DESCARTES INDUSTRY OUTLOOK

PARAMETRIC INSURANCE FOR DATA CENTERS

1 CONTEXT

The data center market is experiencing significant growth, driven by increasing demand for computing power and storage fueled by GenAI. Expansion is concentrated in hyperscale and colocation facilities, while operators are simultaneously investing in smaller, close-to-user edge facilities to reduce latency, diversifying the overall asset mix.

This dynamic environment and its inherent catastrophe exposures often mean traditional property insurance programs require complementary solutions to address specific coverage gaps during both construction and operational phases:

- **Addressing High Retentions for Insureds**: Large deductibles, waiting periods, exclusions, and sub-limits leave operators exposed. Parametric insurance can top up limits, fill monetary and temporal deductibles, and flexibly cover Business Interruption (BI) and Non-Damage Business Interruption (NDBI), including behind-the-the-meter power plants.
- **Mitigating Delays for Insureds**: Construction and supply chain disruptions may not be fully covered by traditional policies. Parametric payouts provide rapid liquidity for Delay in Start Up (DSU)-related delays and supply chain interruptions.
- **Covering Service-Level Agreement (SLA) Breaches**: NatCat events can trigger downtime and significant financial penalties. Parametric insurance delivers rapid liquidity to support operators and lenders when SLAs are breached.

→ **Large-capacity parametric add-ons create a comprehensive protection framework that benefits all stakeholders:**

- **Lenders** benefit from clearer risk visibility and enhanced collateral protection.
- **Investors** gain better predictability around potential losses and return on investment.
- **Operators** secure rapid liquidity to stabilize operations, address SLA impacts, and absorb coverage gaps efficiently.

2 RISK PROFILE

Severe Convective Storms
High-severity, low-frequency events like tornadoes and straight-line winds in areas like the Midwest & Texas

Flood
Major pluvial, river, and storm surge risks for sites in Florida, Texas, Louisiana, & the East Coast

Climate Stress
Deep freeze causes grid shutdowns (NDBI), & extreme heat drives up cooling costs & disrupts operations

Earthquake
A critical exposure for facilities in California

As data centers increasingly cluster in US cat-prone regions, a single NatCat event can severely disrupt both construction and operations. This can result in major financial disruptions:

