

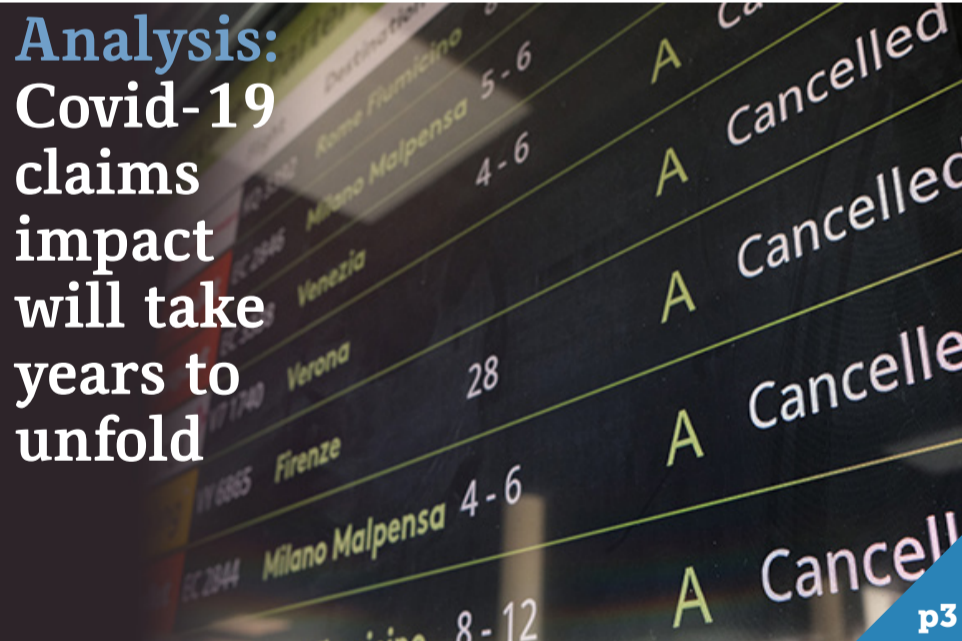
## Focus: Energy

Insurance can mitigate the rising risks of decommissioning



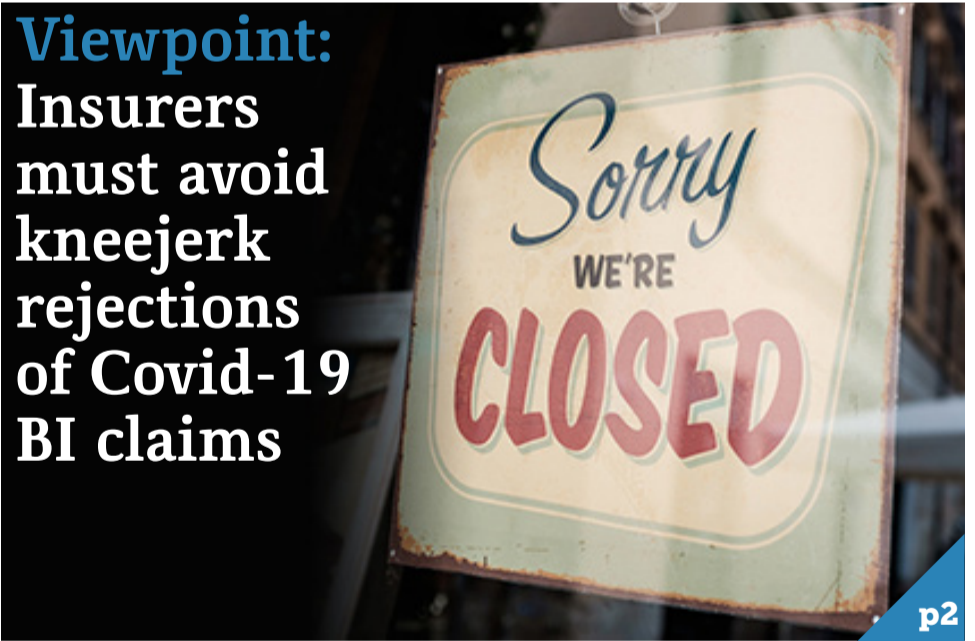
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# VIEWPOINT

