

PROPERTY SUSTAINABILITY GREEN BUILDINGS



Sustainability is a growing consideration for many property owners and property managers. In relation to property, the aspects of sustainability that require careful consideration include adaptation to the changing climate, promoting energy efficiency, reducing direct greenhouse gas emissions, and minimising the impacts on the environment.

Buildings are responsible for 40 percent of global carbon emissions in Europe and, in most developed countries in the world, form the largest single emission source according to BRE Group¹. With an increase in the demands for transparency around the environmental performance of buildings, property sustainability has become a key feature in the drive for sustainable performance.

At first glance, it might be difficult to understand how property damage insurance could help you to achieve those objectives. From a property perspective, Marsh's approach in support of clients' sustainability goals includes:

- Promoting the inclusion of property sustainability clauses in property damage policies—namely “green building” and “resilient repairs” clauses.

- A service offering environmental assessments in conjunction with BRE Global.
- Provision of environmental impairment liability insurance to cover operational environmental risks and liabilities associated with ownership and tenancy.

PROPERTY SUSTAINABILITY CLAUSES

Set out below is a brief explanation of the property sustainability clauses and a proposed approach and wording. We deal with the key clauses as follows:

- “Green building” clauses.
- “Resilient repairs” clauses.

GREEN BUILDING

The green building clause allows reinstatement of property after a major loss to be completed in an environmentally friendly manner, with any additional cost being paid by insurers. In relation to the property damage policy, an extract from an example green building clause would be as follows:

“Energy Performance and Sustainable Buildings Extension

This insurance extends to include the reasonable additional cost of reinstatement incurred with the consent of the insurers to make the following improvements during the reinstatement, repair or replacement of the Property Insured following Damage:

¹ The Forty Per Cent Symposium, BRE Group, 2011

a) Ecological, environmental and sustainable improvements of the type being incorporated in new buildings of similar use and value within the same territory, including improvements made in accordance with the BRE Environmental Assessment Method (BREEAM) for the construction of buildings.

b) Improvements to comply with recommendations made under the current Energy Performance Certificate (or local equivalent) for the Property Insured².

The impact of “green” reinstatement on the period of loss must also be considered for business interruption purposes. Either a separate clause should be included under that section of the policy; as a minimum the wording can be included under the main clause, for example, including:

“...the (additional) time necessary for rebuild in a manner that aims to minimise potential harm to the environment utilising latest available technology and to certify or recertify the buildings following an insured loss.”

RESILIENT REPAIRS

The “resilient repairs” clause encourages the replacement or repair of assets in a way that helps prevent future incidents, thereby minimising business interruption, and also reducing the impact on the environment of manufacturing replacement materials. There is also a reduction in claims and related costs for insurers—a clear win-win situation.

An extract from an example clause is set out below:

Resilient Repairs Extension

“This insurance extends to include the reasonable additional cost of reinstatement incurred with the consent of the insurers to make Resilient Repairs during the reinstatement, repair or replacement of the Property Insured following Damage.

For the purposes of this extension, Resilient Repairs shall mean improvements intended to mitigate and if possible prevent a recurrence of the same insured peril, including but not limited to the type of materials used in the reinstatement of the Property Insured, and the design and construction of the building and its internal and external fixtures and fittings.”

Marsh has been working with clients and insurers for the introduction of these clauses in policies. Feedback has been positive and we have been successful in including the clauses in some cases. However, there are various versions available², they are not yet commonplace and there is limited information available in relation to the true costs and actual claims. We have, therefore, developed a service to provide more information upfront in the process to help both clients in their risk management decisions, and insurers in their assessment of risk. Our environmental assessment is explained further below.

ENVIRONMENTAL ASSESSMENT

Through our Property Risk Consultants, we currently provide advice to our clients on the prevention of incidents and resilience improvements. In relation to green building clauses, we understand that insurers would be reluctant to include such clauses without knowing the consequences. We will therefore be offering an environmental assessment as an additional part of our property surveys.

We have consultants licensed as BREEAM (BRE Environmental Assessment Method) international assessors. On request, the Property Risk Consultants will carry out property environmental assessments allowing clients to gather information on their existing footprint and how this might be improved. An environmental assessment will also provide the information needed for insurance placement. Insurers will have more information on existing buildings and will be able to establish the estimated additional cost to replace or repair a building in an environmentally friendly manner. Furthermore, we can add a basic green building risk assessment to our risk information reports.

ENVIRONMENTAL RISK AND LIABILITY MANAGEMENT

Our Environmental Practice offers services in respect to the review of environmental risks and liabilities associated with single properties or portfolios of properties under management. With quality environmental information available on the properties under management, we help clients with the placement

² The wording examples provided above have not been fully accepted by insurers

of site-specific pollution legal liability insurance, to cover both historic pollution conditions and any new pollution conditions or environmental damage which may be caused. Environmental insurance can be structured to provide cover for the new environmental liabilities, such as those imposed by the EU Environmental Liability Directive, and to cope with automatic cover for new acquisitions and daughter policies for divested properties. Particular attention will be taken of the fact that routine and emergency maintenance will need to be undertaken at specific properties from time-to-time, and that this should not be considered as “redevelopment” or a material change of use. An environmental insurance policy can be structured to allow new sites to be included within the policy at a defined additional premium based on property type and business activity.



BRE



BRE was originally the Building Research Station and later the Building Research Establishment. But since then the work of BRE has, for many years, extended beyond just buildings. Because it undertakes testing and consultancy as well as just research and because it is no longer a Government Establishment (it became a private company in 1997), the group is now known as “BRE”.

BRE Global is an independent, third-party approvals organisation, offering certification of products, services and systems to an international market. Its testing and approvals are carried out by recognised experts in world class facilities. BRE Global also offers cutting-edge research and consultancy services.

“ We are pleased to be working with Marsh and the insurance community in relation to both the environmental assessments and the inclusion of such clauses in insurance policies. As individuals or as businesses, we all have responsibility for our environment, and this is an example of businesses working together to achieve common sustainability goals. We have performed extensive research into environmentally friendly design, use of materials and efficiency. We are very encouraged to see that this information is being used to everyone’s advantage, as being green is also great for business. ”

MARTIN TOWNSEND – DIRECTOR OF BREEAM, BRE GLOBAL

BENEFITS TO CLIENTS

- Information on existing buildings and environmental improvement recommendations.
- Environmental rating from BREEAM.
- Improved risk transfer position in terms of information for insurers and the inclusion of property sustainability clauses in policies.
- In the event of a loss of a building, the ability to rebuild in an environmentally friendly (and more robust) way at little or no extra cost to your organisation.
- Incorporate green building objectives into your sustainability proposition and engage with our Environmental Practice.

FURTHER READING

[*Sustainability – managing your risk*](#)

[*Sustainability – the changing climate of risk*](#)

[*Property Sustainability*](#)



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Reactions

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