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SPECIAL ISSUE

EXPLORING THE RISKS OF GOING GREEN

DATA POSTER INSIDE

Featuring exclusive research on green insurance coverage, risk management concerns and more

NEWSPAPER

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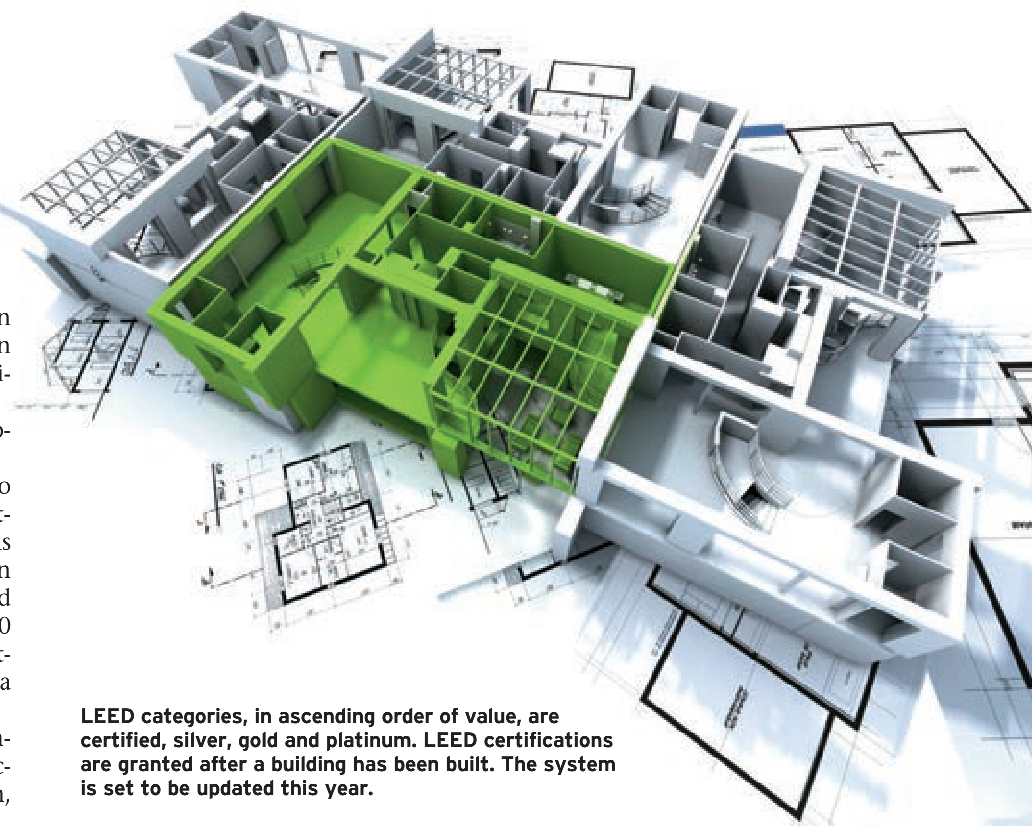
Picking a standard for going green

LEED leads the market, but other groups offer competing certification

By JUDY GREENWALD



LEED categories, in ascending order of value, are certified, silver, gold and platinum. LEED certifications are granted after a building has been built. The system is set to be updated this year.

The green building certification program run by the Washington-based U.S. Green Building Council has become the dominant certification program in the green construction arena, because it was introduced so early and because of the program's quality.

The Leadership in Energy and Environmental Design program, which the green building council says was introduced in 1990, is a point-based system for building projects to earn credit in several categories, including sustainable sites, water efficiency, energy and atmosphere, materials and resources, and indoor environmental quality.

An additional category is innovation in design, which addresses sustainable building expertise and design measures not covered under the five environmental categories.

LEED categories, in ascending order of value, are certified, silver, gold and platinum. LEED certifications are granted after a building has been built. Certification is administered by the council through a network of professional third-party certification bodies. The system is set to be updated this year.

According to the council, nearly 9 billion square feet of building space participate in the suite of LEED rating systems, and an additional 1.6 million square feet are certified daily around the world.

The USGBC also administers a LEED professional credentialing program.

Observers say the biggest competitor to the LEED program is the Green Globes rating and certification program, which is operated by the Portland, Ore.-based Green Building Initiative. The GBI, which started its program in 2004, has certified about 600 buildings, about one-third of which are Veterans Administration facilities, a spokeswoman said.

In addition, in January the Washington-based Institute for Sustainable Infrastructure introduced its Envision rating program, which focuses on infrastructure projects.

However, Jeffrey D. Masters, a partner with law firm Cox Castle & Nicholson L.L.P. in Los Angeles, said the LEED program "has dominated the certification arena" because it was the first and "rapidly became the market standard."

Stephen T. Grossmark, a partner with law firm Tressler L.L.P. in Chicago, said the LEED program "is the one that's best known," perhaps "because of the USGBC's national member and local membership programs." Furthermore, he said, the program is "ever improving."

Mr. Grossmark said that before the LEED system was developed, different local and state governments had been trying to come up with their own green construction codes. "They were reinventing the wheel."

However, J. Kent Holland, president of Vienna, Va.-based consulting firm ConstructionRisk L.L.C., said, "There are still some maybe unrealistic and unfulfilled expectations for project owners concerning what they are going to get by having their building LEED certified.

"Sometimes a project owner assumes they're going to save energy if they get a building that's LEED certified, but there's no guarantee that's going to happen," he said, noting that communication between all the parties involved is important.

Furthermore, you can still have a green building without necessarily obtaining the LEED certification or other certifications by introducing measures such as low-toxicity paints and sustainable wood products, said Stanley L. Alpert, a partner with law firm Constantine Cannon L.L.P. in New York.

While LEED "is a very nice way for people to identify a green building, it's not the only way," he said.

Angie Fuqua, Dallas-based senior property specialist with Chubb Corp., said building owners should keep in mind that green building codes are secondary to building and fire codes. You could conceivably get credit under a green rating system code "for something a fire code or building won't let you do," she said.

Green buildings pose myriad risks

Risk managers grapple with evolving issues

By JUDY GREENWALD

Companies and organizations that want their buildings to be "green" face a challenging set of exposures. The intertwining risks can affect a company's financial, regulatory and legal well-being.

Risk managers also face exposures from a building's performance during and after construction as well from the consultants and advisers involved in bringing these often complex projects to fruition.

Insurers to a large degree offer coverage in this area—typically in the form of added endorsements,

See **RISKS** page 17

NEW CONSTRUCTION

$120 billion to $145 billion by 2015*

BUILDING RETROFIT

$14 billion to $18 billion by 2015*

*Projected

Source: The Green Outlook 2011: Green Trends Driving Growth Through 2015, McGraw-Hill Construction

GREEN GROWTH

*Green building as a percentage of total commercial construction**

*Projected

Source: Green Building Facts, U.S. Green Building Council, 2012

7 World Trade Center leads green trend

Developers work hard to win support from insurance market

By MATT DUNNING

CASE STUDY

New York's 7 World Trade Center has been a building of firsts.

The first permanent office space built at the World Trade Center site following the Sept. 11, 2001, terrorist attacks, the 52-story tower at 250 Greenwich St. also was the city's first office building to be certified by the U.S. Green Building Council's Leadership in Energy & Environmental Design program.

Although its developers and builders are quick to tout 7 WTC's pioneering environmentally sustainable commercial space in New York, that same distinction generated several unique challenges for risk managers and other executives involved in the tower's construction and operation.

"When you're the first at anything, it's always difficult to explain to people what that means in theory, and the LEED features were no exception," said Dara McQuillan, a senior vp at Silverstein Properties Inc., the tower's developer and owner.

Mr. McQuillan noted that the LEED program was just three years old when Silverstein began initial planning for the tower, which had substantial implications for its insurance programs during and after construction, as well as its leasing and marketing strategies.

"Remember, the building was designed in 2001 and 2002, when most of the market hadn't even heard of LEED certification or the U.S. Green Building Council," Mr. McQuillan said.

Designed by Chicago-based Skid-

See **WTC** page 18

SPECIAL ISSUE

EXPLORING THE RISKS OF GOING GREEN

The growing green construction industry holds promise for businesses and organizations that desire an environmentally friendly footprint, but it also presents risks.

Exposures include financial, regulatory and legal risks.

For instance, partner contracts must be evaluated carefully, and companies need to be aware of the added costs green construction can entail.

Furthermore, regulations are multiplying and risk managers face the challenge of post-construction results not living up to their billing.

Firms also must decide whether to pursue green building certification through the Washington-based Leadership in Energy and Environmental Design program, which has become the dominant certification program in the green construction arena. Risk managers also must beware of falling victim to "greenwashing," where misleading information is disseminated to establish an environmentally friendly public image.

Insurance coverage is readily available, although there are various issues that may expose gaps in the coverage.

Meanwhile, a *Business Insurance* survey that also is part of this theme issue has found that even among companies with green goals, many executives are unaware that green building insurance and endorsements are available.

This special issue of *Business Insurance* explores all the risks facing companies as the embrace green construction and details how to manage those risks.

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Insurers develop appetite for LEED buildings

Underwriters view sustainable projects as good business

By MIKE TSKOUDAKIS

Insurance coverage for green buildings and practices is readily available, though pricing and capacity are dependent on the specific sustainable design risk.

And as sustainable design has gained traction, many design professionals have Leadership in Energy and Environmental Design certification in mind when designing new projects, buildings and structures.

Brian Ruane, executive vp and national real estate and hotel practice leader for Willis Group Holdings P.L.C. in New York, said he has not seen a pushback from insurers indicating they don't want to insure sustainable design.

"As a matter of fact, underwriters for the most part see the trend toward green as positive," Mr. Ruane said, noting that insurers consider green buildings better risks that offer a healthier work environment, which can lower workers compensation claims.

"The quality of the asset is just above average when it's a LEED-certified building, so they don't really push back," he said.

Karen Erger, vp and director of practice risk management for Lockton Cos. L.L.C. in Kansas City, Mo., said that from a professional liability standpoint, "there are a lot of carriers in the market."

"I don't know of any that are specifically saying that 'we don't have an appetite for clients who are working with sustainable design,'" she said.

While green risk coverage is widely available and written as an endorsement to larger policies, capacity and pricing varies, experts say.

"It all depends on the risks," Mr. Ruane said. "I would say we never had any challenges relative to limits and capacity when we talk about this issue."

