



ALARM

embrace risk

THE BALANCING ACT



ALARM CONFERENCE 2021

 @alarmrisk alarmrisk.com



ZURICH
Municipal

PLATINUM SPONSOR



Platinum sponsors



Gold sponsors



Kennedys



rmp

Silver sponsors



forbessolicitors.



PLEXUS

Bronze sponsors

brownejacobson^{LLP}

CLC
DAC BEACHCROFT

PROTECTOR
insurance



TRAVELERS 



THE CHANGING LANDSCAPE OF FOOD WASTE COLLECTIONS

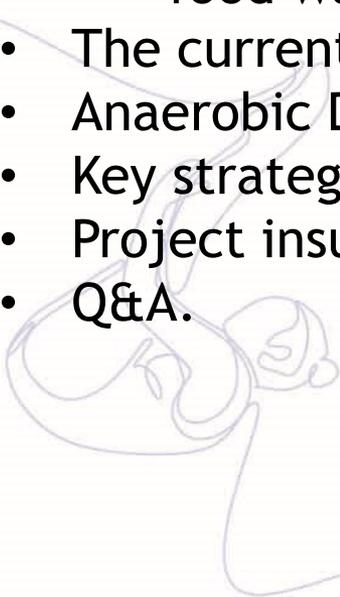
Carl Gurney, Renewable Energy Director





Agenda

- Introductions
- Renewable energy market conditions
- Anaerobic Digestion Bioresources Association - Charlotte Morton
 - Anaerobic digestion the preferred technology for recycling food waste
- The current position of the anaerobic digestion insurance market
- Anaerobic Digestion Certification Scheme (ADCS)
- Key strategies in managing your insurance programme
- Project insurance considerations
- Q&A.



Introductions - who are Marsh Commercial?



Our Credentials

For over 140 years, Marsh & McLennan Companies has supported enterprise, helping clients survive and grow in changing times.

Our business is structured to enable our clients to easily access everything we are able to offer. Wherever you are based in the UK and whatever you need, our colleagues are here to support you with expert advice on matters relating to Insurance, Risk Management and Employee Health & Benefits.

What sets us apart?

Geographic scale and scope - The MMC family has 500+ offices in over 130 countries allowing us to be virtually everywhere our clients need us. The Marsh Commercial UK footprint means we can deliver global capabilities at a local level.

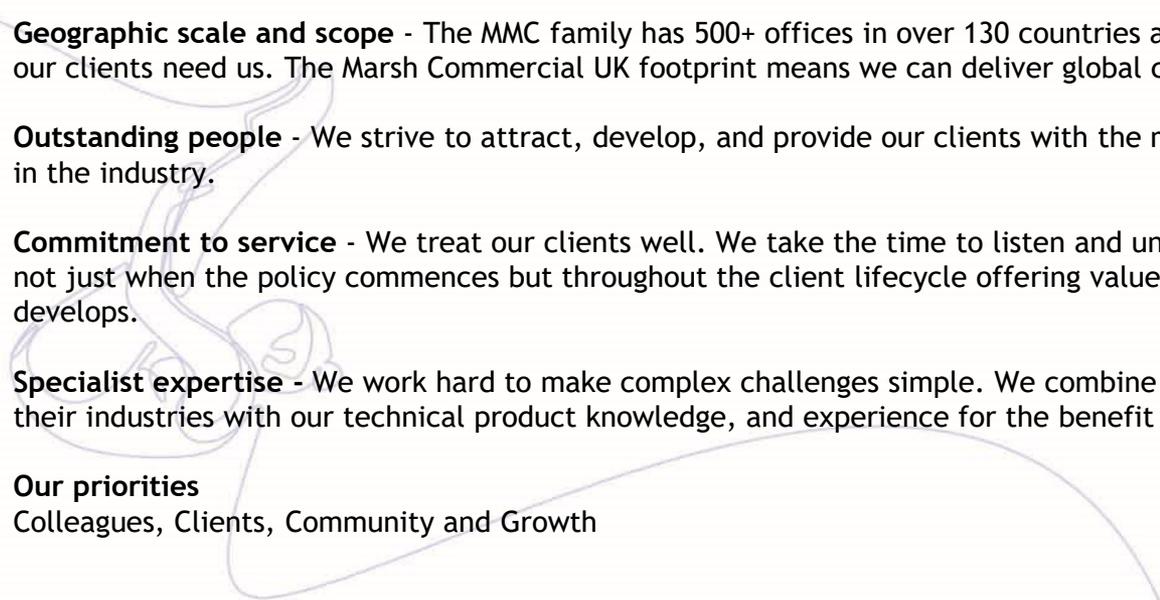
Outstanding people - We strive to attract, develop, and provide our clients with the most talented and accomplished people in the industry.

