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Green Commercial Building Insurance in Malaysia

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Abstract. Green building construction is growing tremendously globally even in Malaysia. Currently, there are approximate 636 buildings have registered and to be certified with Green Building Index. Among these buildings, 45 buildings have already fulfilled the requirements and fully certified. The other buildings still under provisional certification stage. Malaysia had adopted Green Building Index in 2009 to support a move to promote green building concept. Malaysia starts to move towards green building because Malaysian construction and building industry realizes that both energy consumed and waste produced are reduced without irreversible impacts to ecosystems. Consequently, insurance companies such as Fireman's Fund from America has started the green building insurance policies for their green building in the year of 2006, while Malaysia still remain the coverage for green buildings using conventional property insurance. There are lacks of efforts to be seen from insurance companies to propose green building insurance for these green buildings. There are a few factors which can take into consideration for insurance companies to start the very first green building insurance in Malaysia. Although there are challenges, some efficient strategies have been identified to overcome the problems. The methods used in this research topic is qualitative research. The results obtained shows that green commercial building insurance has a huge business opportunity in Malaysia because the number of green commercial buildings are increasing tremendously in Malaysia. It is a favor to implement green building insurance in Malaysia. Furthermore, insurance companies can consider to add in extra coverage in standard building policy to provide extra protection for non-certified green buildings which have the intention to rebuilt in green when damage happens. Generally, it is very important to introduce green commercial buildings insurance into Malaysia so that all of the green commercial buildings can be fully covered.

Keywords: Green Buildings, Property Insurance, Green Building Insurance

1.0 INTRODUCTION

Society's interest in environmentally friendly buildings rendered the emergence of sustainable buildings design, green building construction and eco-renovations with the subsequent certification of green buildings index to safeguard the recognition and the protect the values of these buildings. In Malaysia, there are 6 types of green certified buildings which are Non-Residential New Construction (NRNC), Non-Residential Existing Buildings (NREB), Residential New Construction (RNC), Industry New Construction (INC), Industry Existing Building (IEB) and Township (T). Currently, there are more than 300 certified buildings which fulfilling the criteria rated by the green building index in Malaysia (Kui, 2016). It is foreseeable the number will increase dramatically for a few years to come.

Conventionally, the property insurance is still largely dominating the Malaysian property market, which the researchers think it may not be adequately covered the green buildings established within the defined different property types and liability policies. The researchers have to stress that, green buildings need to have more specific coverage that cater their requirements which carrying new risks, new loss exposures that insurance industry must be able to identify, measure, and price accurately. Consequently, this has opened up a new business opportunity for the insurance industry to establish green insurance that caters green buildings particularly in the areas of marketing, underwriting, risk management and compensation handling. In recent years, some of the general insurance companies in oversea such as Fireman’s Fund, The Green Insurance Company, Zurich, Lexington Insurance Company and so on have begun to introduce green insurance into their insurance policies (Giordullo, 2009).

The green insurance policies that they recommend into the market are focus on green vehicles and green buildings. In this study, the researchers focus on green buildings as the researchers agree that generally, building or property has higher potential in secure the investment made while the value of the building or property could be safeguarded for increasing financial value when time goes by. Subsequently, this provides a good business opportunity for insurance companies to evaluate a green building (green and eco-value added of building or property) on the premium based on the Green Building Index (GBI) criteria. In Malaysia, general insurance companies in Malaysia such as Kurnia Bhd, Oversea Assurance Corporation Malaysia, RHB Ansurance, MSIG Malaysia and many more have yet carry out any new changes on the policies to offer coverage for such green products.

In this research topic, the researchers have two objectives which are to identify the factors that leading green insurance into Malaysia’s market and strategies to promote green insurance into the market. The rest of the paper is structured as follows: the first section provides the literature review on property insurance, green insurance, factors leading to green insurance and strategies to promote green insurance. The second section discusses the methodology of the study. The third section, the paper continues with the data analysis and discussion. The final section discusses the conclusions.

2.0 LITERATURE REVIEW

2.1 Property Insurance

In year 1666, England was developed the fire insurance after Great London Fire and where the fire insurance has transformed to become modern insurance industry. Based on the British practices, U. S. property-casualty insurance market evolved with the first U.S. fire insurer in year 1752. Many major types of insurance had developed by the early of year 1990. American Insurance Association illustrated two basic areas of the protection from risks provided by the insurance industry. Firstly, is property insurance which act as the ‘first party’ coverage that provides for loses related to a policyholder’s own person or property. These types of insurance focus on protection for physical items. Secondly, is the casualty or liability insurance that provides protection for a policyholder against the claims of others which is called as ‘third party’ coverage.