When it comes to capacity, Walter Wilk, managing director and real estate practice leader at Wells Fargo Insurance Services

See **COVERAGE** page 20

MANAGING GREEN RISKS

Risk managers have concerns about their green coverage. *Percentage of risk managers with green building-specific concerns:*

CONCERN	% OF RISK MANAGERS
Not sure what is and isn't covered	29%
Concerned coverage is too restrictive	14%
Not sure if have proper endorsements	11%

Source: 2012 Business Insurance's Green Building Risks Study

Many unaware of green cover

Firms don't know options, brokers fail to inform: Survey

By JUDY GREENWALD

Many firms with green goals are unaware that green building insurance and endorsements are available, a *Business Insurance* survey has found.

Furthermore, brokers apparently are not taking the lead in providing such information to clients, according to the online survey of executives at 315 firms, three-quarters of which had risk management titles.

The survey, which was conducted in June, solicited responses from individuals who influence and participate in insurance decision-making in a wide range of organizations, including manufacturing, governmental and educational services.

Fifty-nine percent of the respondents said their companies have green goals and are actively working to achieve them. Twenty-one percent said they are working on a plan to achieve their green goals.

Aside from environmental benefits, 41% said increasing brand and company reputation and image are the second-most important benefit of having green goals and programs. Some 26% cited changing the company's mindset in devising future programs as a reason for their green efforts.

However, when it came to their commercial property insurance, 36% said they are not sure whether it was designed for or includes green buildings. Thirty-four percent said it is not and only 30% said their coverage includes green buildings.

Of 212 respondents who said their commercial property insurance does not cover their green buildings or they were unsure about the coverage, 62% were unaware that green insurance or specific endorsements are even available.

The survey also indicated that brokers are not taking the lead in providing information to clients. Of those who have green insurance, 32% said they searched themselves for the coverage. Only 28% said a broker advised them to switch to green coverage or add an endorsement for green features.

For most, having green coverage is relatively new, with 53% saying they have had it for one to two years. Only 5% have had it for more than five years.

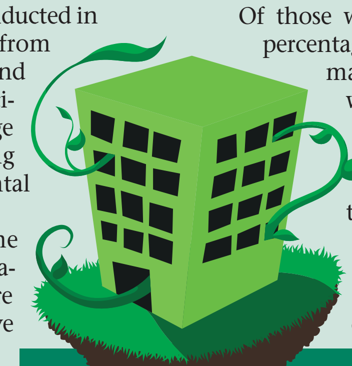
Of those with such coverage, the biggest percentage, 29%, indicated that their primary concern is understanding what is and is not covered.

With multiple responses permitted on past or planned efficiency efforts through their green programs, 73% of the respondents cited lighting; while 60% identified heating, ventilation and air conditioning; 57%, water conservation; and 55%, building structures and envelopes.

Asked which green programs are in place or being considered, 71% identified waste reduction; 62%, energy efficiency; and 55%, water efficiency.

And when it comes to achieving green goals, 41% said their greatest concern is achieving the company's return on investment targets and green goals at the same time. Forty percent said they are concerned about short-term and long-term costs.

However, when asked which actions the company is taking to protect its green goals, only 37% said they were taking any of the suggested actions. The next highest percentage, 30%, said they are reducing uncertainty and ambiguity in building and maintenance contracts by clearly outlining the green requirements in building materials, equipment and products. Only 28% said they are using a third-party rating system.



80% of companies have or are considering green building programs

59% currently have a green building program

21% are evaluating green building programs

Source: 2012 Business Insurance's Green Building Risks Study

DEPAUL UNIVERSITY

The Andrew J. McGowan Science Building at DePaul University in Chicago has earned LEED gold certification.

Unique risks created by green laboratories

DePaul University boasts LEED gold science building

By MIKE TSIKOUDAKIS

CASE STUDY

In 2009, DePaul University's Andrew J. McGowan Science Building earned the U.S. Green Building Council's Leadership in Energy and Environmental Design gold certification—a significant accomplishment, as laboratory facilities are large consumers of energy and other resources.

The building, known as McGowan South on DePaul's Chicago campus, opened in January 2009 and was the first university science building in Illinois to achieve sustainable designation from the Washington-based U.S. Green Building Council.

Green features of the 130,000-square-foot facility include high-reflectance materials used in roofing and pavement fabrication, a green roof with two greenhouses and a planted garden, and the use of more than 25% recycled materials in construction, among others.

But while LEED certification does not specifically increase exposures for school properties, laboratory settings do, said Mark Titzer, associate vp at DePaul University in Chicago, whose responsibilities include risk management.

And sustainable construction efforts need to be modified to accommodate these exposures.

"Like any building that features laboratory equipment such as gas ports and open burners, there is inherently more risk than with a

See **LABS** page 17

Errors & Omissions

The ranking of the world's 10 largest insurance brokers in the July 16 issue of *Business Insurance* incorrectly identified the chief executive of Wells Fargo Insurance Services USA Inc. Laura Schupbach is executive vp and head of Wells Fargo Insurance Services USA Inc., which includes the company's insurance brokerage.

THE BUILDING PLANS WE EXAMINED DIDN'T CALL FOR CUTTING CORNERS.

INDUSTRY:
WHOLESALE

CUSTOMER:
LUMBER AND BUILDING SUPPLY COMPANY

CASE OBJECTIVE:
HELP DEFEND CUSTOMER AGAINST AN UNWARRANTED LAWSUIT

CASE SPECIFICS:

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Insurance cover often falls short for green projects

Evolving liabilities not always covered by available policies

By MIKE TSIKOUDAKIS

As the economy shows signs of improvement and more green building projects are in the works, various issues may arise that expose gaps in the insurance covering such risks.

"The coverage problem that we see is a very basic one," said Karen Erger, vp and director of practice risk management for Lockton Cos. L.L.C. in Kansas City, Mo. "It's really a guarantee problem."

For example, when an architect agrees to design a structure, building owners sometimes require that one of the objectives is to obtain a certain level of Leadership in Energy and Environmental Design certification.

"The designer needs to stop short of guaranteeing that result both because of the coverage issue and because they don't control the outcome," she said, noting that guarantees are not insurable under professional liability policies and LEED certification is a third-party process that also involves how the contractor builds the site and how tenants use the space.

A related problem is promising that the building will achieve a particular level of energy savings, a guarantee that also is challenging to insure, Ms. Erger said.

Program administrator Energi Insurance Services Inc. in 2010 offered coverage for energy retrofit contractors that design and install energy conservation systems, such as lighting controls and energy management systems and guarantee savings over a specific contract term.

"Our energy savings warranty program directly backstops that performance guarantee," said Megan McCarthy, business development manager for Energi in Peabody, Mass.

"We took a different approach and created in-house engineering reviews to help reduce cost of premiums," Ms. McCarthy said, noting that the coverage is underwritten by Hannover Re Group.

But design professionals might find that deflecting guarantee promises to building owners is more difficult, experts say.

Five years ago, building designers could opt out of guaranteeing LEED certification because the process was subjective, said Thomas R. Petty, a Washington-based partner at Anderson Kill & Olick P.C., practicing in the area of commercial real estate with an emphasis on finance, leasing and sustainable development.

"It's now becoming less subjective and more and more buildings are being certified and more and more design professionals and contractors are getting comfortable enough that they can be in a position of guaranteeing that their work will achieve that goal," Mr. Petty said.

Still, if the building fails to meet the sustainable level required, "then somebody is going to be liable. As far as I know, insurance is not available to cover that liability," he said.

While such risks have been around for 10 to 15 years, there's been very little litigation about sustainability issues or failure to meet expectations in the construction industry, Mr. Petty said.

"I think because there is not a lot of litigation, there's not a lot of law that has established liability and therefore there's not a lot of insurance to cover that liability," he said.

Another coverage implication facing risk managers involved with green projects is replacement costs of sustainable materials after a loss, experts say.

"Green construction involves specialized materials and methods that will increase the cost and sometimes, the installation time, over other construction methods," said Jeffrey Beauman, Factory Mutual Insurance Co.'s Johnston, R.I.-based vp and manager of all-risk underwriting. The insurer does business as FM Global.

"Most policies will not recognize the increased costs," he said. "The policy should have valuation wording that specifically recognizes the increased cost of green materials."

Green wording is available mostly through endorsements to larger policies instead of standalone forms, experts say.

"From a property standpoint, you have to make sure that you have the proper endorsements if

See GAPS page 17

Failure to deliver on green promises creates big problems for owners

By JUDY GREENWALD

A project owner wants to do a green retrofit to a commercial building.

The owner seeks the gold certification of the Washington-based U.S. Green Building Council's Leadership in Energy and Environmental Design program.

The owner signs up a tenant to a 20-year lease conditional on that gold certification.

But the contractor fails to incorporate the promised green products into the building. As a result, the owner does not get the gold certification and the owner loses the tenant, which has a corporate mandate to be in a LEED-certified building.

Furthermore, because the construction loan is based on that tenant's occupancy, the owner may lose the property itself in foreclosure as well.

This scenario is presented by attorney Richard J. Sobelsohn, an associate with New York-based Moses & Singer L.L.P. in his construction law classes.

It illustrates the problem of greenwashing, which experts say is endemic in the green

See GREENWASHING page 19

Investigate consultants on projects

Key contributors need experience

By JUDY GREENWALD

Owners of green buildings who rely on consultants to coordinate all green aspects of a building under construction should thoroughly vet outsiders' ability and experience before taking that step, observers say.

Edward B. Gentilcore, a shareholder and director with law firm Sherrard, German & Kelly P.C. in Pittsburgh, said a green construction coordinator is akin to the "conductor of the grand green orchestra."

They are the focal point of communications related to green sustainability with regard to the project. They communicate with the owner in the project's earliest phases and coordinate communication with the architect, Mr. Gentilcore said.

This person is "essentially the true coordinator of the actual certification process if it takes that path," he said in referring to the Washington-based U.S. Green Building Council's Leadership in Energy and Environmental Design program.

Keith Jurss, Chicago-based senior vp of professional liability for the national construction practice of Willis North America Inc., said, "There's an increased cost to the owner in that you've got to hire someone whom you wouldn't otherwise hire to get to this green status you're looking for."

Some architects and engineers "offer that as an ancillary service to what they do on the design side as well," he said.

The associated risk is if they do not do a good job of getting the building owner what is needed, changes will have to be made and paid for "to get to the status that you were hoping for," he said.

Rod Taylor, Windermere, Fla.-based managing director of Aon Corp.'s environmental services group, said, "If you had somebody that was a facilitator for the process, you should be concerned about, No. 1, their qualifications."

Also important is "whether they have professional liability insurance that would protect them in the event a claim was taken against them for actions they took that resulted in the failure of the building to perform to certain standards or in connection with the design standards or faulty construction," Mr. Taylor said.

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Opinions

EDITORIAL

Teamwork key on green risks

Companies that want to "go green" face a daunting set of challenges. As we point out in this week's Exploring the Risk of Going Green special issue of *Business Insurance*, embarking on green construction, while highly commendable, also creates its own set of financial, regulatory and legal exposures before, during and after the construction.