Commitment to service - We treat our clients well. We take the time to listen and understand their needs. We are available, not just when the policy commences but throughout the client lifecycle offering value and insight as their business grows and develops.

Specialist expertise - We work hard to make complex challenges simple. We combine a deep understanding of our clients and their industries with our technical product knowledge, and experience for the benefit of our clients.

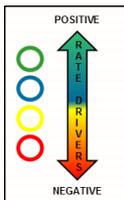
Our priorities

Colleagues, Clients, Community and Growth



Renewable energy market conditions

- Uncertainty is the prevalent theme within the global renewable energy market as we move into 2021.
- One major solar loss (US\$70 million) in 2019 in Texas due to a hail storm and one major bio loss (US\$80 million) in the middle east will hit the Lloyds markets in 2021.
- This has led to a number of markets re-evaluating their entire renewable energy book and increased focus on ability to continue to underwrite in the sector.
- Markets were heavily impacted by the international losses and subsequently, insurers have withdrawn from the market.
 - HSB Engineering
 - Pioneer
 - CNA Hardy.
- Insurers continue to be selective about the risks that they will write, with continual scrutiny on the loss mitigation controls in place.



Renewable energy market conditions

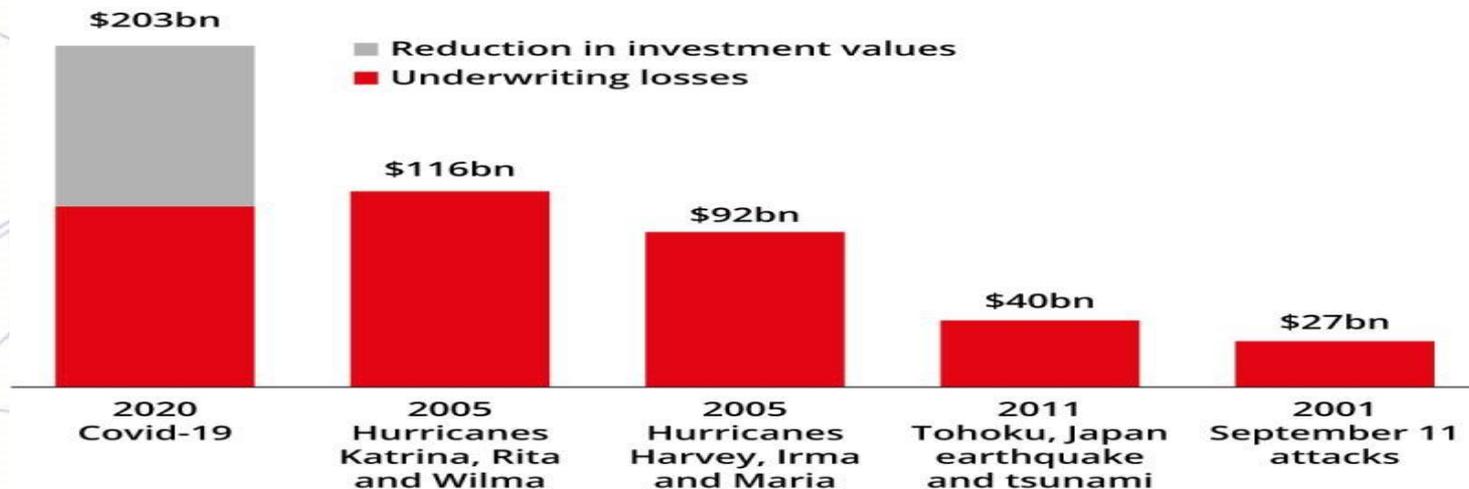


- The renewables energy market is hardening with the market remaining challenging and unstable due to the number of losses adversely affecting insurers willingness to participate on these risks.
- Insurers are heavily focusing on the makes and models of key components, security onsite, weather risk, fire controls, risk management and maintenance procedures are key in providing comfort to insurers.
- There are general increases in rates and deductibles on risks due to the trends in the sector along with more onerous conditions being applied. Risks with significant claims are seeing substantial premium increases and/or insurers declining renewals.
- Important for insurers to know and trust manufacturers and O&M providers. Nervousness surrounding risks with no dedicated O&M provider.
- Insurers, due to the increase in theft claims, are specifically focusing on security including appropriate fencing, gates, 24 hour monitored CCTV. They are also focusing their attention on lightning protection.
- We also see the fall out of COVID-19 as not easing this position and this is shown on the next slide.

