



INSURANCE POLICY IN RENEWABLE ENERGY FINANCING



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About HGI

Line of Business	Non Life Insurance
Legal Status	Public Limited Company (Listed in NEPSE)
Commencement	December, 1993
Capital Structure	60% Promoters Share and 40% Public Share
Paid up Capital	NPR 267.5 million
Reinsurers	Sompo Japan, GIC India, XL Catlin etc.
Head Office	HGI House, Babar Mahal, Kathmandu
Branches	Birgunj Biratnagar Pokhara Kathmandu Butwal Lalitpur Narayangarh Banepa
Turnover	NRs 845.3Million (F/Yr. 2014-15)
Focused Area	Hydropower Projects & Aviation

Strengths of HGI

- ▣ A team of professionals dedicated to providing personalized service.
- ▣ A highly efficient claims service
- ▣ Market leader in Hydropower Project Insurance
- ▣ Pioneer in Travel Medical Insurance
- ▣ Strong Reinsurance Support
- ▣ Advisory service to clients in structuring Insurance Program

Experience of HGI in RE

- 15 HPP in operation (owned by IPPs - ranges from 1MW to 60MW)
- 5 HPP under construction
- 29 MHPs
- Solar Home System and Wind Power

Journey of HGI in to Insurance of MHP

- MOU signed with ESAP/ AEPC on 5th December 2010

- Opportunities to participate in;
 - ▣ Talk programs
 - ▣ Workshops
 - ▣ Site visit to MHP – Syaure Bhumi MHP

- Opportunities to exchange knowledge with ESAP, MHP Developers and Finance Company

MHP Insured by HGI in 2014-15

Syaure Bhume	Andheri K. Daraudi Dovan	Midim Khola	Arkhet Khola	Khani Khola	Rakul Khola
Siba Khola	Thulo Khola	Chari Khola	Swarna Tap	Lumjhu Khola	Ghatte Khola
Khorlabesi Lunget Khola	Poku Dovan	Jwalamai Loding Khola	Sindure dhunga Liding	Nakham Khola	Durlung Khola II
Marin Haitar Khola	Banakhu Khola	Mangla Kharka Sisnepedi	Dhangdang e Khola	Sobuwa Khola	Akuwa Khola
Juke Dovan Likhu Khola	Phedi Khola	Sikhu Khola	Paati Khola	Kaipal Khola	

Challenges in Insuring MHP

- Geographically remote location
- Geological and Meteorological variations
- Exposure to different kind of risks
- Low value and unattractive premium
- Lack of proper design and construction supervision
- Constructed by inexperienced contractors
- Poor quality of Power House Building and other works / structures
- Lack of knowledge about insurance in Developers

Insurance Policies in RE Financing

- Fire and Allied Perils Insurance
 - ▣ Fire and Lightning
 - ▣ Earthquake
 - ▣ Flood & Inundation
 - ▣ Storm & Hurricane
 - ▣ Landslide / Rock Slide
 - ▣ Riot Strike, Malicious Act, Terrorism and Sabotage

Insured properties

- Civil Works
- Hydro Mechanical Works
- Electro Mechanical Works
(excluding T&D works)

Other Insurance Policies in RE Financing

- Third Party Legal Liability Insurance
 - ▣ Bodily Injury and Property Damage

- Group Personal Accident Insurance
 - ▣ Operators and Other Staff

Losses due to recent Earthquake

No. of claims on MHP	Nature of damages	Reported Claims	Premium in 2014-15
16	Damage to Civil works i.e. canal, desilting basin, fore bay, anchor blocks and saddle supports, penstock pipe, and power house	NPR 22.145 Million	NPR 1.226 Million

Claims Process in Insurance of RE

In case of loss or damage;

- ❑ Safety first, prevent property from further losses.
- ❑ Inform to the nearest Police Station in case of major loss
- ❑ Inform Insurer about the Incident/Loss
- ❑ Do not repair (except minor repair works) without consent of Insurer
- ❑ Insurer will appoint surveyor to survey the site of incident, takes pictures, assess the loss and prepares a report
- ❑ Submit estimated value of losses
- ❑ Obtain consent for repair works and then repair/replace
- ❑ Surveyor submit the report to Insurer
- ❑ Insurer verifies the report and other documents and confirms the claims payable amount
- ❑ Insurer settles the claims / remit the claims amount to the Bank

Issues at the time of claims

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

Way forward

- Involve Insurance Companies in Site visits / observation tours of RE
- Share detail Project Data/Information to the Insurers
- Facilitate Insurance Companies for pre - insurance site inspection of RE / MHP
- Involve Insurance Companies in interaction with MHP - developers and Banks for awareness on Insurance / Risk Management.

