



NATURESAVE
INSURANCE

Handy Tips for
Community Renewable Energy Groups
From the UK's leading ethical insurance provider

WHO WE ARE

Naturesave Insurance specialises in the provision of community-owned renewable energy insurance. Our charitable arm, The Naturesave Trust, provides grants to community renewable energy projects in addition to supporting environmental and conservation projects across the UK.

The Naturesave Trust has, over the past 20 years, supported the growing community renewable energy sector through small start-up grants and share purchase, to assist community groups to realise their objectives. The Trust is funded by donating 10% of the household insurance premiums from Naturesave Insurance.

Naturesave operates as a Living Wage employer and a carbon neutral business. We offset our carbon through Climate Care, using a mixed portfolio that focuses on clean cooking, safe water and wind power. However, we believe that reducing carbon emissions in the first place is a priority. As such we offer a cycle-to-work scheme and have a commitment to conduct our business travel by public transport. We also incentivise all our staff to avoid air travel for holidays by providing additional journey time as paid holiday.

Naturesave was awarded the Queens Award For Enterprise in 2011, being the first insurance entity to win it. In 2016, Naturesave won the Community Energy Funding Award from Community Energy England.

Key Contacts

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CHOICE OF SYSTEM

When choosing a renewable energy system and/or storage device, you should ensure that the equipment has been tried and tested before you purchase it. It would be sensible to find out the following information before deciding on any one particular system/model:

- How many of the renewable energy systems/models that you are proposing to choose have already been installed in the UK?
- Has the technology of the system/model been tried and tested?
- Has there been any history of breakdowns or problems with the installed equipment?
- What experience does the installing contractor have with the renewable energy system/model proposed?
- Is the contractor/installer able to provide references from people/organisations that have installed such systems/models?

For example in the case of new renewable technologies, as an approximate guideline, each model needs to have completed over 8,000 hours of trouble-free operation before insurers are happy to insure them. Give us a call and we can confirm that your proposed system is insurable.



INSURANCE MATTERS FOR COMMUNITY

Your organisation, whether it's a Co-operative, a Community Interest Company or a Community Benefit Society, will need to ensure that its directors and/or trustees are protected against legal action from inadvertently committing "wrongful acts". This type of threat and claim is covered under a Directors and Officers (D&O) insurance policy.

Naturesave's D&O insurance protects company managers, directors, trustees or officers against liability claims, which arise from decisions and actions taken as part of their day-to-day duties. Essentially D&O insurance can provide protection for claims that result from errors in judgment.

Tighter UK and European regulation in the areas of Health and Safety, environment, employment and company structure/governance is fuelling growth in litigation against company directors and officers in areas such as:

- **Fundraising and banking** – e.g. errors in a share prospectus
- **Financial reporting** – e.g. failure to file tax returns correctly
- **Disclosure of confidential information** – e.g. proprietary information on renewable energy systems or personal data on members or shareholders
- **Failure to comply with laws & regulations** – e.g. planning regulations or Health & Safety at work
- **Making decisions that exceed individual authority** – e.g. incorrect procedure in agreeing which renewable system or model to use



RENEWABLE ENERGY GROUPS

In order to obtain terms for Naturesave's D&O insurance, we require a completed proposal form along with copies of CVs for all the directors (or an A4 summary showing their credentials for being in the positions that they hold), along with formal accounts or draft 12 months financial forecasts.

Before the construction work begins, as you will have taken on the legal responsibility for the land upon which the system is to be built (assuming that you do not own it), you will need to put Public Liability insurance in place for non-contractors liability (as the contractors will cover the liability of contractors whilst at the site). Public Liability insurance covers any third party property damage and/or bodily injury.

When the site becomes operational, this Public Liability insurance will cover operational Public Liability insurance and the Operational All Risks element (material damage and mechanical breakdown AND loss of revenue from either). This will be added to your Public Liability policy, along with Employers' Liability cover, in the event that you have any staff **or** volunteers (as is often the case with community renewable hydro projects – clearing foliage out of the intake etc.).