Commercial property insurance is where the policies that cover the buildings and the organization’s property. It has been justified as that the insurance is covering property loss and related net income loss at specified locations. Eventually, property insurance policies are “named peril” and “all risk”. “Named peril” is introduced as the policies that provide and cover for specific events such as fire, windstorm, hail, vandalism or sprinkler leakage. However, for “all risk” policy provides for any loss by perils which is not specifically excluded in the policy. There are certain circumstances which are not covered under property insurance. Basically, the typical perils that are not covered are flood damage, earthquake, mold, acts of war and parts of property in disrepair. Flood damage and earthquake are covered only when the building’s owner opt for a separated policy specially designed for the two perils.

Two functions are listed as the functions for property insurance: (1) preventing losses and (2) helping recovering from losses. Generally, the interests of insurers, their customers and the general public are in line because insurers preventing losses is to avoid the losses to occur in the first place; through their everyday business practices, they are dedicated to reduce property damage. Property-casualty insurance is about facilitating recovery from losses

suffered by individuals or business. It helps individuals, business or entire communities stay financially stable when a damage is happened.

2.2 Green Insurance

Though in the recent years, overall housing market recovering lethargically, green building projects increase significantly due to their low utility usage and sustainable features (Scholz, 2012). However, there are no any green property policies specially designed for these green buildings in Malaysian Insurance Industry because the insurance innovations usually are not fascinating and vogueish. There are many green commercial properties which needs specific insurance needs that may not be adequately covered under the Malaysian standard commercial properties policies.

These green commercial properties may present new risk exposures where the risk managers and underwriter must be able to identify, measure and evaluate them. Echeverria (2012) states that it is not that the insurers are neglecting the green buildings for all those years, in fact they are observing and evaluating the risk associated with green buildings using the time. The property insurance industry has started to take notice of this tremendous revolution in buildings and how it might affect property losses, safety and risk management (Wells, 2006). A few major insurance companies such as Fireman’s Fund, The Green Insurance Company, Zurich, Lexington Insurance Company and so on have started to “go green” because they have implement the element of “green” into their insurance policies which are introduced into the market (Giordullo, 2009).

According to Department of Consumer and Business Services (2010), green building insurance is a type of insurance that assists homeowners that if they have a loss, their property can be restored with green techniques or materials. Moreover, it also used to cover a green building which is certified to be energy and water efficient, occupant friendly and healthy, uses natural daylight and has low carbon footprint. Currently, there are two varieties of green policies offered for homeowners. One covers buildings that had already certified to meet the efficiency and sustainability standards. The other offers the privilege to replace any losses incurred on the property with more environmentally sensitive materials (English, 2016).

In United States (U.S.), Fireman’s Fund Insurance has offered green building insurance to cover the green buildings in U.S. (English, 2016). According to Wells, (2006), Green building insurance policies will only access and offer coverage to buildings which meet the requirements standard of certain programs such as The Leadership in Energy and Environmental Design (LEED), Energy Star certification program of the federal Environmental Protection Agency and U.S. Department of Energy and lastly the Earth Advantage Sustainable Community (EASC). The policies will offer coverage in term of eco-friendly interior finishes such as paint, sealants and adhesives; interior lightning such as electric fixture, liht bulbs and ceiling fans with Energy Star-qualified units; elimination of ozone depleting substances such as clearing the refurbished or rebuild dwelling or building.

2.3 Factors Leading Green Building Insurance into the Market

Green building insurance policies are becoming a new trend of insurance policies in the industry to offer sufficient coverage to green buildings. However, this situation does not appear without any driven factors. There are a few factors that led to these circumstances.

2.3.1 Lower Overall Risk

Green buildings generally have lower utility usage which helps the owners to be insulated from the rising of utility cost and secure the property value. The building construction industry is benefiting from the eco-conscious construction which will be cost saving for long term utilization (Scholz, 2012). The examination of potential risk and propose of mitigation specifically in the areas of cost control, air quality, pollution and energy waste using careful and unified design process have caused the green buildings to have lower risk compared to conventional buildings (Tomlinson-Keasey, 2014). Green features impact the critical building systems that have been proven as the most momentous causes of property damage. Bushnell (2012) states that the focal cause of loss in buildings is electrical fire and closely followed by plumbing leaks, building envelope issues and heating, ventilation and air conditioning (HVAC) problems. Wells, (2006) states that insurance has benefits from energy-efficiency and renewable energy

options because energy efficient systems can reduce risk which leads to reduce insurance losses in commercial property. Hence, all of these building systems become more greener and safer when green features are adopted in the buildings. Moreover, green upgrades or replacement also will lead to a new and safer systems for a older buildings to improve both their operating cost and risk profile. Generally, insurance companies tend to appreciate green buildings which are safer and more volatile because they have lower risk to be insured.

