

CHUBB'S "GREEN TEAM" TACKLES RENEWABLE ENERGY RISKS

Growth in environmentally friendly energy provides opportunities

By Phil Zinkewicz

"With this initiative, we will gain a deeper understanding of the industry and identify new product needs for the array of businesses involved with or affected by renewable energy."

*—Peter J. Thompson
Vice President, Chubb & Son
Worldwide Energy Manager
Chubb Commercial Insurance*

Those of us who like to call ourselves "observers of the insurance industry" and who have, over the years, learned to speak "insuranceze" so that it flows trippingly off the tongue are today facing the burdensome task of learning a new language. Let's call it "energeze."

Notwithstanding Al Gore's treatises on global warming and the political parrying that is taking place over whether man or God is destroying the polar icecaps, environmentalists and geologists alike believe there is an absolute need to find alternatives to oil as an energy source.

In an article on alternative energy sources, Walter Youngquist, a consulting geologist from Eugene, Oregon, wrote back in 2000: "Oil fuels the modern world. No other substance can equal the enormous impact which the use of oil has had on so many people, so rapidly, in so many ways and in so many places around the world ... but oil, like other fossil fuels, is a finite resource. True, there will always be oil in the Earth, but eventually the cost to recover what remains will be beyond the value of the oil. Also, a time will be reached when the amount of energy needed to recover the oil equals or exceeds the energy in the recovered oil, at which point oil production becomes

no more than a break-even, or a net energy loss situation.”

Hence, the need for alternative sources of energy; hence the need to learn energy. It will not be an easy endeavor. Words like natural gas, coal, shale oil and even hydro-electric power will be less difficult to get our tongues and teeth around, but words and phrases such as ocean thermal energy conversion, wood and other biomass and geothermal energy will take practice.

Insurance company executives and insurance brokers and agents are going to have to hurry down to *Berlitz* as well because the coming years will present the business of risk with new exposures as the race to discover new sources of energy—pardon the expression—heats up.

One insurer that is taking a strong lead in the race is the Chubb Group of Insurance Companies. In response to the accelerating development of environmentally friendly energies, products and technologies, Chubb has formed a “green energy team,” made up of experienced underwriters and loss control specialists.

So say Peter J. Thompson, vice president of Chubb & Son and worldwide energy manager for Chubb Commercial Insurance, and Darren A. Small, assistant vice president/energy resources specialty and biofuels segment leader, and a member of the Green Team. “Chubb has a long history of expertise in and commitment to the renewable and green energy market,” says Thompson.

“For the past 20 years, Chubb has been insuring and assessing risks for renewable energy producers and distributors, including wind turbines, ethanol and biodiesel plants, solar energy systems, hydroelectric power generators and other renewable energy operations,” he explains. “We have served the energy sector for decades and, as the marketplace has become more environmentally aware, we have broadened our expertise to meet insurance needs. The creation of Chubb’s green energy team will allow us to look beyond traditional renewable energy production and distribution risks, and explore the insurance and loss control issues facing our other commercial customers.”

Thompson says Chubb will build on its underwriting and loss control expertise in the energy sector for clients in the following sectors:

- Power generation (including wind, solar and geothermal)
- Renewable and clean fuels (ethanol, biodiesel and fuel cells)
- Alternative energy devices (solar panels, wind turbines and other devices)
- Energy-efficient products (compact fluorescent lighting, HVAC systems, office equipment and other products)
- Renewable energy users, including businesses with energy-efficient and environmentally friendly properties

“With this initiative, we will gain a deeper understanding of the industry and identify new product needs for the array of businesses involved with or affected by renewable energy,” says Thompson.

The Chubb executive says that the decision to establish a green team was made only this past July. “Within the other commercial lines departments at Chubb, the comfort level in terms of energy exposures is not that great. Within the energy department, we have been pretty much focused on insuring the energy facilities once they go into operation. But there are a full complement of exposures that need to be addressed in terms of products and service providers to the green energy facilities. These are exposures that other commercial lines departments might not understand. Our team will assist those other departments in better identifying what they entail. That’s one part of it,” says Thompson.

“The other part,” he continues, “is that there is a keen interest in many of our Chubb insureds to go green when reconstructing or building new buildings. We are exploring the different aspects on what it takes to achieve this standard and want to make sure Chubb can respond to customers’ needs with the right coverage to address these changes. There is a certification process for these buildings that is quite rigorous, but there are potential financial incentives to help in the decision-making process. Fluorescent lights and state-of-the-art HVAC control systems can save up to 30%

on energy costs. Some states offer tax breaks if you build or rebuild a green structure.”

Thompson explains that “we also are looking into providing additional services by having our loss control engineers become more knowledgeable on the different aspects of certification, to help professionals in this field achieve green building certification. The insurance products available to both green energy facilities and buildings is vast. We can offer transit coverage, builders risk and, when the building is up, property and general liability. We can also offer coverage for machinery breakdown as well as auto, workers compensation, pollution cover, umbrella and excess liability.”

Thompson says that Chubb has also spoken with agents and brokers about green opportunities. “We’ve had a good amount of interest from producers who want to develop this niche expertise,” says Thompson. “Some are more focused than others. We haven’t aligned ourselves with any specific producers as yet. We expect that our green team will have a more specific strategy by the end of the year.”

John McLane, energy practice leader for the Boston-based insurance brokerage firm, William Gallagher Associates, sees Chubb’s moves as “extremely positive.”

“We have a green energy practice ourselves,” he says. “Our clients include renewable energy companies, high-tech organizations and manufacturing companies that are involved in alternative energy products. For us, there is a great deal of opportunity. Energy is a strong growth area and, in the insurance industry, we don’t have too much competition. Chubb has taken a strong lead in this area.”

Con Elfes, vice president of The Hays Companies, a broker in Minneapolis, says that the search for alternative energy sources is worldwide. “Everyone is looking for ways to minimize their dependence on oil. The problem is that, in the insurance arena, there are not a lot of people who understand energy exposures. We need organizations like Chubb that are capable of leading the way.” ■



Chubb Group of Insurance Companies

Whitehouse Station, NJ 08889

www.chubb.com

Form 42-10-0063