The system becomes operational from the moment the installing contractor has successfully tested and commissioned the system.

WARRANTY ARRANGEMENTS

Prior to commissioning, any contractors and/or installers that are to work on your renewable energy system(s) need to demonstrate that they have the following insurance in place:

- 1. Deposit and independent warranty insurance** – to safeguard against the firm going into receivership during construction and/or once the system has been tested and commissioned (they may work on behalf of the manufacturer to rectify any faulty parts under the provision of the warranty).
- 2. Contract works insurance** – covers loss or damage to the equipment and materials brought to site until the completed system has been tested and commissioned.
- 3. Employers' and public liability** – covers injury to their staff at the construction site and any third party property damage and/or bodily injury caused by their activities.
- 4. Design and build professional indemnity** – in respect of systems that they design on your behalf to your preferred/proposed specification.

NB – you should request sight of current insurance schedules for all of the above, as you may need to refer to them in the event that there is a problem.

Additionally some lenders may oblige you to take out **Single Project Renewable Energy** insurance policies including transit, construction and operation.

Providing that you check that all your contractors carry the insurances above, it is debatable as to whether taking out single project insurance is practical, or economical. We can advise on what the most sensible and cost effective ways of protecting you, as your community renewable energy project progresses, from concept, construction to operation. More information can be found at www.naturesave.co.uk/communities or give us a call **01803 864390**.

Having spent a considerable amount of money and time on your renewable energy project, you must make sure that if something was to go wrong, you would be protected. Insurance will deal with the vast majority of sudden and unforeseen losses, but you also need to ensure that the warranty arrangements are solid, to safeguard against defective parts and inherent faults with your renewable energy system, as these types of losses are excluded from most insurance policies.



Ensure that the system will be installed with a full parts and labour warranty. You do not want to have to bear the cost of the dismantling and reconstitution costs for a component or part of your system that has ceased working due to an inherent defect. This cost should be met by the manufacturer or the contractor.

Likewise before commissioning contractors, make sure that they are complying with RECC (Renewable Energy Consumer Code) for domestic systems and MCS ([Microgeneration Certificate Scheme](#)) for commercial/community systems and that they have put in place deposit insurance and independent warranty insurance to safeguard the continuation of the warranty in the event that the installing firm goes into receivership, either during or after installation.

The insurance on systems out of warranty attracts higher policy excesses, and with age, may attract higher premiums depending on what type of claims experience insurers have with your chosen system.

Please note, that not establishing the warranty at the outset, could seriously affect the return on investment.

CASE STUDY

Plymouth Energy Community (PEC)



Plymouth Energy Community (PEC) is a Community Benefit Society that aims to give Plymouth residents the power to transform how they buy, use and generate energy.

In 5 years, PEC want to generate enough locally-owned renewable energy to power the equivalent of over 1100 homes. They set up PEC Renewables, to give the local community the opportunity to collectively invest in, and own, renewable energy schemes in Plymouth. Individuals and organisations are able to buy community shares in what is known as a share offer.

Once they have raised their target amount, PEC will install solar PV panels for free on host buildings, such as local schools and community buildings. The solar PV panels convert sunlight to energy.

CASE STUDY

The host buildings pay a reduced rate for the solar energy that they use and surplus energy is sold back to the grid. In addition, PEC Renewables receives the Feed-in Tariff government subsidy. This income is used to pay a return to the investors, as well as cover maintenance of the solar arrays. Surplus funds generated will be used by PEC to tackle the challenges that fuel poverty and carbon emissions present, through a range of local services.

By investing, residents become members of PEC Renewables and have a say in how the business is run.

These award-winning projects leave a permanent and positive legacy, with a clear message about the community's aspirations for its future.

What is your top tip to other groups looking to set up their own community renewable energy system?

Establish a long term relationship with your local authority.

What should they look out for?

Do not under-estimate the time commitment required and therefore ensure you strike the right balance between ambition and deliverability.

CASE STUDY

John Cleveland College



Green Fox Community Energy Co-operative was established in 2012 as a locally based organisation, which facilitates community-owned energy and carbon reduction projects in Leicestershire for the benefit of local communities and the environment.