2.3.2 New Business Opportunity

The growth of green building market has been blooming lately, spurred largely by government policies and rising recognition that such buildings are more economical to operate (Moreso, 2009). However, while the building is designed to use energy efficiently, less natural resources are being used, that does not mean the industry's growth is free from risk. The expansion of green building has created new risks and opportunities for the insurance industry. Wells (2013) states that the green construction movement has attracted many insurance companies looking to cash in in the business. Moreover, the building industry is generally start to aware of the benefits of "going green" but they should also aware of the risk that are unique to sustainable design (Anon., 2016). Gaps are being exposed in current policies, as the specifics of green building must be addressed. The performance of new products and technologies that are being designed to be implemented into green construction might pose a risk. This is mainly due to the products are being developed quickly without undergo quality field test. Although the green building market is growing fast, it is still in its infancy stage. Hence, contractors and architects are seeking for insurance to provide sufficient protection so that the market can be kept on top of the various green building exposures and adopt proper procedures to mitigate the risks.

2.3.3 Growth versus Coverage

Butterworth (2010) states that agents and brokers can expect to see increasing clients' demand for green insurance coverage due to the tremendous growth in the green building market. This is because standard commercial property insurance policies generally do not cover many features of green buildings. (Anon., 2016) also mentioned that many green products and practices have specific insurance needs that may not be covered sufficiently under standard property policies. Hence, this situation left homeowners who want to reduce their carbon footprint to encounter with unique insurance requirements (Butterworth, 2010). Companies who invest in green buildings opt to look for green policy endorsement which will pay the additional expenses to recycle debris instead of throwing the waste to landfill. Moreover, the vegetative roofs maybe limited to a "plants, trees and shrubs" sublimit that may be insufficient for this exposure under a standard property insurance (Echeverria, 2012). In addition, comapanies might have an issue of not adequate coverage under standard property insurance because to build or assimilate green needs a longer time. Thus green insurance or standard property insurance with green endorsement will enhance the coverage for green buildings and provide more appropriate coverage for specific green features.

2.3.4 Increase Value of Buildings

Penner (2005) agreed that green buildings are a helthier places in which to live or work in. In addition, green buildings also contribute to environmental benefits because of their lower utility usage which consume fewer non-renewable resources, produce less waste and air emissions. This issues have made green buildings to cause less upheaval to site ecology. Hence, it is faster to secure tenants and offer higher rents or prices for a green building. Besides, it also offers less operating and maintaining cost. Green buildings might have a higher upfront cost than conventional, but it lower overall risk due to its energy efficiency usage has caused insurance companies to appreciate it and directly increase the building's economic value (Scholz, 2012). With these features, the asset value of a green building is enhanced and tend to have a higher value compared to conventional buildings. Hence when green buildings property valuation has the tendency to be higher than a conventional buildings, the cost of reconstruct green will be higher than to rebuild a conventional building. The homeowners have to always bear in mind that te coverage limits may not sufficient and not recognized the incresed of property value and cost to reconstruct green after a damage when the buildings are covered under traditional property policies.

2.4 Strategies to Promote Green Building Insurance

Insurers are helping to promote practices of green buildings in the market by offering green buildings insurance policies to the homeowners. However, challenges are being faced when the green building insurance policies were first introduced into the market. Hence, efficient strategies need to be taken in order to overcome the challenges smoothly.

2.4.1 Courses Provided for Agents to Increase Their Knowledge About Property Insurance

Knowledge of the agents towards property insurance in regards the property is conventional or green is very important. Insurance companies have to provide courses related to this information to enhance the knowledge and selling skills of the agents. Through the courses provided to agents, the ability to have productive, assured interactions with their commercial customers in the field of commercial casualty exposures and coverage can be strengthening. Accurate and relevant information is very critical when presenting or introducing the potential customer property insurance. These courses are delivered by leading market practitioners who share first-hand experience of the issues faced by the agents nowadays. Agents who have difficulties in the market can overcome it after attend to the courses provided by the insurance companies.

2.4.2 Insurance Web Pages and Integrate Printed Materials with The Web

According to Herrin, (2014), insurance companies have their own website which is easy for the potential customers to navigate themselves. The information regarding property insurance and green building insurance must not more than three clicks away from the home page. If the situation happens, it might keep the webpage away from potential customers. Hence a focus group is needed to test the usability of the webpage. This testing must be done regularly to ensure that the customers can look for the information they need easily whenever they need it. The feedback obtained from the focus group could be used to improve the method to establish in website to attract more customers to know about the green insurance products (Herrin, 2014). Moreover, potential clients are allowed to print any related information they required through the web page to make it as their reference. Insurance companies also will create short web address which is easy to remember to share the information regarding property insurance. The short web address will lead the potential customers to a web page where they can take some actions such as online quoting or request for a detailed quotation directly from the agents.

2.4.3 Cross-Sell Insurance When Promoting Home or Commercial Loan from Financial Institutions

Home and commercial loan are common loans which offered by most of the financial institution. Developers or purchasers usually will go for these loans when they intended to build commercial buildings or purchase a commercial property. After obtaining the loan approval, the next thing they will think of is to get an insurance policy for the loan coverage and property coverage. However, most of the financial institution only focus on loan approval and have neglected the insurance business. Insurance companies can have a relationship with financial institutions that whenever a loan is approved to the customers, the financial institutions will directly promote the insurance policies to cover the loan and the property. These Financial institutions even have their website for home and commercial loan (Herrin, 2014). These websites will explain the type of loans offer and provide an overview of their features and benefits. Through this strategy, financial institution can establish banners, buttons, or links on their website to make the relationship of loan and insurance apparent in the website. These financial institutions have to make sure that every web page that mentions about home and commercial loan must have information regarding insurance and the facts that they are selling insurance.

