

WHY LIFE SCIENCE ORGANIZATIONS SHOULD CONSIDER ENVIRONMENTAL INSURANCE

The environmental impact made by today's industries – including those involved in the life sciences – continues to make headlines and can devastate a company's bottom line. A well developed risk management strategy for such events, including the investigation of insurance options, is a must for every business. Current environmental insurance market conditions make it a perfect time to consider the use of Environmental insurance as a cost-effective component of your particular strategy, whether you are considering it for the first time or rethinking the need for coverage considered but not purchased previously.

WHAT DOES ENVIRONMENTAL INSURANCE COVER?

Environmental insurance for the life sciences industry generally takes the shape of a Pollution Legal Liability (PLL) policy. This policy can afford protection not found in any other General Liability or Property insurance coverage, which generally excludes pollution liability issues in total. However, while General Liability or Property insurance may sometimes include limited elements of protection for environmental matters, the limits of liability and comprehensiveness of the coverage are generally inferior to a true PLL policy. In addition, PLL policies can typically be customized to the specific exposures of the insured, making them a valuable tool for applications beyond addressing the day-to-day exposures associated with your business.

POLLUTION LEGAL LIABILITY

Typical exposures covered by PLL policies include:

- Chemical or fuel use and storage, including bulk tank storage
- Bio-hazardous materials and wastes



- Waste management/treatment on site
- Wastes disposed off site
- Air and effluent emissions
- Indoor air quality (mold, Legionella, etc.)
- Decontamination or emergency response events
- Regulated materials use (including BL3 or higher materials)
- Transportation of materials/wastes to and from your site
- Regulatory fines and penalties
- Low-level radioactive materials
- Business interruption on site, including lost revenues

Additional applications of PLL coverage can include coverage for risks associated with:

- Compliance with regulatory requirements or financial assurance
- Acquisition or divestiture of locations
- Site development or expansion

- Environmental indemnities
- Known, pre-existing contamination events
- Balance sheet disclosures
- Off-site service operations
- Climate change
- Global operations/expansion

Pollution Liability insurance typically protects the insured against unanticipated losses associated with unknown pollution conditions, including cleanup costs and third-party property damage or bodily injury claims. Policies can be designed to cover operational pollution risks arising from unanticipated discharges, leakages or spillages and historical risks for liabilities associated with pre-existing contamination from prior site use/occupancy. It is possible to combine both operational and historical pollution cover in a single policy. The policies can be extended to cover off-site waste disposal locations, transportation exposures or even contingent risks, such as business interruption or economic loss associated with contamination.

PLL forms can also be designed to address other environmental exposures specific to the life sciences. Contamination of clean rooms resulting in lost business income is an exposure that has been addressed via PLL forms. For research and development activities, PLL policies can provide coverage for the inadvertent release of regulated substances, including the cost to clean up/decontaminate the insured's own site and the potential damage to third-party property and wellbeing. In emerging areas such as climate change and prescription drug residue in drinking water, Pollution Liability insurance may be a key risk management tool. However, we are only beginning to see market responses to these exposures, as insurers continue to carefully weigh their ability to assume such risks.

CONTRACTOR'S POLLUTION LIABILITY

This is a form of environmental insurance designed to protect an organization facing environmental risks through their business operations, away from premises that they own – for example, environmental or construction contractors. Such operations may result in unanticipated discharges, leakages, spillages or the exacerbation of contamination conditions as a result of disturbing/remobilizing existing contaminants. Most project insurance specifications today require such pollution liability coverage. Contractors can arrange this on a portfolio basis or on a project-by-project basis. Site owners should require this coverage as a part of any contract specification for work to be performed at their sites. Owners can also consider this coverage on “wrap-up” basis, whereby they secure the coverage for all contractors and subcontractors working on their project. This provides coverage and cost control directly to the owner.

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THE ENVIRONMENTAL INSURANCE MARKETPLACE TODAY

Despite the economic downturns of recent years, environmental insurers have shown great resilience, targeting new industry sectors and developing new products. Once again, despite the current economic challenges, many of the major environmental carriers are reporting increases in new business premium volume and growth in renewal premiums. Reflecting the optimism about the growth potential in this space, more insurers have recently entered or announced plans to enter the highly competitive environmental market. More than 25 insurers now offer Environmental products in North America. This growing list provides greater choice to insureds and has helped to delay the rate increases that many have expected in the wake of overall poor industry results. Most of the leading carriers are able to provide \$25 million to \$50 million in limits for a single placement. And in situations where more limits are required, layered environmental programs – involving more than one insurer to build capacity – have become even more common.

SUMMARY

Broad coverage offerings and a competitive marketplace are reasons enough to consider Environmental insurance as a part of your risk management strategy. And with the various coverage enhancements available that are tailored specifically to the risks inherent in the world of life sciences, these coverages should, at a minimum, be explored in relation to existing General Liability and Property insurance programs.

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