

Current Market Practice in Hydropower Project Insurance

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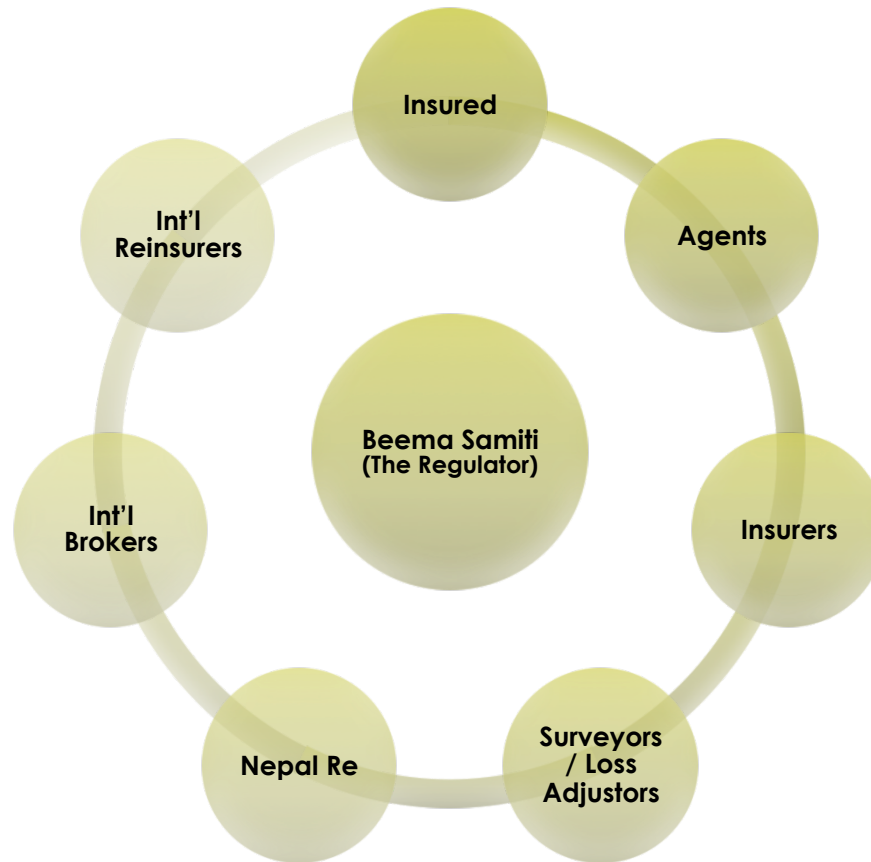


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Insurance market in Nepal



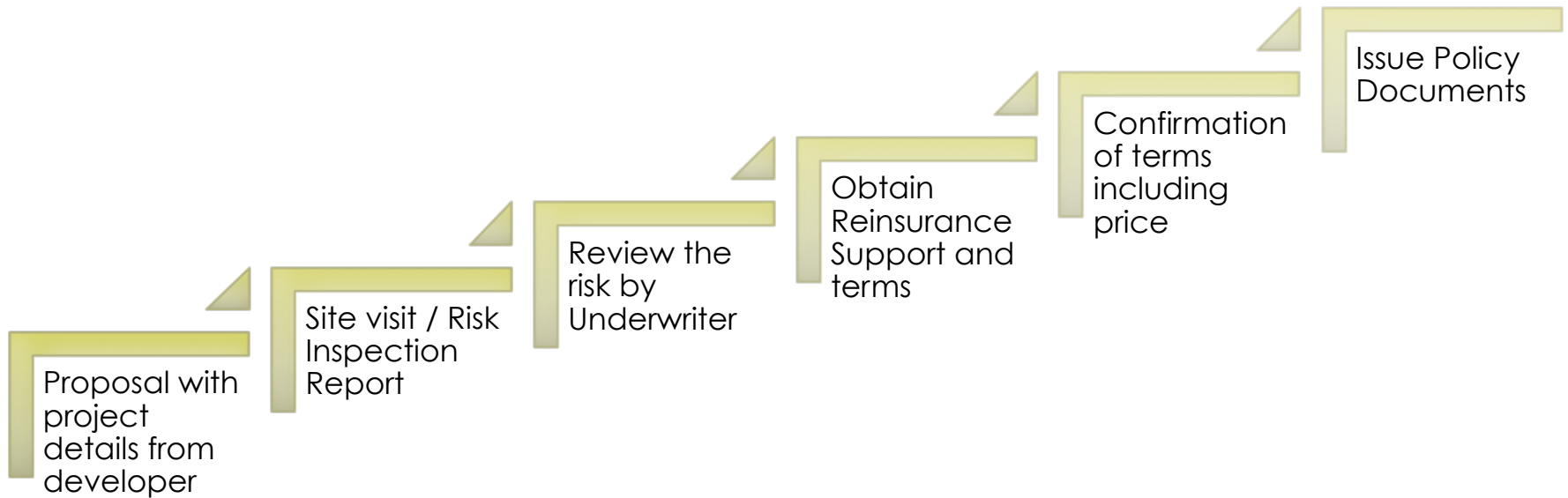


Market situation

- Increasing natural disaster losses worldwide
- Shrinking Reinsurance capacity
- Increasing deductibles worldwide
- High losses due to risk prone territory
- Unwilling to write HPP risk of Himalayas
- Low market premium rate and deductibles