2.4.4 Premium Discount

The insurance companies will offer a discount in term of premium for those buildings which meet the stringent efficiency and sustainability standards (Green Insurance, 2016). Instead of costing building owners more to insure new and complicated green additions, insurance rates actually decrease for green buildings and improvements. Discounts on green insurance products are justified by safety data linking reduced emissions with accident and damage mitigating behavior.

2.4.5 Extra Coverage for Standard Policy

Some insurance companies will offer as an endorsement to a standard homeowners' policy to enable them to replace or rebuild their property after a loss with eco-friendlier materials. Under this coverage, the insurance companies will pay the homeowners extra if they replace an old conventional product with green product and instead of ending the destroyed materials to landfill, they send to recycle center to recycle the debris. Moreover, the claimable recertification cost may be included into the endorsement of a standard policy with providing the level of certification-Certified, Silver, Gold or Platinum (Ochenkowski & Schinter, 2008).

3.0 RESEARCH METHODOLOGY

The research design is the plan and structure of investigation conceived to achieve solutions for the research questions. The plan is the overall scheme or program of the research which includes as outline of what the researchers will perform from finding the operational implications to the final analysis of data (Chew, 2003). With a proper research design, the structure of research problem can be well managed and obtained strong evidences that have relations with the problems.

The research epistemology was grounded on the social constructivism, whilst the research design was established through a purpose-based (exploration) choice of case study. The case study was based on primary data collected through a series of qualitative interview with 10 informants on field such as insurance agents and management level staffs in insurance companies, as shown in Table 1. The main reason the researchers opted for qualitative study is to comply with the criteria of inductive approach, whereby the final outcomes could be generalised theoretically and empirically.

A purposive sampling method strategy was employed to identify appropriate informants who are best able to illuminate the research questions and research objectives. Leedy and Ormrod, (2009) and Patton, (2015) stated that the logic and power of purposive sampling methods in selecting information-rich individuals from whom one can learn a great deal about issues that are central for an in-depth study. The purpose of this study is to generate an extensive understanding about the factors leading green building insurance into the market and strategies to promote green building insurance. The interview sessions were undertaken from April 2016 to July 2016. The respondents remained anonymous in order to protect their privacy. With their permission, all the data collection was audio-recorded and then transcribed carefully in order to provide a basis for reliable data analysis.

Besides, the secondary data such as academic books and journals, government and regulatory authority's publications were reviewed to obtain a more comprehensive understanding on factors leading green building insurance into the market and strategies to promote green building insurance.

TABLE 1. The designation and insurance company of informants.

Position	Company's Name
Agent 1	MSIG Malaysia
Agent 2	Oversea Assurance Corporation (OAC) Malaysia
Agent 3	Kurnia Malaysia
Agent 4	Liberty Insurance Malaysia
Underwriter 1	MSIG Malaysia
Assistant Executive 1	MSIG Malaysia
Assistant Manager 1	Oversea Assurance Corporation (OAC) Malaysia
Claims Department Manager 1	MSIG Malaysia
Branch Manager 1	RHB Bank Bhd
Branch Manager 2	Takaful Malaysia

Source: Developed by the researchers (2016) for this study.

4.0 DISCUSSION AND ANALYSIS

Green building Index (GBI) which is adopted in Malaysia in the year of 2009 under the Ministry of Works has proposed a rating system to determine the “Green” level of a building. There are basically 6 criteria which are energy efficiency (EE), indoor environmental quality (EQ), sustainable site planning and management (SM), material and resources (MR), water efficiency (WE) and innovation (IN) (Anon., 2013). Buildings can be certified as a green building if they fulfill the criteria of the rating system. Hence, insurance companies can offer coverage to a green building based on this rating system. It is much easier for the law adjuster to set the clauses in green building insurance policies with the assist of this rating system.

Works Minister Datuk Seri Fadillah Yusof states that the signs are positive on green building initiatives with Malaysian construction and building industry starts to embrace green building practices where both energies consumed and waste produced are reduced without irreversible impacts to ecosystems. In July 2015, there are a total of 636 buildings have registered and to be certified with Green Building Index Malaysia. It is an increase of 16% compared to the same date last year because there are only 548 buildings was registered. Among the 636 buildings, there are only 45 buildings that fully certified under Green Building Index. The other buildings are still under provisional certification stage.

