

It's Not Easy Bein' Green Commercial Lines Edition



Presented by:

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- Many of our commercial lines clients are looking to be more environmentally responsive in many aspects of their business lives. Whether your client is the building owner or lessee, many are increasingly sensitive to the negative environmental 'footprint' for which they feel responsible. Whether addressing their vehicle fleet, their building under construction, existing buildings, their appliances and/or building systems (such as HVAC), they hope to build new and replace damaged property after a loss in a manner that meets "green" standards as set forth by "green standards-setters" such as LEED, ENERGY STAR, Green Globes and other accreditation organizations.
- This presentation will introduce participants to these accreditation organizations and 'green' concepts as to commercial lines risks. We will review endorsements available for the building and personal property and builder's risk coverage forms to address client desires. We will also review company-specific coverage forms written specifically to meet our clients' "green" goals. Ultimately, it may be easier **'bein' green'** than we thought.

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Background of the Green Thought Process

- For decades, business owners have considered how their actions affect their environment
 - Positive
 - Products and services desired by consumers
 - Jobs
 - Community growth
 - Opportunities for generational wealth
 - For the business owner
 - For employees and their families
 - Negative
 - Pollution
 - Inefficiencies
 - Consumption inequities
 - Waste

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Recent Chronology of the Green Thought Process

- 1960's
 - Ecological architecture
 - Transformative shift in how we conceived and created built environments
 - In addition to making structures aesthetically pleasing, a concerted effort was made to harmonize building with the natural world
 - The goal was to minimize the ecological impact of buildings while enhancing quality of life for inhabitants
 - Did the structure 'fit'?
 - Were its inhabitants well-served?
 - Groundwork began to be laid for sustainable building design
 - Still, concrete and steel were the preferred building materials



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Recent Chronology of the Green Thought Process

- 1970's
 - Rising energy costs reshaped building practices – particularly after the 1973-1974 oil crisis
 - More insulation and reduced air leakage
 - This sometimes contributed to poor indoor air quality and moisture problems
 - Mold
 - Mildew
 - Better/smaller/fewer glass windows
 - Higher quality, reduced energy need for heating and cooling, but still – lots of windows were common
 - More efficient HVAC
 - Nowhere near where we are today, but certainly better than in previous decades
 - Passive solar design
 - Buildings began to be oriented to capture winter sunlight, for example
 - Energy codes and standards
 - Governments (federal, state, local) introduced and/or strengthened building codes with an eye toward conservation
 - Operational conservation
 - Building managers/occupants lowered thermostats in winter and raised them in summer and began using timers and other conservation tools

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Recent Chronology of the Green Thought Process

- 1980's
 - Although oil 'shocks' found in the 1970's were not continued into this decade, energy costs remained high
 - Also, interest rates were at record levels, especially in the first half of the decade
 - These factors made overall new construction sluggish in much of the country
 - Focusing on efficiency allowed some builders to differentiate themselves
 - Better insulation and construction methods affording tighter envelopes were common
 - Double or triple glazed windows routinely used in new construction
 - More efficient boilers, furnaces, HVAC and lighting were employed
 - Heat pumps and energy-management control systems became more common
 - Continued development and use of passive solar design, particularly, building orientation
 - Energy efficiency became part of building codes and public policy
 - Standards such as ASHRAE (American Society of Heating, Refrigerating and Air-Conditioning Engineers) as well as expansion of federal, state and municipal codes required the use of products and procedures considered more energy/environmentally friendly

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Recent Chronology of the Green Thought Process

- 1990's
 - The U.S. Green Building Council was founded and launched the Leadership in Energy and Environmental Design (LEED) rating system as a guide for 'green' building practices in the U.S.
 - The influence of this program grew steadily through the 1990's as terms such as global warming and climate change became a part of the public lexicon
 - The LEED rating system was first used to certify buildings in 2001
 - This rating system is highly coveted by builders, designers, remodelers, owners and others in the construction industry
 - It uses third party certification
 - It requires that rigorous requirements be met
 - Buildings can be rated one of several levels
 - Certified
 - Silver
 - Gold
 - Platinum
- Other organizations certify as well – **for commercial buildings, USGBC is the largest**



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Recent Chronology of the Green Thought Process

- Today
 - Green practices are interwoven throughout industry and society around the world
 - In addition to USGBC's LEED Program, multiple organizations are involved in the green certification process
 - Green Building Initiative (GBI) **GREEN GLOBES CERTIFICATION** Program
 - Launched in the U.S. in 2005 as an online building design management tool for architects and builders of sustainable commercial buildings

Green Globes-certified buildings meet at least 35% of the 1,000 points that are deemed applicable to the project.

