DATA CENTER MORATORIUM GAP QUICK CARD

Executive Field Summary: Why standard construction and property policies completely fail when a local government enacts a data center construction moratorium without physical property damage, and how parametric regulatory moratorium cover bridges the exposure.

THE FUNDAMENTAL INSURANCE WALL

Standard construction insurance responds strictly to **physical loss or damage**. A zoning resolution, county board vote, or administrative moratorium damages nothing physical. Consequently, standard commercial insurance towers yield **zero dollars** for carrying costs, debt service, and idle capital.

Policy Form	Required Policy Trigger	Why It Fails on Government Moratorium	Response Status
Builders Risk	Direct physical loss or damage to covered property under construction from an insured peril.	A zoning vote, interim ordinance, or council resolution produces zero physical alteration or damage to materials, foundations, or equipment.	**ZERO RESPONSE** No physical damage
Delay in Start-Up (DSU)	Financial loss resulting from delayed completion, *strictly downstream* of covered physical damage.	Swiss Re DSU underwriting guidance requires insured physical damage as an express prerequisite. Without physical loss, DSU cannot attach.	**ZERO RESPONSE** No physical prerequisite
Business Interruption (BI)	Loss of actual operating net income and continuing expenses resulting from covered physical damage.	Pre-revenue data centers under construction have no operating income or revenue history. Accruing carrying costs sit entirely outside BI form scope.	**ZERO RESPONSE** Pre-revenue asset
Classic Political Risk	Sovereign expropriation, currency inconvertibility, political violence, or confiscation abroad.	Structured for foreign cross-border sovereign risk, not domestic suburban land-use votes, county commissioner resolutions, or municipal bans.	**ZERO RESPONSE** Domestic land-use excluded
Parametric Moratorium Cover	Enactment of covered government action in the public record halting data center construction past waiting period.	Purpose-built for regulatory halt: pays predetermined amount regardless of physical damage. Bypasses loss adjusters and physical inspections entirely.	**PARAMETRIC PAYOUT** Predetermined Sum

Historical Developer Options (Pre-Parametric)

Prior to purpose-built regulatory parametric transfer, developers facing a sudden moratorium had three non-insurance choices:

- **Lobby it:** Retain municipal lobbyists to seek legislative carve-outs, grandfathering, or expedited sunset provisions.
- **Litigate it:** File costly land-use suits claiming vested rights, regulatory takings, or procedural ultra vires actions.
- **Absorb it:** Fund monthly debt service, tax assessments, standby costs, and contractor demobilization out of capital reserves.

Governmental Action Exclusions

Even if an insured attempts a creative claim under property lines, standard commercial policies carry strict barriers:

- **Ordinance or Law Exclusions:** Expressly bar loss caused by enforcement of any ordinance, law, or zoning regulation.
- **Acts of Civil Authority:** Standard civil authority extensions require nearby physical damage to adjacent properties, not zoning policy shifts.
- **Broker Negative-Confirmation:** Always obtain carrier confirmation in writing that existing tower lines do not respond.

PARAMETRIC MECHANICS & THE PLACEMENT TIMING RULE

How the Parametric Trigger Operates

1. Objective Public Record Event: Trigger and settlement rely strictly on verified public records (county commission minutes, gazetted municipal ordinances, state administrative decrees). No loss adjusters visit the site.

2. Action Against Construction as a Class: The covered instrument must halt or suspend data center construction as an industry/use category, rather than an individual project's specific building code citation or permit rejection.

3. Predetermined Cash Payout: Payout is fixed at policy binding. Settlement executes swiftly upon trigger verification, providing liquid capital without claims friction.

The Waiting Period as a Time Deductible

Time Deductible Concept: The parametric policy establishes a mandatory waiting period (e.g., 90, 180, or 270 days). The covered moratorium must remain continuously in force past this threshold before any payout is triggered.

Duration Matching: Municipal moratoriums commonly span 6 to 12 months. If a broker negotiates a 12-month waiting period on an 8-month moratorium, the policy pays **$0**.

Carrying Cost Sizing: Sizing the waiting period against developer cash burn (debt service + standby fees) is the broker's primary underwriting challenge.

CRITICAL TIMING RULE: PLACE BEFORE THE VOTE, NOT AFTER

Active Moratorium Exclusion: Parametric underwriters strictly exclude jurisdictions and locations with active or officially introduced moratoriums, citing prohibitive cost and adverse selection. Once a county commissioner introduces a moratorium bill or local opposition officially mobilizes a zoning pause, the project is **outside the market**.

Pre-Event Portfolio Placement: Placement must occur during early site acquisition, option structuring, or pre-entitlement design when the jurisdiction is still calm. A broker cannot place this cover once headline controversy erupts.

Broker Quick Action Flowchart

Step 1: Tower Audit Document negative confirmation on Builders Risk, DSU, and BI in writing.	**Step 2: Parcel Exposure** Map municipal borders, entitlement stage, and applications freeze vs stop-work.	**Step 3: Carry Sizing** Calculate monthly debt service, tax, security, and standby costs.	**Step 4: Parametric Terming** Set payout limit & time deductible (waiting period) before local vote tables.

INHERENT BASIS RISK DISCLOSURE

Because parametric payouts are fixed sums negotiated at inception while construction delays accumulate variable monthly carrying costs, the payout will not adjust upward if a moratorium extends longer than anticipated. It serves as a budgeted liquidity bridge, not total economic indemnification.