

A Growing Revolution

Save Green by Going Green

by Chuck Eckert

The insurance industry is going green. Shade-grown coffee, organic cotton clothing and environmentally friendly household products have all become more common. Now we can even purchase “green” policies that provide coverage for our homes, cars and businesses.¹



While, at this point, only a handful of green insurance policies are available in the U.S.—with most available only in selected states—by the end of 2009, we expect to see a much broader range of green policies offered nationwide.

The green revolution is growing quickly, with increased public interest, government stimulus programs and building requirements for the use of renewable products and energy. The property and casualty insurance industry is racing to

develop and promote insurance products with green options, with initial offerings such as the following:

- Policies that allow the owner to rebuild with ecologically friendly material after a loss
- Products that provide incentives for green homes and workplaces
- Directors and officers policies that address the liability risks associated with climate change
- Policies with built-in discounts for hybrid vehicle owners or those who limit mileage—or lower premiums for pay-as-you-drive programs



The environmentally sustainable building market is expected to hit \$60 billion in 2010—up from \$12 billion in 2007, according to the U.S. Green Building Council. Green-related coverage

is offered by more than twenty commercial, home and auto insurance carriers, including Fireman’s Fund, Chubb, AIU/ Lexington, Liberty Mutual, Affiliated FM, Philadelphia, Zurich and CNA. More than 600 green insurance products are available in the market and the number continues to grow.²

Although still a new trend, industry experts predict eco-friendly insurance will become standard practice as climate-related losses due to flooding and wildfires increase and demand for eco-minded products continues to grow.



Environmentally conscious choices

With more hybrid vehicles on the road than ever before, carriers now offer auto insurance discounts for energy-efficient cars. In 2006, for example, Travelers was the first carrier to provide a ten percent discount incentive for hybrid car owners; it now has a hybrid boat policy that offers discounts up to ten percent.

Homeowners’ policies vary, but if a covered disaster occurs, a green homeowners’ and commercial property policy allows the policy owner to rebuild with eco-friendly materials. If a dwelling is totally destroyed, it can be rebuilt to the certified standards of the United States Green Building Council’s Leadership in Energy and Environmental Design (LEED). The insurance company will pay for the certification fee, hire a LEED-accredited professional to help design and construct the new building and provide for green updates,

such as energy-efficient lighting and appliances, debris removal and recycling. Because there can be delays in obtaining sustainable materials, machinery or appliances, insurance companies also offer a provision to cover as many as thirty days of lost business income resulting from the extra time it takes to bring in eco-goods or finish green building after a covered loss.



The coverage can also include use of water-efficient plumbing fixtures, paints low in volatile organic chemicals and sustainable building materials. "Green building is no longer the wave of the future; it's in demand today," says Lexington Insurance Company's vice president, Jim Crain.³ Fireman's Fund also offers coverage for exposures related to certain green practices, such as non-traditional water or energy systems or living roofs (roofs covered with grass, flowers, plants or other foliage). Most traditional property policies do not cover these building alternatives. Additionally, in the case of total loss, Fireman's Fund's green policies will pay for a green-certified building to be rebuilt with green materials and will upgrade its certification to one level higher than it had been previously. Steve Bushnell, Product Director, Commercial Business at Fireman's, says that underwriters take into account the greater replacement value inherent with green materials and practices and notes that the additional costs can range from 1 percent to 1.5 percent more than costs of similar non-green products.

Fireman's Fund's also offers Green Upgrade coverage for policyholders with non-green buildings. This pays to rebuild

any non-green property with green products, including Energy Star-rated appliances, carpets and paints with low-volatile compounds for better air quality, efficient plumbing and electrical systems and office partitions without formaldehyde. In the event of a total loss, the entire rebuild would be completed with the objective of receiving green certification.

Some carriers offer incentives to manufacturers who utilize sustainable practices in property (e.g., improving the working environment and air quality) and provide products liability credit for companies that practice sustainability in their operations.

There are also some non-green property forms that *might* cover green exposures. Many cities and counties are changing building codes to mandate that some construction be completed in a green manner. If a property policy is written to rebuild to code after a loss, then reconstruction would be done using green standards.⁴



Before you decide whether or not to purchase insurance to cover your risk, be sure to have the best advice possible. The industry teams at SilverStone Group can help you develop a due diligence process that should be a vital part of every business decision you make. Whether you've already

gone green or are just beginning to grow in a green direction, we can help you ask the right questions and, ultimately, lead you to coverage solutions that will minimize your business exposures.

¹ Tergesen, Anne, Insurance Goes Green, "Business Week," March 6, 2008, accessed July 27, 2009 at www.businessweek.com/magazine/content/08_11/b4075072486226.htm?chan=magazine+channel_personal+business

² Toops, Laura M., "Insuring the Green Revolution," *Agent and Broker Magazine*, June 3, 2009, accessed July 27, 2009 at www.agentandbroker.com/Issues/2009/June%202009/Pages/Growing-with-the-green-revolution.aspx.

³ Giordullo, Staci, "Insurance companies introduce green policies," *Angie'sList.com/Articles/ 2009/May/National/*, accessed July 27, 2009.

⁴ Brodsky, Matthew, "All Shades of Green Insurance," *Risk & Insurance*, accessed July 27, 2009 at www.riskandinsurance.com/printstory.jsp?storyId=100265712

Additional information available in the following: Bittle, Joel, writing on www.greenoptions.com/author/joelbittle, published July 10, 2008, posted in *Business, Money and News* and accessed July 27, 2009.