



## ***Green May Be the Way to Go, But How Will Your Insurance Apply?***

Environmentally-friendly construction, also known as “green” construction, is increasing rapidly in the United States. Concerns about global climate change, U.S. dependence on foreign sources of energy, and rising energy costs are inspiring individuals and businesses to construct buildings with a reduced carbon footprint. This trend has important implications for settlement of insurance claims when green buildings suffer damage.

A green building is one that has met the requirements for Leadership in Energy and Environmental Design (LEED) certification. The U.S. Green Building Council developed LEED in 1998 as a way to help building owners identify and use practical and measurable designs, construction, operations and maintenance practices that are environmentally-friendly. Green buildings are, compared to standard buildings, more energy and water efficient, produce less carbon dioxide, and have a healthier indoor environment.

Some states and municipalities have begun to adopt building codes that require elements of green construction. California has imposed tougher water efficiency standards on new residential construction; New York City is considering more stringent energy-use standards for large buildings. The impact of these requirements on construction costs will vary by location. Green construction may require specialized materials and methods; in the near term, contractors with expertise in these methods may be relatively scarce. Therefore, in some places the cost of complying with green building codes may be higher than building with

standard materials and methods, and that will impact insurance coverage.

The factors that will influence the claim include:

- Whether the green building code applies to new construction only or also to major renovations.



- What the code defines as a “major renovation.” Some codes may consider renovations affecting more than a specified percentage of the building’s area as a major renovation.
- How will use of green building materials affect the building’s appearance? The property owner

*continued on page 2*



THE MCINTYRE GROUP  
INSURANCE BROKERS & CONSULTANTS

**Woodland Falls Corporate Park**

**220 Lake Drive East, Suite 210, Cherry Hill, NJ 08002**

**(P) 856-482-9900 • (F) 856-482-1888 • Email: [lfunari@mcintyre-group.com](mailto:lfunari@mcintyre-group.com)**



**Luanne Funari**  
Vice President,  
Director of Claims Management

*Director of Claims Management*



*continued from page 1...*

## ***Green May Be the Way to Go, But How Will Your Insurance Apply?***

may lose enthusiasm for a repair if a change in appearance will lower the building's market value.

- How will the new materials interact with the existing building components? Will integrating the new materials increase rebuilding time and cost?
- Are qualified contractors available in the area?
- Will wait times for green contractors and materials result in costly project delays?
- How does the building code apply in the event of a large natural catastrophe, such as an earthquake or hurricane? Must property owners meet the higher standards at a time when hundreds of properties have suffered damage?
- After a catastrophe, will there be long wait times for contractors to haul away debris because of overwhelmed landfills and recycling



centers? Will there be long wait times for building inspectors to visit and approve all of the effected properties?

Standard personal and commercial property insurance policies provide very limited amounts of coverage for "ordinance or law" losses — extra costs incurred to meet local building requirements. Additional coverage is available; property owners in areas with green building codes should speak with their insurance agents about the options and costs.

Research and publishing company McGraw-Hill Construction has predicted that the market for non-residential building retrofitting with green construction will grow to \$15 billion by 2014. Property owners and insurance companies will have to address these questions much more often in the near future; the time to answer them is before the losses occur.



THE MCINTYRE GROUP  
INSURANCE BROKERS & CONSULTANTS

*Woodland Falls Corporate Park*

*220 Lake Drive East, Suite 210, Cherry Hill, NJ 08002*

(P) 856-482-9900 • (F) 856-482-1888 • Email: [lfunari@mcintyre-group.com](mailto:lfunari@mcintyre-group.com)



**Luanne Funari**  
Vice President,  
Director of Claims Management