Munich Re is testifying to the quality of the wind energy components.

But what if turbine manufacturers fail to fulfil their guarantees on the defective turbines delivered?

We also provide protection against serial losses arising from guarantees relating to construction faults, material defects and faulty installation or maintenance. Our insurance solution provides manufacturers with the liquidity to fulfil their guarantee obligations, even in the case of large serial losses or component supplier insolvency.

How can risks associated with weather conditions and the availability of special vessels be managed?

Our new offshore logistics cover will protect against project overruns, including expedient weather buffers and the resultant additional costs.

The suspension or discontinuation of work due to bad weather is covered, as well as windows of opportunity offered by the weather that are missed due to incorrect forecasts. ■

Further information

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