

Safety first

Optimum insurance conceptions for photovoltaic systems

Ten years ago, there were only two insurance companies developing insurance concepts for renewable energies, and the same number of specialized agents offering insurance products for photovoltaic systems. Today, you can find circulars providing information on yet another insurance company with offers for such products in your mail box every day.

Heinz Liesenberg guides you through this apparently impenetrable jungle.

You could think that the large number of providers boosts competition in a way that a photovoltaic system owner has a benefit from it. This, however, is clearly not the case, since we now have a divided insurer market. Since damage unfortunately occurs on PV systems time and again, there are now insurance companies with some damage experience on the one hand, and newcomers without any history and expertise on the other hand, who consider PV systems as a start for the customer relation and simply aim at gaining market shares. Today, system operators are hardly capable of comparing the offers of different providers. Catalogues of exclusions, limitations of insurance protection and adverse clauses have found their way into conceptions.

My intention is to provide you with comprehensive information as to what you should observe when taking out insurance, because in my opinion prices take a back seat - they have reached their historic low anyway and it is much more important to be able to recognize whether you are acquiring fully comprehensive insurance coverage or a completely slimmed-down version. Unfortunately, this is not always evident at first glance.

What are my possibilities of insuring a PV system?

1. Inclusion in building insurance

In general, a building insurance covers the risks of fire, tap water, storm and hail. If I include the PV system into this policy, the system will of course only be insured against these risks, which is not sufficient. Yield loss is not compensated by the building policy, and the building insurer will not be experienced in the adjustment of damage to PV systems.

2. Special insurance for PV systems

PV system insurances have their origin in electronics insurance. Many insurance companies still work with the so-called general terms and conditions for electronics insurance, which need not be wrong. Other companies have slightly modified these terms and conditions and now call them general insurance conditions for photovoltaic systems. There is no or nearly no difference in the quality of insurance coverage between the two compositions, which render an inestimable advantage for the consumer's approach:

The all-risk insurance

Conventional insurances known to you, e.g. household insurance provides a catalogue of insured risks. They generally read: The risks insured are fire, tap water, storm and hail, as well as burglary/vandalism.

In contrast to this, an all-risk insurance reads: The insurer bears all risks and damage to which the property insured is exposed during the term of the insurance. The insurer pays damages for loss or destruction of and damage to the property as a consequence of an insured risk. This wording comprises the entirely possible damage scenario, for loss is the generic term for everything going astray, destruction is the generic term for full damage and hence total loss, and damage is the generic term for partial damage. We here refer to the universality of risk assumption. Essentially, the following causes of damage are insured:

- Operating errors and unaptness
- Negligence, malevolence, vandalism, sabotage and willful intent by third parties
- Consequential damage from errors in design, material and workmanship
- Failure of measuring, monitoring or safety devices due to an extraneous cause

This article addresses those who consider taking out insurance for a PV system; its contents are applicable to system capacities from 3kWp to 100kWp or even higher alike.



Heinz Liesenberg

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- Short-circuit, overcurrent and overvoltage
- Water, moisture and flood
- Fire, lightning, explosion
- Storm and hail
- High water
- Frost and snow pressure
- Theft and its consequential damage
- Force majeure
- Damage caused by rodents, etc.

Exclusions:

- Wear and corrosion
- War and war-like events
- Strike and industrial unrest
- Nuclear energy
- Earthquakes, depending on the insurer

All risks not defined as exclusion are insured in case of extraneous causes.

Tip The appropriate insurance sum equals the net investment cost plus installation.

What is compensated in case of damage?

Tip Take out only reinstatement value insurance. If you are in doubt or do not find any information on this in the insurance terms and conditions, request a confirmation; this is the only way to avoid trouble in case of damage.

In case of damage, the cost incurred for restoring the system will be compensated for, i.e. the cost for replacement parts and repair.