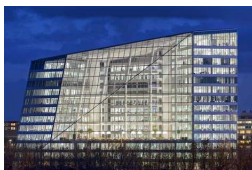


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What is the World's Greenest Office Building?

- **The Edge in Amsterdam, Netherlands** is often considered the world's greenest office building
- Completed in 2014, it earned a **98.36% BREEAM-NL sustainability score**, one of the highest ever recorded. Its main features include:
 - Solar panels integrated into the roof and façade
 - Aquifer thermal-energy storage for heating and cooling
 - Smart LED lighting and more than 28,000 sensors
 - Rainwater collection
 - Energy use roughly 70% lower than that of a typical office building
- **Annual energy production that can exceed its consumption**

A BREEAM-NL (Building Research Establishment Environmental Assessment Method-Netherlands) sustainability score is developed by a Dutch company using factors such as energy efficiency, carbon emissions, water use, materials and circularity, health and wellbeing, transport and accessibility, waste, ecology and land use, pollution and management and resilience. Any score above 85% is considered outstanding.



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Advantages of Green

- Reduction in negative environmental impact
- Enhanced indoor air quality
- Lower building operating expenses
- Lower energy use
- Lower water use
- Less waste enters landfills
- Higher overall occupant satisfaction
- Government incentive availability
- More consistent utilization of technological advances
- More consistent public perception
- Pride



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Disadvantages of Green

- Additional material costs
- Additional costs for meeting and maintaining certification
- Additional contractor costs
 - Availability of contractors with proper expertise
- Additional consultant costs
 - Availability of consultants with proper expertise
- Additional costs associated with increased time necessary for both new construction and reconstruction/repair
- Vulnerabilities created by use of new products, procedures, technologies, designs



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Terms Important To Our Discussion

- Green
 - Most widely used term
 - Used for nearly **ANYTHING** to do with this subject
 - Interchangeable with
 - Eco-friendly
 - Climate smart
 - Many other similar terms



Rivian aims to accelerate the transition to a cleaner transportation and energy system by building electric vehicles, reducing its environmental footprint, supporting renewable energy, and treating the planet as a stakeholder in its business.

Its main commitments include:

Reaching **net-zero carbon emissions across its operations and value chain by 2040.**

Cutting the **lifecycle carbon footprint of its vehicles—**

with a goal of producing a vehicle by 2030 with about half the footprint of its original models.

Increasing recycled and sustainable materials, reducing manufacturing waste, and working toward a more circular vehicle lifecycle.

Using renewable energy at its Illinois factory and matching charging energy with renewable power.

Measuring and publicly reporting its climate, materials, waste, land, water, and community impacts.

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Terms Important To Our Discussion

• Greenwashing

- A statement/claim/advertisement made by or done on behalf of a person or company indicating something positive that they are doing for the environment that is, at best, misleading and, at worst, untrue



- Athletic apparel giant Lululemon Athletica is facing mounting pressure over allegations of misleading consumers about its environmental impact, *Bloomberg* reported
- A class-action lawsuit, filed in the US District Court for the Southern District of Florida, accuses the company of greenwashing through its 'Be Planet' marketing campaign that were deceptive relating to sustainability and eco-friendly

What coverage form(s) would be helpful for a client accused of these activities?

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Terms Important To Our Discussion

• Greenhushing

- A person or company deliberately going quiet on net-zero and other carbon-reducing goals they may previously have touted to their stakeholders and the public
- **Wells Fargo** is an example of a company accused of **greenhushing**
 - Environmental and shareholder groups alleged that the bank removed climate-related reports—covering greenhouse-gas emissions, net-zero alignment, and target-setting—from its main website, thereby reducing public visibility of its climate commitments

What coverage form(s) would be helpful for a client accused of these activities?