Although the number of green buildings have started to grow in Malaysia, there are developers who are still lack of interest in invest in green buildings because they need a huge amount of upfront cost compared with conventional buildings due to their low utility usage and environmental friendly features. In fact, a green building has higher sum insured amount compared with conventional buildings which eventually lead to higher premium. The building itself only have a normal commercial property insurance coverage which is very inadequate because of the green features offered in the building.

Initially, the factors of leading green building insurance into overseas market are pinpointed by the researchers. It is very essential to understand the factors causing the introduction of green building insurance on commercial buildings in oversea so that the research outcomes could be transferred and practiced in Malaysia. Besides, the strategies to promote green insurance are determined by the researchers. Through this process, the researchers can analyze the most critical factor and follow by proposing a most efficient strategy in order to enable green building insurance can be introduced into Malaysia’s market smoothly.

In October 2006, Fireman’s Fund Insurance Co. from America has offered the first commercial green policy specifically to cover certified green buildings and green upgrade coverages that address some of the unique risks that accompany green building practices (Wells, 2006). Scholz, (2012) states that in 2009, there are 22 companies out of 39 insurance companies which offer insurance policies related to green buildings. Generally, Firemen’s Fund offers three different types of green policies for certified green commercial buildings.

4.1 Factors Leading Green Building Insurance into The Market

Green building Insurance is a new product in insurance industry. There are a few factors that lead to appearance of this green insurance policy. All of the factors obtained are explained below.

4.1.1 Lower Overall Risk

Bushnell (2012) states that the focal cause of a property loss if electrical fire, then closely followed by plumbing leakage and heating, ventilation and air conditioning (HVAC) problems. Hence when implemented green features into a buildings, all of the buildings systems will become safer and greener and directly reduce the risk. In addition, when an old conventional building undergoes green upgrade and replacement, the new and afer systems will improve the operating cost and risk profile of the buildings. Insurance companies typically prefer to offer protection and tend to appreciate green buildings because they have lower risk to be insured. According to Scholz (2012), green buildings have lower utility usage compared to conventional buildings which assist the homeowners to be protected from the rising of utility cost. The examination of potential risk and propose of mitigation specifically in the areas of cost

control, air quality, pollution and energy waste using careful and unified design process have caused the green buildings to have lower risk compared to conventional buildings.

Agent 1 and Manager 1 agree that green buildings have a lower risk compared to conventional buildings because of their low utility usage. Both of them believe that the materials used for green buildings are eco-friendlier and less electrical wiring is required due to energy efficiency features in a green building. Moreover, Claims Department Manager 1 mentioned that most of the claims from conventional property are caused by electric fire or plumbing leakage; hence, if green building has a lower utility usage, he believes that the risk of electric fire and plumbing leakage could be reduced. It is a very unique feature of green building because it has lower overall risk (Branch Manager 2).

The researchers agreed that there is a lower probability for the buildings to get into electrical fire when green features is built into the buildings. It will also reduce the other unnecessary risk such as plumbing leakage and HVAC problems. This opinion supported by the findings obtained from primary and secondary data. Buildings with green features are generally safer compared to conventional building because the conventional buildings are exposed to electrical fire and other risk which due to the type of wiring or plumbing system used. The researchers have the opinion that insurance companies will have the interest to offer coverage for these types of low risk buildings. This is because the claim losses can be reduced when the company covers a low risk building. Buildings with lower risk is generally very important and more likable in the market. Hence, this can lead to insurance companies in Malaysia to offer green building insurance policies for green buildings in Malaysia.

4.1.2 New Business Opportunity

Although green buildings are designed to use energy efficiently and have lower utility usage, it does not mean that the industry's is free from risk. The risk involved has created a new business opportunity for the insurance industry. In 2006, Fireman's Fund Insurance Co. from America has offered the first commercial green policy to cover green buildings. Fireman's Fund has foreseen the green building markets and demand of homeowners towards green building insurance. In 2009, there are 22 companies out of 39 insurance companies which offer insurance policies related to green buildings. Currently there are two main reasons for building green- client demand (35%) and market demand (33%) (Anon., 2015). The global green building market has grown in 2013 to \$260 billion which the trend is foreseen to continue increase in coming years. The global green building market is blooming and this situation even happens in Malaysia. "There's 2.1 billion square feet of LEED certified space now and over 16,000 commercial buildings have been LEED certified," Bushnell says in Green Insurance Market: Competitive and Growing (Wells, 2013). Recently, there are more buildings have been certified as green buildings in Malaysia under Green Building Index (GBI) certification. The table below shows a list of buildings which is certified as green building in Malaysia (refer to table 2).

According to Agent 1, Agent 4, Assistance Executive 1 and Assistance Manager 1, green building insurance has a huge opportunity in Malaysia because there are more and more green buildings in the market. Moreover, these buildings are exposed to new risks that conventional property insurance does not cover. They mentioned that the insurance company that becomes the pioneer in implementing green building insurance will grab the opportunity to increase the company business. Indeed, as Agent 1, Agent 3, Underwriter 1, Claim Department manager 1, on the contrastive view that green building insurance is not an efficient policy to be implemented in Malaysia because there are only a few green buildings in Malaysia and developers are also not emphasize on this market. They further argue that there are no any sufficient reasons for insurance companies to propose a green building insurance just to provide coverage for the few buildings. The buildings can be protected under standard commercial property insurance.

