



Climate Change : Climate Solutions

Cutting Costs, Cutting Losses: The Value of Green Building

Green buildings were once the domain of visionary architects and their rich clients. Donald Soss and Steven Bushnell of Fireman's Fund Insurance Company explain why green construction and renovation may become standard building practice, and why paying more now saves money down the road.



Don Soss (left) is chief underwriting officer at Fireman's Fund Personal Insurance. Steve Bushnell (right) is product director, Commercial Insurance. (Photos: Fireman Fund)

Why are more people and businesses opting for green buildings?

DS: I think it's a couple of things. There's an awareness of the importance of efficiency, conserving energy, and improving occupants' health. There's a push politically, and a lot of the building codes are now going toward green. It has also kind of become the cause to support in the entertainment industry. We've had agents that specialize in entertainment telling us that the key concerns for their clients are conservation and sustainability.

Based on our customer focus interviews, people are interested in doing their part for the environment, as well as improving their health. When they understand the benefits of low volatile organic compound (VOC) carpets and paint, and how much that improves their home environment, there's a great deal of interest, especially when the cost of doing so is not much more than purchasing products that have those harmful chemicals in them.

Is the rising cost of energy driving interest in green buildings?

DS: I think it is. One example is that we're seeing a lot of high-end homes built with tankless water heaters, and we're in favor of that because we see a lot of losses from water heaters that get old, burst, and cause water damage. There's a lot of technology available to homeowners that can greatly improve their environment and health. It is also becoming much more available and the costs have come down. Every indication is that it is becoming the way of the future. I think we'll continue to move forward on energy conservation and environmental consciousness.

SB: On the commercial side, green buildings offer really profound economic value. Businesses began realizing that, and we saw a big increase in commercial green buildings starting in 2006. Now in 2008, I think that people are almost getting panicky about energy prices, and that's driving them to look at ways of creating energy efficient buildings, operations, and automobiles. There's a much bigger sense of urgency about energy efficiency today than before.



15 Ways to "Green" a House (click on image to see graphic)

Find out how a house can become healthier, consume less energy and water, and improve the local environment.

Is green construction and renovation more expensive?

SB: It's hard to get an accurate estimate of the additional costs of building green. There are reports suggesting that it costs just as much to build green as a conventional building. But if a building owner puts in an alternative energy system, it's going to be more expensive. Alternative water systems (that capture and reuse rainwater or greywater) are more expensive. So, much of the increased cost reflects how green you want your building to be.

How does Fireman's Fund determine what a green building is?

SB: We rely on the U.S. Green Building Council LEED (Leadership in Energy & Environmental Design) program. USGBC has recently developed a set of standards for homes. In 2000, they developed standards for construction of new buildings, and in 2003, for existing buildings. But all of those standards have certain common elements. They're all going to consider energy and water efficiency, creating a healthy indoor environment (by eliminating VOCs), the use of recycled materials. There are a lot of similarities, but they weigh them in different ways. Homes are certainly different than commercial buildings, and a remodel is different than new construction.

[California-based Allianz subsidiary Fireman's Fund Insurance Company \(FFIC\) introduced Certified Green Building Replacement and Green Upgrade coverage in 2006. It provides discounted coverage for LEED-certified commercial buildings and facilities, and in the event of loss, rebuilds to LEED-certified standards. In 2008, FFIC launched Green Upgrade coverage for private homes.](#)

Does climate change motivate people to green their buildings?

SB: Energy efficiency and healthy environment are the things that attract people initially. People who understand climate change and the impacts of building on CO₂ emissions can make that connection, but

most of our commercial clients focus more on fundamental economic decisions.

Are we just at the beginning of a green building boom in the United States?

DS: On the homeowner's side, my sense is that it is going to become standard building practice. We need to be careful not to saturate green because people see it as potentially increasing costs in these hard economic times. As Steve said, this is actually going to save you money and it's not inherently more expensive. As long as that message goes out, I think you'll see more and more green homes.

I find it interesting when I go into restrooms in businesses and airports, that instead of noticing, "oh, it's green," I notice when it's not green. It has become so common that once you put your hands under the sink and the water comes out and turns itself off, that when you have a manual sink, you start thinking they are really behind the times. I don't know if I'm typical, but it is interesting that I'm starting to notice companies that are not green.

SB: The U.S. Green Building Council would like to certify a million homes and another 100,000 commercial buildings as green by 2015. That has a profound impact on the market. We've seen on the uptake of our commercial product that every region in the country is responding. Even in places you would think might not value green buildings are seeing the economic benefit of green.

Are green buildings less risky for insurers?

SB: We believe they are. There's no actual data, because there's not enough green buildings to do a good sampling. But we believe that building green, which involves a "commissioning" process (where a third-party engineer verifies that the building is being built to standard) not only makes it greener, but also safer. The engineer looks at the electric system, the HVAC (heating, ventilation, and air conditioning) system, and the plumbing system - the areas where we traditionally experience loss. So, if they can make those buildings greener, it will be a better risk for us because we will have less electrical fires, less plumbing problems, etc.

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A Green Foundation for Architecture

As the World Becomes Urban, Cities Are Key to Climate Protection

A lot of larger tenants - Fortune 1000 companies - are very concerned about their carbon footprint. They understand that green buildings are healthier, and they want their employees in a green building.

Fireman's Fund is among them. We just moved into a LEED-certified space in Dallas, and we are greening our campus in Novato, where we've done retrofitting on the carpeting, paint, plumbing, and lighting. So we're like a lot of other large companies that want to be in green spaces, and that's going to be a driving factor in the commercial market as we go forward.

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Readers' Comments:

Overall, I found this a very good and informative article. An interesting addition to the house graphic might have been to include green, or hybrid air conditioning units. Quoting the [IceEnergy Website](#), "Air conditioning energy demand – typically 40-50% of a building's electricity use during expensive peak hours – is reduced by 95%."

Although, these numbers represent extremes and not statistical averages (AC represents 10% of household consumption " California Statewide Residential Appliances Saturation Study-Final Report, June 2004, Prepared by: KEMA-XENERGY, Itron, RoperASW Contract No. 400-04-009) using hybrid A/C units could further remove dependency on carbon emitting fuel sources as well as save consumers money after recouping the initial cost of purchase.

Burke Turner, United States

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