

Going Green! Understanding the Risks and Liabilities of Green Building

Top Takeaways

Outlined below, the presenters from **Going Green! Understanding the Risks and Liabilities of Green Building** offer the top considerations for leaders tasked with identifying the risks and opportunities inherent in green design, construction and ownership.

1 5 Key Opportunities and 5 Key Risks that Should be Recognized When Pursuing a Green/Sustainable Building Project

Opportunities

1. Enhanced efficiency in the performance of the building.
2. The potential tax credits given to certain of these structures.
3. The potential for expedited permitting/review of building.
4. Expectation of enhanced tenancy/occupancy.
5. Societal recognition of building.

Risks

1. Inadequate discussion/agreement on project objectives.
2. Lack of understanding of what models of green achievement are available and criteria for achievement.
3. Mistaking third-party rating achievement as universally representing green performance.
4. Lack of contractual definition of responsibilities of performance/allocation of risks.
5. Uncertainty of technological performance/availability of materials/means/methods.

2 Green Built Insurance Market Update

- The insurance industry is on a steep learning curve. But, they are considerably more interested and involved than they were a year ago. That trend should continue, barring unforeseen risks and/or claim activity.
- The property marketplace has been the most proactive. Each market handles the risk and coverages slightly differently.

- It is important to understand your risks and compare coverages and services, accordingly.
- All markets will evaluate contracts careful.
- Green contract management is of the utmost importance. Carriers are beginning to offer support in this area.
- Be prepared to discuss your green risks and risk mitigation techniques with all of your underwriters.
- If you are involved in green building, this will become of increasing importance to them.

3 Green Building: Feedback from the Construction Industry

- To date there has been widespread interest in green-built benefits, but not as much attention devoted to the risks.
- To that end, Marsh solicited this feedback from the industry by holding four green risk mapping forums in the U.S. in 2008-2009.
- 55 executives attended - representing owners, design firm, and contractors.
- They identified and mapped risks that applied to 10 Risk Categories. The top five categories were: financial, standard of care, performance, consultants and subs, and regulatory.
- Awareness of these risks will help the green built and the insurance industries create risks management solutions, several of which were addressed in this session.

To Learn More...

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