Risk managers, for instance, must be cognizant of the additional costs that green construction can entail and their drivers, as well as developments that could create additional costs if projects are not well-managed.

There is at least some help available, though.

Insurance for green buildings and practices is readily available, with numerous insurers in the market eager to provide coverage. In fact, underwriters see the trend toward green as positive, and there is general agreement capacity has not been a problem.

However, many risk managers apparently are unaware of this coverage.

A survey conducted for *Business Insurance* found that among respondents who said either their commercial property insurance does not cover green buildings or they were unsure about their coverage, more than half were unaware that green insurance or specific endorsements are even available.

The survey also indicated that perhaps brokers could be doing a better job of helping their clients in this area. Of those who have green insurance, more said they had searched themselves for the coverage than had been advised by a broker to switch to green coverage or add an endorsement for green features.

Perhaps it is only a matter of time before more risk managers get green insurance. Most of those who have the coverage say they have had it for only one or two years, and only a handful say they have had it for more than five years.

Clearly, though, there's some room for improvement here. With the help of their brokers, risk managers who already have embarked or plan to launch a green construction project would do well to actively investigate the coverage options available to them. To revive a well-worn cliché, it could only be a "win-win" situation for everyone involved.

LETTERS

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SCHILLERSTROM

COMMENTARY

Sustainability comes with a price

It's not uncommon for efforts that solve one problem to wind up creating another. Or, sometimes, more than one.

For companies interested in addressing sustainability issues through their buildings or the companies designing and constructing those facilities or providing many of their key components, such seems to be the case.

The trend toward doing right by being green has created its own set of potential pitfalls in terms of flawed construction materials or techniques, buildings that fail to meet the promised certification standards and the different maintenance costs that might be required for green building components. And that's not to mention the potential replacement cost should disaster strike.

RODD **ZOLKOS**
SENIOR EDITOR

Many of the problems stem from the newness of the notion of green building, at least among many of the businesses and organizations looking to build sustainable facilities. Relying on materials and techniques that have not yet been time-tested or applied on the scale to which they're now being utilized can lead to unforeseen problems or failures.

Sounds kind of like a no-good-deed-goes-unpunished scenario, doesn't it? Under the circumstances, why go to the added trouble, risk and expense of choosing a green building instead of traditional construction? Well, for the organizations taking the step, the most common motives are doing right by the environment and making the best use of limited resources.

The fact that the buildings could produce energy cost savings, provide tax credits or zoning preferences, and may even offer marketing advantages in attracting tenants or customers eager to associate themselves with a green-oriented property owner are among the potential benefits.

There also could be purely practical considerations, such as systems providing for more efficient water use in areas in which water demand threatens to soon outstrip supply, for example.

As for the problems? The good news, of course, is that there is risk management. Taking steps to understand the potential exposures in green construction and tapping resources that can help the organization do so are important first steps. Attention to contract wording and managing potential contractual risks with the various professionals and builders associated with a green building project also are essential.

Once the buildings are in place, it's necessary to understand how the operations and maintenance requirements of green systems might differ from those of traditional facilities. It's also necessary to collect the data required to maintain various green certifications, such as a Leadership in Energy & Environmental Design designation.

Then there's insurance. Insurance for green construction appears to be widely available and, as a history develops around green buildings, insurers are likely to fine-tune offerings and pricing.

So for organizations looking to green construction to be part of the environmental solution, there are answers to the various problems.

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Perspectives

One important question for companies participating in green construction processes to ask is whether they have have sufficient insurance to protect against anticipated and unforeseen risks. Linda D. Kornfeld, a partner with Jenner & Block L.L.P., discusses how businesses can evaluate the specific risks they face and select the coverages that suit them best from the growing list of available products insurers are offering.

Insurance considerations in green construction

Ms. Kornfeld

Proactive risk management considerations today could pay off multifold tomorrow.

By Linda D. Kornfeld

Once a novel concept, green construction is becoming mainstream. In fact, it has been estimated that green construction would increase 400% in 2013 compared with 2011. As with any developing industry, the attendant risks and liabilities develop over time. So, too, do the options to spread the risk of such an exposure.

Not surprisingly since the first U.S. green insurance product was introduced by Fireman's Fund Insurance Co. in 2006, many insurers have entered the fray to offer additional coverage options to address potential exposures. An important question for companies participating in the green construction process is whether they have sufficient insurance to protect against anticipated and unforeseen risks. In fact, proactive risk management considerations today could pay off multifold tomorrow.

An important component is an insurance audit to determine the scope of existing coverage and how to fill any gaps. As with any business activity that may create new exposures, insurers are quick to offer specialty coverage to address that risk. Until the market for those products expands, however, they can be quite expensive.

Without a full appreciation of its own unique exposures, it is difficult for a company involved in green construction to know what specific specialty coverage may be necessary and if the cost is reasonable. Cyber security coverage is an analogous situation. As cyber risks became more prevalent, several insurers offered expansive but expensive protection. Many companies, validly concerned about their potential exposure, have purchased specialty coverage that either did not address that company's unique cyber risks or "overinsured" the company.

For example, until case law developed, many companies were more likely to face liability for cyber breach response costs (e.g., expenses associated with credit monitoring, investigating and stopping the breach, and public relations) as opposed to litigation costs. As a result, for some companies, specific cyber security litigation insurance may not be necessary.

Additionally, broad cyber coverage may not be necessary in some instances because adequate protection is provided by traditional coverages, such as commercial general liability, business interruption, errors and omissions liability, directors and officers liability, media liability or crime insurance. Companies that have conducted coverage audits before adding specific cyber security protection to their insurance portfolio have been able to most cost-effectively insure against those risks.

The same holds true for green construction risks. Before companies pay expensive premiums for policies or endorsements to their existing policies that address green exposures, they should evaluate the specific risks they face and, thus, the type of specialty coverage that may be appropriate. Before going to market, the company should evaluate its traditional coverages to determine how they will respond to the identified risks. Then a company can determine specific green insurance products to purchase. If the existing coverage is potentially adequate, then the need for additional protection may be limited.

For example, with respect to first-party coverage, it may not be immediately apparent that additional protection is necessary. However, specific green endorsements or coverage could provide important protection for a property loss at a green building.

Consider a fire that causes substantial damage to a building that was constructed pursuant to green standards. To rebuild, significant portions of the building must be removed and destroyed. Many property policies contain coverage for "debris removal;" often, an additional policy limit applies to pay for such removal. Debris removal provisions in many policies will pay for "reasonable and necessary" expenses incurred in removing debris from the covered property, but what constitutes "reasonable" may require the policyholder to send the destroyed property to a landfill.

With green materials, policyholders may be required to do more than that. In many instances debris cannot simply be disposed of inexpensively. Instead, the policyholder must expend additional sums to recycle "debris." "Recycling" debris may not be covered by certain policies. However, many green coverage endorsements will pay for "the reasonable and necessary additional cost incurred by the insured for green removal, disposal or recycling of damaged insured property."

Whether this additional coverage is necessary will depend upon the breadth of the debris removal coverage contained in the policyholder's existing property policy.

Another example where additional coverage may be important is with respect to business interruption losses. Business interruption policies typically will pay for lost profits during a defined "period of indemnity"—the time that it reasonably should take the insured to replace or repair its property before it can return to normal business operations. With respect to a damaged or destroyed green building, the reconstruction process can take longer, possibly substantially so, due to needs to comply with certification issues, possible delays in obtaining special materials, the need to use special equipment and consultants, and other reasons.

Traditional property policies often apply a "reasonableness" standard to ascertain the proper period of indemnity during which the policyholder is entitled to reimbursement. Without specific allowances for rebuilding under green standards, which could lead to delays, an insurer may argue that the building could have been completed and the policyholder back in business sooner if it rebuilt in nonconformance with green requirements.

Again, whether the policyholder may need additional protection with respect to its business interruption coverage will depend on the scope of its current coverage and whether the period of indemnity in that policy can be argued to include a consideration of green reconstruction. And if the policyholder decides that green coverage is necessary, it should be careful to ensure that the policy it purchases defines "green" in a manner that provides maximum protection. It may be that the policy definition is not sufficiently broad to address the policyholder's specific needs.

The same is true with respect to whether the policyholder's property coverage will pay for additional costs associated with rebuilding a green building, such as more expensive materials, the need for specific consultants to ensure that the construction is in compliance with green standards, extra costs associated with air filtration issues and other costs, or additional amounts to meet new green standards that have developed since the building first was constructed.

Someday, building green and the attendant expenses may be the norm. Until then, insurers may argue against reimbursing the additional green expenditures. However, until a policyholder conducts a detailed review of existing property coverage, it may be difficult to determine the extent to which additional protection is necessary. As the risks attendant to and potential liabilities associated with green construction continue to develop, so too will the availability of specialty coverage to address the risks.

As more insurers enter the market, the cost of such insurance products will decrease. However, before a policyholder spends additional premium dollars on this coverage, it should audit its specific business risks and its existing insurance policies to ensure that it does not "overinsure" against its green risks.

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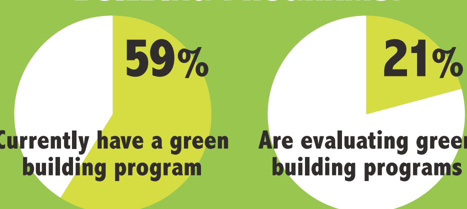
- **13%** lower maintenance costs

Source: Green Building Facts, U.S. Green Building Council, 2012

80% OF COMPANIES HAVE OR ARE CONSIDERING GREEN BUILDING PROGRAMS:



Sample = 315

Source: 2012 Business Insurance proprietary Green Building Risks Study

BRAND REPUTATION INCREASES:

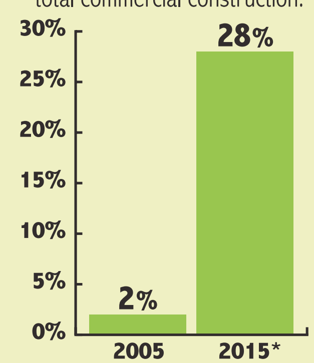
41%

Percentage of companies surveyed by *Business Insurance* indicating brand reputation as the second most important benefit (besides environmental) of having green building initiatives. Perception of an increase in brand reputation was higher (51%) among the largest companies.