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## Insurers must avoid knee-jerk rejections of Covid-19 BI claims

### Courts do not allow anyone to negate cover simply to avoid catastrophic losses to the industry



Hermes Marangos  
Signature Litigation

**A**mid great uncertainty as to the insurance position on Covid-19, it is important to avoid knee-jerk reactions at a time when almost every individual and sector has been adversely affected in some way by the pandemic and many feel a sense of injustice.

It may be that the old jurist's guiding principle that good and deserving cases make bad law and set a bad precedent, can be applied to the present situation.

Lloyd's of London's chairman, Bruce Carnegie-Brown, has called for a focus on the actual contractual position on Covid-19 covers. His statement highlighted that no government, whether in Europe or in the Americas, can oblige an industry to make ex gratia payments.

He suggested Lloyd's was willing to find coverage wherever the wording can allow for payment, and payments will be made.

This is the traditional and honourable approach by the industry and the approach that policyholders expect. That is, for conscientious insurers to look for reasons and ways to effect payments, as opposed to reasons to exclude them. Historically, the industry did not need their governments to tell them to comply with their obligations to their policyholders.

It follows that the industry should not stand to be criticised if insureds do not have business interruption cover for notifiable diseases, a type of loss which is a key preoccupation for businesses worldwide. As the chairman's comments seems to reiterate, one must have an infectious disease cover to be able to make claims in the first place. Furthermore, as insurance relies on reinsurance, retrocession and financial institution backing to spread the risks, insurers will not be able to recover for volunteering such payments.

It becomes a different story, and quite rightly so, when insurers try to avoid paying for mega/catastrophic losses simply because of their magnitude and despite their being covered or not excluded by policies.

It would then be appropriate to criticise the industry and one may even expect that governments would task insurers to task for this.

And that brings us to the reality on



Cryptographer/Shutterstock.com

the ground and what we as practitioners are now seeing play out. The position taken by syndicates in relation to claims points to a "blanket" response to the losses suffered, with all Covid-19 claims "rebuffed", whether policies have specific covers for notifiable diseases or not.

We have as such returned to familiar criticisms of the industry: Despite losses being contemplated in the coverage, the moment it appears one is dealing with catastrophic accumulation problems, the emphasis shifts to denying claims.

This is not a new approach and despite the obvious response that underwriters would not have wanted to underwrite anything endangering their industry, such ex post facto, post-damage "underwriting" is, for axiomatic reasons, simply unacceptable and obviously not entertained by justice.

Courts have never responded and – one can expect – will not react positively in the future to refusals to pay in the extraordinary circumstances of a "hyper event", whether that be a "hyper terrorist" attack or a "hyper cyber" loss or indeed a "hyper pandemic".

A contractual obligation for a cover given is not defined by a catastrophic filter to be applied to the contract.

In the case of the September 11, 2001 terror attacks, the courts were able to understand the dramatic impact of the terrorist attacks on the industry, but

thankfully for the rule of law – and frankly the reputation and long-term sustainability of the industry – the courts also found those losses could neither, with any modicum of common sense, be treated as war nor vandalism, which would have excluded or delimited the obligation to pay respectively.

For the sake of the law and the insurance sector, the courts simply do not allow anyone to negate cover to avoid catastrophic losses to the industry.

It is an entirely different proposition if governments are abdicating the state's obligations to protect its people by transferring the obligation to any industry, regardless of whether insurance cover exists.

If the industry faces a crisis based on the books of business it underwrites, that is the moment to turn to the state for a discussion on the interplay between the state, the industry and the general economy. On how to build structures that can withstand collapses of this kind, how correlated risks and premiums should be dealt with, and in what circumstances one should set up the equivalent to Pool Re to reinsure such risks.

