

An offshore wind farm with several white wind turbines on a blue sea under a clear blue sky. A stream of gold coins is falling from the sky, creating a sense of wealth and investment. The coins are scattered across the sky and sea, with some appearing to be caught in the wind.

# 離岸風場融資方保險計畫盡職調查要點 Lender's Insurance Due Diligence for Offshore Wind Project

03 Sept 2019  
Presented by Aon Taiwan

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- Features of Offshore Wind Project
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# Features of Offshore Wind Project

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- Complicated construction and contracting arrangement
- Borrower normally prefer “Project Financing” with non recourse or limited recourse
- High construction cost, debt to equity ratio and longer tenor
- Sophisticated requirement on insurance program

# Insurance DD prior to Financial Close

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- “Adequacy” of Insurance Cover proposed by the Borrower (and their broker)
  - Policy Coverage
  - Cover for Revenue Stream (DSU & BI)
  - Sum Insured / Limit of Liability / Deductibles
  - Transition mechanism for the “potential” coverage gap between Construction & Operation phase (illustration as below)
  - Insurer (or reinsurer) Security
  - Compliance with Taiwan insurance law
- Lender’s Interest Clauses i.e.
  - Composite Insured Status and Non-Invalidation (Multiple Insured)
  - Acknowledgement of Security Interest
  - Limitation on Power to Amend Insurances
  - Primary Insurance
  - Loss Payee
  - Notices by Insurers
  - No offset

# Insurance DD prior to Financial Close (cont'd)

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- Identify “uninsured” risk & recommend insurance solution
- Documents Review on Financing Agreement (work with Lender’s legal advisor)
  - Borrower’s insurance specification
  - Lender’s interest clauses
  - Insurance Assignment
  - Broker’s Letter of Undertaking “BLoU”
- Issue insurance DD report before Conditions Precedent

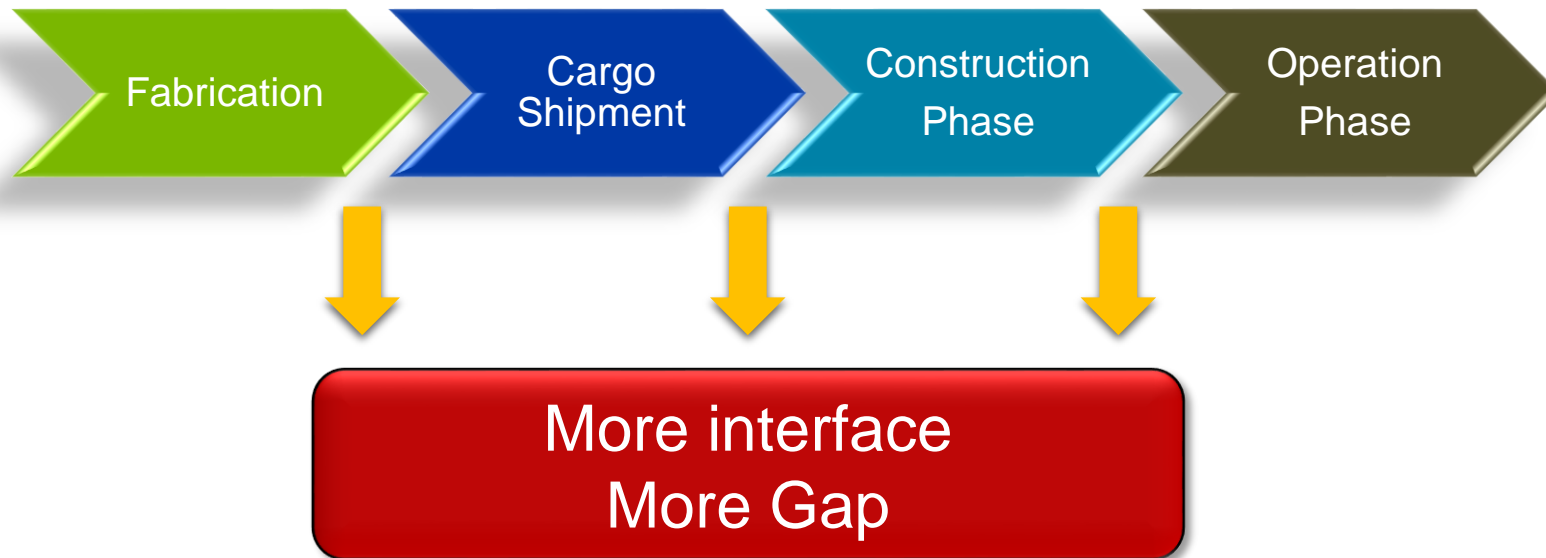
# Period of Cover - Munich Re Standard Policy

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Insurer's Liability until:

- The end of policy period
- Takeover
- 4 weeks (or more) since first testing & commission
- Any part been put into service/operation

Which ever is the earlier



# Period of Cover – WINDCAR / WINDOP

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- Project “Life Cycle” coverage under one single policy
  - Section 1 – Construction All Risks
  - Section 2 – Construction Delay in Start-Up
  - Section 3 – Operation All Risks
  - Section 4 – Business Interruption
  - Section 5 – Third Party Liability
- Tailor-made policy wording for offshore wind project
  - Pre-completion / Initial operation phase
  - Stand-by charge
  - Offshore cancellation Cost
  - Cable-cutting



No Interface  
No Gap

# Insurance DD post Financial Close

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- Review insurance terms compliance during the loan period
- Assist the lender to secure the insurance loss payment
- Assist the lender to response on any insurance disputes
- Issue annual insurance DD report



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Aon Taiwan Ltd  
No.136, Sec 3, Jen Ai Road,  
Taipei  
Taiwan

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