

Environmental





The environmental risk landscape is constantly changing...

You need a comprehensive environmental strategy that protects your bottom line – a plan that addresses changes to your risk profile brought on by:

- Growing awareness of environmental hazards, which creates an ever-expanding list of exposures
- Acquisition and divestiture of property
- Discovery of previously unknown legacy issues
- Evolving environmental regulations and legal exposures
- Increased requirements for financial disclosure of liabilities

The stakes have never been higher. As the risks have grown, so has the ability of the Willis Environmental Practice to deliver solutions.

- Willis was the first major insurance broker to establish a dedicated Environmental practice and we remain the acknowledged world leader in this highly specialized field.
- We provide highly customized solutions to address our clients' environmental challenges. Through innovative broking and strong market relationships we deliver genuine value.
- Our insurance solutions – many of which have become industry standards – address the potential of loss for both existing and future contamination problems.
- We are experts on legacy and cleanup issues. By facilitating solutions that can cap costs or transfer liability to third parties, we bring clarity and certainty to our clients and improve the quality of their financial disclosure.
- Most significantly, we help our clients increase the value they can realize from contaminated assets.



Many Organizations Face Liabilities

Environmental risks and toxic tort liabilities can mean litigation, significant financial losses, and undervalued or unsellable assets. Exposures are not limited to companies routinely handling dangerous substances – non-industrial and service companies face them as well.

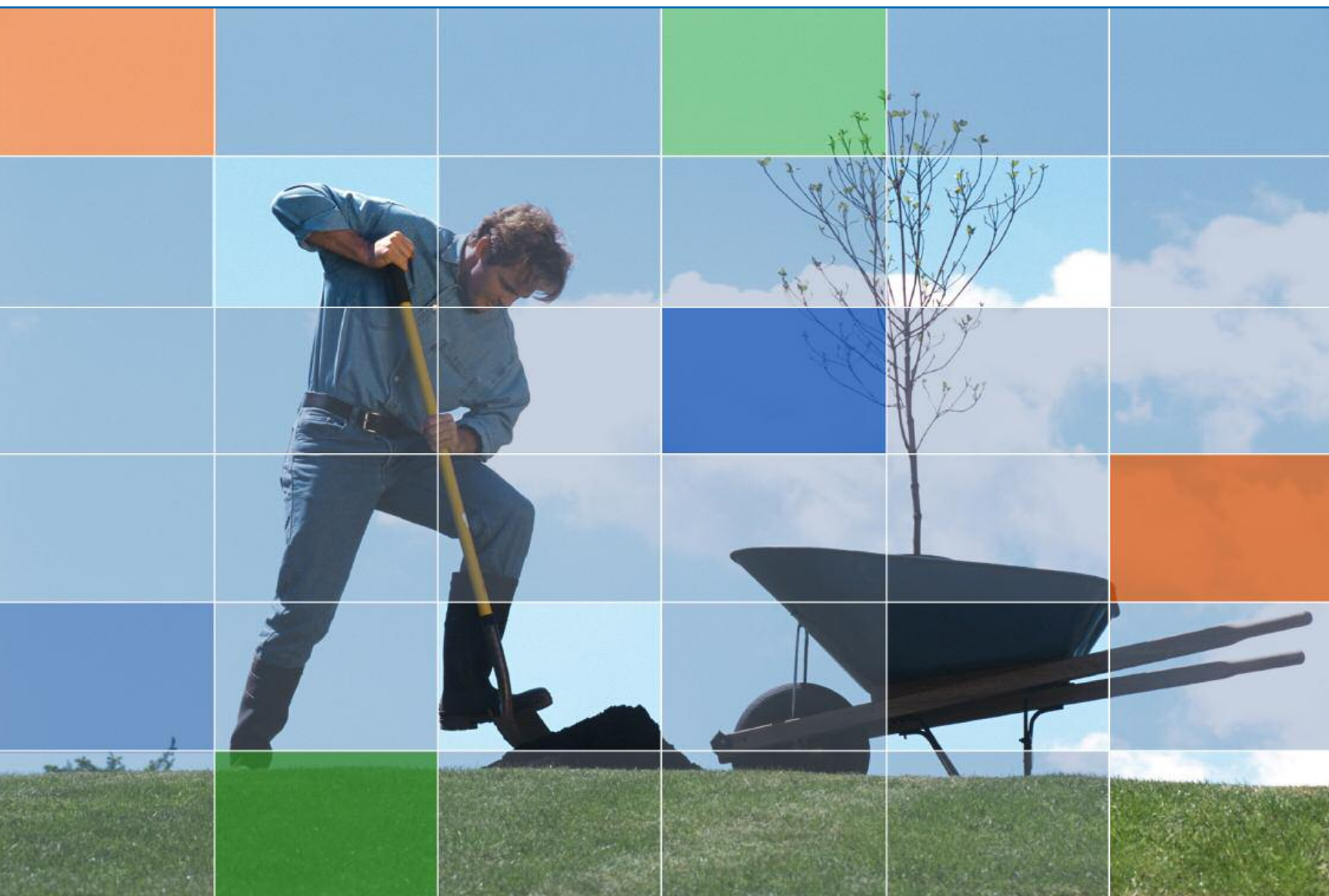
Your company could benefit from environmental coverage if you:

