



Fact Sheet – Renewable Energy

Title Insurance protects lenders in case of existing claims against permits for renewable energy projects

Risks:

Title Insurance policies lenders against :

- Risks of cancellation of the building, environmental or operating permit.
- Risks of demolition.

As a result of claims filed against the Building Permit

Covered Risks include:

- Cancellation or suspension of the building permit for more than 12 months during construction period,
- Amendment of the building, environmental or operating permits reducing the scope of the project.
- Cancellation of the building, environmental or operating permit after completion
- Partial or total demolition of the project after completion

Indemnity:

The Title Insurance policy indemnifies the insured for financial loss arising out of a Covered Risk.

Policy:

The policy typically is issued at the beginning of the negotiations with banks or mezz. lenders

- Lender Policy: Indemnifies the lender(s) in the event the borrower defaults on the loan as a direct result of a covered risk.
- Term: a Lender Policy will cover the assured for the duration of the loan.
- Premium: Paid once, at issuance. Rate depends on risk evaluation by the insurer.
- Assignment: A Policy may be assigned to a subsequent institution that acquires or refinances the same loan.

Insured:

- Bank or private equity lender
- Providers of mezzanine finance

Properties:

Renewable energy projects such as:

- Wind farms
- Solar panel
- Geothermic plants

Underwriting: Title insurance policies are underwritten based on the legal due diligence performed by legal counsel, expert in the law of the jurisdiction in which the project is located.

Lawyers Underwriting and issuance of title insurance do not alter the role of the insured's lawyers, who remain responsible for legal due diligence on the project.

Opinion versus Indemnity: Lawyers provide an opinion, whereas Title Insurance provides an indemnity.

A legal opinion, especially in a large commercial transaction, fundamentally is a disclosure document: Counsel reports on the state of title and related issues, identifies areas of uncertainty or defect, and carves out exceptions (e.g., fraud), thus putting the investor or lender in the position of having to "take a view" on identified risks, as well as risks existing – but unknown – at the time of the transaction.

A Title Insurance policy eliminates the risk for insureds by providing insurance cover in relation to Covered Risks.