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Regulations Affecting Green Buildings

Whether discussing construction, reconstruction or remodeling, Green Building/Zoning Laws must be taken into consideration

And, as we know - what happens in California eventually makes it across the country



• California

• CALGreen

- Also known as Title 24, Part II – Effective 7/1/2024 – requires certain 'green' materials, processes and procedures for:
 - ALL new construction – residential and non-residential
 - Residential alterations/additions that increase the building's conditioned floor area
 - Non-residential additions greater than 1000 square feet
 - Non-residential alterations valued at \$200,000 or more

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Whether discussing construction, reconstruction or remodeling, Green Building/Zoning Laws must be taken into consideration

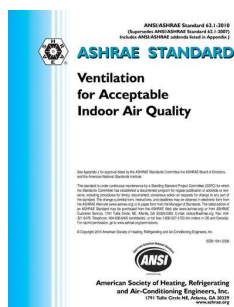
- Washington
 - Energy-consumption codes require heat pumps in **ALL** new buildings

[illegible]

Regulations Affecting Green Buildings

Whether discussing construction, reconstruction or remodeling, Green Building/Zoning Laws must be taken into consideration

- Massachusetts and New York
 - Stringent energy-consumption codes aligning with International Energy Conservation Code (IECC) and American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE)



Regulations Affecting Green Buildings

Whether discussing construction, reconstruction or remodeling, Green Building/Zoning Laws must be taken into consideration

- Other States or Jurisdictions (Including Nebraska?)
 - Green requirements will be inevitably implemented
 - Through energy-consumption codes
 - Through integration of voluntary standards (LEED/Green Globes) into construction codes



Components of a Green Building

- Energy efficiency
- Utilization of renewable energy
- Reduced water usage
 - Recycling of waste-water
- Use of environmentally-preferred building materials and building specifications
- Reduction of toxins
- Enhanced indoor air quality
- Smart growth/sustainable development/location considerations
- Forward-thinking design and planning
- Environmental considerations during construction/reconstruction/renovation
- Constant consideration of these factors during the building's life cycle
- Consideration of tenants in all phases

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The Confluence of Green Business Models and Insurance

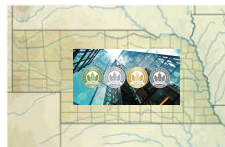
- Our clients will more and more routinely desire environmentally friendly buildings, machinery, systems and procedures
- These desires will exist
 - During project planning
 - The insurance professional needs to have input during this phase in order to meet expectations in the steps that will follow -
 - Construction
 - Renovation
 - Repair/replacement following a loss



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The Confluence of Green Business Models and Insurance

- A quick AI search of Nebraska architectural, engineering, design, and construction firms with LEED or Green Globes certified project team members yielded several firms
- When are you involving yourself in your clients' activities?
- Why does timing matter?



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The Confluence of Green Business Models and Insurance

- Effective use of Risk Management tenants is vital

- Property
 - Buildings
 - Direct loss risk
 - Indirect loss risk
 - Business personal property
 - Direct loss risk
 - Indirect loss risk



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The Confluence of Green Business Models and Insurance

- Effective use of Risk Management tenants is vital

- Liability
 - Bodily Injury and Property Damage Liability
 - Personal and Advertising Injury Liability
 - Environmental Liability
 - Professional Liability



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Insurance Implications of Green

- Remember – Insurance is a **risk finance** tool

- What resources are available to the insurance professional?
- We will focus on common property policies and note their short-comings when it comes to green exposures



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Building And Personal Property Coverage Form CP 00 10

A. Coverage

We will pay for direct physical loss of or damage to Covered Property at the premises described in the Declarations caused by or resulting from any Covered Cause of Loss.

1. Covered Property

Covered Property, as used in this Coverage Part, means the type of property described in this section, A.1., and limited in A.2. Property Not Covered, if a Limit Of Insurance is shown in the Declarations for that type of property.

a. Building, meaning the building or structure described in the Declarations, including:

(1) Completed additions;

(2) Fixtures, including outdoor fixtures;

(3) Permanently installed:

(a) Machinery; and

(b) Equipment;

(4) Personal property owned by you that is used to maintain or service the building or structure or its premises, including:

(a) Fire-extinguishing equipment;

(b) Outdoor furniture;

(c) Floor coverings; and

(d) Appliances used for refrigerating, ventilating, cooking, dishwashing or laundering;

CP 00 10 10 12

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Building And Personal Property Coverage Form CP 00 10

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1. Covered Property

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a. Building, meaning the building or structure described in the Declarations, including:

(5) If not covered by other insurance:

(a) Additions under construction, alterations and repairs to the building or structure;

(b) Materials, equipment, supplies and temporary structures, on or within 100 feet of the described premises, used for making additions, alterations or repairs to the building or structure.