- Are engaged in any type of industrial or manufacturing process
- Own, invest in, develop or manage commercial real estate
- Provide financing for projects or commercial real estate
- Perform contracting or environmental services
- Are involved in mergers, acquisitions, divestitures or joint ventures
- Have past, pending or potential liability for environmental cleanup
- Face exposure to indoor air quality, mold or bio-terrorism risks

Value in Action

The Willis Environmental Practice has teams in major cities throughout North America. We work with you to:

- Identify and analyze environmental risks and potential liabilities
- Design and deliver the most appropriate risk management program to address known, unknown, legacy or future environmental issues
- Utilize insurance and risk finance to settle environmental litigation and disputes
- Resolve claims against prior insurance carriers through structured settlements
- Collaborate with corporate finance teams to reduce uncertainty associated with financial reporting disclosures of environmental liabilities
- Develop programs to address the environmental risks associated with mergers, acquisitions, divestitures or business closures
- Structure financial assurance mechanisms to satisfy state and federal requirements associated with closure and decommissioning of plants, mines and landfills



Solutions

Willis designs customized Environmental insurance programs to address the risk exposures unique to each organization.

For ongoing operations and unknown risks, Environmental programs can:

- Cover the environmental risks that might impact the operation of an industrial or commercial facility
- Contain environmental exposures created by the project activities of contractors, consultants and environmental service firms
- Protect lenders from environmental impairment of leased or mortgaged assets
- Remove or mitigate the environmental risks associated with change in ownership of a property

For legacy issues and known-loss scenarios, Environmental programs can:

- Cap the cost of an ongoing or planned environmental cleanup project
- Address the reemergence of past environmental problems created by new regulatory requirements
- Deliver clarity and certainty to legacy environmental issues and potentially provide a variety of financial and accounting benefits
- Provide financial assurance that known future environmental liabilities, such as reclamation or closure obligations, can be addressed



Coverage Options

Flexible Products Crafted for Specific Needs

Environmental risk varies from situation to situation and the nature of the exposure is defined by many factors, including the environmental setting, the pollutant characteristics, any contractual liability apportionment and the prevailing legal framework.

Insurance products have been developed to cover the financial uncertainties that emanate from these exposures. Working together, we can craft the precise insurance solution to meet your needs. Below is a list of key exposures and the products that address them:

Risk Exposure	Products
Any business operations involving use, storage or generation of hazardous materials	<ul style="list-style-type: none">– Pollution Liability– Specialist Policies
Property ownership or occupation	<ul style="list-style-type: none">– Pollution Liability– Remediation Cost Cap
Management of legacy contamination liabilities	<ul style="list-style-type: none">– Remediation Cost Cap– Blended Programs– Environmental Liability Transfer
Construction operations or contracting/consulting operations	<ul style="list-style-type: none">– Contractors Pollution Liability– Professional Pollution Liability– Remediation Cost Cap
Project financing or lending activities	<ul style="list-style-type: none">– Secured Creditor– Pollution Liability– Remediation Cost Cap
Facility closure obligations	<ul style="list-style-type: none">– Closure/Post-Closure Program



Pollution Liability

Pollution Liability insurance typically protects the insured against unanticipated losses associated with unknown pollution conditions. The cover generally extends to:

- Third-party claims for damage or bodily injury
- Cleanup costs, on- or off-site
- Legal defense costs, costs of investigation

This class of Environmental insurance can be further subdivided into:

- Operational Pollution Risks – for ongoing pollution risks resulting from unanticipated discharges, leakages or spillages
- Historical Contamination Cover – for liabilities associated with preexisting contamination

Operational and Historical Pollution policies can fill gaps in General Liability policies and be combined and extended to cover off-site waste disposal locations, transportation exposures and even contingent risks such as business interruption or economic loss associated with contamination.

Contractors Pollution Liability

This specialized form of Pollution Liability insurance protects against the pollution risks (third-party bodily injury, property damage or environmental damage) facing environmental or construction contractors due to disturbing/remobilizing existing contaminants, unanticipated discharges, etc.

Many project insurance specifications require adequate Pollution Liability coverage. Contractors can arrange this on a portfolio basis or on a project-by-project basis. Coverage can be arranged on either a claims-made or occurrence basis. Companies engaged in both environmental contracting and consulting operations often purchase combined Contractors Pollution Liability and Professional Liability programs to ensure adequate pollution coverage for their professional exposure.

Remediation Cost Cap

Cost-cap or stop-loss policies are designed to pay for unanticipated remediation project costs due to discovery of additional contamination, underestimation of base costs or changes in regulatory requirements.

Where a number of separate cleanup exercises form part of a larger program, it is possible to structure an aggregate cost-cap program.



