

Energy Warranty Business

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Energy Warranty Business

1. Our company saw insurance opportunity in alternative energy space.
2. Current insurance product did not respond to client's needs.
3. Energy division put together team to develop new product but collaborated with Consumer division.
4. Resulting product covered Performance, Extended Warranty, Serial Defect and Limited Performance Coverage for 5 years.



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Keys to Develop Business

1. Internal company expertise
 - a. finance
 - b. underwriting/actuarial
 - c. engineering
2. Available capacity
3. Few serious competitors
4. Policy responds to investor needs



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Client Relationship

1. We were **hands on**; if client or broker could not accept this, we walked away.
2. Independent engineering review required.
3. Company engineering vetted project viability.
4. We had face to face meetings as project progressed.
5. Engagement for the duration of project planning, construction, launch and operations.



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Potential Alternative Energy Projects

wind

solar (PV and concentrating solar)

biofuel, waste to energy

biomass to energy

waste to fuel, biomass to fuel

gas to liquids

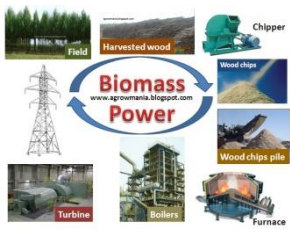
coal to liquids



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Energy Warranty Policy

1. Manuscript policy
2. Vetted by Legal
3. Vetted by Claims
4. Deductibles/Self insured retentions
5. Significant back and forth with client
6. Unique limits relative to risk



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Company Engineering Role

1. Vetting the opportunity – Go/No GO
2. Perform technical due diligence for U/W
3. Consult with client as to findings
4. Post-policy issuance technical administration

We received a fee from the client for this service.



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Conclusion

1. Wrote almost **\$13 Million** in Premium
2. Collected over **\$600 K** in Engineering fees
3. Loss ratio of **50%**
4. Combined ratio of **80%**
5. Rate of return of approximately **20%**

As oil prices declined, market for alternative energy fell, and company dropped the product.