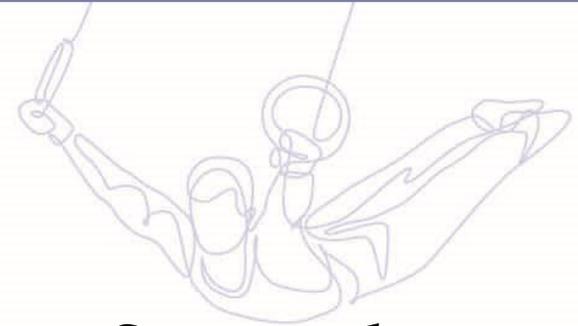
COVID-19 market impact

Lloyds has revealed that it will pay out in the range of \$3 to \$4.3 billion to its global customers as a result of the far-reaching impacts of COVID-19. This is on par with 9/11 in 2001 and the combined impact of hurricanes Harvey, Irma and Maria in 2017, all of which led to similar pay outs by the Lloyd's market. These losses could rise further if the current lockdown continues into another quarter.

Global insurance market impact



Source: Lloyd's



Anaerobic digestion: the preferred technology for recycling food waste

Charlotte Morton, Chief Executive



ABDA - a brief synopsis



Established
September
2009

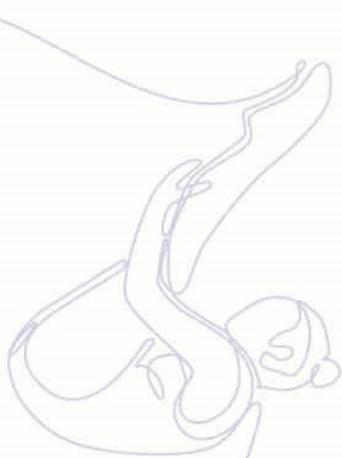
Speaking
with a single,
united voice

Working
collaborative
ly with
government
and related
sectors

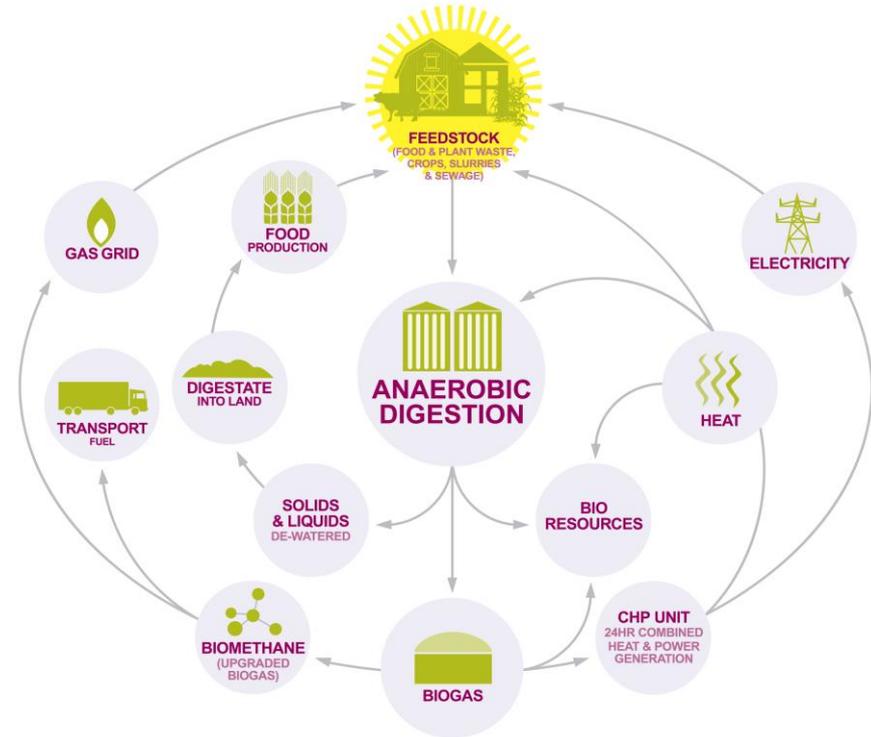
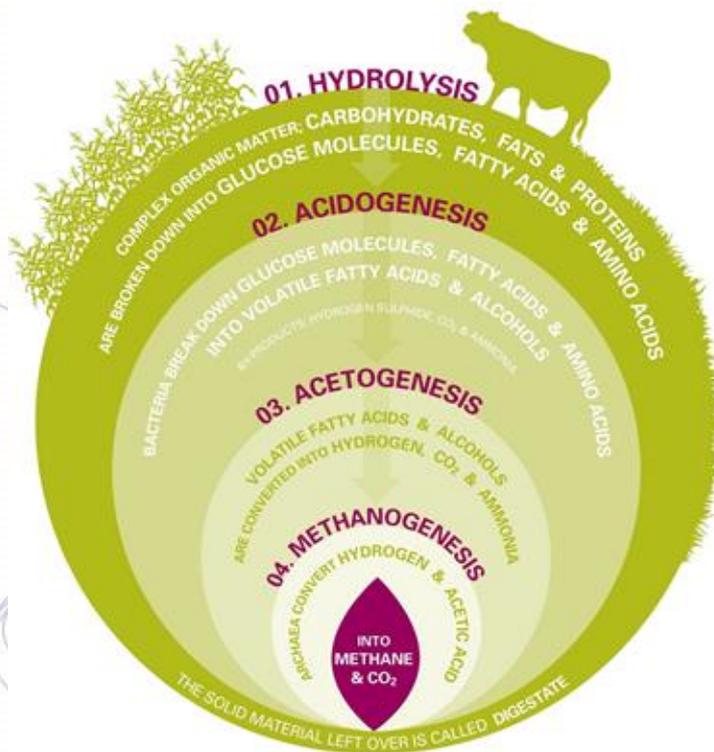