The John Cleveland College Academy in Hinckley was built in the 1960s and is a school of 1,700 students. The College was spending over £200,000 per year in heating the campus and maintaining the oil boilers. Since 1999 the school has invested in energy efficiency measures including roof insulation, double glazing, heating control features and energy efficient lighting.

Green Fox approached the College, proposing installation of biomass boilers to replace their existing oil boilers with the aim of funding the purchase and installation for of biomas boilers through a community share offer. The initial business case suggested that the College could save £45,000 per year on fuel and maintenance costs, with the provision of a community benefit fund to support further environmental good causes in the local community.

CASE STUDY

Funding for the installation phase was generated through a community share offer and all of those investing in the project became shareholders and members of the co-operative.

Revenue generated from the sale of heat to the school as well as revenue from the Renewable Heat Incentive will pay interest to members and return their original investment over a period of twenty years. Heat is sold to the school under a heat supply agreement, which sets out the terms and duration for which the heat is supplied.

Just under 200 people invested in the project which was only the second community heat co-operative in the UK and the first school in the UK to be heated this way.

What is your top tip to other groups looking to set up their own community renewable energy system?

This is tricky as every project is different. For a heat project, the degression dates for the RHI are important to your financial planning, so too are the heat loss calculations.

What should they look out for?

The on-going maintenance and operational budget for a biomass heat project is much greater than other renewable technologies.

ENERGY STORAGE

As part of our commitment to energy storage, we have compiled the following advice for developers and community energy groups seeking to augment their system with energy storage.

1. If you would like to consider energy storage to enhance your renewable energy project, you will need to contact your insurance advisers at the earliest opportunity. This is relevant whether they are considering a stand alone project or co-locating with an existing renewable energy asset. Insurance is relevant throughout, including planning, feasibility, funding, construction, operation and decommissioning.
2. Insurances for most battery storage projects will likely follow the path established by renewables over the past decade, as per the checklist on the last page of this leaflet.
3. In seeking to insure your energy storage system, your chosen manufacturer will be expected to demonstrate the reliability of the system(s) they are seeking to install, with 8,000 hours of testing being a fairly standard benchmark. This would include make, model and number of cells. Your component suppliers (batteries, converters, transformers, control and cooling systems) should be able to provide you with some of the evidence you need.
4. Additionally, insurers will expect information about planned operational and maintenance contracts, periodic testing arrangements, fire protections, warranties provided by your suppliers, local grid conditions and data on the energy source (where renewables). Industry bodies such as **IEEE** (www.ieee.org) or **The Electricity Storage Network** (www.electrictystorage.co.uk) may be able to assist.
5. An issue for insurers and funders will be notification and insurance cover for existing renewable energy assets. The addition of a battery storage system to an existing asset is a material fact which is notifiable under the terms of the asset insurance and failure to notify could lead to claims not being paid by insurers. Insurers have had a poor experience, with some large battery storage losses over the past 5 years, you will therefore need to ensure you have an insurer on board with you from the outset.

At Naturesave we are working with **Regen** (www.regensw.co.uk) to help shape future legislation and progress opportunities for communities to benefit from energy storage technology. With the removal of red tape, the drop in the price of batteries and more proven systems on the market, we envisage that community scale energy storage will become more financially viable, therefore enabling local communities to take advantage of this new technology.

YOUR INSURANCE CHECKLIST

DEVELOPMENT STAGE

- Incorporation as group** - Put in force D&O and Combined Public & Employers Liability insurance immediately.
- Grid Connection** - Check there is capacity on the electricity network in order to connect to the grid.
- Purchase of land/options on land** - Check that your Public Liability insurance has been extended to include this.
- Deciding on System** - Ensure that the system you choose is insurable and that the installers can provide a parts and labour warranty.
- Business Plan** - Ensure that you have built sufficient provisions for insurance costs in to your business plan as this may affect return on investment. Get bespoke advice and quotations from us on:
 - Marine Transit and Construction Cover (if applicable) • Operational Liability Cover • Operational All Risks Cover • Environmental Impairment Liability • Defective Title Insurance.
- Share Offer** - Check that your D&O insurance has been extended to include claims emanating from errors & omissions from this and from the share prospectus.
- Finance** - Ensure that you are meeting the insurance requirements of funder. If in doubt ask.