Process of insurance



Note : Nepal is Cash before Cover Country



Insurance cover for HPP

Designing Phase

- Property Damage
- Employer's Liability
- Motor
- Professional Indemnity

Construction Phase

- Material Damage
- Third Party Liability
- ALOP
- Marine & DSU
- Employer's Liability
- Motor

Operation Phase

- Property Damage
- Business Interruption
- Liability
- Employer's Liability
- Motor



Underwriting information

- Project location
- Project information
- Safety plans
- Human resources
- Values at risk
- Estimated annual revenues
- Past loss experience



What to check

- Proposal form / Questionnaire
- Policy documents
 - Terms & Conditions
 - Endorsements | Warranties | Exclusions
 - Deductible / Excess
 - Insured and Uninsured Perils
 - Depreciation
 - Salvage
 - Average Clause
- Sum Insured / Values
- Reinsurers and their security/credit rating



Challenging in insurance HPP

- Geographically remote location
- Geological and Meteorological variations
- Exposure to different kind of risks & Combination of various types of policies
- Unattractive premium for Reinsurers
- Inadequate local market capacity
- Lack of awareness about insurance in Developers
- Limited time for insurance buying



Challenging in insurance HPP

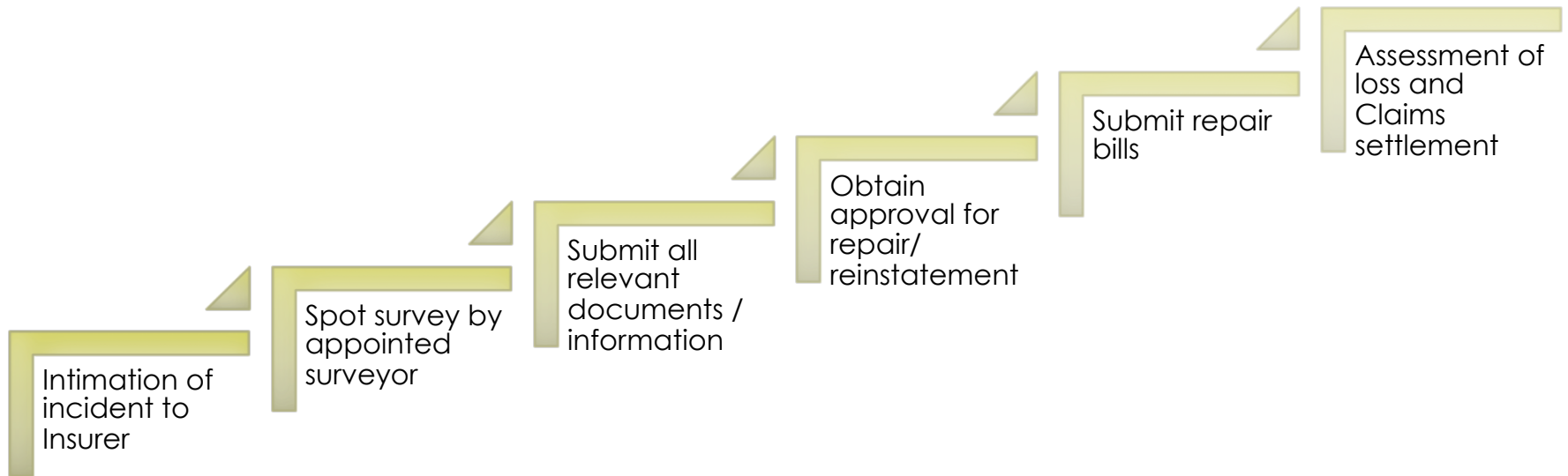
- Long duration for project completion & Long term business
- High value concentration
- Exclusion of T&D
- Developers are not keen in MB & MB-BI
- Increasing trend of excess on BI in Int'l RI market
- Requires technical knowledge to underwrite the risk
- EPC & Package Contracts
- Engaging rated Reinsurers and Int'l Brokers



Severe loss prone perils

- Natural Disaster
 - Earthquake
 - Flash flood; Heavy Rain - Monsoon / GLOF / Inundation
 - Land/Rock Slide
 - Storm
- Tunnel Collapse / Squeezing of Tunnel
- Damage due to falling objects
- Fire & Lightning
- RSMDST (Riot strike, Malicious act, Terrorism)
- Machinery Breakdown

Claims process





Challenges during claims

- Inadequate insured values due to lack of proper valuation of the project prior to insurance
- Inaccessibility to site
- Poor response from Insured
- Poor response from Reinsurers
- Poor documentation
- Delay in repair works
- Moral hazards



Way forward

- Change the perception
- Deploy effective risk mitigation strategies
- Engage international assessors to make risk insurable in international market
- Opt for high deductibles and buy deductible insurance separately
- Proper budgeting for insurance cost
- Choose "A" rated Reinsurers
- Bundling of risk





Thank you !