Objective to
break down
the barriers
and build a
mature, safe
industry

350
members,
representing
all of the key
AD industry
sectors



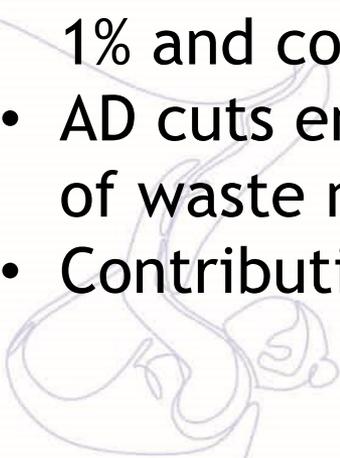
Anaerobic digestion - a circular process





Anaerobic digestion

- Anaerobic digestion (AD) recycles organic wastes into renewable energy and a low carbon biofertiliser, digestate
- AD already reduces the UK's carbon emissions by over 1% and could reduce them by as much as 6%
- AD cuts emissions in the hardest-to-decarbonise sectors of waste management, agriculture, heat and transport
- Contribution to food security, air quality, job creation.



AD at the heart of circular cities

- Turns waste into resources that fuel and feed cities.
- Reduces GHG emissions from:
 - Urban wastes (sewage and inedible food)
 - Energy (heat and power)
 - Food production
 - Transport.
- Improves energy and food security
- Recovers vital nutrients to our depleted soils
- Decentralised/local solution.



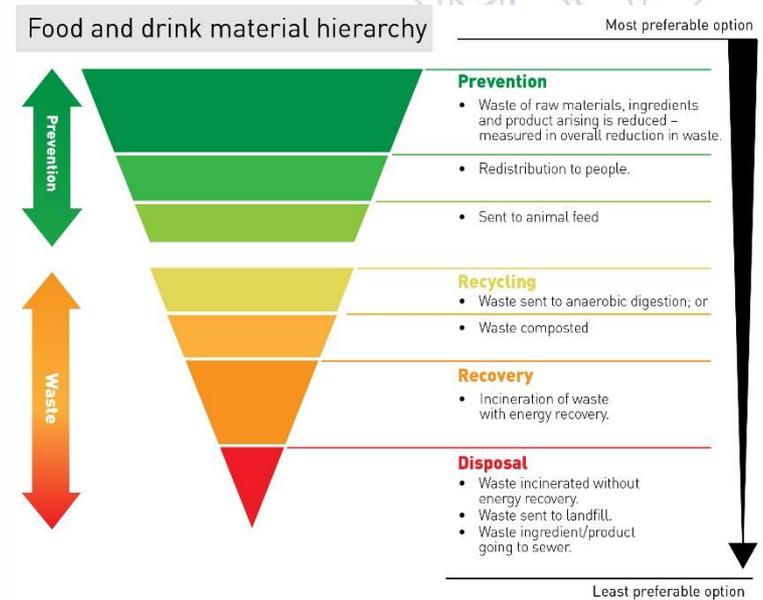
Market overview

- Currently 674 AD plants operating in the UK
- Total industry capacity is now at 1,013 Mwe-equivalent
- generating 15.8TWh of energy every year
- 115 biomethane-to-grid plants in operation with a total installed capacity of nearly 90,000m³ - enough to heat around half of million homes
- 551 electrical/CHP plants fuelled 9.4TWh of biogas.



