

Reducing the cost of offshore wind by sharing risk improvement measures: an insurer's approach

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Abstract

The broad experience gained by the insurance industry can be shared with offshore wind projects - during planning, construction and operational phases – to help reduce the cost of offshore wind by the process of mitigating risk.

Early and regular engagement with the insurance industry can therefore provide great benefit to developers and owners in ensuring the financial viability of their project.

Objectives

A major component of Codan's Customer Value Proposition for offshore wind is that insurers can and should take a pro-active role in project development and that this will result in the reduction of overall lifetime project costs – we are more than 'just a capacity provider'.

The hypothesis can be tested over a period of time by analyzing the insurance claims statistics – the intention is to see a noticeable reduction in the value of insured losses, thereby allowing insurance premium rates to reduce and uninsured losses to be mitigated.

Methods

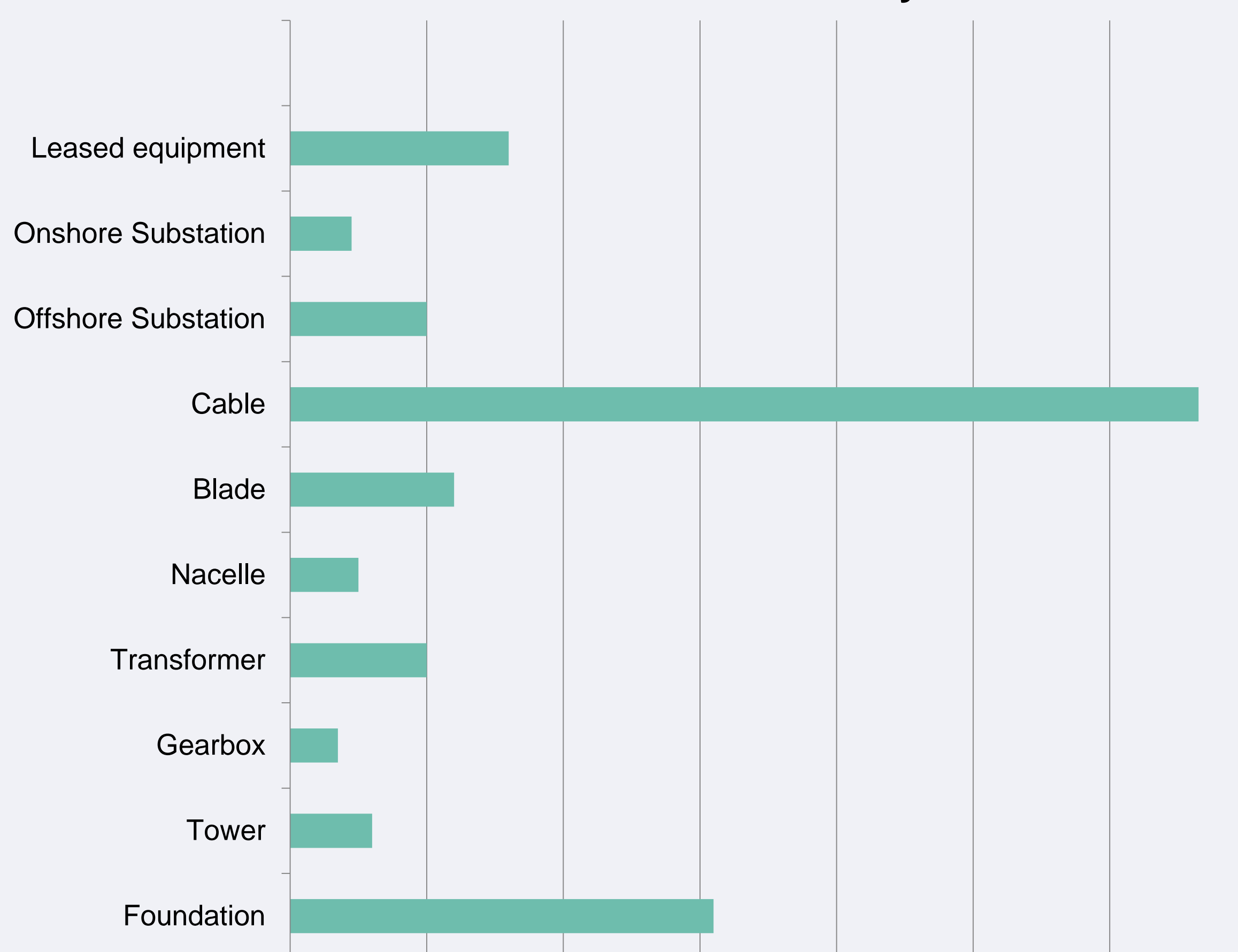
Insurers are traditionally able to reduce project costs via the transferring of risk to their balance sheets. Through their role, and because unlike any owner or contractor they can participate in a large number of projects simultaneously and over time, they gain large amounts of information about the varying effectiveness of different practices and techniques.

