# PARAMETRIC HAIL INSURANCE

## FREQUENTLY ASKED QUESTIONS

In the very recent past, traditional renewable energy insurance, including builders risk and operational project level policies, protected both the developer and their lenders with full limits for hail on utility scale projects.

With increased severity in hail losses, traditional insurance has needed to increase hail deductibles, add a sublimit and introduce restrictive microfracture language. The Developer is now exposed to significant uninsured and underinsured balance sheet losses.



## What is Parametric Insurance?

It is an insurance policy where coverage is "triggered" when an event occurs. The event is something that can be measured. In a Parametric Hail policy, hail size is measured.

## What is the "trigger" in a Hail parametric Policy?

The trigger for coverage and payout is the "size" of hail that falls on the project site. The property boundaries are geo coded. The largest hail that falls on the property is the policy Trigger.

## How is the hail measured?

The hail is measured by use of 3-D radar, an onsite hail station and a series of weather algorithms which utilize multiple data sources including the National Weather Service.

## Can I trust the measurement?

Under the traditional policy, you trust the insurance company to tell you how much they will pay you. With the parametric policy, an independent weather data provider determines the hail size. The hail size determines the payout. It is very important that the independent provider is separate from the insurance carrier and the onsite hail station.

We use CoreLogic as the weather data provider. CoreLogic measures every hail event in every part of America every day. They do not know if you bought a policy and they do not know what limit you bought. This independent third- party data provider is the key to an unbiased claim payment.

## Does a parametric hail policy cover the same losses as a traditional builders risk or operational project level insurance?

NO. It covers more. A parametric policy insures against economic damage to the project owner. A builders risk or operational project level policy insures against direct damage to the property. All the traditional coverage under the builders risk or operational policy are supplemented by the parametric policy.

## What is the difference between economic damage to the project owner and damage to the property?

A simple example using a 100 MW solar project with $100M in total insured values and a $20M hail sublimit can be used to illustrate the difference. The operational project level insurance policy would typically carry a 5%/$250K minimum hail deductible. On a $20M hail loss, the project owner would pay $1M in deductible to repair their project. There is also the waiting period deductible on business income which would be in addition to this $1M.

The damage to the project is $20M. The project owners economic loss for their property damage deductible alone is $1M. Is this $1M deductible the only economic loss to the developer? NO.

The traditional policy also has limits on the following and the loss might exceed these items:
1) Demolition and Debris Removal
2) Expediting Expense
3) Increased Cost of Construction

The Parametric Policy has NO Deductible and will indemnify you (up to the policy limit) for the hail deductible and the lost Business Income and Extra Expense due to down time.

The Parametric Policy has no "other insurance clause" meaning the limits you purchase are not diminished by the project's traditional insurance policy limits.

## How do I turn in a claim?

As soon as practical (within 180 days), submit a notice to receive the payout based on the hail size reported.

This is the actual request from the claim form:

Estimated Property Damage:  _____

Estimated Total Lost Income:  _____

Estimated Miscellaneous Loss:  _____

There are no claims adjusters, no need to provide estimates or bills, no asking of financial information.

**Parametric Insurance is a simple and elegant solution designed to protect the balance sheet of the renewable energy project owner.**

**RENEWABLE GUARD®**

Michael Cosgrave, CIC, CRM
Principal | Renewable Energy Risk Manager
mike.cosgrave@renewableguard.com

300 Broadway St, Suite 21
San Francisco, CA 94133

P : 800.267.0311
D : 650.740.4247