AD and food waste

- AD prevents GHG emissions from rotting food waste
- AD classed as the optimal form of treatment for food waste
- Improves energy security and recovers vital nutrients to our depleted soils.



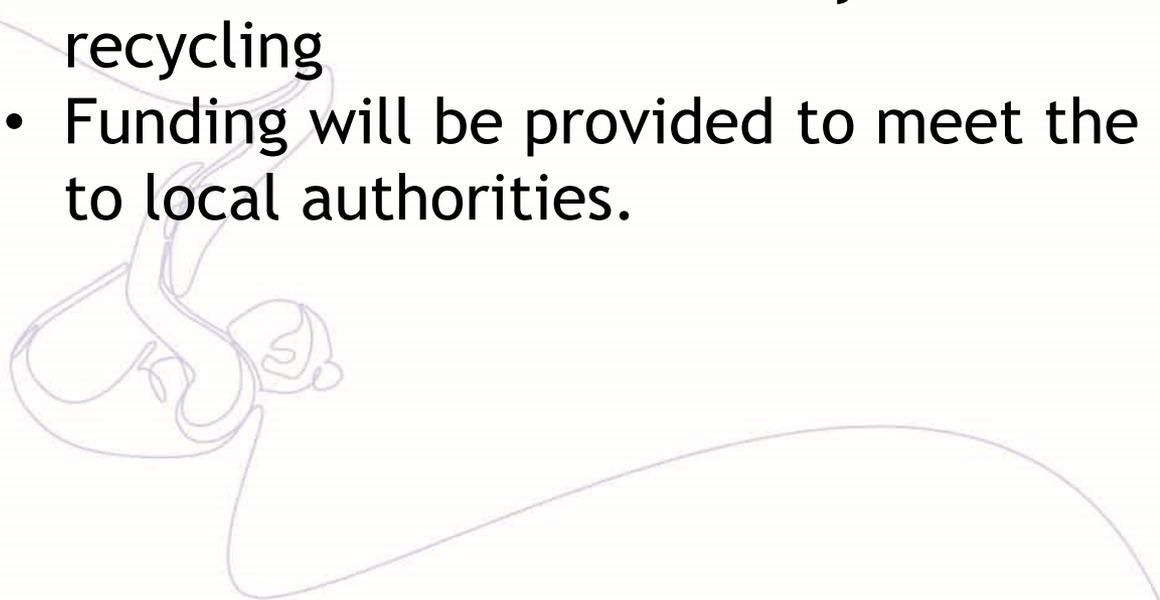
AD and food waste

- 2.7Mt of solid food waste sent to AD in 2019
- Industry's current capacity for food waste is 3.2Mt
- Some 2.3Mt of household produced food waste goes to either landfill or sewer
- Treating it through AD, we could generate up to 2.7TWh of energy
- Upgraded to biomethane, could abate over 2 million tonnes of CO₂ equivalent.