Additional value can therefore be added by insurers to offshore windfarm projects through other forms of engagement such as:

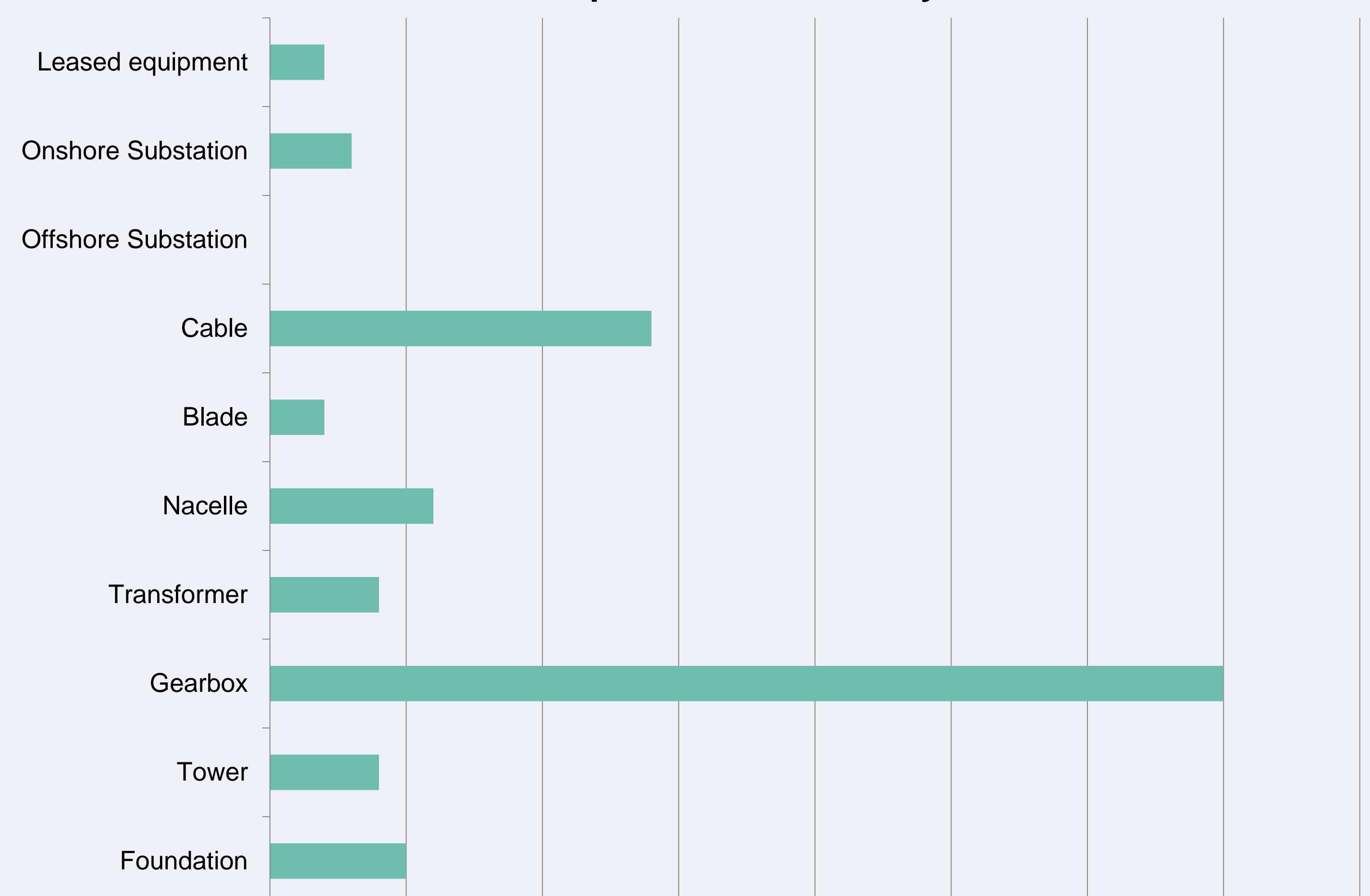
- Acting as an advisory function to project teams to share experience and advice on design, transport and installation methods, use of vessels and contractors, etc. based on best practice and loss experience
- Development of contingency plans to mitigate against key risks faced in order to reduce the severity of losses
- Maintenance programme design in order to reduce the frequency of losses

Insurers can provide benefit via the appointment of a Marine Warranty Surveyor. The fundamental objective of the Marine Warranty Surveyor is to make reasonable endeavours to ensure that the risks associated with the warranted operations are reduced to an acceptable level in accordance with best industry practice. Insurers can help project owners to employ a scope of work specifically designed to reduce risk in an offshore windfarm project based on previous knowledge of the risks faced, with an individual warranty surveyor who is suitably qualified and experienced for the task.

Offshore Wind Construction Claims by number



Offshore Wind Operational Claims by number



Conclusions

It has been demonstrated that project developers value the input of insurers throughout a development in providing a wide range of risk-management and advisory functions.

By engaging at an early stage with insurers, the discussed measures are projected to:

- Reduce uninsured risk, such as delays in the construction phase
- Reduce insurance costs due to an improved risk profile
- Increase project efficiency
- Attract lenders

It is expected that risks and therefore project costs will be reduced.

Codan's philosophy

"In order to support successful execution of our clients' projects during planning and construction, we aim to make our knowledge available to the project team; sharing insights gained from vast experience with offshore construction projects throughout the past +20 years."