Source: 2012 Business Insurance proprietary Green Building Risks Study

GREEN BUILDING EXPECTED TO CONTINUE:

Green building as percent of total commercial construction:



*Source: Green Building Facts, U.S. Green Building Council, 2012 *projected*

NEW CONSTRUCTION:
$120 billion to $145 billion by 2015*

BUILDING RETROFIT:
$14 billion to $18 billion by 2015*

*Source: The Green Outlook 2011: Green Trends Driving Growth Through 2015, McGraw Hill Construction *projected*

AWARENESS OF GREEN INSURANCE COVERAGE IS LOW AMONG POTENTIAL USERS:

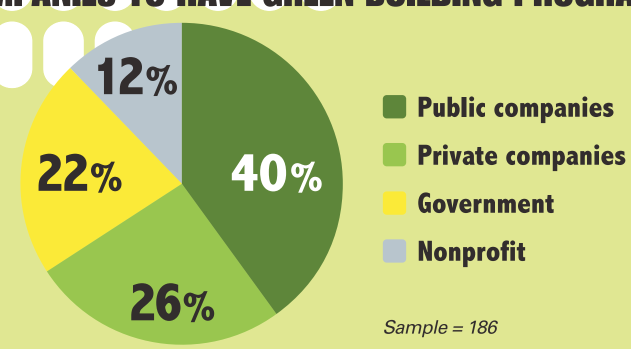
62% of companies evaluating green initiatives or with no current green programs are aware of green insurance/endorsements

BROKERS ARE NOT TAKING THE LEAD IN PROVIDING INFORMATION TO CLIENTS:

32% **22%** **28%**

GREEN PROGRAMS BY COMPANY TYPE

PUBLIC COMPANIES ARE MORE LIKELY THAN OTHER COMPANIES TO HAVE GREEN BUILDING PROGRAMS:



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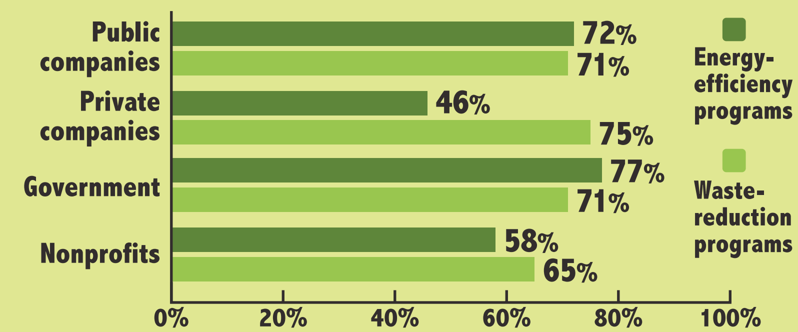
PROGRAMS IN PLACE:

Adoption of specific green programs varies across company type:



of companies with green insurance/endorsements searched for the coverage themselves

of companies heard about green insurance/endorsements from consultants

of companies received information from a broker

MAJORITY OF POTENTIAL USERS BELIEVE THAT GREEN ENDORSEMENTS/COVERAGE IS PART OF THEIR STANDARD P/C COVERAGE:

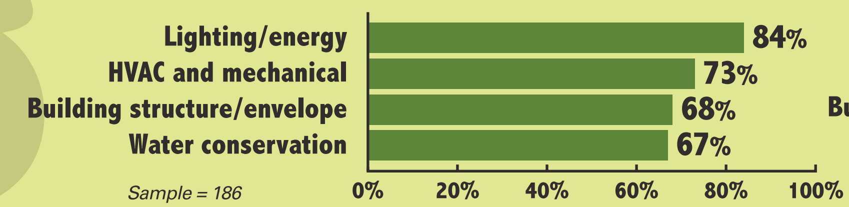
70% of companies evaluating green programs or with no current green programs believe standard P/C insurance covers green risks

20% of companies believe green building coverage is not offered by current insurance company

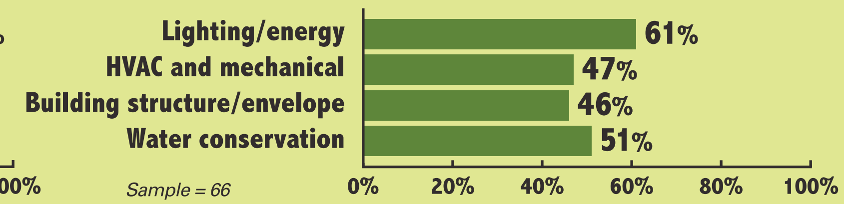
Source: 2012 Business Insurance proprietary Green Building Risks Study

MOST COMMON GREEN BUILDING PROGRAMS:

PROGRAMS IN PLACE



PROGRAMS UNDER CONSIDERATION

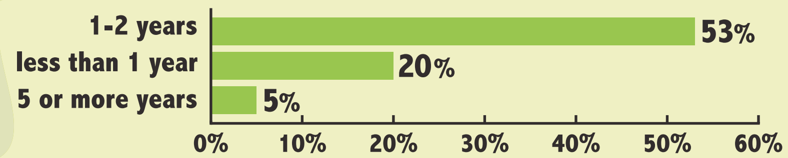


Source: 2012 Business Insurance proprietary Green Building Risks Study

MANAGING GREEN RISKS

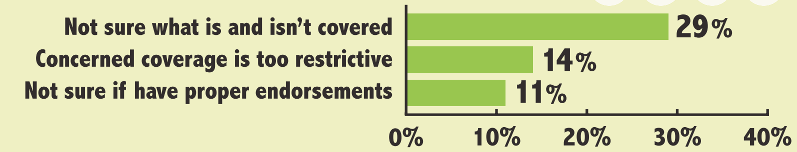
RISK MANAGERS HAVE LIMITED EXPERIENCE EVALUATING GREEN RISKS INSURANCE:

Experience of risk managers with green insurance/endorsements:



RISK MANAGERS HAVE CONCERNS ABOUT THEIR GREEN COVERAGE:

Percentage of risk managers with green building-specific concerns:



Source: 2012 Business Insurance proprietary Green Building Risks Study

PROTECTING GREEN PROGRAMS

PROTECTIONS IN PLACE:

The majority of companies with green initiatives (61%) are taking specific measures to protect their green initiatives.

30% have designed specific contracts with construction or maintenance companies to better protect the construction and maintenance of green buildings

28% are using external ratings or certifications to help them to achieve green goals

23% have invested in monitoring systems to optimize their green initiatives

20% are making sure that their property/casualty insurance adequately protects their green buildings/programs

ACHIEVING GREEN GOALS IS A CONCERN FOR SOME COMPANIES:

Simultaneously achieving ROI and green goals is a concern for public and private companies.

Public companies 54%

Private companies 40%

Nonprofits are more concerned with proper selection than availability of green products/materials.

Availability of products/materials 25%

Proper products/materials selection 40%

Managing green program costs and selecting the right products/materials are primary concerns for government entities:

Short-term costs .... 52% **Long-term costs** .... 56% **Selection** 52%

Source: 2012 Business Insurance proprietary Green Building Risks Study

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30 ▲ ✦
Catastrophe Management
Property Loss Consultants
Ad/Materials Close: July 18

August

6 ✤ ▲ ✦ ■
Pharmacy Benefit Management
Bonus Distribution: VCIA
Ad/Materials Close: July 25

13 ● ▲ ✦ ■
Theme Issue: Tackling the Toughest Workers Comp Claims
Top Third-Party Administrators
Ad Readership Study
Ad/Materials Close: Aug. 1

20- 27 ● ▲ ✦
Industry Financials, Midyear Results
Ad/Materials Close: Aug. 8

September

3 ● ■ ✦
Insurer Capital Management
Bonus Distribution: RVS
Ad/Materials Close: Aug. 22

September (cont.)

10 ● ▲ ✦ ■
Theme Issue: Strategic Risk Management
Bonus Distribution: Einsurance Symposium
Ad/Materials Close: Aug. 29

17 ▲ ✦
Global Programs Reinsurance: Rendez-Vous Report
Bonus Distribution: IUMI
Ad/Materials Close: Sept. 5

24 ● ■
Quarterly Technology Focus: Enterprise Risk Management 2.0
Ad/Materials Close: Sept. 12

October

1 ● ■
Middle Market Risks & Local/ Regional Broker Leaders
Bonus Distribution: CIAB, SIIA, NRRA
Ad/Materials Close: Sept. 19

8 ▲ ✦
Excess & Surplus Lines Report
Surplus Lines Insurers
State excess/surplus lines taxes
Bonus Distribution: NAPSLO ASHRM, JIF
Ad/Materials Close: Sept. 26

October (cont.)

15 ▲ ✦ ■
Theme Issue: Developing and Attracting Talent
Ad/Materials Close: Oct. 3

22 ✦
Reinsurance: Trends & Issues
Bonus Distribution: PCI
Ad/Materials Close: Oct. 10

29 ● ■
Quarterly Technology Focus: Claims Management Solutions
Bonus Distribution: TMPAA
Ad/Materials Close: Oct. 17

November

5 ▲ ●
Employment Liability Risk Management
Bonus Distribution: PLUS
Ad/Materials Close: Oct. 24

12/19 ● ■ ▲ ✦
Theme Issue: Mid-market Construction Risks
Bonus Distribution: IRMI
Ad Readership Study
Ad/Materials Close: Oct. 31

26 ▲ ✦
Buyers Choice Awards
Ad/Materials Close: Nov. 14

December

3 ✤ ▲ ✦
Women to Watch
Bonus Distribution: BI's Women to Watch Workshop
Ad/Materials Close: Nov. 21

10/17 ● ✤ ▲ ✦ ■
Theme Issue: Wellness programs
Ad/Materials Close: Nov. 26

24/31 ✤ ▲ ✦
Market Sourcebook*/Year in Review
Ad/Materials Close: Dec. 12

Targeted Focus

- ● Corporate C-suite
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Green building rules increase regulatory risk

Governmental demands affect private projects

By JUDY GREENWALD

Public entities' growing interest in going green is resulting in more regulatory risk for building owners.

For instance, under the District of Columbia's Green Building Act 2006, all privately funded construction projects beginning this year are required to be certified under Washington-based U.S. Green Building Council's Leadership in Energy and Environmental Design program. Publicly owned, funded or financed projects already had to meet the requirement.

Rod Taylor, Windermere, Fla.-based managing director of Aon Corp.'s environmental services group, said statutory requirements that buildings meet LEED standards typically are applicable only to public buildings.

However, "There are cities that have ordinances that require that all buildings after such and such a date have to meet at least the LEED building standards, so you could wind up being in violation of some municipal ordinance related to the requirement to achieve certification," he said.

"The regulatory risk would be not achieving a level of green status that the municipality wants, and therefore having to go back and doing something different," said Keith Jurss, Chicago-based senior vp of professional liability for the national construction practice of Willis North America Inc. "There can also be increased costs in just entering that particular market," knowing that green, rather than standard, construction is required.