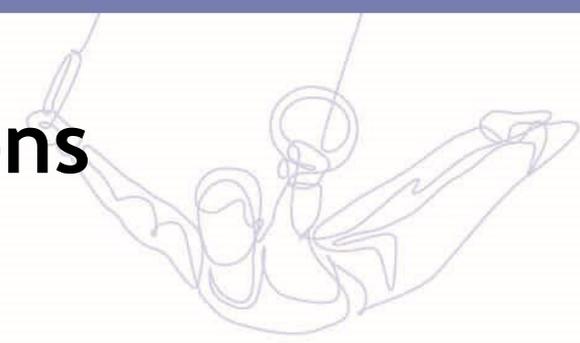


Separate food waste collections

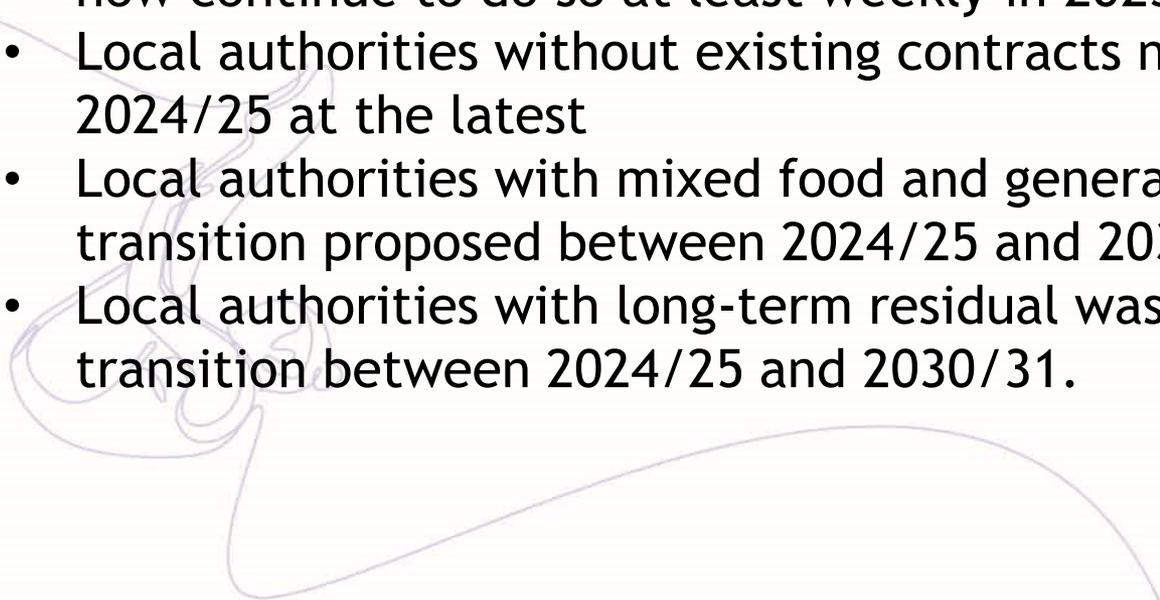


- The *Resource and Waste Strategy 2018* committed to separate food waste collections in England by 2023
 - The *Environment Bill* delivers on this commitment
 - Consultation on consistency in household and business recycling
 - Funding will be provided to meet the additional costs to local authorities.
- 

Separate food waste collections

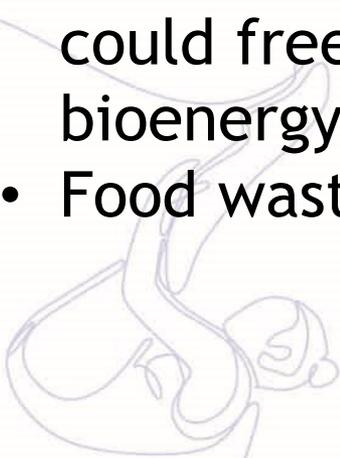
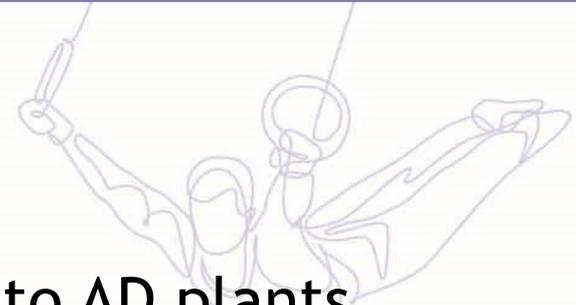


Timeline

- 37% of local authorities had separate food waste collections, 11% provided food and garden service, 3% provided both - 2019/20
 - Those that are currently collecting food waste separately must now continue to do so at least weekly in 2023/24 year
 - Local authorities without existing contracts needs to transition by 2024/25 at the latest
 - Local authorities with mixed food and general waste contracts, transition proposed between 2024/25 and 2030/31
 - Local authorities with long-term residual waste contracts should transition between 2024/25 and 2030/31.
- 

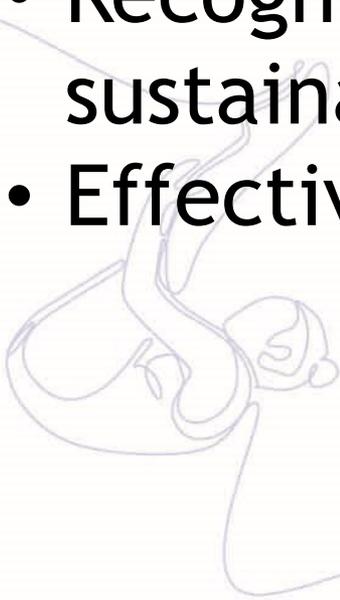
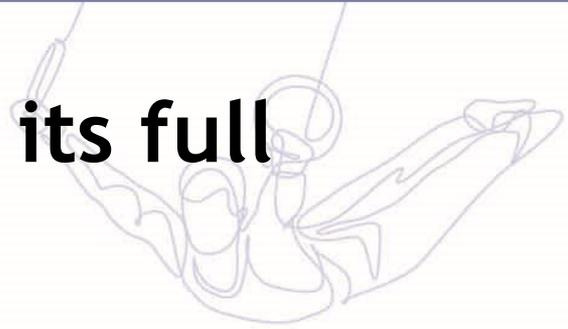
Reducing food waste

- Only unavoidable food waste should go to AD plants
- Farmland the size of Wales produces food that is eventually thrown away
- Eliminating 7 million tonnes of avoidable food waste could free up land for sustainable integration of bioenergy crops
- Food waste collections could reduce food waste.



