

U.S. NEWS APRIL 21, 2009, 8:17 P.M. ET

Insurers Offer Rewards for Going Green

By JILIAN MINCER and SHELLY BANJO

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

The \$16 trillion insurance industry has begun to address climate change with mandatory risk disclosures and more products to help 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.

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.

In the past year, there has also been a large uptick in insurance products offered to climate-friendly consumers, according to a report released this month by Ceres, a coalition of investors, environmental groups and other organizations. 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," says Andrew Logan, director of insurance programs for Ceres.

Opting to drive less can reduce premiums by more than 50%, says 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, says Mr. 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 or Energy Star certifications.

Green buildings are considered 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, says 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.