



## Underwriting Initiative of the Year



**“We’re thrilled to be awarded the ‘Underwriting Initiative of the Year’ and [receive] recognition of value that our innovative parametric insurance solution offers to corporates.”**

The development of an innovative natural catastrophe insurance solution that enabled the construction of a renewable energy project saw Swiss Re Corporate Solutions win this award.

In response to the current capacity constraints for natural catastrophe cover in highly exposed regions, Swiss Re Corporate Solutions developed a tailor-made coverage to help secure funding for a large renewable energy project in a high earthquake zone in Asia.

The hard insurance market, combined with a recent earthquake in the region, led to severe capacity constraints for the construction of the project, putting its financing at risk. With the traditional construction insurance available in the market not providing sufficient earthquake cover, the insured approached the Alternative Risk Transfer market for a solution.

Swiss Re Corporate Solutions worked closely with the customer and key stakeholders in the project, including a financing consortium, to structure a parametric earthquake insurance to fill the gaps in the traditional construction cover.

The customised solution is based on Swiss Re Corporate Solutions’ QUAKE product, and uses ‘shaking intensity’ as a trigger for payouts. This trigger parameter, expressed in Peak Ground Acceleration (PGA) at the project site, allows for a significant reduction in basis risk compared to other parametric insurance solutions, which are based on earthquake magnitude. As a result, it ensures that the pre-agreed insurance payouts are more closely correlated to the actual financial impact to the project.

The solution provides certainty of cover for the entire construction period of several years, and includes an innovative reset feature, which offers the flexibility to adjust the cover in line with changes to work progress and exposure over the term.

The cover is a landmark solution, as it is the first time that a financing consortium has approved funding for a project backed by a parametric natural catastrophe insurance, with the tailor-made solution reassuring lenders that the project meets their insurance requirements, and enabling construction to go ahead. The parametric earthquake cover, which was also endorsed by the local regulator and received market support from a panel of co-reinsurers, complements the indemnity insurance placement and guarantees a quick payout after a triggering event, when the funds are most needed.

Andre Martin, Head of Innovative Risk Solutions APAC, Swiss Re Corporate Solutions, said: “We’re thrilled to be awarded the ‘Underwriting Initiative of the Year’ and [receive] recognition of value that our innovative parametric insurance solution offers to corporates.”



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