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ON-SITE, INC.

F L O R I D A

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“Green” Insurance: The Future is Now

It is the responsibility of an association Board to make certain that adequate and appropriate insurance is in place to protect the building they serve. While fulfilling this fiduciary responsibility is never a simple thing, this first decade of the new millennium has made it especially challenging. This is true not only because of 9/11 and Hurricane Katrina, (the insured losses from those events, and the number of claims filed in their aftermaths, are recordbreaking), but also because an ever-increasing number of properties are seeking to go green. This focus on sustainability has created new insurance considerations that neither the insurance industry nor the housing industry had previously considered.

For example, insurance-related questions are now arising as a result of the desire of many new and existing buildings to be LEED certified. (LEED stands for the U.S. Green Building Council Leadership in Energy and Design program, which certifies buildings to a certain standard of sustainability. LEED certified buildings are more eco-friendly, more attractive to incoming purchasers, and will likely be in compliance when today’s voluntary local, state, and federal greening initiatives for multi-unit dwellings are made mandatory.) Insurance questions relating to LEED certification include: Who is liable – the contractor, the building, or both – and what is the level of liability, if a building undertakes a LEED program renovation but the finished project fails to meet the LEED stipulated standard? If a building suffers a significant physical loss, will insurance cover replacement to the previous standard or to the new green standard? Since green buildings enhance energy efficiency and reduce environmental risk, how are these changes reflected in insurance premiums?

Some insurers have taken aggressive positions and are helping to make greening a financially viable option for client properties. Others are taking a wait-and-see attitude. But regardless of what insurers do, each Board must still protect its own association. The first step is to find out what coverage an association does or doesn’t have, and then to seek the insurer that works best with an association’s level of sustainability commitment. To get started, contact your AKAM On-Site Management Executive for information about how your association’s insurance carrier is dealing with property greening, and how your association may be able to benefit insurance-wise from becoming a greener, more sustainable home and investment.

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