If a system cannot be re-installed, e.g. because a comparable roof cannot be found anymore, the insurer is entitled to refund only the time value. In addition, yield loss will also be covered, in fact for the period from the discovery of the damage until the repair is completed, and this for the non-feeding part of the system.

Attention: Insurers will not find it amusing if they find out that the system has not operated properly for months without indication of a good reason.

Tip Yield loss damage is contingent on property damage: This means yield loss is only compensated for if the property damage is indemnifiable, too. If an AC converter is replaced under a guarantee or warranty, the insurer will not pay for yield loss. For this reason, you should also have insurance cover for such case, even if at a lower amount.

The insurance companies' concepts vary widely regarding the amount of compensation. Some companies identify the actual

remuneration for feeding and record this as the sum insured. In case of damage, the actual loss is determined. This may be reasonable for large systems, but not for small or medium-sized ones, for which lump-sums are better because they can be computed more easily in case of damage.

Yield insurance

When a PV system breaks down, the so-called indemnity period is of importance. It indicates the longest period for which insurer will compensate the yield loss. Three or six months are standard. The indemnity period in particular depends on the size of the system and module availability. I had cases of snow pressure damage where 30 kW systems had to be completely dismantled because the roof had to be repaired first. In this case, nine full months elapsed before re-commissioning. For smaller systems with a capacity of about three kWp, three months may be sufficient, but this does not apply as soon as we are talking about medium-sized systems, for which I recommend six months. For large systems, it may be reasonable to extend the indemnity period to nine or even twelve months. This indeed frequently results in additional costs (premium allowance), but it is a good investment.

Deductibles

All insurance coverages on the market provide for deductibles in case of damage. This applies for both property insurance and yield loss. Standard deductibles for small and medium-sized systems are € 150, € 250 or € 500. In case of yield loss, two days are standard. The larger the system, the higher the deductibles to be agreed upon, at least for the case that the insurance premium is significantly reduced with increasing deductibles. For a large system, a deductible of € 1,000 or even € 2,500 is still acceptable. For yield loss, the daily remuneration for feeding should be computed before several days are agreed upon.

Insurance premiums

A few insurers determine the premium based on the system's capacity. If prices decrease, this is of course disadvantageous for the operator. A policy whose premium is computed based on the sum insured is much more recommendable. Both computation methods may result in comparable

rates, but there might also be large differences. Price differences may also result from varying deductible amounts, the daily compensation of yield loss or different indemnity periods. The price, however, should never be the single criterion for your decision. The contents and quality of the insurance cover are also of great significance.

Reasonable amendments

Installation insurance

If insurance coverage is requested for the period from the delivery of components to the installation site up to the system's start-up, installation insurance has to be taken out. It can be argued whether installation insurance is reasonable for small systems if the installation period does not exceed two or three days. For larger systems, however, it is indispensable. In addition, the risk of theft must not be underestimated. Some banks meanwhile require installation insurance as a precondition for financing.

Operator liability insurance

When third parties suffer damage, we talk about liability. If the system is operated on your own roof, you may attempt to cover this risk through your personal liability insurance. However, the insurer is not obliged to include the risk since feeding electricity into the public grid is a commercial activity. If the insurer offers co-insurance, you should request a written confirmation for this. So-called feeding damage, however, is only covered by a separate insurance. This refers to the claims which might be made by a power supply company if the electricity fed by the PV system causes disturbance in the grid. Taking out separate liability insurance is mandatory when the system is not operated on your own roof. In general, tenancy, lease or cession agreements govern liability scenarios in case the system causes damage to the lease object. It is important that the amounts of cover are sufficient: damage to rented property by fire and explosion should be covered up to a limit of 1 million Euros; coverage of 0.5 million Euros should be provided for other damage to the building and gradual damage. The basic coverage for personal injury and damage to property should not fall below 3 million Euros; 5 million Euros would be recommendable. Make sure that this insurance includes the principal's liability insurance and take out the policy upon commencement of the installation work.

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