The state can also consider whether insurers should be subsidising policyholders, or vice versa, and how. ■

*Hermès Marangos is a partner at Signature Litigation*

## ANALYSIS

# Analysis: Covid-19 claims impact will take years to unfold

Many classes are being affected by the crisis with claims to stretch across multiple reporting periods

Travel is just one of the many exposures set to hit insurers as a result of the Covid-19 pandemic



Scott Vincent  
Editor, news services

**C**ovid-19 insurance claims are now expected to stretch into the tens of billions of dollars, and spread across multiple classes.

Many of these claims will take some time to emerge, meaning the claims impact from the event will cover multiple reporting periods, potentially stretching over several years.

The ultimate cost to the industry remains highly uncertain, and with no mechanism for collating claims over multiple jurisdictions, will ultimately probably never be known.

UBS has estimated industry losses in the \$22bn to \$42bn range, of which business interruption is the largest component and most significant driver of uncertainty.

Business interruption is expected to account for between \$5bn and \$15bn of the total, with cover more widespread on international lines than in the US. With low sub-limits, UBS said primary insurers could absorb a larger portion of these losses than reinsurers, although a handful of large commercial writers are understood to offer higher sub-limits.

Hiscox has faced scrutiny over the past week over its denial of business interruption claims related to Covid-19, with the London-

listed insurer potentially facing legal challenges to its decision.

Based on Hiscox's disclosures to date, Peel Hunt analysts have suggested the insurer may incur \$30m to \$50m of UK business interruption claims per month, which would equate to \$90m to \$150m of claims in aggregate.

Hiscox's UK business interruption exposures have arisen through its "small commercial package policies" sold to small and medium-sized enterprises through its retail business.

Hiscox has also disclosed up to \$175m of exposure relating to event cancellation, media and travel exposures, with claims "progressing in line with expectations" in these classes.

Hiscox has provided additional disclosure following a hit to its share price amid media scrutiny of its decision to reject Covid-19 business interruption claims. Most other London market insurers have so far provided limited disclosures as to likely claims impacts from the pandemic and subsequent economic disruption.

Peel Hunt analysts have forecast Hiscox will report a full-year loss as a result of the claims impacts.

Another London market heavyweight, Beazley, is also now forecast by the analysts to generate

an underwriting loss in 2020.

Peel Hunt has said Beazley's Covid-19 claims bill could range from \$75m to \$590m, with a combined ratio ranging from 97% to 109%, with political risk one factor that could materially increase business interruption exposures.

The analysts now estimate Beazley will deliver a combined ratio of around 102% for 2020, with declining interest rates and heightened credit risk also expected to put pressure on investment returns.

Both Hiscox and Beazley also face exposure to liability risks which could take several years to emerge. Another London-listed re/insurer, Lancashire, will likely benefit from its lack of exposure to casualty lines with Peel Hunt expecting the firm to have "only a modest impact from a recessionary scenario".

Like its competitors, Lancashire will likely face some impact from business interruption claims and credit defaults. Peel Hunt said a realistic worst-case scenario for Lancashire was for \$94m of Covid-19 related losses,

comprising a \$50m underwriting impact and \$44m of credit defaults on its investment portfolio.

The analysts now expect Lancashire to deliver a combined ratio of around 90% in 2020, compared with a previous estimate of close to 78%.

Europe's major reinsurers are expected to take a significant hit from the Covid-19 crisis, with large exposures to contingency claims related to event cancellations and postponements.

Munich Re withdrew its 2020 profit guidance at the start of the month following a "considerable claims burden" in the first quarter, including event cancellation losses resulting from Covid-19.

As a result, the German re/insurance group now anticipates profits in the "low three-digit-million euro" range for the first three months of 2020, compared with €633m (\$692.7m) in the same period of 2019.

Swiss Re has not yet disclosed its Covid-19 claims impacts. Jefferies' analysis suggested the reinsurer would likely incur around \$400m of event cancellation losses with

an additional \$63m loss from the postponement of the Tokyo Olympic games until 2021.

