

INSURING CALIFORNIA IN A CHANGING CLIMATE

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Insurance Innovation: New Products and Services, Proactive Investments – Green Building Insurance

Stephen Bushnell, Stephen Bushnell + Associates



GREEN BUILDING INSURANCE

- Built environment major contributor to GHG emissions

38% of US GHG emissions

- LEED gold buildings use, on average **25% less energy and generate 34% lower GBG emissions** than traditional buildings
 - <http://leed.usgbc.org/leed.html>
- USGBC presents a well documented economic and human health value proposition for LEED certified buildings
 - <https://www.usgbc.org/articles/infographic-usgbc%E2%80%99s-green-building-economic-impact-report>
 - <https://www.usgbc.org/resources/business-case-green-building>



GREEN BUILDING INSURANCE

I joined Fireman's Fund Insurance Company in 2004 and was charged with developing innovative insurance and risk management products for real estate owner and manager customers



- Observed a new trend in construction and renovation, LEED certified green buildings



- Educated myself connecting with USGBC, BOMA and experts, including Dr. Evan Mills



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In 2006 developed a program for commercial green buildings that included:

- Expanded **coverage** options for LEED certified buildings
- **Rate discount** for LEED, Green Globes and Energy Star rated buildings (More on this latter)
- Coverage form to “**upgrade**” **traditional buildings** to incorporate green features **following a covered loss**
- **Extensions of coverage** to add additional green coverages
- **Risk management advice** to help customers make green improvements before a loss
- **Online platform** to provide green and sustainable articles and promote green coverages

Residential Green Building Insurance 2008

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Concluded that green buildings are **better insurance risks** than “traditional” buildings

New Construction: **Commissioning** directly addresses major causes of property insurance loss



Renovations: Age of building loss ratio studies



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Extensive promotion of new coverages (2006 – 2007)

- Press release and website
- Robust marketing collateral
- Media work – 100s of print interviews, radio
- Presentations to green and real estate Owners meetings and conventions
- Training webinars for claims, underwriting and marketing personnel
- Travel to every Fireman's Fund office to meet with underwriters, claims adjusters and agents to promote new coverages
- Parent Allianz launched a (serendipitous) climate risk focus in late 2006

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Market Penetration by 2010

60% of Commercial business

100% of California homeowners business

Loss Ratio consistently superior to the balance of Fireman's Fund business

- Certified green building and green upgrade coverage
- Every year from 2008 until 2013 (at least)



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Industry response

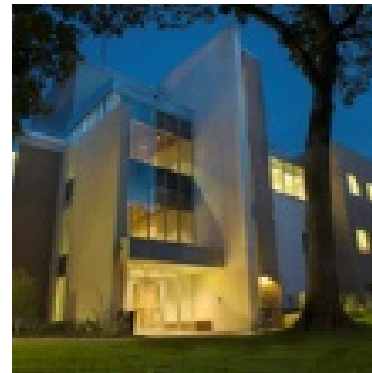
Major commercial competitors introduced very similar coverages (no rate discount or risk management support). So similar they included a couple of our typos

By 2012 **nearly every insurer** had developed a version of green building insurance

Allianz promoted coverages worldwide, website, expansion to international markets, Climate Change Centre of Competency

Fireman's Fund revised (clarified and broadened) commercial coverage in 2010 and 2012

Residential coverage in 2013



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Current State

Fireman's Fund absorbed by parent (Allianz) in 2014, no longer exists as a standalone company

Allianz sold the Fireman's Fund's personal lines business in 2015

Nearly every insurer has a green building form today, but no insurer promotes it

Robust Fireman's Fund green website no longer exists. Allianz discontinued

Agent and brokers are not aware that the insurance industry offers green building coverage

- I connect with 100s of agents and brokers through training and seminars annually

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Conclusion

Green buildings have a significant impact on reducing GHG emissions

It is in the **insurance industry's best interest** to take a proactive position on climate risk

Insurers continue to offer some form of green coverage (difficult to find on their websites)

If Fireman's Fund **risk assessment** of green buildings is accurate and their **underwriting results** are consistent, insurers would profit from promoting these products and risk management services

I believe that there is a “**Blue Ocean**” **competitive opportunity** for insurers, agents and brokers to sell green coverages linked to green risk management services

THANK YOU



Stephen G. Bushnell
Principal

Stephen Bushnell + Associates
PO Box 2276
Napa, CA 94558

Phone: +1 707-980-2050

E-Mail: stephen.bushnell@stephenbushnell.com

<http://www.stephenbushnell.com>