

Many businesses unaware of wind farm insurance risks

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With rapid growth in the renewable energy industry prompting a surge in the number of businesses setting up wind farms, a national insurance broker (<http://www.bluefininsurance.co.uk>) is warning of the need to get the right cover.

The number of wind farms across Europe rose by 11 percent last year*, with an estimated 5000 applications for wind farms currently being processed in the UK alone according to Bluefin Insurance (<http://www.bluefininsurance.co.uk>).

With the capital cost of wind turbines falling and the government's 'feed-in' tariff, which offers businesses financial incentives for generating renewable energy, coming up for review in September, the industry has experienced a spike in applications, particularly from the agricultural sector who are branching out into the renewable energy industry as a means of supplementing their traditional income.

However Bluefin (<http://www.bluefininsurance.co.uk>), which has set up a specialist team to deal with insurance for renewable energy and has seen the number of enquiries increase tenfold, says there are still a worrying number of operators who are failing to take out the right insurance cover.

David Wilson, who leads Bluefin's team of renewable energy insurance specialists, said: "A lot of people are not fully aware of the insurance risks involved in setting up a wind farm. Usually the manufacturer and contractor will provide a basic level of cover, however this often only provides cover against damage to the wind turbine itself and does not provide any cover in respect of delayed start up or advanced loss of profits, or the dozens of other potential risks associated with setting up a wind farm which can cost hundreds of thousands of pounds in lost revenue or profit.

"The risks start from the moment the wind turbine (<http://www.bluefininsurance.co.uk>) or ancillary equipment are in transit from the manufacturers to the site. If something gets damaged, it could easily take six months to replace the damaged item as the equipment is so specialised, potentially leading to significant loss of earnings," Wilson added.

Although the initial start-up costs are high, at approximately £1.2million for a 500mw turbine, in the right conditions there is potential to generate between £350,000 and £400,000 income a year for the life of the turbine, making wind farms an attractive business prospect particularly to farmers or growers who already have the land available.

Setting up a wind farm requires several types of insurance at different stages of the process including 'Marine Transit' insurance which covers damage to or loss of the equipment while in transit and the subsequent delayed start up and 'Erection All Risks' which applies to the construction phase and covers buildings, access roads, sub stations, cabling and the advanced loss of profits. Finally when the wind turbine is in place, the operator will require 'Operational All Risks' insurance to cover breakdown, damage to the machinery, loss of earnings and environmental pollution. The delayed start up and advanced loss of profits cover provides the funders with some comfort that if an incident does occur, there is some financial protection in place.

The other insurance cover to have is Public Liability which can be taken out to cover the entire project, and provide cover in respect of everyone involved in the project from the operator, to the funders and the sub-contractors. Once the site is operational, a separate operational public liability is required.

Wilson said: "Farmers and growers, who are increasingly expanding into the renewable energy market, are particularly vulnerable as they have less specialist technical knowledge than the large energy companies so are often not fully aware of the insurance cover required."

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Bluefin Insurance Services Limited provides independent insurance broking services to both corporate and individual clients. Bluefin is part of AXA UK plc and employs approximately 1500 people in 45 locations. For more information visit www.bluefingroup.co.uk

*Source of figures: The European Wind Energy Association (EWEA)