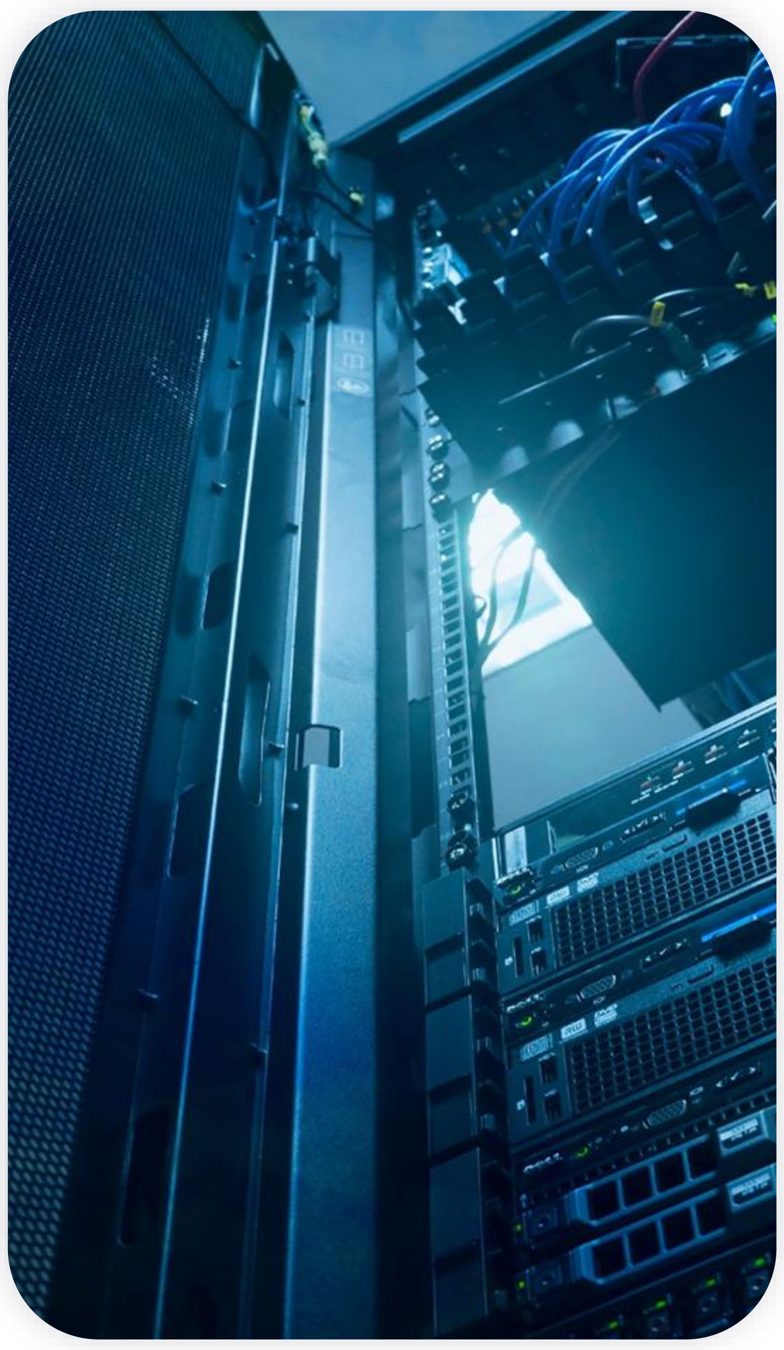
- **Construction Phase**: Parametric coverage complements DSU insurance by accelerating recovery from construction delays, including the "grey phase" (when equipment is on site, but the building is not yet enclosed). Payouts are triggered by event intensity, regardless of the construction status.
- **Project Finance & SPVs**: Major NatCat events can threaten debt servicing. Parametric insurance provides immediate liquidity, securing lender repayments and reducing default risk.
- **BI & BPP/Contents Exposure:** Climate events can damage equipment, systems, energy infrastructure and key suppliers, causing business interruptions and significant financial losses.
- **NDBI & Downtime**: Power or grid issues can halt operations, trigger SLA penalties, and create costly reliance on backup power.

DESCARTES, GLOBAL PARAMETRIC INSURANCE SPECIALIST

10	20+	150+	USD 140M
Countries	**Perils covered**	**Scientific experts**	**Capacity per policy**
With offices around the world	With best-in-class (re)insurers, written on A+ paper	Risks modelers, data scientists and software engineers	Even in highly exposed regions & for clients with a history of NatCat losses

3 KEY BENEFITS OF PARAMETRIC INSURANCE

- **Deductible Hedge**: Transfers retained risk through deductible buy-down solutions.
- **Added Transparency**: Pre-agreed parameters and payout structures eliminate ambiguity.
- **Bespoke Policies**: Custom covers for one or multiple locations adapted to the client's existing coverage (traditional insurance, captive).
- **Swift Payouts**: In a matter of days or weeks after a loss event, no on-site loss assessments required.
- **Financial Freedom**: Covers any type of direct or indirect financial loss resulting from the event.



4 PARAMETRIC SOLUTIONS IN ACTION

Tornado

A new data center project in West Texas sought tornado coverage during its construction phase, where traditional insurance offered limited responsiveness to high-intensity EF-scale events.

Deep Freeze

A major operator of HPC & AI data centers explored freeze protection to protect its revenue during grid-mandated shutdowns during prolonged cold events.

Flood & more

A new large data center project in New York assessed parametric protection for deep freeze, flood, snowfall, and tornado exposures during its multi-billion-dollar construction phase.

PARAMETRIC COVERAGE IN 3 STEPS

1. The cover is based on custom-made parameters & pre-agreed indemnity
2. The evolution of these parameters is monitored using verified third-party data from reputable providers
3. When a triggering event occurs, the client notifies the insurer of their loss & swiftly receives compensation

INTERESTED IN KNOWING MORE?

Please reach out to our commercial team!

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