The latter figure is based on Swiss Re's previous disclosure of a potential \$250m hit from an

Olympics cancellation, scaled down for a postponement.

Jefferies said it expects Swiss Re to also incur catastrophe losses of \$574m during the first quarter, primarily driven by Australian bushfires, hailstorms and floods.

UBS said there is non-damage business interruption exposure in certain parts of Swiss Re's property/casualty reinsurance book. While non-damage business interruption is largely excluded in Asia, exclusions become "less clear" as you move west.

Scor and Hannover Re have not disclosed the likely impact of Covid-19 on first-quarter earnings.

Across all re/insurers, UBS said policy wordings will be key and could represent a "key test of underwriting quality" that will likely define track records for years to come.

Alongside business interruption, several other sources of Covid-19 losses are expected to emerge over the coming years. These include trade credit, where industry losses will likely range from \$5bn to \$7bn, a similar level of event cancellation losses, \$2bn to \$3bn of losses for both professional lines and travel insurance, as well as up to \$3bn of workers' compensation losses.

Critically for the industry, loss disclosures and estimates to date suggest Covid-19 will be an earnings event for the sector and not threaten solvency, although political pressure could yet increase payouts in several classes.

**\$75m  
to \$590m**  
Range of potential  
Covid-19 claims bill for  
Beazley, as estimated  
by Peel Hunt  
analysts

**90%**  
Expected combined  
ratio for Lancashire  
for 2020, compared  
with previous  
estimate of 78%



# Insurance can mitigate the rising risks of decommissioning

Oil rigs await decommissioning in the Cromarty Firth, Scotland

Jeff J Mitchell/Getty Images



The introduction of new standardised contract wordings goes a long way towards providing the clarity required by underwriters in evaluating the risks of decommissioning oil fields



Angela Flaherty and Alexandra Lyons  
Clyde & Co

**G**lobal spend on decommissioning over the next decade has been estimated at \$85bn. Decommissioning on this scale will undoubtedly give rise to multi-million dollar losses, often with

no means of recouping them following the end of a field's producing life.

The current slump in the oil price will further increase the need for operators to keep their decommissioning costs to an

absolute minimum, passing on any unforeseen costs to insurers wherever possible.

Anyone underwriting the risks associated with a decommissioning project needs to understand the typical risk allocation between the operator and contractors.

The introduction in 2019 of a standard form Baltic and International Maritime Council (Bimco) contract, Dismantlecon, followed the 2018 Logic conditions. These

standardised contract wordings, which are likely to form the basis for most decommissioning contracts, go a long way towards providing the essential clarity required by underwriters in evaluating risk.

**Standardised contract wordings**  
While offshore decommissioning has been happening for decades, it has been ad hoc and its scale is now being ramped up. Oil &

Gas UK estimated in its 2019 Decommissioning Insight report that, in the UK North Sea alone (representing one-third of global expenditure), there would be around 12 platforms removed and 150 wells abandoned per year over the next decade.

Approximately twice as many wells are now being abandoned each year and this ratio is only likely to increase following the decreased demand and surplus in



# FOCUS/ENERGY

supply during 2020 so far, which will lead to an inevitable decrease in capital expenditure.

Although insurers often underwrite construction risks without seeing the underlying contracts for the project, decommissioning is different for several reasons.

First, the contractual regime for offshore construction is relatively well settled and underwriters are familiar with the usual contractual arrangements.

Second, offshore contractors' all risks policies (usually written on Welcar 2001 wording) tend to cover all parties to the construction venture.

To a large extent, therefore, the allocation of risk between the parties does not really matter.

In contrast, the lack of uniformity in decommissioning project insurance, where operators and contractors may be separately insured, means the allocation of risk between those parties is important for assessing exposures.

## Understanding Dismantlecon

The specialist marine contract wording publisher, Bimco, describes Dismantlecon as "the first global standard contract designed for the dismantling and removal of offshore structures in the energy sector". The contract is intended to be used for a wide variety of structures (pipelines, topsides etc) but not for the plugging and abandonment (P&A) of wells, nor for the onshore disposal aspect of decommissioning, where responsibility remains with the operator.

