



Energy-Efficiency Insurance

Insure energy-efficiency savings

HSB, a Munich Re company, is a technology-driven company built on a foundation of specialty insurance, engineering and technology, all working together to drive innovation in a modern world.



For questions and inquiries,
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With around 40 percent of energy being consumed by buildings, enormous opportunities exist to reduce energy costs and emissions through energy-conservation measures.

Building owners are turning to Energy Service Companies (ESCOs) to implement and manage energy-conservation measures to achieve savings. However, ESCOs are challenged to assure building owners and creditors that those initiatives will generate the savings expected. Due to the complex nature of energy conservation initiatives and technical uncertainties, lenders and investors often do not have a process to underwrite the technical risk of energy-efficiency projects.

Energy efficiency risk solutions from HSB

HSB developed Energy-Efficiency Insurance to cover the technical performance risk from conservation measures allowing lenders to concentrate solely on credit risk. Insuring the performance of projects with an A.M. Best A++ rated insurance carrier can reduce financial exposures resulting in improved credit worthiness and lower financing costs.

Coverage summary

- Covers difference between expected and actual energy savings due to deficiencies in project design, implementation, or performance
- Coverage targeting high-energy users concerned with technical performance risk
- Eligible energy-efficiency measures including: HVAC, lighting, building control system upgrades, insulation improvements, and others
- Insurance covers 80% - 95% of expected savings
- Coverage term up to 5 years
- Written on Excess & Surplus lines paper

- Monoline policy, or combined with first-party All-Risk property coverage
- Pricing is based on a percentage of expected savings
- Customized coverage addressing the needs of ESCOs, building owners, project lenders, or pay-for-performance programs

Benefits

HSB Energy-Efficiency Insurance offers benefits for those delivering, receiving, and funding energy-saving projects. Whether addressing a single project or a portfolio of projects, HSB seeks to develop long-term partnerships:

Building owners

- Makes energy conservation projects more easily achievable to reduce energy costs
- Confidence in knowing that project performance shortfall is insurance backed
- Lenders willing to provide financing, potentially at more favorable rates

Banks / Financiers / Investors

- Technical risk removed from the project
- Improved credit worthiness of energy-saving projects
- Potential reduction in loan loss reserves

Energy service companies / project developers

- Improved availability of project funding
- Reduced finance costs
- Assets, or performance shortfall are insured
- Greater customer confidence to deliver energy-saving projects

Case studies

Single project

- 260,000 sq. ft. multi-story production facility built in 2014
- Retrofit steam system with hot water, combined heat and power (CHP) machines for power and plant hot water, add plant temp controls. Sensor monitoring of entire system for efficiency improvement via hardware, software and data analytics
- \$7.8M project cost
- Five-year insurance term, option to renew
- Two-year loan
- \$1.1M - \$1.3M annual savings first 5 years
- **\$990,000 - insured annual energy savings level at 90%**

Portfolio

- Fast food restaurant portfolio of 300 locations
- Install HVAC and lighting control and monitoring systems, upgrade to LED lighting. Central monitoring of location sensors for efficiency improvement via data analytics and remote controlling of building systems and equipment.
- Three-year insurance term, option to renew
- \$600,000 annual energy savings
- **\$540,000 insured annual energy savings level at 90%**