



X^L Insurance
Reinsurance

Performance Insurance Case Studies

Case study 01

Technology
Performance Insurance –
Warranty Backstop



Case study 01

Technology Performance Insurance – Warranty Backstop



Client Motivation



Performance Insurance facilitates rollout of the technology and helps reduce project financing cost



The insured client purchases equipment from the technology provider/servicer



Technology provider/servicer provides warranty on equipment output and efficiency



Client seeks insurance protection against technology underperformance of equipment to support operations



Coverage under policy is triggered if the technology underperforms and technology provider/servicer fails its warranty

Case study 01

Technology Performance Insurance – Warranty Backstop



Coverage



Coverage will provide protection if covered equipment fails to provide a certain level of output or efficiency and technology provider/service provider fails to perform its warranty obligations

Policy Term



Commitment Date –
This is when the policy is issued and effective

Coverage Inception –
Upon successful project commissioning (typically 1-2 years from commitment date)

Coverage Period –
up to 10 years from coverage inception

Policy Limits



SRS can provide limits up to USD 150M per project inline with underlying project loan balance (with limits amortizing over policy term)

Case study 01

Technology Performance Insurance – Warranty Backstop



Loss Triggers



Performance event

Failure of the covered equipment resulting from one of the Causes of Loss, to meet expected output/efficiency levels

Service provider fails warranty obligations

Service provider cannot remedy the underperformance of the covered equipment

Causes of Loss



Defective design

Faulty materials used in construction of the covered equipment

Faulty workmanship used in construction of the covered equipment

Loss Payment



Liquidated damages linked to the output/efficiency shortfall

Insurer has a right to cure in the event of a loss

Case study 01

Technology Performance Insurance – Warranty Backstop



Highlighted exclusions



Output pricing risk



Offtake risk (cancellation of offtake or non-payment)



Feedstock risk (insufficient or improper feedstock)



Force majeure events and property damages



Failure to maintain the covered equipment in accordance with the O&M agreement



Other traditional risk exclusions (cyber, communicable disease, crime, fraud, war, terrorism, gross negligence, etc.)

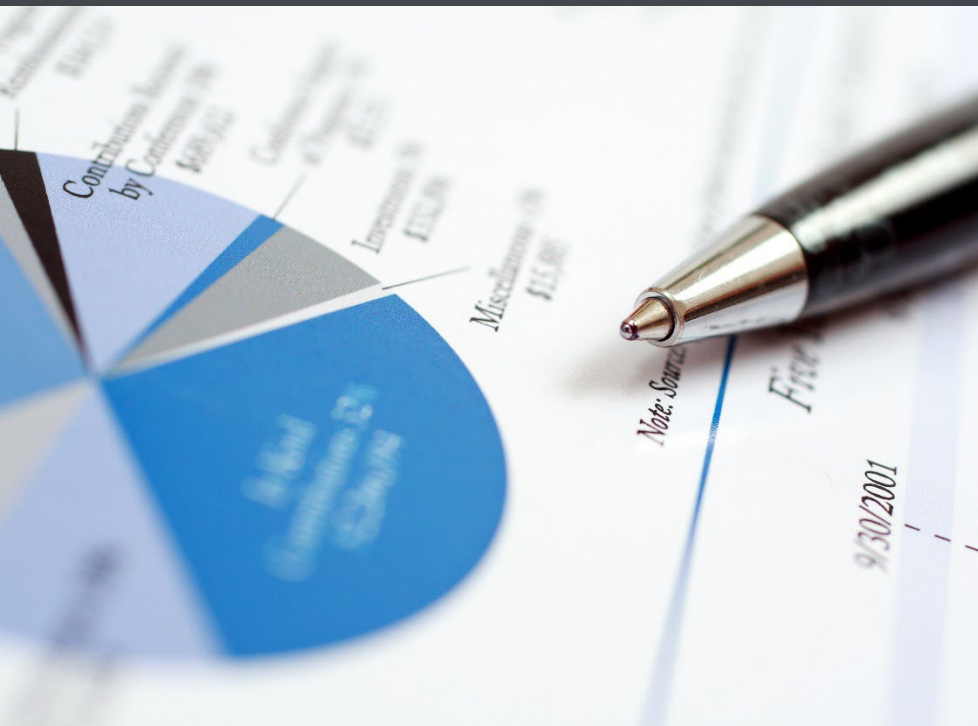
Case study 02

Technology
Performance Insurance –
Direct Project Protection



Case study 02

Technology Performance Insurance – Direct Project Protection



Client Motivation



The client (project owner/developer) seeks insurance to protect the lenders/bondholders should technology underperform to a level that threatens debt repayment, allowing it to secure project financing or reduce the cost of borrowing



Alignment of interest between the client, lenders/bondholders and insurer

Ability of client to scale up and grow revenues is based on successful performance of the technology

Lenders/bondholders and equity holders are aligned with insurer because their financial returns are contingent upon the successful performance of the technology

Case study 02

Technology Performance Insurance – Direct Project Protection



The insured project is a facility utilising technology to process wastes into liquid hydrocarbons and other products. The technology performance insurance helps facilitate the debt financing and reduce financing costs.