The wording covers some key areas, most notably liabilities and indemnities. Here, the clauses reflect a standard offshore knock-for-knock arrangement, where the contractor is responsible for: its own property and personnel; third-party damage or injury caused by contractor negligence; and pollution caused by contractor property or equipment. The operator is responsible for its equivalent liabilities and its own property and personnel, including the facility that is being decommissioned and any other operator property at the decommissioning site.

Debris and wreck removal is another key element of the wording and specifies that the contractor is responsible for removal of wreck/debris costs arising from its negligence in carrying out the decommissioning operation up to an agreed limit (\$250,000 is the default), above which the

operator will be responsible.

This aspect of Dismantlecon is important because the removal of debris can lead to significant decommissioning project cost overruns, particularly given that the aim is to remove all traces of offshore assets from the seabed. Dispensation to leave any dropped items on the seabed is therefore unlikely to be granted.

In terms of choice of law and jurisdiction, the dispute resolution provisions default to the sophisticated legal systems of English, US or Singaporean law and specify an arbitration forum rather than court.

Dismantlecon also specifies the agreed insurance requirements. The operator is required to be named as a co-insured on the contractor's insurance policies and vice versa. This requirement envisages that there may not be an all-encompassing "decommissioning all risks" (DAR) policy in place, as there is no standard

## Dismantlecon ... requires that a contractor must procure hull and machinery cover for the vessels, protection and indemnity cover with a minimum limit of \$10m, and general third-party liability cover with the same limit

version of such cover available in the market.

Perhaps as a result of this, Dismantlecon specifies the types of cover that must be taken out. Specifically, it requires that a contractor must procure hull and machinery cover for the vessels, protection and indemnity cover with a minimum limit of \$10m, and general third-party liability cover with the same limit. An operator must procure third-party liability cover with a \$10m limit and pollution liability cover with a minimum limit of \$100m.

These requirements reflect the view that decommissioning is predominantly a liability exposure. They do not include a requirement to take out cover that would respond to losses caused by a delay to the project, or an increase in the cost of the project as a result of a removal operation going wrong and an alternative engineering solution being required.

### Differences under Logic

The Logic conditions for decommissioning, published in 2018 for use in the North Sea, has key

terms that are broadly similar to those of Dismantlecon. The Logic contract goes further, however, by requiring the operator to obtain DAR insurance or provide the contractor with an indemnity in lieu.

Given the predicted scale of decommissioning projects over the next decade, and the risks and costs incurred in undertaking this work, insurance will no doubt play an increasingly important role for operators and contractors. For underwriters exploring insurance solutions to offer to their clients for this wave of complex decommissioning risks, the clarity provided by Dismantlecon and Logic are very welcome and should help to bring some standardisation to the contract terms for future decommissioning projects. ■

*Angela Flaherty is a partner and Alexandra Lyons is an associate at Clyde & Co*



The Delta platform from the Brent oil field, which is in the process of being decommissioned at present  
pauljrobinson/Shutterstock.com



## FOCUS/ENERGY

# Increased use of FSRUs can improve risk profile of LNG sector

Floating storage and regasification units not only provide savings and commercial flexibility, but can also cut the cost and risks of decommissioning a liquefied natural gas storage plant



Chartering an FSRU offers a far more flexible way to meet demand for gas than building an onshore facility

Claudine von Massenhove/Shutterstock.com



Winnie Ma  
The Standard Club

**P**redicting and providing for a nation's gas demands can be challenging in an ever-changing supply and demand landscape. However, since the world's first floating storage and regasification unit (FSRU) came into service in 2005 off the shore of Louisiana, the industry has benefited from the flexibility of choosing an offshore gas terminal rather than onshore terminal.

After initial extraction from the ground and treatment to remove impurities, natural gas is either transported using pipelines or it is liquefied and transported.

