

ADDITIONAL COVERAGE FOR GREEN PROPERTY OWNERS/TENANTS

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May 26, 2017

So, you've decided to go green by buying or renting a LEED-certified building for your business. In addition to a reputational boost for taking strides to help the environment, you will likely also be saving on heating and electricity costs. The next step is to look at your insurance policies and make sure your investment is protected, and that you are covered for the perils associated with green properties and buildings.

Because going green is still a relatively new phenomenon, your commercial general liability (CGL) policy probably does not specifically address these risks or indicate whether or not they are covered. It is always best to take a close look at your policy to determine if your plans to go green cause any changes. Learn about additional coverage options for green buyers or renters here.

UPGRADE-TO-GREEN

Maybe you want to go green but are not ready or able to fully convert yet. One option that is becoming more common is green upgrade property coverages. These policy additions would allow you to upgrade to a green-certified level in the event of a physical property loss. Update-to-green coverage benefits you because your building has the potential to be even more efficient after a loss, and it puts you at a lower risk of filing construction defect claims in the future because of the rigorous and careful LEED certification process.

BREACH OF WARRANTY/BREACH OF CONTRACT

Though a typical CGL policy will cover you for bodily injury, property damage liability and personal injury, breach of warranty and breach of contract are generally excluded. However, when you are a tenant in or an owner of a green-certified building, these are two of the most important kinds of coverages to have.

One of the most common claims against property owners or managers is that after construction or years down the road, the green building is not living up to promised standards. The building may not qualify for the LEED certification level promised, or savings on energy may not be as high as marketing and advertising materials guaranteed. You will need additional coverage beyond your CGL policy to protect yourself in this case.

Similarly, problems with tax credits and incentives will require breach of warranty or breach of contract coverage. If a developer or owner tells you, the prospective buyer or tenant, that they will be able to get a certain number of carbon credits and later cannot deliver, you will need proper coverage to retain the promised return on investment. The amount of necessary coverage will depend on how energy efficient

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the building is or strives to be.

COVERAGE FOR NON-PERFORMANCE INVESTIGATIONS

If a problem ever arises with your green building, you will need to find out who is at fault—the design professional, developer, owner or contractor. Doing so will require extensive testing of the building and its systems to figure out why it is performing under the promised standard. As CGL policies are crafted now, the cost of this investigation may not be covered. CGL policies usually require an occurrence or event—a specific incident where damages happened—to respond. In most green building cases, there is no damage to the structure, it just does not perform as efficiently or effectively as the contract specifies. Therefore, you should consider adding extra protection to your policy that would pay for the cost of finding the at-fault party, which can get extremely expensive if it requires looking into design and construction elements.

NEW COVERAGES EMERGING

Green building is still making its way into the insurance world. There are still grey areas, and insurers are debating whether green buildings add extra perils or reduce risks overall. Some carriers are even beginning to offer discounts for those businesses who decide to become more environmentally responsible. When in doubt about what aspects of your green building investment are covered, turn to Hardenbergh Insurance Group for guidance. Call (856) 489-9100 today to make us part of your initiative to go green.

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