Coverage



Commissioning Period Coverage - Coverage will provide protection if the project cannot produce the expected output during the commissioning testing for technology-related reasons



Production Coverage - Coverage will provide protection if the project cannot produce the expected output on a periodic basis over several years of project operations for technology-related reasons

Case study 02

Technology Performance Insurance – Direct Project Protection



Policy Term



Commitment Date – This is when the policy is issued and effective

Commissioning Period Coverage Period – effective on mechanical completion, up to 6 months

Production Coverage Period – effective after end of commissioning period, up to 5 years

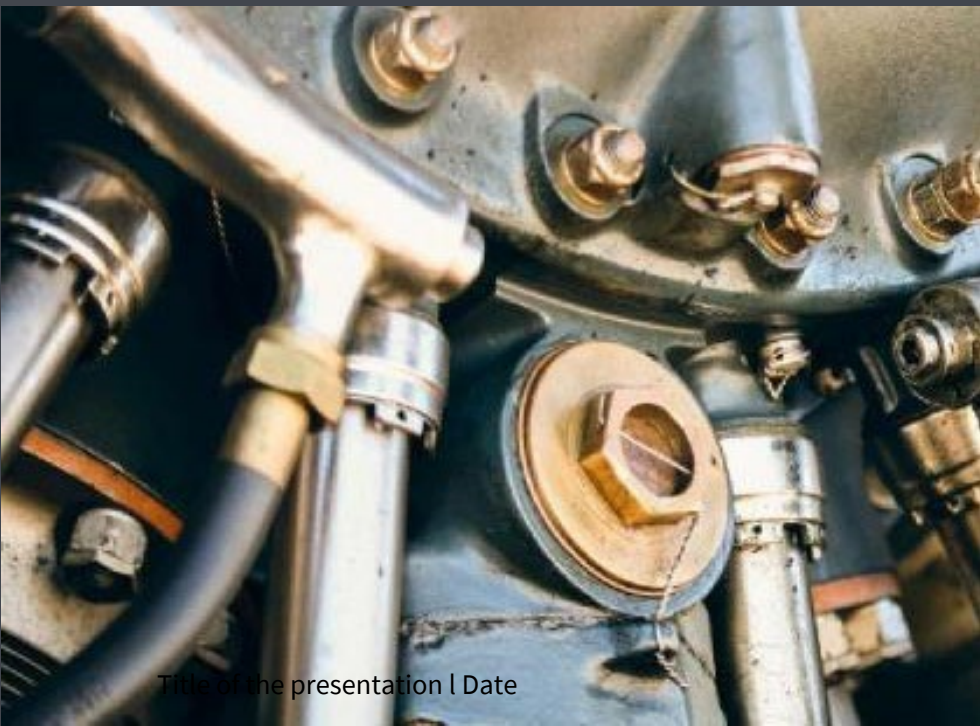
Policy Limits



Up to USD 150M for the Commissioning Period, which then steps down to align with the cashflows from expected output during the Production Coverage Period

Case study 02

Technology Performance Insurance – Direct Project Protection



Loss Triggers



Failure of the project directly resulting from one of the Causes of Loss to produce expected output

Deductibles (e.g., certain project reserves) have been eroded

Causes of Loss



Defective, faulty or deficient Production Process

Defective or faulty materials used in the construction or fabrication of equipment making up the Production Process

Defective, faulty or incomplete engineering or operational procedures used in the Production Process

Loss Payment



Payment linked to expected output shortfall

Payment not tied to commodity pricing risk

Insurer has a right to cure in the event of a loss

Case study 02

Technology Performance Insurance – Direct Project Protection



Highlighted exclusions



Pricing risk



Offtake risk (cancellation of offtake or non-payment)



Feedstock risk (insufficient or improper feedstock)



Force majeure events and property damages



Failure to maintain the production process in accordance with the O&M agreement



Other traditional risk exclusions (cyber, communicable disease, crime, fraud, war, terrorism, gross negligence, etc.)

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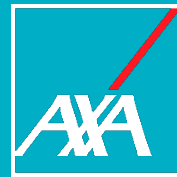
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