

Operational phase insurance programme design and risk management

The sight of wind turbines revolving majestically in the light breeze might instil the false impression that these vast structures are risk free. However the internal complexity and financial consequences of breakdown warrant the implementation of a comprehensive operational insurance programme.

Asset protection

In the wind energy industry, unlike the services industry, your assets are the basis of your profits. Asset protection is therefore likely to be your principal area of insurance premium spend. The value of capital on a wind farm site certainly warrants measures for protection.

Assets may include:

- Turbines
- Towers
- Foundations
- Substation
- Transformers
- Computer monitoring systems
- Operations building
- Transmission and distribution
- Roads and fencing
- Consultants and studies

Machinery breakdown

Machinery breakdown is not insured in a standard "All Risks" operating policy; however it is a crucial aspect of a well-rounded wind farm insurance programme. It provides indemnity for damage to equipment and machinery which is involved in production, and will compensate the insured through repair or replacement at the time and place of loss. Consequential losses can also be insured.



Operational liabilities

The operation of a wind farm requires meticulous safety precautions in order to protect the many parties that may be in contact with the facility. Regular maintenance is required, and dealing with wind turbines and high voltage cables can be extremely hazardous for employees and contractors. In addition the public and immediate neighbours may be at risk if the site is not adequately fenced off. As the project owner you may be responsible for employees, and contractors on site, as well as the public, and neighbours, therefore you will be exposed to a range of liabilities, including Employers' Liability, Public Liability, and Neighbouring Parties and Property Owners Liability. Oval can ensure that you have adequate liability protection for your operating programme.

Business interruption and contingent business interruption cover

It is perfectly plausible for a wind farm to experience property damage or machinery breakdown during operation, the costs of which may be substantial but containable. The subsequent disruption of normal operations however, such as loss of revenue during 'downtime' or additional expenditure to hire repair equipment, could become more costly than the physical damage itself. For this reason contingency cover is a significant part of most wind farm insurance programmes.

Business interruption protection indemnifies you for a set time period, usually 12, 24 or 36 months, (in which you will receive compensation) following an incident which prevents normal

operation of your project. The policy will only cover business interruption loss relating to property which is insured under your property damage or machinery breakdown section. Contingent business interruption indemnifies you against a disruption of normal business operations arising out of loss or damage involving any loss for example to a third party, which is not previously insured under your property damage or machinery breakdown policy, but on which your operations are dependant. Cover will usually be provided for 120 days, however this is negotiable.

Compulsory overseas insurance requirements

Similar to the construction phase, Oval can advise on and place compulsory overseas insurances for your operational phase to ensure that you comply with laws and regulations wherever you are working.

We believe the full value of risk management can only be fully extracted when treated as a continuous process. That is why our service is designed to transgress from the construction phase to the operation phase. We design policies which are easily transferable and take advantage of negotiating both phases in unison. This approach allows us to emphasise the overall value of the project and obtain even more competitive premiums from the specialist sector insurance market.



Osborn House
74-80 Middlesex Street
London
E1 7EZ
Tel: 020 7422 5600

www.theovalgroup.com

Oval Insurance Broking Limited

Oval Insurance Broking Limited is authorised and regulated by the Financial Services Authority.
Registered in England No: 01195184
Registered Office: 9 South Parade, Wakefield WF1 1LR

Oval International Limited

Oval International Limited is authorised and regulated by the Financial Services Authority.
Registered in England No: 00153365
Registered Office: 9 South Parade, Wakefield WF1 1LR

The Financial Services Authority do not regulate all of the services described in this literature.