What's needed for AD to fulfil its full potential

- Innovation
- Universal separate food waste collections
- Recognition of AD's contribution to sustainable farming
- Effective carbon price.





Charlotte Morton, Chief Executive

charlotte.morton@adbioresources.org

adbioresources.org



Current position of the AD insurance market



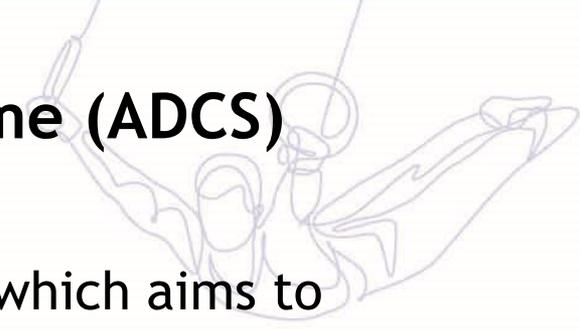
- Poor historic performance
- Result - very few insurers wishing to offer cover
- Main concerns:
 - Design
 - Operator competence
 - Loss controls
 - Environmental
 - Risk management
 - Maintenance.
- Premiums and excesses increasing
- Onerous conditions
- No cover
- Best practice - Anaerobic Digestion Certification Scheme (ADCS).

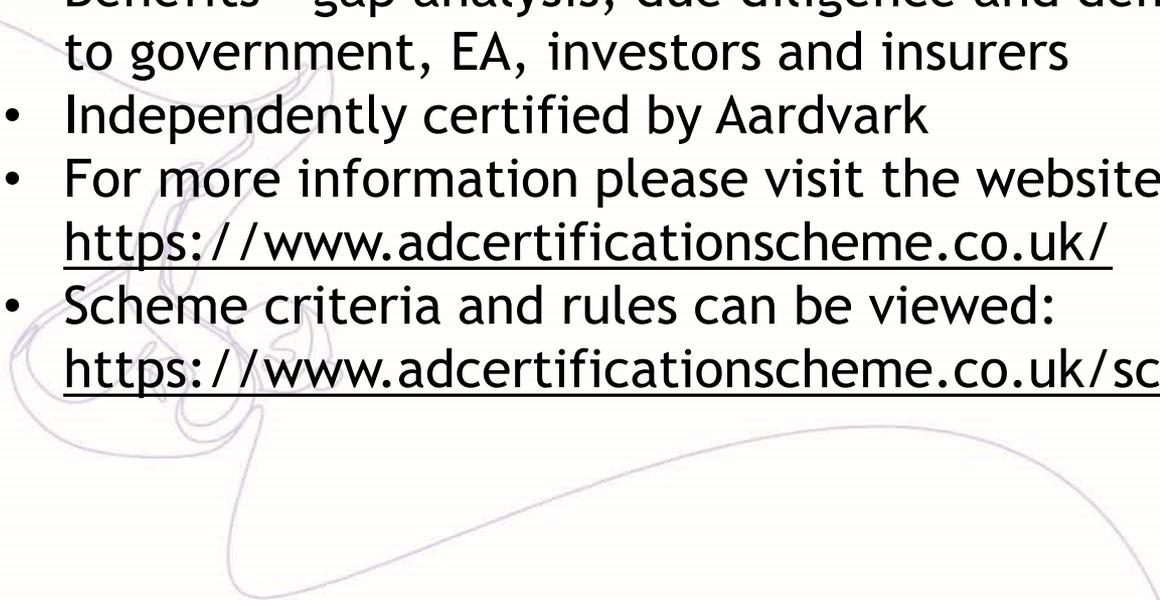
Current position of the AD insurance market



- Claims of the few are not paid for by the premiums of the many
- The AD market is hardening with the Market remaining challenging & unstable due to the number of losses adversely affecting insurers willingness to participate on these risks.
- Insurers are heavily focusing on fire suppression as always, but also extreme scrutiny over site operation and maintenance of AD facilities, risk management, over foaming controls, maintenance procedures and the sites attitude to these are key in providing comfort to insurers.
- General increases in rates and deductibles on risks due to the trends in the sector. Plants with significant claims are seeing substantial premium increases and/or Insurers declining renewals. Some plants who now do not meet insurers requirements are now “uninsurable”.
- Important for insures to know and trust manufacturers and O&M providers. Nervousness surrounding on farm AD plants with no dedicated O&M provider.
- Insurers such are looking to protect their balance sheet showing nervousness and increased selectiveness on risks they are want to underwrite.
- Insurer’s are insisting on strict adherence to Fire Guidance to underwrite plants.
- Some insurers maintain their stance on over foaming controls and that CHP O&M contracts must be with the manufacturers agent.

