

Loss of Energy Property Investment Tax Credit Coverage

Liberty Mutual Insurance provides the loss of energy investment tax credit coverage to protect owners, developers and investors against financial losses arising from loss or damage to energy property. It responds to the resulting recapture of investment tax credits that were granted for such property, pursuant to Section 48 of the Internal Revenue Code (IRC).

Loss of Energy Investment Tax Credit Coverage

- Provides replacement cost coverage for direct physical loss or damage to energy property on our Scheduled Property Floater Form.
- Reimburses insureds for resulting loss or recapture of energy investment tax credits.
- Indemnifies the insured for the cost of fines and penalties that may be assessed by the IRS relating to the recapture of investment tax credits.



How does the Investment Tax Credit (ITC) Work?

In general, the original use of the equipment must begin with the taxpayer, or the system must be constructed by the taxpayer. The equipment must also meet any performance and quality standards in effect at the time the equipment is acquired. The energy property must be operational in the year in which the credit is first taken.

A tax credit is a dollar-for-dollar reduction in the income taxes that a company claiming the credit would otherwise pay the federal government. The ITC is based on the amount of investment in solar property.

The commercial ITC is equal to 30 percent of the invested eligible property which have commenced construction through 2019. The ITC then steps down to 26 percent in 2020 and 22 percent in 2021. After 2023, the commercial and utility credit will drop to a permanent 10 percent. Commercial and utility projects which have commenced construction before December 31, 2021 may still qualify for the 30, 26 or 22 percent ITC if they are placed in service before December 31, 2023.

The Treasury and IRS are currently drafting guidance which will inform solar developers of which percentage of ITC they will qualify for depending on when they started their project.

Impact of the Recent ITC Extension

The ITC has proven to be one of the most important federal policy mechanisms to incentivize the deployment of both rooftop and utility-scale solar energy in the United States. As a result of the multi-year extension of the credit enacted in late 2015, solar prices are expected to continue to fall while installation rates and technological efficiencies will continue to climb. The ITC is nothing short of a tax policy success story and we expect this fact to continue to play out over the next several years.

Contact your local independent agent or broker for more information.

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Loss of Energy Property Investment Tax Credit Coverage Supplemental Questionnaire



About the Energy Property

What are the 100% values of the Energy Property, including a valuation of the Energy Property? _____

Who are the owner(s) of the Energy Property? _____

Details of any loans on the Energy Property: _____

Description of the Energy Property: _____

Where is the Energy Property located? _____

How long will it take/how easily can the Energy Property be replaced? (please describe in days, weeks, months)

Who is the manufacturer of the Energy Property? _____

Is the manufacturer in the United States or overseas? United States Overseas

About the Tax Credit

Is this eligible for the IRS Tax Credit as defined by the IRS Tax code §48? Yes No

What is the total amount of the five year tax credit given by the IRS? _____

How many years are left on the Tax Credit? _____ How long have you been in business? _____

Please describe the financial health of the company including a signed statement from the CFO (or other person responsible for the financial management of the company) stating that the insured plans to remain in operation during the time the Energy Property is in service (i.e. they do not plan on going out of business to collect tax credits).

Is the Energy Property being leased? (If YES, please provide a copy of the lease agreement) Yes No

How much ITC has been used and how much remains? _____

Have you had any previous losses to the Energy Property you have Tax Credits on? Yes No

Has any Energy Property had a loss or been damaged and not been replaced since receiving any of the Tax Credit? Yes No

If the Energy Property is damaged do you plan to replace the property? Yes No

Signature

Date