Edward B. Gentilcore, a shareholder and director with law firm Sherrard, German & Kelly P.C. in Pittsburgh, pointed to the California Green Building Standards Code that went into effect on Jan. 1, 2011, and is commonly known as CalGreen.

"If I violated it now, am I at risk of not getting my occupancy permit due to a failure to achieve compliance with CalGreen? I would argue yes, to the extent these green requirements are incurred as part of any local municipal building code," he said.

Furthermore, failure to comply with, for instance, a certain standard of storm water control could put the success of obtaining the certification at risk, he said.

In addition, some municipalities want such buildings constructed on brownfields rather than uncontaminated land, Mr. Jurss said, which increases the potential for "increased costs associated with having to assess and evaluate what might be a previously contaminated sites that need to be remediated" before construction can begin.

Appropriate environmental remediation is required, as is regulatory approval before building on a brownfield, "so there could be increased costs associated with that," Mr. Jurss said.

Post-building performance requires ongoing vigilance

By JUDY GREENWALD

Does an environmentally friendly building live up to its advance billing?

That's a longer-term exposure that risk managers and others overseeing green construction face in weighing a structure's actual performance, tapping several measures to make their conclusions.

Issues of concern include just how energy efficient heating, air conditioning and ventilation systems are, as well as the extent to which products incorporated into green buildings live up to their energy-saving promises.

Once energy-saving systems in a building are installed, you can't "just walk away," said David Cohen, Novato, Calif.-based senior product director for commercial property insurance at Fireman's Fund Insurance Co. Such systems need to be tuned up on a regular basis, he said.

Rod Taylor, Windermere, Fla.-based managing director of Aon P.L.C.'s environmental services group, said green performance standards generally include factors such as energy and water usage, waste generation and recycling.

"Those are the things you typically promise," which are a financial risk for the building owner. However, "You can get more exotic performance requirements, particularly if you have some sort of more advanced heating system," such as a geothermal system or solar panels, Mr. Taylor said.

When it comes to green construction, "you're expecting energy efficiency gains and water usage efficiency gains," said Dan Knise, president and CEO of Ames & Gough, a McLean, Va.-based insurance broker and risk management consulting firm. The U.S. Green Building Council, which established the Leadership in Energy and Environmental Design program, is putting more emphasis on tracking efficiency gains in buildings with a silver, gold or platinum certification.

This clearly creates the potential for litigation, Mr. Knise said. While there has not been a lot of litigation on this issue to date, "down the road, we're pretty convinced there will be litigation." because some supposedly green buildings are not living up to their promised energy efficiency.

Edward B. Gentilcore, a shareholder and director with law firm Sherrard, German & Kelly P.C. in Pittsburgh, said, "To the extent there are these emerging or innovative technologies" regarding heating, air conditioning and ventilating systems or heat recovery or heat pump units, "if those systems do not ultimately perform" and operate more efficiently than the average systems, "then it's going to come down to an issue about whether or not that's from the design of the units," their construction "or the actual units themselves."

Keith Jurss, Chicago-based senior vp of professional liability for the national construction practice of Willis North America Inc., said collecting damages from those involved in choosing or installing a lighting or HVAC system that does not meet efficiency expectations may be difficult.

"Unless the manufacturers of those products are giving you some kind of warranty or guaranty, it's a little bit of a challenge. I don't think the contractors and consultants are going to be able to do that and have it insured," Mr. Jurss said.

Risks associated with various new products that are incorporated into the green building process are "huge," said Jeffrey M. Slivka, chief operating officer at Bordentown, N.J.-based New Day Underwriting Managers L.L.C.

"A lot of them may not be proven. A lot of them may be used incorrectly" because people "are not familiar with how to use them and they may not work," he said.

Some manufacturers, though, may be able to insure some of this risk, Mr. Jurss said.

"Sometimes, for specific products, it's easier for them to get insurance that might back their deal," Mr. Jurss said. "I think you've got to look to the manufacturer of the products, contractors and consultants to make sure you understand what's guaranteed and what's not."

Perspectives

While buildings have always been designed with some element or demand of functionality, shelter and efficient usefulness, the demands of society, the environment and energy appear to have converged behind the hyper-development of green buildings and facilities, says Edward B. Gentilcore, chair of the construction services group of law firm Sherrard German & Kelly P.C. But with these rapid changes in green building products and the unique nature of green construction, have construction contracts kept up to address and limit the exposures and potential liability associated with such projects? It appears we are getting there, he says.

Liability issues evolving for green building projects

Mr. Gentilcore

What has happened rapidly in the green building area has not been met with an equal evolutionary phase regarding contractual management of the risks associated with these projects.

By Edward B. Gentilcore

At a time slightly more than a decade in the making, there have been dramatic changes felt in the design and construction community when it comes to the creation and use of buildings.

While buildings were always designed with some element or demand of functionality, shelter and efficient usefulness, the demands of society, the environment and energy appear to have converged behind the rapid development of a new generation of buildings and facilities.

These newest structures would be expected and required to lessen the impact on the environment surrounding the buildings, reduce the disposal of waste and use of scarce materials, maximize the efficiency of the buildings' consumption of water and electricity, and provide those using these buildings with enhanced lighting, air quality and overall livability.

What once was an initiative promoted largely by nonprofit entities such as the U.S. Green Building Council and the Green Building Initiative, assisted in part by incentives provided at the local, state and federal levels, green and sustainable building is enmeshed in the basic fabric of design and construction of many public and private buildings.

The most recent growth in this area is likely the result of incorporating requirements into building codes and other ordinances requiring that some level of green and sustainable achievement is necessary, if not mandatory.

But what has happened rapidly in the green building area has not been met with an equal evolutionary phase regarding contractual management of the risks associated with these projects. Furthermore, because of the unique nature of green design and construction, including but not limited to the use of technologically innovative materials and equipment, parties to these projects face uncertain exposures and potential liability well beyond that associated with traditional versions of the building process.

There are three main points that can be emphasized as distinctions when encountering a green/sustainable project development.

First, emerging technologies that will be encountered on these projects include materials and equipment that are not yet proven in actual use and operation.

A second unique feature is that certain aspects of green performance and success depend on a close interrelationship and coordination of performance between the design and construction teams.

A third key element driving risk in sustainable design and construction emanates from incentives supplied to fuel these projects and that many of these previously "voluntary" consensus standards more recently are finding their way into mandatory building code requirements.

Having to conquer the associated risks could be viewed by some as a complete disincentive to considering a green or sustainable path for their next project. However, almost revolutionary developments have occurred in the past several years in the green contract arena to address many concerns and provide project participants a greater understanding of and security regarding successfully achieving a green project goal.

The earliest step in this evolution revolution was the American Institute of Architects' Document B214-2007, Standard Form of Architect's Services: LEED Certification. The document is to be utilized in combination with existing architectural agreements when the architect's services were also to include professional advice, assistance and performance related to seeking and obtaining the Leadership in Energy and Environmental Design certification. While B214 was a good first step toward recognizing issues to be addressed at least on a LEED-centric project, it was not designed to address consequences associated with failing achieve LEED certification.

Following in the footsteps of B214, the AIA undertook significant revisions to its other standard forms of agreement, including Document B101-2007 Standard Form of Agreement Between Owner and Architect. While not focused exclusively on green/sustainable projects, this document still embraces them by requiring the architect to engage the owner in a dialogue over what to incorporate into the project in terms of green and sustainable measures.

B101's language has been viewed by many as an outright commitment by the AIA to green/sustainable design and construction. These provisions have also been noted by others as the beginning of a cautionary tale, namely that architects now are facing an evolving standard of care and must embrace the reality of elements of green design that will be incorporated into their next project.

Perhaps as a partial reaction to that concern, the AIA recently issued Document D503-2011, Guide For Sustainable Projects, including Agreement Amendments and Supplementary Conditions.

While D503 is not, per se, a contract document under the AIA family of documents, it is a series of recommended modifications that are designed to address what the AIA now recognizes as a changed environment in which its members and other professional architects now perform.

Remarkably, the AIA went so far as to note in D503: "Furthermore, as more jurisdictions institute green building standards by code, the architect's standard of care may include requirements established by newly adopted code or practice. In other words, 'standard of care' is an evolving concept; as design professionals begin incorporating sustainable design practices as basic services (either voluntarily or through jurisdictional requirements), the architect's standard of care may eventually be construed to include those sustainable design practices as the accepted baseline standard or performance for the architect."

Clearly, this presents the overall risk in pursuing green design and building as an evolutionary concept and perhaps one better described as a moving target of responsibility. However, there is a benefit of recognizing this is an issue that must be addressed, and the AIA suggests language in the D503 for the design agreement and the construction contract documents that will position the parties in a much more certain way to achieve the project's sustainable goals.

An equally significant and almost revolutionary approach was taken by the ConsensusDOCS coalition, a group of leading construction industry organizations, in developing the 310 Green Building Addendum as one of the newer members of its own growing list of standard contract documents for project development and delivery.

The addendum emanated from a recognition that the law had not yet caught up with the technology evolution driving the explosion of interest in green/sustainable building. The addendum's approach focuses on managing information required to achieve success on these projects, including developing procedures that should be implemented during the planning, design and construction phases. It also facilitates submission of necessary information during the construction and substantial completion phases and as a part of the rating review or certification process, the latter being more typically associated with LEED or other green building rating programs.

ConsensusDOCS focused on developing the addendum so as to provide the maximum input to address challenges in developing green buildings, with an emphasis on the elevated risks of these projects; key design and development strategies; unique material, equipment and design considerations; allocation of responsibility; and balancing that responsibility with potential liabilities.

Continued on next page

CONTINUED FROM PREVIOUS PAGE

The addendum is intended to be appended to a host of documents used in the contracting process for most buildings, which enhances all parties' awareness of the project's green objectives, along with each participant's responsibility to achieve the desired results.

Another key feature of the addendum is establishing the green building facilitator. The facilitator can be an individual or an organization, but is not intended to be a part of the owner/developer team. The facilitator's role is one of coordination, cooperation, collaboration and documentation of the project's design, construction and certification for the project team and the green rating agency. The facilitator's role is self-evident when reviewing the Green Building Addendum as a whole.

Included in the addendum are provisions addressing the evaluation and selection of the green goals for the project, identifying design features consistent with those green objectives and implementing construction performance that is intended to accomplish the expected green results.

Tracking the flow of a typical project, and after initial sections on general instructions and definitions, the addendum turns to green requirements and procedures, the facilitator's role, selecting the desired green status, green measures to be pursued, developing plans and specifications to achieve these green measures, and provisions addressing risk allocation.

The evolution of these form contracts are key to modifying common contract and legal terms and conditions so they are better equipped to meet the even more rapidly emerging developments in the design and construction of these environmentally and energy-focused projects.