Professional Pollution Liability

Most Professional Liability policies contain pollution exclusions similar to those found in General Liability policies. Specialist Environmental insurers offer Professional Liability policies that have no pollution exclusions and indemnify professional advisers for claims and liabilities resulting from errors and omissions in their services. They cover loss arising from a breach of professional duties by the insured and hired design professionals and joint ventures for which the insured is legally liable. Contractors Pollution Liability and Professional Liability coverage can be combined under one form to reduce the potential for gaps or overlaps in coverage.

Blended Programs

It is possible to transfer both known cost items (i.e., identified remediation obligations) and the associated unknown risks (for example, potential overrun) using a combination of pre-funding and conventional cost-cap insurance. These so-called blended programs are typically combined with a Pollution Liability policy to cover third-party liability claims.

In essence, insurers will charge a premium to fund the predicted remediation expenditure with an additional levy to transfer the cost overrun and timing risks. Since they are future costs, the estimated remediation costs are discounted to an appropriate net present value.

The funded element is charged to an experience account, which the insurer invests at a guaranteed rate of return – the aim is to generate sufficient funds to match expected remediation costs. The insured then draws on the policy to fund the cleanup obligations.

Secured Creditor

Secured Creditor policies are designed to expedite and secure loans by protecting lenders against any direct losses or collateral value impairment as a result of environmental contamination.

In the event of a loan default and the presence of an environmental condition, these policies typically pay off the outstanding loan value or the estimated cleanup costs. They also provide lender protection (e.g., third-party claims or cleanup expenses) in the event of foreclosure.

Specialist Policies

Some insurers offer specialist policies that are based on the main pollution product categories but refined for specific exposures such as landfills, underground fuel storage tank portfolios, asbestos removal and lead paint removal. Programs can be written for property owners and/or contractors working on their behalf.



Environmental Liability Transfer

Environmental Liability Transfer programs, pioneered by Willis, can provide a solution for companies seeking an exit from their legacy environmental liabilities or long-term closure obligations. The scope of a liability transfer can range from a commitment to remediate a site for a guaranteed fixed price to the outright transfer of the contaminated asset and its associated liabilities. Willis has partnership arrangements with most of the environmental engineering firms offering these services in North America and Europe.

These "liability outsourcing" contracts are supported by comprehensive financial assurance and insurance programs which can in some cases run for up to 30 years or more.

Environmental Liability Transfer programs allow organizations to transfer the responsibility and management of known contamination issues, large and small, for a single facility or group of properties. These programs may also address third-party "toxic tort" liability and legal defense costs. In most cases, ownership and control of the asset are not transferred and organizations can still realize value from sale or development opportunities.

The principal benefits of these innovative programs include:

- Cost certainty and stakeholder reassurance
- Creation of real estate value for non-performing assets
- Facilitation of transactions
- Improved financial disclosure and accounting treatment of liabilities
- Reduced management distraction on non-core operations

Closure/Post-Closure Insurance

Some form of financial assurance to guarantee adherence to certain regulatory obligations, notably closure obligations, is generally a prerequisite for receiving mining or waste management permits or other authorizations.

Surety bonds have historically been the preferred guarantee mechanism, but in times of capacity limitations, the surety bond market may be unable to offer many attractive options for closure obligations and the insurance market is a viable alternative.

Blended closure/post-closure programs can provide:

- Greater financial efficiency
- Long-term financial certainty
- Creation of predictable, smooth cash flows
- Disclosure confidence
- Potential tax advantages



The Willis Approach Makes a Difference

- **Breadth and Depth of Resources.** Through a single point of contact – your Willis Client Advocate® – you have full access to all of Willis' global resources. Your Client Advocate leads a dedicated team of hand-picked professionals who work with you to create a strategy that supports your business objectives and meets your particular risk management needs.
- **Client Bill of Rights.** Our focus is on communication – listening to you, understanding you and working with you to enhance the success of your organization. Communication also entails absolute clarity about what we do for you and how we are compensated. These commitments are guaranteed by the Willis Client Bill of Rights, an unsurpassed industry standard for client service.
- **Global Resources, Local Delivery.** We deliver our resources across the world on a “glocal” basis, applying our broad experience and knowledge to your specific circumstances and the legal and regulatory framework in which you operate. Whatever your exposures, we can help address them.
- **Marketing Philosophy.** Our structure provides a distinct advantage in that the Willis professionals who work with you to understand your risks and objectives also approach the markets on your behalf. This allows a full collaboration between you, your Client Advocate and the markets, resulting in a greater understanding by the markets of the factors that positively differentiate your operations.
- **Market Leverage.** Our position as a leading trading partner with every major Environmental insurance company facilitates negotiations on your behalf.
- **Multi-Disciplined Approach.** Our client-focused teams are drawn from a wide cross section of professions and include attorneys, engineers, management consultants and, of course, risk management and insurance specialists.

Breadth, depth, leverage, approach. No matter what your corporate situation, your known or potential Environmental exposures, or the complexity of your risk management needs, the Willis Environmental Risk Practice can work with your organization to identify short- and long-term exposures, map out risk transfer strategies and obtain the coverages you need at the best terms available in the marketplace.



Willis North America
Environmental Practice
One World Financial Center
200 Liberty Street
New York, NY 10281
1 212 915 8888

www.willis.com