CONSTRUCTION STAGE

- Pre construction** - Check contractors insurance details are adequate and retain copies on file. We can provide due diligence on this. Consider Wrap Around Liability cover for the project.
- During Construction** - Ensure that all contractors insurances remain valid for the full duration of the works – keep copies on file.
- Before Testing & Commissioning** - Reprise your quotation for Operational All Risks cover for the system as this will need to be ready to go.

OPERATIONAL STAGE

- Once Tested & Commissioned** - On day one you should extend your Public & Employers' Liability cover to include Operational Liability and you should start your Operational All Risks cover.
- Ongoing Basis** - Ensure that you maintain your coverage and keep up to date with your renewals. You will need to maintain Operational Liability cover, Operational All Risks Cover and Directors & Officers Liability throughout the life of your project.
- End of Warranty Arrangements** - After a certain period your warranty period will end. This can affect the terms of your insurance and you should take advice on the impact of this and consider purchasing an extended warranty agreement.
- Energy Storage** - If your project includes an energy storage element (battery) it is necessary to inform your insurance provider

For more info visit our communities' page on www.naturesave.co.uk/communities

FURTHER SUPPORT FOR YOUR PROJECT

There are a number of organisations offering excellent support to the Community Renewable Energy sector. The list below covers organisations that promote the sector itself and those that will offer you assistance to develop and manage your renewable energy project.



Regen - offers independent expert advice on all aspects of sustainable energy delivery. Regen use their technical, financial and policy knowledge to support a range of public and private sector organisations to make the most of their clean energy opportunities. www.regen.co.uk



Community Energy England - This not for profit organisation is a voice for the community energy sector and help create the conditions within which community energy can flourish. www.communityenergyengland.org



Community Energy Wales - a not for profit membership organisation that has been set up to provide assistance and a voice to community groups working on energy projects in Wales. www.communityenergYWales.org.uk



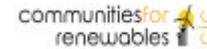
Community Energy Scotland - a registered charity that provides practical help for communities on green energy development and energy conservation. www.communityenergyscotland.org.uk



Shareenergy - helps communities to set up and own renewable energy societies. www.shareenergy.coop



Energy4All - offers a combination of industry experience, community involvement, ethical investment and business acumen providing a package of sector, admin, and financial services to Co-ops in return for an annual fee. energy4all.co.uk



Cfr - helps communities set up local energy enterprises and supports them to develop, finance and manage their own renewable energy generation. www.cfric.co.uk



Forum for the Future - who have produced a guide to establishing and running low-carbon community revolving funds called 'Funding Revolution'. www.forumforthefuture.org/project/funding-revolution/overview



BHA - is the only non-governmental trade membership organisation dedicated to representing the interests of the UK hydropower. www.british-hydro.org



PlanLoCaL - A hands-on guide developed by the Centre for Sustainable Energy to support communities and groups that are planning for low carbon living. www.planlocal.org.uk



The Department of Energy & Climate Change (DECC) DECC's website has detailed guidance aimed fledgling community energy groups. www.gov.uk/guidance/community-energy

NOT FORGETTING OUR CHARITY - THE NATURESAVE TRUST



Naturesave Insurance donates **10%** of annual household insurance premiums to its charitable arm, The Naturesave Trust, who can provide grants to Community Energy Groups. This could be in the form of assistance with start-up costs, planning, share prospectus, purchase of shares, material costs and/or legal and accounting costs. If your group would like to apply for funding, please complete one of our application forms at www.bit.ly/nstrust-creapplication.

More information can be found at www.naturesave.co.uk/trust or follow us on Twitter via @NaturesaveTrust. Alternatively you can email trust@naturesave.co.uk.



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