The gas is liquefied by cooling it to  $-162^{\circ}\text{C}$ , which reduces its volume to around 1/600th of its gaseous volume, allowing far greater volumes to be transported, usually by liquefied natural gas (LNG) carrier.

When the LNG reaches destination, it needs to be re-heated or "regasified" before it can ultimately be piped onshore for consumption. Regasification is

done either by an onshore plant or an FSRU, which is permanently moored in or near a port and acts as the import terminal.

Reduced risk, favourable lead time, mobility and capital outlay are key reasons why FSRUs are proving popular.

### Capital outlay

The initial capital outlay of an FSRU is much lower than building an onshore regasification plant.

Building an onshore facility requires leasing or purchasing shoreline real estate, which can be difficult and costly. A new FSRU, plus the onshore infrastructure to support it, could cost around 50% to 60% as much as a full onshore regasification terminal. Converting an LNG carrier into an FSRU could cost less than half of a new build and be 25% to 30% the cost of an onshore terminal. Alternatively, a FSRU can be chartered instead of bought, in which case the initial capital outlay would be even lower.

The lead time to have an FSRU in place is also far less. A new FSRU could take three years to build, whereas it might take one to one-and-a-half years to convert an LNG carrier. For a party look-

ing to charter an FSRU, the lead time is even shorter and an FSRU could (in theory) be chartered and operational in a few months.

A shore-based plant, on the other hand, could take five years to plan and five years to build. This is one of the main advantages of FSRUs: speed. For countries looking to increase their gas supply, FSRUs can offer a "quick fix" regasification solution.

FSRUs also benefit from commercial flexibility. Like any ship, an FSRU can be released from service at the end of its charter (as happened in 2018 in Brazil, Argentina, Egypt and the United Arab Emirates).

For charterers, this offers a flexible way to do business. Owners can of course plan ahead and redeploy their vessels to other markets. FSRUs can also be char-

tered out as LNG carriers and this has happened with several vessels. Examples include: the FSRU Challenger operated by Japanese shipping giant MOL, which is planned to be moved from Turkey to Hong Kong; and the Höegh Esperanza, which operates as an FSRU in China during periods of high demand, and as an LNG carrier during the summer.

### Long-term issues

However, it should be noted that onshore facilities will have higher regasification capacities, will offer longer-term energy security, and over longer timescales, the higher operating expenditure of an FSRU makes it more expensive than an onshore facility.

In recent years there has been a shift towards offshore in the ratio between onshore and offshore

LNG import terminals. Importantly, the option of an offshore terminal has provided a pathway for new, often smaller, markets to join the LNG market. For example, there are FSRU projects under way for Ghana, El Salvador, and Croatia, all of which could be new import markets in the near future.

However, exemplifying the point about flexibility, there are other markets that have allowed FSRU charters to expire as capacity is no longer required. The FSRU is well suited for such dynamic markets, although as countries are increasingly turning to gas as a cleaner energy source, it is anticipated the general trend for FSRUs will be an upward one.

In the case of the US, although the FSRU proved to be a highly effective and cost-efficient means of importing liquefied natural gas (LNG), the shale gas revolution turned the country from an importer to a major exporter of LNG. In adapting to this change, decommissioning an offshore facility was far easier, and a whole lot less risky, than it would have been for an onshore facility. ■

Winnie Mah is claims director at the Standard Club

**The initial capital outlay of an FSRU is much lower than building an onshore regasification plant. The lead time to have an FSRU in place is also far less. For countries looking to increase their gas supply FSRUs can offer a 'quick fix' regasification solution**



# The green energy transition must continue despite Covid-19



The insurance market needs to demonstrate a capacity to deliver value beyond the terms of the policy to help project owners reassess their business processes



Fraser McLachlan  
GCube Underwriting

At the end of 2019, the corporate fight against climate change had risen high on the global agenda. There was increasing scrutiny of the insurance market and its commitment to withdraw support from dirty coal power, and on its investments in favour of good Environmental, social and corporate governance (ESG).