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Building And Personal Property Coverage Form CP 00 10

A. Coverage

We will pay for direct physical loss of or damage to Covered Property at the premises described in the Declarations caused by or resulting from any Covered Cause of Loss.

1. Covered Property

Covered Property, as used in this Coverage Part, means the type of property described in this section, A.1., and limited in A.2. Property Not Covered, if a Limit Of Insurance is shown in the Declarations for that type of property.

b. Your Business Personal Property consists of the following property located in or on the building or structure described in the Declarations or in the open (or in a vehicle) within 100 feet of the building or structure or within 100 feet of the premises described in the Declarations, whichever distance is greater:

(6) Your use interest as tenant in improvements and betterments. Improvements and betterments are fixtures, alterations, installations or additions:

(a) Made a part of the building or structure you occupy but do not own; and

(b) You acquired or made at your expense but cannot legally remove;

(7) Leased personal property for which you have a contractual responsibility to insure, unless otherwise provided for under Personal Property Of Others.

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Building And Personal Property Coverage Form CP 00 10

A. Coverage

We will pay for direct physical loss of or damage to Covered Property at the premises described in the Declarations caused by or resulting from any Covered Cause of Loss.

1. Covered Property

Covered Property, as used in this Coverage Part, means the type of property described in this section, **A.1.**, and limited in **A.2.** Property Not Covered, if a Limit Of Insurance is shown in the Declarations for that type of property.

c. Personal Property Of Others that is:

- (1) In your care, custody or control; and
- (2) Located in or on the building or structure described in the Declarations or in the open (or in a vehicle) within 100 feet of the building or structure or within 100 feet of the premises described in the Declarations, whichever distance is greater.

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Clearly, covered property includes

- Buildings (as identified)
- Your Business Personal Property (as identified)
- Personal Property Of Others (as identified)

But Loss settlement will ONLY include Covered Property that was ACTUALLY damaged by a Covered Cause Of Loss – No 'upgrades' included!!

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Increased Cost Of Loss And Related Expenses For Green Upgrades CP 04 02

- This endorsement first became available in 2010 – current edition date is 10 12
- It provides coverage for increased costs associated with repairing or replacing covered property damaged by a covered cause of loss with Green Upgrades
 - Materials, products, methods in design, construction, manufacture or operation that are recognized as environmentally-preferable or sustainable by a Green Standards-Setter, such as:
 - The Leadership in Energy and Environmental Design (LEED) program of the U.S. Green Building Council
 - ENERGY STAR, a joint program of the U.S. EPA and the U.S. Department of Energy
 - Green Globes, a program of the Green Building Initiative
- The endorsement **has a schedule** in which the amounts shown are maximums
- In order to determine what will be paid in a loss, the insurer will first determine the amount payable for the covered direct physical loss or damage, prior to application of deductible, and then multiply this amount by the increased cost of loss percentage shown in the endorsement schedule

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POLICY NUMBER: _____ COMMENTS: PROPERTY CP 04 02 10 12

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

INCREASED COST OF LOSS AND RELATED EXPENSES FOR GREEN UPGRADES

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM
 BUSINESS PERSONAL PROPERTY COVERAGE FORM
 COMMERCIAL AUTOMOBILE COVERAGE FORM
 CONSTRUCTION ACCIDENT COVERAGE FORM
 CONSTRUCTION DEFECT COVERAGE FORM
 CONSTRUCTION DEFECT COVERAGE FORM

Property	Building	Building	Green Upgrades Maximum Amount	Amount of Loss or Damage	Amount of Loss or Damage
1	1	1	1	1	1
2	2	2	2	2	2
3	3	3	3	3	3
4	4	4	4	4	4
5	5	5	5	5	5
6	6	6	6	6	6
7	7	7	7	7	7
8	8	8	8	8	8
9	9	9	9	9	9
10	10	10	10	10	10

1. Coverage under this endorsement for Business Personal Property will be limited to a value based on personal property. See the Declaration.

