

Is Green Insurance Worth the Price?

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Insurers are increasingly offering insurance discounts if you already own an environmentally friendly home or car as well as additions to standard policies that cover the costs of going green when renovating after a loss.

According to the Insurance Information Institute, as of last December, 22 companies offered 39 products and services specifically aimed at new green buildings or green upgrades for existing buildings, adding to the wide array of eco-friendly incentives tied to mortgages, taxes and more.

While taking advantage of the discounts of up to 10 percent is clearly worth it if you already own a home or hybrid vehicle that is certified green, it's less clear whether it's worthwhile to pay extra for a policy add-on that lets you rebuild after a loss with more eco-friendly materials and appliances. To help figure out if the endorsements, which some skeptics characterize as just a marketing gimmick, are worth the added expense, we turned to a consumer expert, Amy Bach, executive director of United Policyholders, a nonprofit group focused on educating consumers about insurance.

"At this stage, they seem more of a marketing kind of play for the insurance companies because going green is in," Ms. Bach said. "The real bottom line for consumers is that the chances of you using the policy rider or needing it in a significant way are pretty slim so you wouldn't want to pay a whole lot more for it."

With green insurance so new, there's no track record for how much companies should charge for such policy riders, she said. She suggested doing the rough math to figure out, say, how much more rebuilding a more energy-efficient home would cost than the traditional rebuilding amount specified in your regular homeowner's insurance policy. You should also weigh whether that additional cost is worth the extra premium, she said, or whether you're better off just paying out of pocket if you eventually decide to go green, taking into the account that the chances of a total loss are low.

To make the calculation even simpler, she suggested not paying any more than an additional 2 to 5 percent of your annual premium (think an extra \$50 to \$100 or so a year for such coverage), generally in line with the cost of other extra coverage add-ons like the one for jewelry, she said.

Insurance companies offering the green riders say the prices are actually within that range. Coverage by

Fireman's Fund "Green Upgrade," for instance," starts at \$25 a year for a house insured for \$350,000 or less and runs to an additional \$70 per \$1 million of the home's value. It's also included in California policies.) Green insurance "is not a marketing tactic," said a Fireman's Fund spokeswoman, Janet Ruiz. "It's a benefit to both us and the customers for them to have better-built homes."

Meanwhile, according to this Bankrate.com article, which examined green insurance, Farmer's Insurance of Los Angeles is offering a similar addition to a regular homeowner's policy for \$25 or 2 percent of the annual premium, depending on which is more, and the product is available in other states as well.

Would you opt for a green insurance policy? Why or why not? If you've researched green insurance policies, how did you figure out if they were worth the extra cost?