

Willis Environmental Surety Solutions

Environmental Surety Solutions to a Tightening Market

Risk management for environmental service companies has never been an easy task. In addition to the obvious need for insurance to cover Workers' Compensation and General, Professional and Automobile Liability along with other so-called traditional risks, many environmental service firms and contractors face specialty insurance needs for environmental surety.

After many years of favorable conditions and stability, the surety market has tightened – so much so that many large and established contractors are having difficulty maintaining the bonding capacity they need for growth, while many small contractors are having problems qualifying for their first bond. Even traditional construction projects, (i.e., those not considered environmental projects per se) can face difficulties simply because there may be a minor environmental component in the project work. Companies involved with a small percentage of environmental work (as low as 10 percent) can be labeled as “environmental risks” by the market, whether they like it or not – and whether or not they like the impact that label has in the marketplace.

The bottom line is that many traditional sureties don't have big appetites for environmental risks, nor do they have reinsurance for environmental guarantees.



Emerging Answers

The lack of surety capacity and reinsurance has spawned a few specialty surety operations with an appetite for environmental guarantees. Access to that capacity and the expertise needed to create appropriate bond programs is available now through a co-broking relationship between the Willis Environmental Practice and Smith-Manus, the industry leader in developing specialty bond programs.

In 2006, we formed a strategic alliance to help with the development of innovative surety bond programs. This has allowed us to expand our capabilities and the specialized products we can offer to environmental contractors or those whose work involves environmental components. We are better positioned than ever to help with surety bond requirements ranging from license and permit bonds to complex guarantees.

Willis

As one of the largest independent bond agencies in the US, Louisville, KY-based Smith-Manus is focused exclusively on developing innovative surety bond programs for contractors – whether established and looking for additional capacity, or small and looking for their first bond.



SMITH-MANUS
surety bonds



“In the surety bond marketplace, environmental contractors are perceived to be tough risks. However, in reality, they are preferred risks currently victimized by a troubled surety industry with limited capacity,” said Brook T. Smith, President of Smith-Manus. “Further, if you are a contractor bidding on state and federal work, or other projects that require performance and payment bonds, it never hurts to have alternatives.”

Who Needs an Environmental Bond?

- Large contractors facing a dirt project with an environmental component (e.g., lead, PCB or other contaminants), where the existing surety is not interested in providing the bond
- Environmental consultants starting to do their own environmental remediation work (an acute problem for consultants without prior construction experience)
- Traditional contractors doing new landfill cell construction – perhaps not an environmental project at all, but perceived as such by the existing surety
- Utilities storing fly-ash (coal burning by-product) on site, requiring a closure bond
- Environmental remediation firms constrained by their current program limits and in need of extra bonding capacity
- Manufacturing companies whose processes produce environmental by-products held on site in residual landfills
- Environmental firms seeking the flexibility to make insurance carrier selection independent of their surety relationships
- Principals with environmental guarantees utilizing irrevocable letters of credit or funding trust accounts with cash instead of surety bonds – bonds are a much better alternative

More about Smith-Manus

- A surety bond-only agency with more than two decades of surety experience (www.smithmanus.com)
- Writes traditional contract and miscellaneous surety, but focuses on unusual guarantees, providing bonds to specialized industries
- Developed industry relationships that have introduced new surety capacity to the marketplace
- Partners with highly rated insurance companies (A- or Excellent by A.M. Best) focused on solving the problem of obtaining hard-to-place surety bonds
- Program size: single bonds, \$5-10 million, with the flexibility to develop significant aggregate programs for qualified principals
- Common sense, risk-based underwriting approach
- Service oriented
- Available to write “one shot” bonds or entire programs
- Committed and contractually bound to the Willis relationship

Contacts

For information on how this strategic partnership can benefit your organization, please contact:

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