

New Risk Transfer Products for Building Green

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The importance of owning, building and manufacturing green is discussed in our article, "Construction Industry: Carbon Emission Liability: Take Action Now to Avoid Risk." The inevitability of changing laws and regulations, combined with the shift in public opinion, is underscored by the fact that the insurance industry is marketing "sustainability" risk transfer products. According to the Department of Energy, buildings account for 39% of U.S. carbon dioxide emissions. What this means is that the companies offering these products in the risk transfer industry have used their considerable assets to assess the viability of environmentally sustainable practices, and have concluded that these practices will be an integral part of society, thus creating risk for those who neglect or chose to ignore them.



A number of carriers offering property coverage are providing new products for post-loss situations which specifically take into consideration green and energy issues of the day and the predicted change in building requirements. These coverages provide in part, post-loss real and personal property replacement with construction materials and products which are green rated or, if the building was LEED certified, the carrier

will repair the building to its pre-loss certified condition or a higher level. LEED certification involves a review of a building to ensure that it runs efficiently.

Of course each product has its own specific language, coverage provisions and exclusions. Some of the carriers allow a percent increase above replacement costs to cover the additional costs of upgrading to green. The following are some of the companies offering this type of product, some as endorsements and others as stand alone policies.

- Fireman's Fund
 - Liberty Mutual
 - Swiss Re
 - Zurich
 - AIG/ Lexington Insurance
 - Travelers
 - ACE Ltd.

The point, of course, is that the change is inevitable and real. When considering risk, consider the very real changing building requirements and the cost of going green after a loss. This will be an expensive undertaking for any company. The appropriate risk transfer vehicle protecting any building, but particularly one built to green standards, should be considered one of the great asset protection blocks in a company's roster.

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