While the new contract models are an important first step in considering a green or sustainable project, these forms should be specifically tailored to that project with the assistance of experienced legal counsel before it is actually started. The next step will be to make certain that necessary insurance and surety bonds have joined the evolution revolution to accommodate and address the significant changes in the green/sustainable project landscape.

Edward B. Gentilcore is chair of the construction services group of Pittsburgh-based Sherrard, German & Kelly P.C. Mr. Gentilcore was also co-chair of the ConsensusDOCS 310 Green Building Addendum drafting team. He can be reached at 412.258.6714 or ebg@sgkpc.com.

Risks: Green buildings pose myriad concerns

CONTINUED FROM PAGE 3

rather than through a separate "green" policy. However, some gaps in coverage may remain, which means risk managers and those overseeing such projects must proceed with caution.

Financial risks include additional costs associated with building green and possible repercussions if the structure promises that it will meet any requirements of the Washington-based U.S. Green Building Council's Leadership in Energy and Environmental Design certification standards for environmental performance.

On the regulatory side, the growing number of federal, state and local rules for buildings to meet green standards add to the potential risks.

Legal or standard-of-care issues include architects and engineers who participate in the project and make certain guarantees, which would not be covered under their professional liability policies. This leaves the building owner with little or no recourse for any unmet promises.

Companies also need to make sure the consultants and advisers they select are well-qualified.

In addition, risk managers have to be concerned about whether the building continues to perform up to promised expectations long after the work has been completed.

Part of the problem lies in the relative newness of green construction. Being green means using new, relatively untried materials and procedures, observers say.

"If you're building a green structure with a vegetative roof, there's a lot of concern around the possibility that you'll end up with water intrusion and maintenance issues," said Bruce Bitler, Dallas-based assistant vp, engineering line product underwriting for Zurich North America.

"Did the roof manufacturer have special installation instructions requiring special training or operating procedures to seal the roof properly?" he said.

Other issues include whether water barriers were placed properly and whether the structure would be able to withstand the additional weight during abnormally heavy rain, snow or ice events.

Issues also may arise with wind turbines, which are used as a renewable energy source, said David Cohen, Novato, Calif.-based senior product director for commercial insurance at Fireman's Fund Insurance Co. Putting solar panels atop a roof or in a parking area is "pretty well-established," but several builders are starting to put wind turbines on buildings, Mr. Cohen said.

"Then, you really need to be concerned about weight and the fact that these turbines rotate. What does that do from an engineering standpoint? That's something you really need to look at pretty closely that's not as established and as proven as solar," Mr. Cohen said.

The use of bamboo, often in flooring, also can be problematic, said Rod Taylor, Windermere, Fla.-based managing director of Aon P.L.C.'s environmental services group. The requirement for green certification is that the bamboo derives from a renewable source, but much of the imported bamboo from foreign resources is a natural resource that is not renewable.

Contractual risk is another consideration, said Mr. Cohen.

"What are you trying to go after? What level of certification, for example? What level of energy or water performance of your building" is the goal "and if you don't achieve a certain level of certification, or don't achieve the energy performance you're expecting, what are the consequences of that? Perhaps you might not receive all the tax credits or financial incentives you were expecting," he said.

Reputational damage from "greenwashing," where promised green improvements do not materialize, is another risk, said Mr. Cohen.

On top of everything else, even the American Institute of Architects acknowledges that the standard of care regarding green buildings is evolving, said Edward B. Gentilcore, a shareholder and director with law firm Sherrard German & Kelly P.C. in Pittsburgh, who asked, "How would you adequately deal with that, when it's an evolving issue?"

Jeffrey M. Slivka, chief operating officer at Bordentown, N.J.-based New Day Underwriting Managers L.L.C., said he believes there is some ambiguity as to what constitutes a green claim.

For example, if a hospital with LEED silver certification finds its ventilation system is not heating or cooling properly and was incorrectly designed, some might call that a green claim. "But that's not a green claim. That's a traditional mechanical engineering error," he said.

Meanwhile, coverage generally is provided through policy endorsements rather than separate coverage, say observers.

Some insurers have their green features built into the actual policy, "but it really doesn't achieve anything different than just adding the endorsement," said Dan Knise, president and CEO of Ames & Gough. "Those endorsements meet the needs of 98% of the clients out there."

Labs: Unique exposures

CONTINUED FROM PAGE 4

building containing ordinary classroom space," Mr. Titzer said.

To manage such risks in a laboratory setting, DePaul University has enhanced fire protection equipment and other safety features available, he said.

"So while there is an additional element of risk, it is offset by other design elements and rigorous safety training for faculty and students, which we conduct each quarter," Mr. Titzer said.

Rod Mazandarani, a San Diego-based associate with architectural design firm HKS Inc., who worked on the building as a LEED consultant, said other unique sustainable considerations include an exhaust air recovery system, variable air volume supply and exhaust, high-efficiency natural gas boilers and water heaters, and efficient lighting with occupancy sensors.

> **'While there is an additional element of risk, it is offset by other design elements and rigorous safety training for faculty and students.'**
>
> Mark Titzer, DePaul University

"The structure included extensive use of regional building materials, with a high recycled content and low (volatile organic compounds) finishes," he said. "We incorporated an aggressive construction waste management plan and a green housekeeping plan to reduce adverse impact on our resource and building occupants."

Gaps: Insurance cover often falls short for projects

CONTINUED FROM PAGE 6

you're a green building that allow you to spend whatever is necessary extra costs there are to achieve the same status," Brian Ruane, executive vp and national real estate and hotel practice leader for Willis Group Holdings P.L.C. in New York, said.

While green coverages are widely available among insurers and typically written as endorsements to larger policies, capacity and pricing varies depending on the risks, experts say.

"There is a fair amount of due diligence that the risk manager will have to do," said William K. Austin, principal and consultant at Austin & Stanovich Risk Managers L.L.C. in Providence, R.I.

"The only way an underwriter or an insurer would offer any type of a green aspect to that, is that the risk manager has to know what his or her company would do to take an existing structure from the current type to when they become damaged to being green," he said.

Risk managers also should consider business interruption risks, as it may take longer to replace a structure with sustainable materials that might be beyond what the typical business interruption policy covers, Mr. Austin said.

Much of the valuation of green materials has to be included up front because the value of the policy is set based on the anticipated project costs, said Robert Opitz, worldwide inland marine product line officer, Chubb Corp. in Whitehouse Station, N.J.

"Having a true understanding of the various qualification requirements and what that entails and what the additional costs are going to be to maintain those things are important," Mr. Opitz said.

WTC: New building leads trend

CONTINUED FROM PAGE 3

more Owings & Merrill L.L.P.—which declined to comment for this story—7 WTC was awarded gold LEED certification when it opened in May 2006. Among the features that earned the tower its certification are its floor-to-ceiling windows and recycled building materials; high-efficiency heating, cooling, air filtration and plumbing systems; and a rooftop rainwater collection system used to irrigate the park at the tower's base.

Though pursuit of the certification did little to alter New York-based contractor Tishman Construction Corp.'s risk management strategy from an operational or workplace safety standpoint in building the tower, it did make key changes to its insurance program. Primarily, it negotiated to amend its professional risk policy to include work intended to result in a LEED certification.

"Back then, as you can imagine, (green building) was a fairly new concept," said Bill Motherway, executive vp of risk management at Tishman.

"It wasn't that a claim brought against us as a construction manager on a LEED building would have necessarily been excluded, but we wanted to have it specifically spelled out in the policy within the definition of our professional services," he added.

Mr. Motherway said the key to quelling hesitation among Tishman's undisclosed underwriters at the time was to clearly delineate between construction management and services that could be interpreted as design or engineering work.

"With green building, the risk is really generated from the design and guarantee standpoint more than it is from a construction standpoint," Mr. Motherway said. "We weren't doing any of the design work or signing off on any architectural documents, and that's something you need to make sure the insurers understand. As long as you're not straying outside the scope of construction management and into the architectural or engineering fields, that usually puts underwriters at ease."

LEED certification for 7 WTC also had significant insurance implications for Silverstein before and during construction.

Talking it out

In addition to professional risk coverage it purchased for the various providers and consultants involved in the tower's design and engineering phases, Silverstein placed property and terrorism coverage for the city's first LEED-certified office building in a marketplace that still was familiarizing itself with green commercial construction.

"We spent a lot of time talking to underwriters about the types of materials being used, the recycling systems and the energy-saving measures," said Shari Natovitz, vp of risk management at Silverstein. "We needed our underwriters to understand that all of those elements—including design costs, materials and labor—were built into the total cost of the building that we were insuring."

Compounding that challenge, Ms. Natovitz said, was the fact that many costs associated with building for LEED certification—including construction materials and specialized labor—often were not adequately itemized in construction documentation.

On top of coverage for direct damage claims, Ms. Natovitz said the tower's green elements also affected negotiations on business interruption coverage.

"Recertifying the building would certainly have been a part of any recovery process," Ms. Natovitz said. "We needed to make sure that there was no restriction on our recovery in the event of any business interruption claims."

JOE WOOLHEAD/COURTESY OF SILVERSTEIN PROPERTIES

The view from 7 World Trade Center in New York, which was built on speculation, with its $700 million construction cost wagered on Silverstein Properties Inc.'s marketing and leasing strategy for the 'green' office space within.

Green design added business risks to 7 World Trade Center

By MATT DUNNING

Aside from its effect on the 7 World Trade Center's insurance programs, the tower's Leadership in Energy & Environmental Design certification also was part of the considerable financial risk that Silverstein Properties Inc. undertook in developing the tower, executives said.

Just as it had with the original 7 WTC in the 1980s, Silverstein built the new tower on speculation, wagering its $700 million construction cost on its marketing and leasing strategy for the "green" office space within.

Already facing the dual head winds of stagnant demand for commercial office space when the building opened in 2006 and lingering skittishness about locating at the site attacked by terrorists five years earlier, Silverstein's marketing and leasing strategies also needed to account for the New York market's relative unfamiliarity with the LEED program and its implications for commercial tenants.

60%

7 World Trade's occupancy rose to more than 60% in the first six months after the building opened.

"It certainly required a large amount of effort on our part, and on the part of the industry at large, to educate consumers on the benefits of sustainable design, and how those features can impact the quality of life in a building," said Jeremy Moss, senior vp of leasing at Silverstein.

Propelled in part by its emphasis on the potential energy cost savings, employee wellness improvements and other benefits attributable to the kinds of environmentally friendly building materials and mechanics used in the tower's core and shell—as well as the opportunity those elements provide tenants to improve the environmental sustainability of their individual spaces—7 World Trade's occupancy rose to more than 60% in the first six months after the building opened.