Unique features of green buildings which will lead to new risk; it is a good time for insurance companies to start offer green building insurance policies to the market. The researchers agree with the data collected from primary and secondary data. Moreover, the increasing number of green buildings in Malaysia also will lead to the expanding of this market because the demand of green building insurance will increase along the time. With the new business opportunity, the economics and financial status of a company can be enhanced to a higher level. Companies with strong financial status will create a good reputation and increase the confidence level of their customers. The pioneer

company which offer the green building insurance will have a remarkable breakthrough in term of sales and reputation because all of the owners of green buildings will start the green coverage under this companies.

TABLE 2. The list of buildings which are certified as green building under GBI

Name of Buildings	Date of Certification	Certification Level
The Second Penang Bridge PB2X Toll Plaza	24 January 2014	Platinum
Laman PKNS	30 May 2014	Platinum
Masjid Cyberjaya	18 December 2014	Platinum
Menara Public Mutual	07 May 2012	Gold
Menara Pejabat Kementerian Perdagangan Antarabangsa dan Industri (MITI)	06 April 2012	Gold
Dewan Jing Si Tzu-Chi KL	08 March 2013	Gold
Menara MBMR	17 December 2013	Silver
Datum Jelatek (Podium)	05 February 2013	Silver
KLIA 2 Terminal Complex	25 January 2013	Silver
Columbia Hospital – Petaling Jaya	21 February 2013	Certified
Menara Worldwide	26 April 2010	Certified
Menara Felda	27 January 2011	Certified

Source: Summarized by the researchers (2016)

4.1.3 Growth versus Coverage

There is not adequate coverage for green buildings as the standard property insurance policies generally do not cover many features of green buildings. This situation has left the green buildings to expose to certain risk which is not covered under the conventional policies. Hence, homeowners who have great intention to reduce carbon footprint have met with unique insurance requirements. Companies who invest in green buildings opt to look for green policy endorsement which will pay the additional expenses to recycle debris instead of throwing the waste to landfill. As an example, most of the green buildings installed vegetated roofs because the soil and chosen vegetation serve as insulation, minimizing heat loss in winter and reducing cooling losses in summer (Echeverria, 2012). However, this feature is not covered in traditional property insurance. Moreover, most of the traditional property insurance does not cover the cost for green recertification.

Insurance companies in Malaysia do not offer any special coverage to green building, meanwhile the buildings are using standard policies which might have to pay higher premium for certain high value green features (Branch Manager 1). Moreover, there are even some features which are not included into the policies due to the loss adjustor and underwriter having difficulties to assecess the risk exposed of the features (Underwriter 1). Agent 2, Agent 4 and Assistace Manager 1 agreed that although the numbers of green buildings are increasing gradually in Malaysia, these green buildings do not well covered because there are features that included under the coverage of conventional property insurance.

It is essential to provide green buildings with sufficient coverage in order to ensure that the homeowners no need to worry when their building suffer from a loss. Moreover, if this situation keeps going on, the interest of people invest in green building market will go lesser because they do not see any advantages if they invest on it. On the other hand, they might suffer income loss when the buildings are damaged. This factor is a very supportive factor which can help to leads green building insurance into Malaysia's market.

4.1.4 Increase Value of Buildings

Green buildings are buildings which offer a healthier work or live place, contribute to environmental benefits and produce less waste and air emissions (Penner, 2005). These characteristics have made green buildings to cause less impact to site ecology. In addition, green buildings have the tendency to have a higher property value compared to conventional buildings because they are faster to secure a tenant, offer high rents and less operating cost. Since green building valuations tend to be higher than conventional buildings, the cost of reconstruct green will have the

tendency to be higher than rebuild a conventional building. The U.S. Green Building Council estimated that the cost to reconstruct green is approximate 3-5% more compared to rebuild conventional building (Echeverria, 2012).

In line with this, Agent 4 agreed that green buildings value is higher than conventional building so it needs a specific policy to cover it. Besides, a green building which has its own green insurance might enhance the property value as well because it means that the building is fully covered by insurance companies. “The value of green products will increase along the time, so it might need a higher cost to reconstruct them when damage happens. In my opinion, green insurance is required to cover this part because traditional policies couldn’t cope with the “green trend,”” stated Branch Manager 1. However, Agent 1 thinks that green insurance does not have any relationship with the property value. The value of a property is subject to the current market price.