2. All other percentages are to apply to Building and Your Business Personal Property, not separate from the schedule.

3. Information required to complete this Schedule, if not shown above, will be shown in the Declaration.

CP 04 02 10 12 © Insurance Services Office, Inc., 2011 Page 1 of 4

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Increased Cost Of Loss And Related Expenses For Green Upgrades BP 14 75

- **Essentially, the same endorsement to be used with the Businessowners Coverage Form**
- It provides coverage for increased costs associated with repairing or replacing covered property damaged by a covered cause of loss with Green Upgrades
 - Materials, products, methods in design, construction, manufacture or operation that are recognized as environmentally-preferable or sustainable by a Green Standards-Setter, such as:
 - The Leadership in Energy and Environmental Design (LEED) program of the U.S. Green Building Council
 - ENERGY STAR, a joint program of the U.S. EPA and the U.S. Department of Energy
 - Green Globes, a program of the Green Building Initiative
- The endorsement **has a schedule** in which the amounts shown are maximums
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Builders' Risk and Green Exposures

- Builders' risk is traditionally an uncontrolled or nonfiled class of Inland Marine Insurance
 - This coverage is first-party (property) coverage for structures as they are being erected
 - Builders' risk is sometimes referred to as '**course of construction**' insurance
- In October, 2007, Fireman's Fund was the first to introduce a green builders' risk coverage option
 - The form insured, among other things, risk that could arise and be attributable to green construction's unique concerns and conditions, such as
 - Loss of earnings
 - Soft costs
 - Rental income

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Builders' Risk and Green Exposures

- Beginning in July, 2009, the American Association of Insurance Services (AAIS) introduced the first two '**standardized**' green builders' risk endorsements which created an opportunity for carriers to offer green coverages without the need to develop proprietary forms
- **Green Building Coverage IM 7091**
- If indicated on the Green Building Schedule, coverage is afforded for:
 - Indoor Air Quality
 - Coverage pays costs necessary to restore the air quality within a damaged structure to the standard set in an "air quality management plan" to the extent achieved prior to the loss
 - Recycling Debris
 - Coverage pays additional costs required to divert delivery of the debris from damaged property to a recycling facility instead of a landfill
 - Recertification
 - Coverage pays costs of recertifying a structure as meeting green standards as set forth by a recognized organization to the level of certification achieved prior to the loss
 - Electricity and Water Replacement
 - Coverage pays expense of purchasing replacement electricity or water from a public utility made necessary by an insured loss to renewable energy generating equipment or water conservation systems

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Builders' Risk and Green Exposures

Delay In Completion Coverage Part – Green Building Form IM 7060

- Can be used in place of a standard Delay In Completion form
- If indicated on the Delay In Completion Schedule, coverage is afforded, up to the limit indicated, for:
 - Additional construction expenses related to expense associated with additional procedures and processes required to meet the level of green certification that was incorporated into the design of the building or structure prior to the loss
 - Additional soft costs incurred because of additional procedures that was incorporated into the design of the building or structure prior to the loss
 - Loss of rental income incurred due to additional procedures and processes required to meet the level of green certification that was incorporated into the design of the building or structure prior to the loss
 - Loss of net income incurred due to additional procedures and processes required to meet the level of green certification that was incorporated into the design of the building or structure prior to the loss
 - Loss of energy generating income experienced due to loss of sales of surplus power

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Items of Note When Assessing Client Needs AKA - Separating Yourself From the Competition

- Does the client have or would they like to have, after a loss, a vegetated roof?
- If considering an upgrade to a more green building, have you addressed green-consultant service costs/fees?
- If their current building now meets green standards-setter certification, will they want to recertify after a loss?
- Are you and your client aware of direct financial incentives available to green building owners?



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Conclusion

The green revolution is here. Our clients are not satisfied with the 'status quo'. Uncertainty as to future costs associated with owning or managing buildings and systems, including the personal property therein may or may not be 'front of mind' at the moment, but will certainly be discussed after a loss. Increase your value by becoming the green 'expert' in your shop.

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