

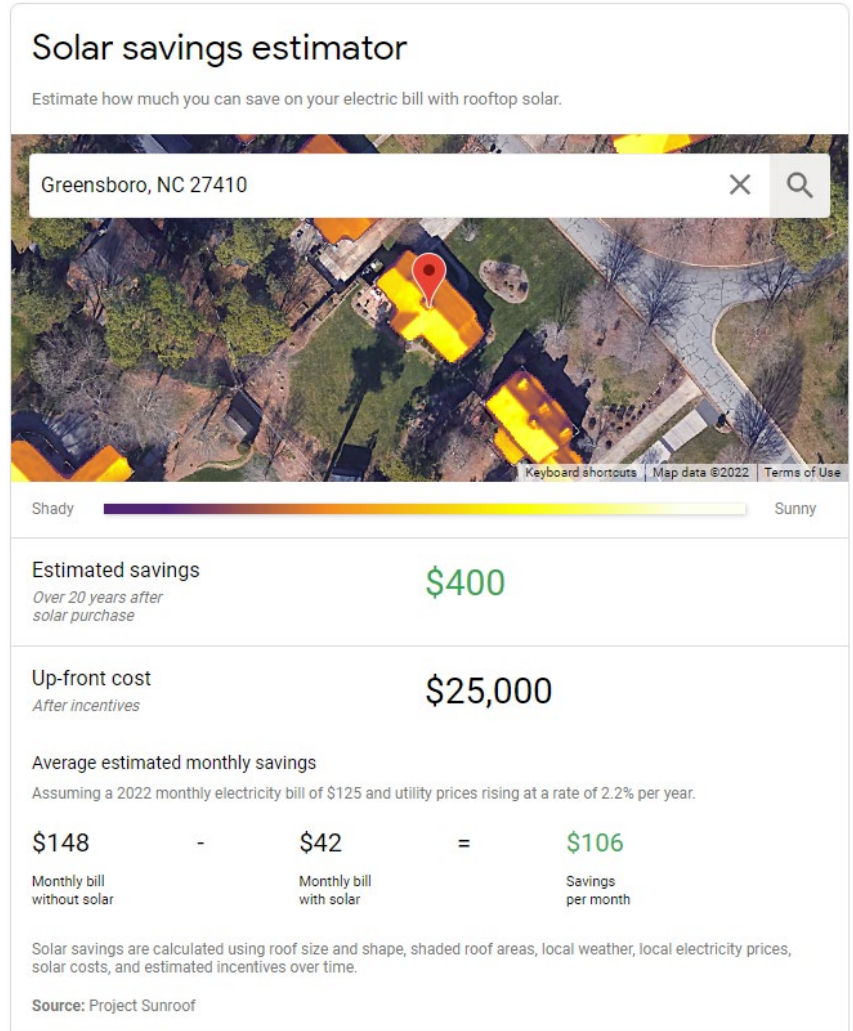
Bright Idea?: The True Cost of Residential Solar Panels

Solar energy is having a moment. You've likely driven past a home on your daily commute that has solar panels installed, or maybe there's even one or two in your neighborhood. Perhaps you've seen a representative from one of the many solar energy companies canvassing your subdivision. With upwards of 22,000 solar installations in North Carolina alone, this will continue to be a hot topic for both homeowners and insurance companies.

The initial cost of installation alone is enough to give someone pause. For illustrative purposes, we selected an average sized ranch home in the City of Greensboro. The interactive calculator at <https://sunroof.withgoogle.com/> advised that the upfront cost of installation after incentives is approximately \$25,000. This purchase would either come out of the homeowner's pocket or would be financed, adding even more cost. If the average monthly electric bill for that home is \$148 before solar panels, the \$42 estimated monthly bill with solar energy amounts to a \$106 savings per month. That sounds attractive until you do the math. Using a 20-year timeframe after purchase, \$106 monthly savings x 12 months x 20 years = \$25,440 saved. Subtract that savings by the initial \$25,000 investment and it comes out to a total of \$440 saved over that 20-year period.

Keep in mind that the \$440 saved isn't actually money in the homeowner's pocket, as they would want to increase their coverages on their homeowners insurance to account for having the solar panels in the first place. Those increased premiums would eat up that savings plus some, and the "savings" would actually

become a net loss. This is assuming that their current insurance carrier wouldn't cancel or non-renew their policy because of the solar panels being added. Every insurance company is different, but at AFM, we won't write new business on a dwelling that has solar panels, and we review existing policies where an insured installs solar panels after taking out their policy with us on a case by case basis.





Why would an insurance company such as AFM be hesitant to embrace solar energy? Even though the concept isn't brand new, we're only now beginning to understand the true impacts of what happens after installation. With the estimated lifespan of a solar panel said to be 25-30 years, early adopters of this technology are just now reaching the point where removal and/or replacement is necessary. Underwriters rely on historical data in order to determine risk, and there simply isn't enough data yet in order to make a well informed decision.

What we do know is that solar energy presents its own unique coverage concerns. In the event of a fire, will the local fire department have the appropriate equipment needed to efficiently put out the fire at an insured's home, or will their focus be more on containment and keeping the fire from spreading to neighboring properties? If a home is damaged by a hail event, how much more would it cost to replace a roof with solar panels than without? When the solar panels inevitably come to the end of their functional life, how will that impact the underlying structure as a whole? What about increased liability risk stemming from possible electrocution?

With any major decision, it's important to weigh both the good and bad. Although the sales pitch may be intriguing, it appears that for now, there may be more uncertainty than answers.

