

March 2010

INSURANCE *Tips*

Free help with your insurance questions or complaints

Consumer Advocacy
Hotline

Toll-free
1-888-877-4894

Salem
503-947-7984

E-mail
cp.ins@state.or.us

Insurance Division
350 Winter St. NE
P.O. Box 14480
Salem, OR 97309-0405

Phone: 503-947-7980
Fax: 503-378-4351
Web: insurance.oregon.gov



Homes and buildings increasingly are built and operated to maximize energy efficiency and minimize environmental damage. But, what happens if your green home is damaged or destroyed? Will your insurance pay the increased cost to replace materials to a green standard?

Green insurance

Green insurance helps ensure homeowners that when they have a loss, their property can be restored with green techniques and materials. For example:

- ▶ If your green-certified home is damaged, your regular policy might replace a 2x4 with a 2x4 but not necessarily with a 2x4 that doesn't deplete the rain forest. Green insurance might ensure that any debris is recycled rather than sent to a landfill or cover your alternative power-generating equipment.
- ▶ Green insurance also is sold to people who live in traditional homes and want to upgrade to "green standards" if they suffer a property loss. Depending on the loss, the upgrades could range from toxin-free paint and carpet to energy-efficient heating/cooling systems. For example, if your laundry room is destroyed, your insurer would replace you old washer and dryer with energy-efficient versions.



The green standard

Green insurance policies often identify products and practices that meet certification standards. Common programs include:

- ▶ The Leadership in Energy and Environmental Design (LEED) program of the Washington, D.C.-based, nonprofit U.S. Green Building Council.
- ▶ Energy Star certification program of the federal Environmental Protection Agency and U.S. Department of Energy.
- ▶ Earth Advantage Sustainable Community (EASC) standard certification, which is provided by Earth Advantage, Inc., a Northwest-based, nonprofit organization.

For example, a policy might require that any plumbing upgrade meet LEED standards or that lighting fixtures be replaced with Energy Star equivalents. However, as new certification groups form, many insurers are simply referring to "green standard setter" in policies rather than specify a standard.

Home and building coverage examples

- ▶ Eco-friendly Interior finishes such as paint, adhesives, and sealants.
- ▶ Interior lighting: replacing gas or electric fixtures, light bulbs, and ceiling fans with Energy Star-qualified units.
- ▶ Interior plumbing: replacing plumbing with Federal Energy Management Program (FEMP) approved items.
- ▶ Heating and cooling systems: using Energy Star-qualified ventilation fans, central air conditioning, room air conditioning, heating units, heat pumps, thermostats, and air cleaners.

Continued

- ▶ Roofing and exterior: using sealants, insulation, roofing, windows, doors, and skylights that are Energy Star-qualified.
- ▶ Elimination of ozone depleting substances: clearing the refurbished or rebuilt dwelling or building.
- ▶ Certification or re-certification: cost to have the qualifying authority declare the structure up to its standard. Policies will pay up to a certain amount to do this but will not pay to change items NOT damaged by a covered loss in order to make the building qualify.

Cost to homeowners

This varies by company. Here are three pricing systems in use in Oregon.

- ▶ Two percent of the base premium. If your homeowner's insurance premium is \$500 per year, the additional premium would be \$10.
- ▶ Seven cents per \$1,000 of home value subject to a \$25 minimum. A \$300,000 home would have a premium of \$21, which would take the annual premium for the extra coverage to the minimum of \$25.
- ▶ A charge of 4.5 percent of the base premium. If your premium is \$500 per year, the applicable additional premium would be \$23 per year.

Green standards and homeowner premiums

Some insurers will lower premiums on homes with a smaller carbon footprint. Some programs offer up to a 5 percent credit if the home is certified by a green authority.

Cost to commercial building owners

Rates and rating factors vary by company. Some charge a percentage of the rate that applies to the building; some offer basic limits for a flat fee. Many plans have a special rate that applies to the amount of coverage the owner wants to buy for the green upgrade. Coverage is sometimes included in the basic policy with no additional charge.

Green insurance available in Oregon

Many commercial building insurers and these four homeowner insurance groups offer green insurance for optional purchase.

- ▶ Allianz Group – American Automobile Insurance, Associated Indemnity, Fireman's Fund, National Surety and American Insurance
- ▶ Unitrin Group for Unitrin Direct Property & Casualty
- ▶ Zurich Insurance Group for Farmers Insurance Exchange
- ▶ St. Paul Travelers Group for Travelers Home & Marine Insurance Company and Travelers Commercial Insurance Company.

Green coverage can be added as a special endorsement or as a part of the basic policy. Green insurance cannot be purchased as a separate policy.

Deciding on green insurance

- ▶ If you have green features in your existing home, ask your agent or insurance company how they will be repaired or replaced in the event of a loss.
- ▶ If you don't have a green home, research the added cost of rebuilding to a green standard. Then, weigh the additional premium for "green insurance" against paying those additional building costs yourself should you suffer a loss.

Learn more

Agents or insurers seeking technical information about companies offering green insurance in Oregon may contact Cece Newell, Oregon Insurance Division property and casualty technician, at 503-947-7203.