Fittingly, the 741-foot-tall, 1.7 million square foot office tower reached full occupancy in September 2011, nearly 10 years to the day after the original tower's collapse.

"We felt that the best thing to do was to build the building, and show people what we meant" by LEED certification and sustainable office space, said Dara McQuillan, senior vp of marketing and communications at Silverstein. "Once people understood what it meant, it became a huge advantage."

Greenwashing: Failure to deliver causes big problems

CONTINUED FROM PAGE 6

construction industry, and is only likely to get worse.

Although it has wider implications, in the construction context greenwashing can be described as the practice of overpromising or providing misleading information on the beneficial green effects products or services will provide.

Greenwashing is "rampant in the construction industry" because it can impact products and services, said Mr. Sobelsohn. The problem can arise when contractors find that green products are unavailable, creating a delay that can delay their completion date, and they install non-green products instead.

In other instances, he said, contractors "are holding themselves out as sustainable contractors, and they're not." In some cases it may be because their competitors are LEED certified, and they feel if they do not do so, "they're going to lose the entire market," said Mr. Sobelsohn.

The issue applies to new construction as well as retrofit projects and even green cleaning companies, which may not be using the right products, or providing their workers with the appropriate training, he said.

Greenwashing is "a big issue, and it's only going to get bigger as owners, developers, tenants, even homeowners, focus more and more on energy performance," said Christopher W. Cheatham, managing partner at Washington-based Cheatham Consulting L.L.C.

"It's become a big issue in the world of green building certification" because some of the buildings that were getting LEED certified "weren't performing as they were expected to," Mr. Cheatham said.

For example, energy modeling for a building might show an energy savings of 40%, but once completed the project's energy use may be only 20% less or even the same as a nongreen building's, Mr. Cheatham said. In that situation, an owner might claim there was greenwashing by the architect or developer.

Rod Taylor, Windermere, Fla.-based managing director of Aon P.L.C.'s environmental services group, said, "There is a lot of misrepresentation, or failure to verify the statements that are made" with respect to green products' performance.

He added, "There isn't any definition in most places of what is a green product, what does that actually mean."

"It's a fairly substantial problem," said Jeffrey D. Masters, a partner with law firm Cox, Castle & Nicholson L.L.P. in Los Angeles. This is because so many companies are interested in green building, and "it's hard for the building owner or developer to assess the functionality of various allegedly green products and technologies."

Examine contracts

Linda D. Kornfeld, a partner with law firm Jenner & Block L.L.P. in Los Angeles, said as the rate of green construction continues to grow and firms compete for business, "there arguably will be a good deal of greenwashing."

One way for owners to protect themselves, said Mr. Sobelsohn, is through careful attention to their contracts.

The contract's language is "one of the easiest ways to control it," said Brendan McEneany, who runs Santa Monica, Calif.'s green building program and is board chair of USGBC's Los Angeles chapter.

Owners could incorporate risks and incentives into the contract, said Mr. Cheatham.

Ms. Kornfeld said, "It's always important when involved in a construction project to work with entities that have a reputation for excellent work" and, in this particular situation, it will probably be critical to have research "to look behind representations."

Mr. Masters said, it would be helpful if the green consulting team or those "who have deep product knowledge" can "evaluate the proposed green products and assemblies, and tell the builder or owner, 'Yes, these are actually going to perform.'"

Karen Erger, vp, director of practice risk management at Lockton Cos. L.L.C. in Kansas City, Mo., said, "Both the designer and the owner have a role to play here. The designer can help himself or herself and the owner by helping the owner understand what the risks of a new product may be.

"Just like you sign the informed consent form at the doctor's when you're having a procedure, it's helpful for the owner to understand there's risk associated with a brand new, untested product," she said.

A USGBC spokeswoman said, "It's important to verify what you're doing as an organization." If you have a corporate sustainability program, "show the data to back it up, and clearly be open and transparent about the green that you're doing."

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Issue of July 23

Review contracts with professionals closely

By JUDY GREENWALD

Owners must use care in approaching contracts they sign with architects, engineers and other professionals who help with their green building projects.

These professionals are not covered under their professional liability policies if they provide warranties or guarantees in their contracts. This could leave the owner without recourse if the building does not perform up to expectations, experts warn.

Professional liability coverage would respond if the professionals failed to meet their contractual performance requirements that do not include a guarantee or warranty.

"The big issue for them is to avoid making guarantees and warranties," because these are not covered under their professional liability policies, said Dan Knise, president and CEO of Ames & Gough, a McLean, Va.-based insurance broker and risk management consulting firm. "They're only liable for not meeting the so-called standard of care" unless they agree to greater liability in their contract, he said.

Keith Jurss, Chicago-based senior vp of professional liability for the national construction practice of Willis North America Inc., said exclusions in their professional liability policies is a "dangerous thing" for a green building owner from a contractual standpoint.

If a platinum certificate is guaranteed under the Washington-based U.S. Green Building Council's Leadership in Energy and Environmental Design program but is not granted, it is a financial loss to the owner.

"The last thing an owner wants to get is a guarantee and not have an architect or engineer have the ability to deliver on that, and have no means to go after them for the financial loss they may have incurred," Mr. Jurss said.

At that point, if the professional is not covered, the owner must look at assets that can be recovered, but these "tend to be limited" with architects and engineering, he said. "Their biggest asset is their people. They don't have a lot of assets," he said.

While contractors may have more assets to attempt to recover, "many are in the same ballpark," Mr. Jurss said. Their assets may not "make any appreciable difference to an owner if they have to go after them."

Entities that have demonstrated their ability to deliver a green construction project as planned are essential, "because if you're going to hold to that kind of standard of care issue, they have to have the ability to deliver those design...and construction services," he said.

Rod Taylor, Windermere, Fla.-based managing director of Aon P.L.C.'s environmental services group, said an owner or owners could wind up making an errors and omissions-type claim against professionals involved in a green building project "in which you asserted that they failed to meet the standard of care for somebody providing construction services."

Coverage: Appetite for LEED

CONTINUED FROM PAGE 4

Inc. in Boston, said it hasn't been a problem.

"I don't think it's like wind, where there's $500 million in capacity out there and everybody is fighting for it," he said. "I think it's spread out pretty much between a lot of insurance carriers and, depending on whether it's a green upgrade or a whether it's a green building from the ground up, I haven't heard of anybody saying that they can't find green cover or green capacity."

Factory Mutual Insurance Co., which does business as FM Global, offers a sustainability endorsement that tailors coverage for green buildings with an option for risk-improvement costs, said Jeffrey Beauman, FM Global's Johnston, R.I.-based vp and manager of all-risk underwriting.

"Limits are available up to $5 million," he said.

"We don't really have delineation specifically for green," said Robert Opitz, worldwide inland marine product line officer for Chubb Corp. in Whitehouse Station, N.J.

"We're writing projects of all kinds, types and sizes," Mr. Opitz said. "In some cases we take 100%, in some cases we reinsure, in some cases we participate on a quota share. It really does run the gamut, depending on the structure of the deal," he said.

Bill Puleo, vp and worldwide monoline property manager for Chubb in Whitehouse Station said inner limits for business interruption coverage as a result of green buildings depend upon the size of the account in terms of total values.

"As the values go up, the percentages drop," he said. "There's no maximum per se. We're trying to gauge the business income limit that's available to purchase based upon the total business income values."

Program administrator Energi Insurance Services Inc., which offers coverage for energy retrofit contractors that provide energy savings performance guarantees, offers a $50 million policy term limit, which is underwritten by Hannover Reinsurance Co.

A one-time premium per project equals 2% to 5% of the total guaranteed savings for the project and pricing is determined by the contractor's experience, project length and contract size, among others, said Megan McCarthy, business development manager for Energi in Peabody, Mass.

Even though most insurers have green or upgrade-to-green endorsements, the costs associated with such endorsements put into question whether the client wants to buy it, said Robert Harper, senior vp and property placement leader for the real estate practice at WFIS in Boston.

Pricing for green endorsements depends on the risk and the market, Mr. Harper said.

"Two years ago, you probably could have had some concessions from the market to put (an endorsement) on relatively inexpensively, or maybe it was transparent and it was included in their rates," he said.

"But as the market gets harder, that might change," he added.

Evaluate critical endorsement wordings

By MIKE TSIKOUDAKIS

Insurance coverage for green building projects is mostly available through endorsements to larger policies and covers various risks faced by design professionals, contractors and building owners.

Many coverage endorsements from a property standpoint address direct property damage with replacement costs or the ability to make green upgrades after a loss.

But building owners with Washington-based U.S. Green Building Council's Leadership in Energy and Environmental Design-certified buildings should ensure that their policy is properly endorsed and worded so that the building materials and repairs maintain the LEED certification, said Brian Ruane, New York-based executive vp, national real estate and hotel practice leader for Willis Group Holdings P.L.C.

"It might take longer to actually repair a property that's damaged to make sure it achieves LEED certification," he said. "The thinking is that materials might take longer to order and labor might take longer to achieve the desired effect."

When it comes to commercial insurance property policies, business interruption endorsements for green risks is essential, said Bill Puleo, vp and worldwide monoline property manager for Chubb Group of Insurance Cos. in Whitehouse Station, N.J.

"If there's additional downtime associated with trying to get a comparable level of LEED, and that building material is no longer available, the (standard) policy will likely not respond to the business income, the additional downtime associated with getting that exotic building material," Mr. Puleo said.

But when the proper endorsement is in place, "you select the limit for business income, so that policy will respond to the additional downtime associated with that green building component and the acquisition of it and the installation of it into the building," he said.

Green vegetative roofs, which are used to control heating and extend the life of the roof membrane, are expensive to build and maintain and often are not covered without green upgrades to a policy, making it one of the costliest coverage gaps, experts say.

"You've got to make sure that your property policy is properly endorsed to reflect the valuation of that roof," Mr. Ruane said.

Standard property policies will limit or exclude trees, plants and shrubs on roofs with potential sublimits of $25,000 for limited perils, said Steve Bushnell, director in product development at Fireman's Fund Insurance Co. in Novato, Calif.

Other endorsements include extensions to coverage that protect waste and debris removal, tax and financial incentives, and the use of a LEED professional as part of the design team, Mr. Bushnell said.

"They do respond to some of the needs that either green buildings or building owners who would like to upgrade after loss consider," he said.

