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HOMEOWNERS INSURANCE

Going Green For Homeowners: What Insurance Questions Should You Ask?

The green movement has taken over the nation – from recycling to solar panels, Americans are doing more and more to help protect the environment. For many homeowners, that includes plans to make their home more green with renovations. If you are considering environmentally friendly updates to your property, remember it's also important to understand how those modifications are covered under your homeowners insurance policy. The National Association of Insurance Commissioners (NAIC) provides these tips to help make your home – and your insurance – more green.

Standard Homeowners Insurance

A standard or non-green homeowners policy generally provides coverage for either the actual cash value or replacement value of your property with standard building materials.

Actual cash value pays for damages equal to the replacement value of the damaged property MINUS DEPRECIATION.

A replacement value policy generally provides repair or replacement at the same level of quality as the current value, WITH NO DEDUCTION FOR DEPRECIATION, subject to the policy limits.

If your home was built to meet certain environmental standards, you should confirm that your policy specifically provides replacement to that same environmental level so that you won't have to pay extra out-of-pocket costs to reach those same standards.

You may also be able to purchase a homeowners insurance policy that allows you to increase your home's green factor following a loss. A few companies now offer homeowners policies that allow you to purchase additional insurance BEFORE damage occurs to ensure that extra funds are available to make those green enhancements, such as improving the energy efficiency of your home and using sustainable resources.

Green Homeowners Insurance

Some of the first green homeowners policies could only be purchased for new homes that

were certified as meeting climate and zone specific construction standards for energy.¹ Green homeowners policies written more recently cover varying degrees of green repairs.

A green homeowners policy is one that covers rebuilding a damaged home to green standards. Some policies will allow you to repair your home using green materials, but will have a cap on covered costs. Others may exclude coverage of items such as the fees charged by inspectors for having your home certified or re-certified as green.

These policies generally cover the costs of environmentally friendly materials and low environmental-impact processes, as well as energy-efficient replacement products and materials. Green building materials might include lighting, heating and cooling systems, windows, insulation, appliances, home electronics, home office equipment, plumbing fixtures, as well as framing, roofing and siding materials that require less energy to operate, are more durable, sustainability produced, or composed of recycled content.

Green renovations may help lower your costs on utility bills and even your taxes. Furthermore, they may even lower the premiums on your homeowners insurance. If your entire home, or your home repair, is certified to meet certain construction standards of fire-resistance, safety or longevity, check with your insurance agent or company to see if you're eligible for extra discounts.

Each policy is different, so make sure your policy covers the items that you want to have covered. Green policies are not yet available in all states, so check with your agent for details.

Green Energy Insurance

Before you sell excess solar or wind-generated energy to your local utility company, there are insurance inquiries you should make.

Interconnection or net-metering allows you to sell energy overages to a local utility company. Net-metering requires that utility companies credit and bill energy for the same unit price; thus the meter will run backward when you are selling energy by the same unit measure as when it runs forward.

Most governmental bodies either require or strongly encourage homeowners to acquire and maintain additional liability insurance while their energy contract is in force. Be aware that municipalities might require you to reimburse it for any loss arising out of net-metering incidents that harm their workers or damage their property. Check with your local government or municipality for insurance requirements, before entering an energy agreement with a local utility. Ask the city and the utility company if it will require proof of a certain level of liability insurance coverage (which could range from \$100,000 to \$1 million per occurrence) as well as indemnification before finalizing a net-metering agreement. Also call your insurance agent or company to ensure that the liability portion of your homeowners insurance policy does not exclude coverage of net-metering related accidents.

If you are dealing with an energy cooperative, it may require that you name them as an additional insured under your policy. Talk with your insurance agent or company about how this affects your liability and payment for any loss and the related cost for the coverage.

¹One common certification is U.S. GREEN BUILDING COUNCIL (USGBC) or LEED CERTIFICATION.

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The Utah Insurance Department is a state agency whose mandate is to regulate insurance marketed and sold in Utah. Currently they license over 82,000 agents, agencies and insurers; audit domestic insurers to verify financial stability and compliance with insurance laws; take administrative actions against licensees found to be in violation of the insurance laws; take calls from consumers who have questions or complaints; and educate licensees and consumers regarding insurance.