CASE STUDY 25: CHINA – WIND REINSURANCE FACILITY

Barriers	Lack of underwriting experience and expertise
Instrument	Reinsurance facility
Application	n/a
Amount	n/a

PROJECT BACKGROUND AND OBJECTIVES

UNEP worked together with Marsh in assessing the feasibility of a reinsurance facility for large and medium scale wind farms in China.

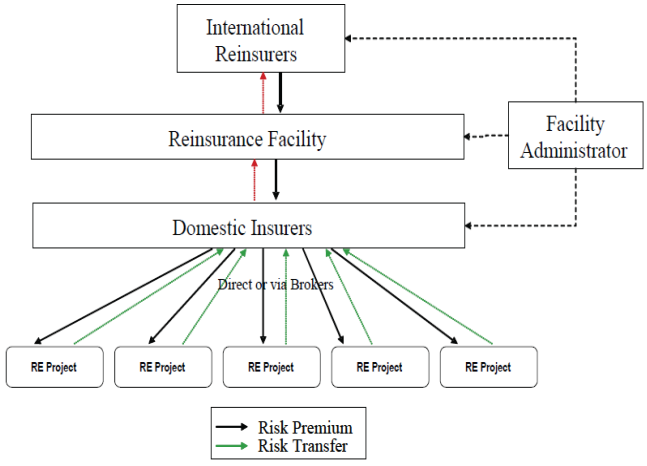
Although wind energy insurance is broadly available with domestic market in China, the domestic insurance industry has limited underwriting experience and expertise in respect of revenue stream protection during construction and operational phases, which inhibits developer's access to debt refinancing. Therefore, the objective of the reinsurance facility is to improve investment grade credit rating for wind energy projects and attracting alternative risk capital to support new risk management market structures. The reinsurance facility also aims to attract multi-lateral lenders or guarantors within a public-private partnership framework to minimise the need to extend risk and draw specialist engineering consultancy services to a wind energy financial risk management platform on a portfolio versus project basis.

INSTRUMENTS USED

A renewable energy reinsurance facility of a "Special Purpose Underwriting Vehicle (SPUV)" with direct focus on projects related to wind energy.

INSTITUTIONAL ARRANGEMENTS

The facility was envisage to be structured to combine the optimal balance of underwriting leadership, highly rated security, capacity, technical expertise and claims handling experience. The facility will utilise established renewable energy leaders with existing business relationships and experience in the Chinese insurance market.



OUTCOMES

The feasibility study was completed in 2008 and an implementation plan was drawn.

Further reading

MARSH – UNEP, Feasibility Study for a RE Insurance Facility for the People's Republic of China, 2008 – click here

GEF – UNEP, Feasibility Studies for the Development of Insurance Solutions for RE projects, 2008 – click here