

Press Release

Fireman's Fund Highlights Key Benefits of Green Commercial Buildings

Existing Properties at Risk if Not Planning Green Retrofits

NOVATO, Calif., (September 9, 2009) – Fireman's Fund Insurance Company understands that green commercial buildings provide many benefits to property owners, tenants, and the environment. And for those existing building owners who do not have any future plans to retrofit green, Fireman's Fund discusses how those property owners may be at risk.

Benefits of green buildings

- Green buildings generate an average increase of 7.5 percent in a building's value and a 6.6 percent improvement in return on investment, while decreasing operating costs by eight to nine percent, according to McGraw-Hill Construction.
- Higher revenue due to higher rents and occupancy rates. Vacancy rates of green buildings are lower than existing buildings. The CoStar Group found that LEED certified buildings occupancy rate are 92 percent versus 87 percent for traditional buildings.
- Lower operating costs by reducing waste output and energy consumption. The Environmental Protection Agency (EPA) found that green buildings with a recycling focus can reduce waste output by 90 percent and use 30 percent less energy, which equates to a five percent increase in net operating income.
- Attract and retain quality tenants. Improved indoor air quality in green buildings result in reduced absenteeism, and possibly higher productivity that could increase sales. Green buildings also make it possible to have government tenants.
- Better insurance risk. Green buildings suffer fewer losses and are safer to insure because of the commissioning process required to become LEED certified.

"Green buildings can boost real estate owners' bottom line by protecting and building net operating income, attracting and retaining quality tenants and improving the environment. Simply put, green buildings create a triple net effect, benefitting the owners' bottom line, its tenants and the environment," said David Cohen, senior director of real estate, Commercial Insurance at Fireman's Fund.

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The demand for green buildings continues to significantly increase with \$60 billion projected in 2010, up from \$12 billion in 2008, according to McGraw-Hill Construction. Fireman's Fund also warns real estate owners of the risks in not choosing to adopt green practices or refurbish as a green building.

Risks of not building green

- Risk of obsolescence. As the U.S. Green Building Council certifies more and more buildings will traditional buildings be able to compete? Will the value of a traditional building decline and will late comers realize any first mover benefits? Green buildings are the future and are not a passing trend.
- Reputational and transactional risk. If a building isn't known as green it will experience lower occupancy rates and rents.
- Regulatory risk. Green is being incorporated into building codes at the local and state level. It can be complex as each city's standards are different. "In the future there may be federal mandates that existing buildings will have to adhere to," added Cohen. "Upgrading to green can anticipate these mandates and allow upgrades to occur on your terms."
- Pollution. Existing buildings are one of the biggest contributors to environmental pollution in the U.S., accounting for 40 percent of total energy use, 72 percent electricity consumption, 39 percent of the carbon dioxide emissions, and 13 percent of total water consumption, according to the EPA.

"The risks are clear. Buildings that are not energy efficient or green will not be able to compete for the best tenants. Any building can become greener, often without a major capital expenditure," said Stephen Bushnell, senior director of emerging industries at Fireman's Fund. "Greening operations and maintenance practices are a good first step and Fireman's Fund can help you get started."

Fireman's Fund was the first property and casualty insurance firm to offer green insurance to the U.S. commercial marketplace providing the first financial incentive for green building owners – a five percent discount on the policy premium – for LEED-certified buildings. The company expanded its green offerings to include historic buildings, hotels, manufacturing facilities, restaurants, and personal and commercial auto. In 2008, green coverage premiums for the commercial business of Fireman's Fund totaled \$130 million. The company also provides green home insurance for nearly 31,000 homeowners in 36 states.

About Fireman's Fund[®]

Fireman's Fund Insurance Company is a premier property and casualty insurance company providing personal and commercial insurance products nationwide. It is rated 'AA-' by Standard & Poor's Rating Services. Fireman's Fund is a member of the Allianz Group (NYSE: AZ), one of the world's largest providers of insurance and financial services. For additional information, visit www.firemansfund.com.

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