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SMALL TURBINE COLUMN:

Planning Your Wind System—Homeowner's Insurance

--Mick Sagrillo, Sagrillo Power & Light

Folks interested in installing a wind system have a series of legal hoops to jump through before they even begin construction. These hurdles include zoning ordinances, building permits and inspections, possibly engineering verification, and utility approval if the wind turbine is to be a utility inter-tie system. To this list should be added homeowner's insurance.

Making a wise investment

While all of the previously mentioned costs are one-time up-front expenses in installing a wind system, homeowner's insurance, as well as liability insurance, will be ongoing expenses for the life of the system. As such, it pays to make sure that your best interests are addressed before any payments are made.

The most cost-effective way to insure a wind system is under an existing homeowner's insurance policy on your house and property. This is far cheaper than trying to secure a separate policy specifically for the wind system.

When you contact your insurance company, do not tell them that you want to insure a wind turbine or wind electric generator that will be tied to the utility power grid and back-feeding excess generation to that utility. Chances are very good that they have no idea what you are talking about, and they probably don't have much time or inclination for an education. The result of too much technical information and jargon is that red flags are raised in their heads, and up go the rates. Having framed that, however, never ever deceive an insurance company. Besides being illegal and just plain wrong, you could find yourself without coverage should you need to file a claim.

Instead, explain that you wish to insure a wind mill and tower, (both are terms that almost everyone is familiar with) as an addition to what is already insured on your property. If you really want to impress the agent, tell her or him that you want the wind system insured as an "appurtenant structure" on your current homeowner's policy. This is a term used by the insurance industry that refers to any uninhabitable structure on your property.

Examples include unattached garages, silos, barns, storage sheds, grain elevators, satellite dishes, and towers.

Insurance premiums on a homeowner's insurance policy fall into two different categories, each with differing rates. Your home is assessed at a higher value than an unattached garage or a storage shed or your tower. This is due to the fact that people's homes are more lavish than most garages and sheds, and also contain a myriad of personal possessions, furniture, and clothing not typically found in other structures.

Appurtenant structures, on the other hand, are assessed and charged at a lower premium rate. It is usual practice for insurance companies to insure appurtenant structures for the total cost of materials plus the labor to build the structure. This represents the installed cost of your wind system. It should be noted that coverage of appurtenant structures on a homeowner's policy only applies if the system is on the same premises as your house. If it is on a separate piece of property, you may have to insure it under a separate policy.

It is best, although most expensive, to insure your wind system for its full replacement [edit correct?] cost, and not a depreciated value over time. Towers just do not wear out, and a properly maintained wind turbine can easily last two decades or beyond, offsetting utility expenses that whole time. Any wind system should have insurance coverage that includes damage to the system itself from "acts of God", plus possible options for fire, theft, vandalism, or flooding.

Protection against the unexpected

While most wind generator towers are designed to withstand 120-plus mile-per-hour winds, tornadoes or hurricanes can obviously wreak havoc on them, just as they would any other structure in the path of such a violent and unpredictable storm. Most often, damage is not caused by the extreme wind itself blowing on the tower and turbine, but by debris that is blown into the tower by the wind. Few structures of any sort can withstand having a cow blown into them. Or a sheet of plywood torn from a garage roof.

Another "act of God" of concern is lightning strikes. A properly installed wind generator tower has a ground rod connected to each tower leg or at each place where a guy cable is connected to the earth or to a concrete anchor. The wires from the wind generator to the control system should also be protected by lightning arrestors. In addition, utility inter-tie systems are grounded on the utility AC side of the inverter. Adding a lightning arrestor and voltage surge arrestors on the utility side of the inverter affords additional protection. While none of this will guarantee that your system will not be hit by a lightning strike, it certainly reduces its likelihood. Plus, in the eyes of the insurance company, you have taken prudent measures to protect your wind system.

Fire is of minimal concern to a wind electric system. However, it should go without saying that the wiring of the entire system must be up to electric code specifications. If you have a fire in the house caused by some funky wiring in the wind system, you may not be able to make a claim, and your policy may be canceled.

Theft of an entire wind system, or even any part of the system, seems pretty implausible, so should not be a major issue. Vandalism, on the other hand, may be a bigger concern for wind turbine owners. While incidents of vandalism are not very frequent, they have occurred. The most frequently filed claim attributed to vandalism involved guns being fired at the turbine's blades or the generator itself. In either case, damage can be substantial.

Flood insurance is a nationally administered program which is usually geared to damage to your primary dwelling. Costs can be exceptionally high for a home that is situated on a coastline or floodplain near a stream or river with a penchant for flooding. Since this is a very site-specific assessment, no insurance company I contacted would even quote a range of prices. If you live in a floodplain, get an estimate before beginning construction.

Insuring a wind system as an appurtenant structure on a homeowner's policy is relatively inexpensive. While a percentage of the home insurance coverage extends to appurtenant structures, added insurance can be purchased for an additional premium. In the Midwest where I live, annual premiums run around \$2.00 per \$1,000 of additional coverage. That figure would likely be slightly lower for a system in town, and slightly higher for a system sited in the country. Since most rural homeowner insurance claims are for fire damage, the deciding factor in pricing coverage is determined by the homeowner's distance from the nearest fire department, regardless of whether you wind turbine can catch fire or not.

Liability coverage

Liability insurance should be another concern for the homeowner, and if you will be installing a utility-connected wind turbine, this insurance will be required in the contract with your utility. Liability insurance may need to address two areas. The first is liability coverage for property damage. While claims for property damage from wind turbines are non-existent, the possibilities exist in the minds of utilities that a neighbor's electronic devices could be damaged. Most utilities no longer specify property damage coverage, but if your utility does, just get the coverage, as without it you will likely not be approved by your utility.

The second, more important concern to your utility centers around personal injury or death of anyone working on a utility line during a power outage. The thought here is that a lineman could be electrocuted if the grid goes down but your wind system continues to generate electricity and back-feed onto the utility grid. In reality, modern wind system electronics have protections built into them to disconnect from the grid almost instantly in the event of a power outage or line flicker. Regardless, utilities insist on this coverage, so don't resist them.

Like insurance for [edit correct?] the wind system itself, liability coverage is relatively inexpensive if associated with a homeowner's policy. In most locales [edit correct?], the basic homeowner's liability coverage is for \$300,000, as this is the minimum coverage required for anyone with a federally insured mortgage. Increasing this to \$500,000 coverage may add an additional \$10 to an annual premium [edit correct?] in most areas, and up to an additional \$35 to \$40 more to go the \$1,000,000 coverage. It is advisable to ask about an umbrella policy for liability coverage of \$1,000,000 or more, as the rates are cheaper still.

If your wind turbine is a utility inter-tie system, the local utility may dictate the level of liability insurance that it requires as a condition for interconnection. If the amount seems unreasonable to you, by all means, appeal to your state's public utility commission.

If you live in a rural area, ask the utility what liability insurance requirements they have for farmers with emergency standby generators. Since these systems operate in a similar fashion to wind turbines and have similar protective devices, it stands to reason that the requirements should be similar. By doing this, you can assure yourself that the utility is not merely "upping the ante" for your wind system to dissuade you from competing with them by "growing your own" electricity.

[Editors Note: The opinions expressed in this column are those of the author and may not reflect those of AWEA staff or board.]