In the renewable energy segment, the market had successfully weathered another year of big natural catastrophe losses and we were seeing the end of soft market conditions and the start of a long-awaited reset on pricing.

The escalation of Covid-19 over the past few weeks has not only shifted global attention away from the climate crisis, but also significantly altered the risk landscape for renewable energy development and operation.

But we cannot let the clean energy transition stall, and it is critical that the insurance market does what it can to help the sector mitigate emerging risks.

With approximately 50% of the world's population under lockdown, global energy demand has rapidly fallen, and

stock market indices have plummeted by record amounts amid investor uncertainty.

The renewable energy industry has been unable to avoid the effects of Covid-19, and multiple projects and deals have been delayed as a result of disruption to supply chains.

Manufacturers such as Vestas and Siemens Gamesa have been forced to close factories after employees tested positive for the coronavirus, leading to slowdowns in delivery and construction.

Despite this, the renewables sector is well-placed to weather the storm, when compared with other industries.

In the UK, for example, the government has categorised the electricity sector as “critical”, enabling project construction and operations and maintenance work to continue, albeit with personnel needing to adhere to government health and safety initiatives such as social distancing.

In fact, investment in renewables infrastructure may see an increase amid market volatility, with investors turning to the infrastructure sector in a “flight to safety”, attracted by the long-term stability on offer.

Even within the infrastructure space, renewable energy is proving particularly appealing as plants continue to provide greater returns than other forms of

infrastructure that have been hit harder by the coronavirus.

Short-term patterns do not necessarily lead to long-term trends, however, and the sector urgently needs to put itself in a good position to manage the business interruption risks caused by Covid-19 – including limited mobility, supply chain disruption and delayed investment decisions – in a sustainable manner.

## Limited mobility

Whilst the UK and many other nations have designated employees in the energy sector as key workers, enabling on-site project work to continue, the coronavirus pandemic has nevertheless reduced the pool of available contractors and technicians. In this way, project owners are now more exposed to risk in the event of mechanical or technical issues, which could ultimately lead to extensive delays to project construction, re-powering and on-site repair.

To ensure work teams such as operations and maintenance (O&M) crews can continue working, project owners need to re-evaluate health and safety procedures by taking into consideration social distancing and new ways to communicate effectively.

Enforcing a safety culture and developing new contingency schedules to account for the lack of personnel will go a long way to

preparing the business for further mobility disruption.

## Supply chain disruption

Like most infrastructure sectors, renewable energy is reliant on a number of key markets and players for the development of renewable energy assets, with China a key producer of solar modules. But with worldwide factory closures due to either lockdown or positive cases of Covid-19, work on many big projects has stalled.

Future-proofing projects from delays is therefore now of paramount importance, and the sector must take the opportunity to audit and adapt business continuity planning process in the face of factory closures and social distancing. Disaster recovery plans are vital, and project owners should also consider increasing spare parts inventory and integrating high-quality O&M software platforms – which can enable remote working – in order to future-proof projects from further delays.

As insurers, we need to incentivise insureds to share the details of these plans, and be prepared to offer robust, candid advice on where they may or may not be covered against business interruption.

The effects of Covid-19 are widespread across the sector, leaving deals cancelled, auctions and tenders postponed and many projects at risk of missing vital

tax break deadlines. In this environment, with project owners unable to control these potential growth opportunities, investment decisions have been delayed, with many project owners uncertain of when new prospects will emerge.

To help progress investment opportunities, project owners need to reassess their growth strategies and focus on prioritising valued, long-term relationships. In turn, insurers need to help create a climate of transparency around how the coronavirus is likely to impact operations and the steps being taken to prevent this.

Despite the coronavirus slowing down the development of renewable energy projects, the sector is well-placed to deal with challenge brought by Covid-19 in the short term. However, the insurance market needs to demonstrate a capacity to deliver value beyond the terms of the policy, by helping project owners take a longer-term perspective and reassess their business processes.