The researchers agree with Agent 4 that green building insurance can enhance the value of a green building. Green building insurance can be a factor to enhance the value of a property because it is like recognition from insurance companies towards the green buildings. Besides, researchers have the same school of thought with Echeverria, (2012) and branch manager 1 about the increasing value for reconstruction of green. However, it also subject to the features that the building has. This is because if the building is a rebuild green building from conventional building, the value of the property will not increase a lot even under the coverage of green building insurance. This is mainly due to some of the features in the buildings such as materials used to build are still the conventional material which is not environmental friendly. In addition, the owners of the green buildings need not worry about the increase value for their rebuilding or servicing cost because it is all under the coverage of green building insurance.

4.2 Strategies to Promote Green Building Insurance

Efficient strategies to promote green building insurance are very important. Insurance companies must put in effort to promote this new product so that potential clients will aware on this newly launched product. Some of the efficient strategies used in promoting traditional property insurance are being discussed as below.

4.2.1 Courses Provided for Agents to Increase Their Knowledge About Property Insurance

Accurate and relevant information is very critical when presenting or introducing the green building insurance to the prospect clients. Hence, insurance companies have to provide green building insurance related courses to insurance agents to enhance their knowledge in this area.

“It is very true that the agents nowadays are lack of knowledge about green buildings, I will suggest that more courses have to be carried out to increase their knowledge on this field”, commented by Branch Manager 1. Assistant Manager 1 and Branch Manager 2 also agreed that courses should be provided for all on field agents so that they can understand more about the features in green buildings and the coverage of property insurance for green buildings.

Courses provided by insurance companies are very important for agents to enhance their knowledge and selling skills for the insurance policies. When green building insurance policies are introduced to the market, agents might face thousands of issues and challenges. Through the courses that lead by market leading practitioner, the agents can overcome the challenges easily to increase their closing power for the policies. Their selling confidence also can be built through the courses they attended. On field agents also can gain more knowledge about green buildings’ criteria and features which are covered in green insurance policies through the courses provided by insurance companies.

4.2.2 Insurance Web Pages and Integrate Print Materials with The Web

All of the insurance companies have their own webpage which allow their potential clients to search for information they interested on. The webpage must be easy to navigate and all of the information regarding property insurance and green insurance must not be three clicks away from the home page. Clients are allowed to print out materials which they are interested to make it as their reference. It is very important to have clear and user friendly web page so that potential clients could get the first hand information to keep their query solved.

Agent 1 and Agent 2 mentioned that nowadays web pages have been widely used for the information delivery. They strongly agreed that this can fasten the process of promoting the policies to the market. In addition, it is convenience for the potential client to look for the information they need online before the agent present to them, this shorten the considering time because the clients already have a general concept about the policies before the presentation (Assistant Manager 1). Moreover, Agent 1, Agent 2 and Branch Manager 2 also opined that the potential clients can request for quotation through the web page for their reference or print some products information from the web page.

Most of the insurance companies have started to promote their policies using web page nowadays. It has become one of the primary means for consumers for obtaining information via the internets. However, there are some disadvantages on this method if insurance companies solely depend on this strategy. Slow internet connection in Malaysia will cause the potential clients to loss their interest to look for the information. In addition, some of the potential clients are reluctant to read the information through web page. They prefer face to face presentation to have the clearer understanding of the policies they wish to purchase. They worry of misunderstanding of policy's clauses if they only depend on the information through web page.

4.2.3 Cross-Sell Insurance When Promoting Home or Commercial Loan from Financial Institutions

Many financial institutions are getting into the property and casualty insurance by adding an in-house insurance agency to their list of offering. Claim Department Manager 1 asserted that this is a good strategy to promote property insurance policies because the information will be passing to the loan borrowers directly.

However, in contrast to Claim Department Manager 1, Branch Manager 1 and Branch Manager 2 reasoned that this is not an effective way to promote the policy because the bankers who are not well trained on insurance policies might have the difficulties to provide the full and clear explanation to the loan borrower. This might lead to misleading problems and issues will be raised when claims occur.

The researchers believed that this is an effective method to promote property insurance and increase the buying rate. However, like Branch Manager 1 and Branch Manager 2 had mentioned, the only concern is about the misleading problems because the bankers lack of understanding of insurance policies. Hence, courses need to be provided to banker to enhance their knowledge about insurance policies.

4.2.4 Premium Discount

Premium discount is given to buildings which meet the green certified standard by insurance companies. Instead of costing building owners more to insure new and complicated green additions, insurance rates actually decrease for green buildings and improvements. Fireman's Fund is the leader in the green insurance market because it is the first to offer green insurance to cover green buildings and also offer the first premium discount to residential or commercial properties which are LEED certified. In the case of loss, Fireman's Fund will cover a rebuild to one level higher than pre-loss certification level and offers a broader alternative coverage such as vegetated roofs and underground water cycling systems. English, (2016) and Scholz, (2012) state that homeowners with Energy Star or green certified buildings are entitled for a 5%discount of premium. Besides Fireman's Fund Insurance, Travelers Insurance Company also provides an add-on Green Home upgrade to its current standard property policies and 5% discount is given to homes that already LEED certified.

