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## Going Green Brings Insurance Discounts

By JILIAN MINCER and SHELLY BANJO

Your insurance company may give you a break if you go green.

After years of inertia, the \$16 trillion industry has begun to address climate change with mandatory risk disclosures and more products to help businesses and individuals reduce energy use. Insurers have begun to offer lower premiums on car, homeowner and property insurance for people who drive less, own hybrid cars or build green homes.

"Climate change represents an opportunity for insurance companies to reduce risk and to build revenue," said Andrew Logan, director of insurance programs for Ceres, a coalition of investors, environmental groups and other organizations.

After a slow start - particularly in the U.S. - insurance companies are tackling the issue. In March, insurance regulators adopted mandatory climate-risk disclosure standards for insurance companies with annual premiums of \$500 million or more. These standards require the firms to report to regulators and investors the types of payout risks they may face due to climate change.

"We are concerned about how climate change will impact the financial health of the insurance sector and the availability and affordability of insurance for consumers. This disclosure standard will give regulators the information we need to better understand these risks," said Joel Ario, Pennsylvania Insurance commissioner and chairman of the National Association of Insurance Commissioners' Climate Change and Global Warming task force.

In the last year, there has also been a large uptick in insurance products offered to climate-friendly consumers, according a report Ceres released in April. The number of new products doubled in 2008. They include coverage for wind and solar production shortfalls, premium discounts for energy efficient buildings and discounts for hybrid vehicle ownership and reduced driving. Early estimates show people with pay-as-you-drive, or PAYD, policies, drive 5% to 15% less than average drivers. Fewer cars on the road mean lower accident rates and reduced fuel emissions.

"What insurers are finding out is that there is a strong correlation between reduced driving and risk," said Logan.

Opting to drive less can reduce premiums by more than 50%, said Wayne Bontrager, senior vice president at GMAC Insurance, a unit of GMAC Financial Services. Two dozen companies offer PAYD insurance products, Ceres estimates, including GMAC, [Progressive Corp.](#) and [AON Corp.](#)

Insurers believe drivers of hybrid or fuel-efficient vehicles can be more responsible, lower-risk customers, said Bontrager. Among companies offering a 5% to 10% discount on premiums for hybrid drivers are [Travelers Cos.](#) and Farmers Insurance, which is owned by [Zurich Financial Services AG](#).

Almost two dozen insurers offer premium credits and discounts for owners of "green" commercial and residential buildings, according to Ceres. In the U.S., that typically means buildings with Leadership in Energy and Environmental Design (LEED) or Energy Star certifications.

Green buildings are more resilient, Logan says. The idea is that green buildings are safer than conventional homes,

reduce energy use and perform better in the long run, leading to a decrease in losses and greenhouse gas emissions. For instance, air conditioners and furnaces that don't run often are less likely to have mechanical breakdowns, said Janet Ruiz, a spokeswoman for the Fireman's Fund, which offers a 10% discount on yearly premiums for owners of LEED-certified homes. Fireman's Fund is a unit of [Allianz SE](#).

Farmer's and Fireman's are also among companies offering eco-friendly homeowners insurance coverage following a total or partial loss. For an additional premium starting around \$20 to \$25 a year, policy holders can rebuild, say, a kitchen damaged by fire with upgraded Energy-Star appliances, lighting, electronic equipment and roofing.

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