GREEN MANAGERS

Risk managers have limited experience evaluating green risks insurance. Years of experience risk managers have with green insurance/endorsements are:

YEARS EXPERIENCE	% OF RISK MANAGERS
Less than one year	20%
One to two years	53%
Five or more years	5%

Source: 2012 Business Insurance proprietary Green Building Risks Study

Business Insurance

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inBrief

Maiden Lane III repays AIG loan

American International Group Inc. has reached another milestone in repaying the assistance it received during the financial crisis, the company said. AIG confirmed that a $5 billion loan it extended to Maiden Lane III L.L.C., a holding company established in 2008 by the Federal Reserve Board and the U.S. Treasury Department as part of the AIG bailout, has been repaid in full. The repayment was made with proceeds from the auction of ML III assets by the Federal Reserve Bank of New York.

Colo. wildfires cause $450M in insured losses

Wildfires in Colorado have caused $449.7 million in insured losses, the Rocky Mountain Insurance Information Assn. said. Collectively, the Waldo Canyon fire in Colorado Springs, Colo., and the High Park fire near Fort Collins, Colo., burned more than 600 homes. The Waldo Canyon fire is estimated to be the most expensive in the state's history, triggering 4,300 claims and $352.6 million in insured losses. The High Park fire has caused 850 insurance claims and estimated insured losses of $97.1 million.

Munich Re arranges $100M cat bond

Munich Reinsurance Co. said Bermuda-based special-purpose insurer Queen Street VI Re Ltd. has placed a $100 million catastrophe bond on its behalf. Munich Re structured and arranged the cat bond, which is intended to cover multiple perils including U.S. hurricanes and European windstorms. The risk modeling for the bond was developed by AIR Worldwide Corp. Collateralized by a U.S. money market fund, the bond matures on April 9, 2015.

Workers comp premiums to decrease in New York

New York Gov. Andrew Cuomo said employers in the state will see a 1.2% rate decrease for workers compensation policies starting on or after Oct. 1. It is the first workers comp rate cut in four years, the governor said. This year, the New York Compensation Insurance Rating Board sought a rate increase. The governor said the final measures of workers comp reforms adopted in 2007 have been fully implemented, which helped allow the rate decrease.

Caps on drug prices reduce comp costs

State regulations that cap the prices doctors can charge when dispensing pharmaceutical drugs work effectively to reduce workers compensation costs, yet they do not limit patient access to pharmaceuticals, according to the Workers Compensation Research Institute. The study examined results from a 2007 California law that caps the prices doctors can charge for pharmaceuticals they dispense. The California law has become a model for many other states, but critics contend such price regulations may discourage doctors from dispensing drugs and discourage patients from getting the prescription drugs they need.

Comp claim frequency falls in California

Workers compensation claim frequency fell 2.1% last year for private self-insured employers in California, according to the California Workers' Compensation Institute. The Oakland, Calif.-based CWCI said medical and indemnity payments for new comp claims among California self-insureds fell about 2% last year to $192 million. However, total incurred losses for claims filed in 2011—including paid benefits and reserves for future benefits—increased to $620 million, up $24.7 million from 2010.

Federal benefits available for same-sex partners

Same-sex domestic partners of federal employees will have greater access to certain benefits that previously were available only to heterosexual employees' spouses, according to the Office of Personnel Management. Amendments to the regulations governing benefits for federal employees and members of Congress state that same-sex domestic partners of current and future government workers no longer will have to provide proof of an insurable interest in their partner's continued life to receive retirement survivor annuity payments in the event of their partner's death. Instead, same-sex domestic partnerships were added to the list of relationships recognized by the government as having a presumed insurable interest.

Health benefit exchange established by Kentucky

Kentucky Gov. Steve Beshear issued an executive order to establish the Kentucky Health Benefit Exchange. Effective Jan. 1, 2014, the exchange will act as an online marketplace for individuals to enroll in qualified health plans offered through federal or state programs.

Seasonal firefighters eligible for benefits

President Barack Obama has directed several agencies in his administration to offer health insurance to thousands of seasonal firefighters. Seasonal firefighters, which the federal government typically hires for six to seven months annually to assist local responders in battling wildfires, previously did not qualify for federal health care coverage under existing provisions of the Federal Employee Health Benefits Program.

Spencer Foundation to honor executives

The Spencer Educational Foundation Inc. will honor Seraina Maag, chief executive, North America property/casualty at XL Group P.L.C., and David Zuercher, retired chairman of Wells Fargo Insurance Services Inc. and executive vp and head of the insurance services group for Wells Fargo & Co., at its annual fundraising gala. Ms. Maag and Mr. Zuercher will be recognized for their contributions to the advancement of risk management and insurance educational opportunities.

Everest Re announces succession plan

Everest Re Group Ltd. President Dominic J. Addesso will assume the role of CEO effective Jan. 1, 2014, according to a succession plan announced by the reinsurer. The Hamilton, Bermuda-based company said current CEO Joseph V. Taranto will stay in that role through 2013.

Aurora, Colo., police gathered information from witnesses in the Friday shooting that killed 12 during a premiere of "The Dark Knight Rises" at a Century 16 movie theater.

AP PHOTO/THE DENVER POST

'Dark Knight' massacre raises security issues

AURORA, Colo.—The shooting massacre killing 12 at a Colorado theater Friday during a premiere of "The Dark Knight Rises" will prompt calls for increased security and risk management efforts at movie theaters, risk management experts say.

Dozens of people were shot by a masked gunman who later was apprehended near the Century 16 movie theater in Aurora, Colo. The theater is owned by Plano, Texas-based Cinemark Holdings Inc.

"This will change how all movie premieres of any stature like this are conducted from a risk standpoint," said LeConte Moore, managing director at DeWitt Stern Group Inc. in New York.

"Every theater owner and operator obviously is going to have a heightened awareness based on what has occurred," said Lance J. Ewing, industry practice group leader, hospitality and leisure, at Chartis Inc. in Cordova, Tenn.

"We can't prevent everything in the world...especially random acts of violence," Mr. Ewing said. He said, however, "There is training for how to respond to a live shooter."

Kevin Wilkes, vp and security practice leader at Willis North America Inc. in Pittsburgh, said movie theater owners may reexamine prevention and protection efforts to reduce exposure to violent acts like the Aurora event.

With many moviegoers wearing costumes and masks to events such as the "Dark Knight" premiere, some theaters may consider policies regarding customers entering the theater in costume "a little more harshly," Mr. Wilkes said.

—By Mike Tsikoudakis and Rodd Zolkos

CONTRIBUTING: Matt Dunning, Judy Greenwald, Sheena Harrison, Mike Tsikoudakis

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No white glove treatment in Ore. diners

Oregon food safety officials have nixed a rule that would have required the white (rubber) glove treatment at restaurants in the state.

The Oregon Public Health Division Foodborne Illness Prevention Program issued a notice last week saying it will begin adopting food code guidelines issued in 2009 by the U.S. Food and Drug Administration. However, the agency said it will not enforce sections of the guidelines that prevent workers from using their bare hands to prepare some dishes.

The policy would require preparers to use "deli tissue, spatulas, tongs, single-use gloves, or dispensing equipment" to touch ready-to-eat foods.

According to a report from CNN, restaurant industry experts argued that the "no-bare-hand-contact" rule would discourage some restaurant workers from using clean food preparation techniques, because rubber gloves would provide them with a false sense of security.

The Oregon agency said it is creating a workgroup of restaurant owners, restaurant inspectors and consumers "to review and provide recommendations on addressing...contamination of food, and to identify the best options to reduce illness."

Would you like shoes with your order?

Burger King can hardly be blamed for failing to see any humor in a recent post by a now-former employee.

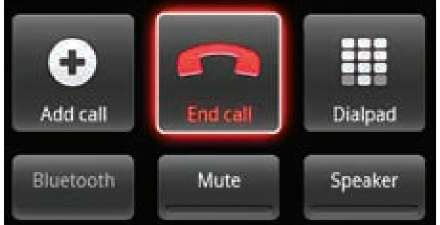
According to news reports and bloggers, an unidentified Burger King employee posted a picture of himself standing in his shoes on top of two containers of shredded lettuce. "This is the lettuce you eat at Burger King," the worker said in his blog.

However, the employee and his cohorts apparently did not cover their tracks. It took a blogger only 15 minutes using GPS data embedded in the photo to locate the fast-food restaurant's address and contact the franchise, according to reports.

The company said in a statement: "Burger King Corp. is aware of a photo that shows a Burger King restaurant employee violating the company's stringent food-handling procedures. Food safety is a top priority at all Burger King restaurants, and the company maintains a zero-tolerance policy against any violations such as the one in question.

"The restaurant where this photo was taken is independently owned and operated by a Burger King franchisee. The franchisee has taken swift action to investigate this matter and has terminated the three employees involved in the incident," Burger King said in the statement.

It would be interesting to find out what the former workers say in their future job applications as the reason they no longer are Burger King employees.



Fraudsters: Don't brag about scam

A note to would-be insurance fraudsters: If you are compelled to brag about a recent scam, it would probably be best to make sure the insurance company isn't listening at the time.

A Leeds, England, man recently became the first individual convicted of insurance fraud as a result of an investigation by the Insurance Fraud Enforcement Department, which was added to the London Police force in January, according to a BBC report.

The man, John Machin, called his insurer this year to file a claim for an auto accident that never happened, hoping to secure a payout of around $391,000. However, according to audio clips provided to the BBC by London police, Mr. Machin didn't hang up the phone after finishing his call with the claims agent—and apparently didn't realize he was still being recorded when he started bragging about how easy it had been to file the false claim.

"I can make you a very rich man," Mr. Machin can be heard saying on the recording to a friend. "This is it!"

Mr. Machin received a suspended sentence of one year in prison and 200 hours of community service, according to the BBC.

BURGLARIES IN THE NAME OF RESEARCH

Winners of a competition in England got the chance to become "legal" burglars as part of an effort to promote home insurance.

Cardiff, England-based price comparison website Confused.com's latest campaign involved three winners of a competition to be burglars for the day and keep the items they stole, according to a statement.

The contestants won the competition by answering clues posted in an online video. The winners were picked up individually by an actor at the train station in Bristol, England, and taken to an abandoned house where they had 40 seconds to "steal" various items.

"In order to make it as authentic as possible, the contestants knew very little about the experience, something that was very important as we wanted to gain the insight of a security expert who could analyze the movements of the contestants and also give tips regarding home security," Sharon Flaherty, head of public relations and content at Confusion.com, said in the statement.

Electronic goods such as tablets, video game consoles and laptops topped the list of most burgled items, Ms. Flaherty said.

The "burglaries" were filmed and assessed by a security expert to demonstrate to homeowners how to best protect their home and possessions.

"So many people go without contents insurance, or have insufficient cover, and we wanted to highlight the issue, while giving people the chance to have a unique experience," she said.

Hopefully this mock burglary will be lesson enough.

CONFUSED.COM

Winners of a competition in England were given the ability to burglarize a house as part of Confused.com's campaign to promote the importance of home insurance.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