Anaerobic Digestion Certification Scheme (ADCS)



- What is the ADCS - is an industry-led initiative which aims to support the AD industry in the UK to improve operational, environmental and health & safety performance
 - Steering group - key stakeholders
 - Benefits - gap analysis, due diligence and demonstrates credibility to government, EA, investors and insurers
 - Independently certified by Aardvark
 - For more information please visit the website:
<https://www.adcertificationscheme.co.uk/>
 - Scheme criteria and rules can be viewed:
<https://www.adcertificationscheme.co.uk/scheme-rules-criteria/>
- 

Key strategies in managing your insurance programme



1

Start the process early. Appoint one broker who has an understanding of the renewable energy sector.



2

Identify your risk appetite.



3

Prepare a high-quality tailored underwriting submission.



4

Understand any contractual requirements



5

Focus on risk management achievements and plans.



6

Establish high-quality claims management protocols.



7

Have a thorough market engagement plan.



8

Involve insurers early and look to create a tripartite relationship.



9

Market your programme effectively to the right insurers.



10

Stick to agreed milestones.



Project insurance considerations

Don't view insurance as a necessary evil - it brings many benefits such as due diligence and cost benefit.

Consider the four stages of your project:

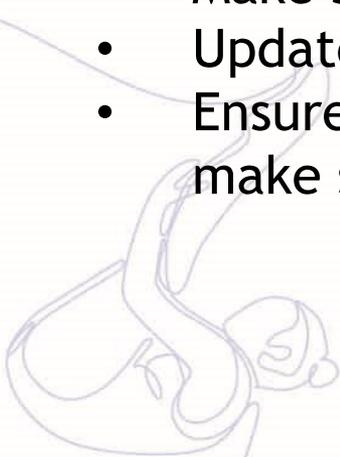
1. Concept and design phase

- Review your risks
- DD your supply chain
- Appoint the right advisors
- Understand your contractual requirements
- Be clear with your corporate structure
- Legal indemnities and abortive planning costs
- Ensure your project is right for you
- Engage insurers.

Project insurance considerations

2. Construction phase

- Understand your insurance contract
- Finalise contracts e.g. EPC, lenders
- CCIP versus OCIP
- Make sure you have one eye on the operational cover
- Update your broker on key milestones
- Ensure operational cover is prepared in time - if not you make sure your client is thinking about this.



Project insurance considerations

3. Operation phase

- Engage insurers early
- Understand your insurance contract
- Finalise contracts e.g. O&M, lenders (re-finance)
- Insurer loss controls
- Business continuity plans
- Advise of any major changes.



Project insurance considerations

4. Decommissioning/end of life

- Decommissioning products are available
- Need to understand who is decommissioning and your responsibilities
- What do insurers want to see as technologies age
- Are you planning on extended the proposed life time of your project? If so, what do insurers require? What covers do you require?



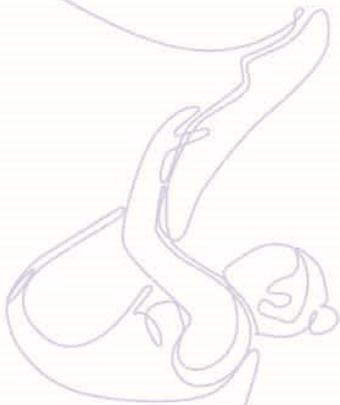


Conclusion

- The insurance market is touch
- AD is a fantastic solution for food waste
- The AD market is touch
- ADSC must be on the agenda
- Appoint one broker and engage insurers early
- Review your risk appetite
- Provide detailed information
- Review your supply chain
- Assess your single points of failure and mitigate
- Work with insurers and implement their requirements on loss controls
- Insurance is much more than a necessary evil.



Q&A





Carl Gurney, Renewable Energy Director

carl.gurney@marshcommercial.co.uk

01905 892156

07799 474419





ALARM

embrace risk

THE BALANCING ACT



ALARM CONFERENCE 2021

 @alarmrisk alarmrisk.com



ZURICH
Municipal

PLATINUM SPONSOR