By mitigating the risks brought by Covid-19 in this way, the industry can help ensure that momentum for the transition to green energy is not significantly interrupted in the long term. ■

Fraser McLachlan is chief executive of GCube Underwriting, which provides insurance for renewable energy companies

## Covid-19 impact longer and more intense than first thought: S&P

Ratings agency expects 2.4% fall in global GDP with eurozone and US hit especially hard



Stuart Collins  
Journalist

**T**he economic impact of Covid-19 is likely to be longer and more intense than earlier expected, S&P Global said.

The ratings agency predicts global gross domestic product (GDP) will fall 2.4% this year, with the US and eurozone contracting 5.2% and 7.3%, respectively.

It then expects global growth to rebound to 5.9% in 2021.

Since S&P published its global macro report on March 30, its downside fears have played out. Lockdowns and social distancing constraints now look to be in place longer than expected, which will cause a much sharper decline in activity than was previously expected.

“The balance of risks remains



on the downside, as much can go wrong with our baseline path on the health, economic, and policy

fronts,” said Paul Gruenwald, S&P Global’s chief economist.

On April 6, Fitch Ratings estimat-

ed global GDP would contract 1.9% in 2020, with declines of 3.3% for the US and 4.2% for the eurozone.

This estimate assumed the crisis would be “broadly contained” by the second half of the year.

## US insurers oppose federal BI mandates

US insurance groups are lining up in opposition to two bills being weighed in Congress that would require commercial insurers to pay business interruption (BI) claims tied to the coronavirus pandemic even if policies contain exclusions for viruses and communicable diseases, *John Shutt writes*.

Mike Becker, chief executive of the National Association of Professional Insurance Agents (PIA), said the two measures “would apply business interruption coverage where it doesn’t exist, exacerbating existing disruptions and further delaying our

nation’s economic recovery”.

PIA national vice-president, Jon Gentile, said “policymakers should pursue legislative solutions that raise up all struggling businesses, not create statutory winners and losers”.

Insurance Information Institute resident, Sean Kevelighan, said enacting the bills “would be like a Category 3 hurricane in every major city occurring at the same time, or a wildfire burning all across America, and we had to cover that”.

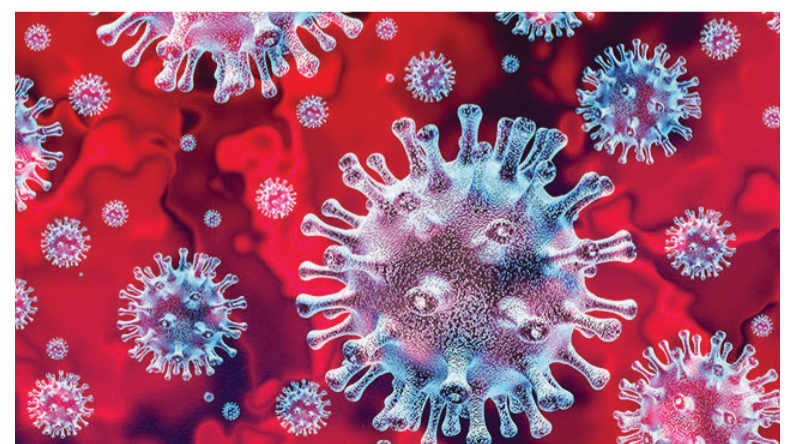
Similar measures are being considered in at least seven state legislatures.

## Buyers call on EC to kick-start pandemic insurance solution

The Federation of European Risk Management Associations (Ferma) has written to the European Commission urging it to establish a public-private insurance solution for pandemic risk, *writes John Shutt*.

Ferma, which represents corporate insurance buyers, asked the Commission to help member states create public-private partnerships for pandemic risk, providing expertise, such as modelling and rate setting, and start-up costs.

The organisation also suggested the EU could provide support such as an EU back-up layer, possibly via



the European Stability Mechanism.

Ferma suggested that existing pools, such as the UK’s Pool Re and

the German Extremus scheme, could offer possible models for new initiatives.