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Press release

Munich Re introduces first performance guarantee insurance for LED modules

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Munich Re has introduced ground-breaking insurance coverage with the US lighting company Xicato. Xicato provides its customers with a 5-year performance guarantee on its LED modules for colour consistency and lumen maintenance. Munich Re will now assume a portion of the financial risk the guarantee entails.

Despite higher initial costs, LED lights, which contain a semiconductor light source, are overall much less expensive than other light sources because of their longer service life and energy savings. Industry studies forecast a multiplication of sales in the coming years – due to the ecological, economic and digital control benefits of LED lighting compared to conventional light sources and to new laws.

Until now, LED warranties have generally covered catastrophic failure and workmanship issues for a period of one year. The Xicato warranty backed by Munich Re is the first of its kind to address real market concerns – the ongoing integrity of the light from an LED source for 5 years for both colour consistency and lumen maintenance.

Founded in 2007 and based in San José, California, Xicato manufactures LED modules. It gives its customers a guarantee that after five years the colour composition will be substantially unchanged and that the light output of its modules will be at least 70% of the original level. If that is not the case, Xicato replaces any defective modules with new ones.

Before agreeing to the performance guarantee cover, Munich Re conducted an in-depth examination of Xicato's development and manufacturing processes. Munich Re brought in one of its specialist primary insurers to write the cover.

The innovative solution is the first of its kind in the energy consumption sector and complements the range of performance guarantee coverages which have in the past primarily applied to renewable-energy production and green technologies. With this coverage, Xicato has the advantage of being able to partially relieve its balance sheet of the long-term, technical guarantee risk and use the capital thus freed up for purposes such as investment.

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Menko de Roos, CEO Xicato: "We see a trend where end-users, especially in the retail and hospitality markets, require a much higher comfort level than the LED solutions they install actually deliver. Munich Re's extensive audit of our manufacturing processes serves as an independent assessment for our products' colour consistency and lumen maintenance performance. They are now backed up by an actual warranty that can support any global end-user."

Thomas Blunck, member of Munich Re's Board of Management, said: "We are delighted to have concluded the first contract of this kind for LED module technology with Xicato. It puts us ahead of the field again, following the performance guarantee covers for photovoltaic manufacturers we brought to the market in 2009 and our continuous expansion of the product range with comparable covers for other technologies in the renewable energies area. In every case, we relieve manufacturers or investors of part of their risks, thereby facilitating the use of new technologies."

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About Xicato

Xicato is passionate about light. Light has an emotional effect on people and a direct impact on business profitability. It ultimately influences everything in our lives. Xicato is a recognized leader in creating LED modules that provide superior aesthetics, economics and durability. Xicato aspires to be the trusted partner of the global lighting design community and luminaire manufacturers.

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Munich Re stands for exceptional solution-based expertise, consistent risk management, financial stability and client proximity. Munich Re creates value for clients, shareholders and staff alike. In the financial year 2011, the Group – which combines primary insurance and reinsurance under one roof – achieved a profit of €0.71bn on premium income of around €50bn. It operates in all lines of insurance, with around 47,000 employees throughout the world. With premium income of around €27bn from reinsurance alone, it is one of the world's leading reinsurers. Especially when clients require solutions for complex risks, Munich Re is a much sought-after risk carrier. Its primary insurance operations are concentrated mainly in the ERGO Insurance Group, one of the major insurance groups in Germany and Europe. ERGO is represented in over 30 countries worldwide and offers a comprehensive range of insurances, provision products and services. In 2011, ERGO posted premium income of €20bn. In international healthcare business, Munich Re pools its insurance and reinsurance operations, as well as related services, under the Munich Health brand. Munich Re's global investments amounting to €202bn are managed by MEAG, which also makes its competence available to private and institutional investors outside the Group.

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