"Premium discount is very important for homeowners of green certified buildings to encourage more homeowners to invest in green building to enhance the market," stated by Agent 2, Agent 4, and Branch Manager 1. This has been supported by Branch Manager 1 that the percentage of discount can be adjusted based on the certification level of the certified green building itself. However, Agent 1 stated that premium discount is not a good way because green buildings itself need high coverage value which leads to high premium. Hence if discount is given, companies might suffer from a loss when compensation is needed. In his opinion, the homeowners have to pay for the riders that they want to add-on to the properties.

Based on the statement, the researchers argued that premium discount should be given to the policyholders because of their highly contribution to the environment. Green buildings are buildings which are environmental friendly and caused less impact to the ecosystem. Although some of developers aware of the importance to build green buildings but they refuse to proceed with the construction due to high upfront cost and no extra benefits given to them. Furthermore, the percentage of premium discount could be adjusted according to the certification level so that more developers will aim for the higher level of certification in order to obtain higher percent of discount. Through premium discount, they will realize that there is a difference between conventional property insurance and green building insurance. Besides, the developers or owners of the property will save up some cost when premium discount is given to them. This will enhance the intention of them to invest in green buildings projects.

4.2.5 Extra Coverage for Standard Policy

Fireman's fund has offer an endorsement "Green Building Replacement, Green Upgrade, and Commissioning" which allow the homeowners to rebuild and replace their damaged property with green alternatives such as non-toxic, low-odor paints and carpeting, Energy Star-rated electrical equipment, interior lighting system that meet the LEED or Green Globe requirements, water-efficient interior plumbing, Energy Star-qualified roof and insulation materials, and engineering inspection of systems such as HVAC (Anon., 2016). Wells, (2006) also states that Fireman's Fund Insurance Co. offers three types of policies for certified green buildings where there is a policy specially design for existing conventional commercial buildings. The first product offers a policy discount on commercial properties which certified green by U.S. Green Building Council (USGBC) LEED program or the Green Building Initiative's (GBI) Green Globes program. The second policy is offered for buildings which have not certified green but will rebuilt with green features when a loss happens. The last policy is a building commissioning form which the product will cover the cost to hire a professional engineer to look at the newly installed green systems to ensure that they are being installed properly and operate efficiently. In addition, under this coverage, all of the application and recertification cost will be paid by Fireman's Fund.

Underwriter 1 and Assistance Manager 1 mentioned that insurance companies shall include endorsement or special riders such as what Fireman's Fund Insurance Co. does into the conventional property insurance to enable the homeowners have the ability to rebuild their conventional buildings to green buildings. According to them, through this method, more conventional buildings can slowly convert into green buildings and enhance the practice of "Green" in the society. "It is a very important matter to be considered if our company wants to launch a green commercial building policy. We have to bear in mind that some of the existing buildings also have the intention to become green . So by having extra coverage in standard property insurance is very significant" mentioned by Branch Manager 1.

From this view, the researchers assert that by adding extra coverage to standard property insurance is an effective method for homeowners who have the intention to rebuild their conventional to green buildings. This opinion is in line with the primary data which has collected through a series interview with 10 respondents from insurance companies. It is also supported the secondary data which has been reviewed. Under this policy, buildings' owner need not pay any extra cost to include green features into their conventional buildings. Moreover, with the existence of this extra coverage in standard property insurance, buildings' owner's intention to go green can be encouraged and supported. In addition, conventional buildings also stand an opportunity to turn into green buildings to intensify the green buildings market.

5.0 CONCLUSION

In conclusion, new business opportunity is a very critical factor to lead to the implementation of green building insurance in Malaysia. This is mainly because the number of projects related to green buildings increase tremendously in Malaysia. Investors and developers have started to aware about green buildings and realize the benefits of investing in green buildings. Moreover, this expansion has created a new risk due to the unique features of green. Hence, this will lead to a new and huge business opportunity for insurance companies because investors or homeowners will start to look for green building insurance to fully protect their green property. Among the strategies mentioned to promote green insurance into the market, implementation extra coverage for standard policy is very important and unique planning. This strategy enables more investors and homeowners to enjoy green building benefits and allow them to upgrade their conventional property to green property. This is a very effective method to encourage more people have

interest to invest in green buildings because through this endorsement, even a conventional old building has the opportunity to turn into a green building which has higher property value.

This research needs to be conducted so that the insurance companies can look into this sector and start to improve on the current buildings insurance. This is to ensure that green buildings can enjoy their own special benefits which other non-green buildings cannot. In addition, the practices of using green products could be enhanced using this method because they will aware the of benefits provided in term of insurance when a new green project is being developed. Some of the homeowners may also decide to convert their conventional property to green building to enjoy the benefits from insurance coverage. Furthermore, home owns can feel relief when the green building experience on damages because the green building insurance will replace all of the damaged or old gadgets and household parts with green products. With all the benefits and advantages that green buildings can obtain, the researchers believe that more and more investors will “go green” towards their new buildings or existing conventional buildings.

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