

Principal types of coverage

The principal types of coverage/risk transfer products available to Willis clients through the environmental insurance market can be outlined as follows:

Environmental Impairment Liability for Operational Risks

Environmental Impairment Liability policies can provide cover for liabilities associated with contamination arising as a result of future operations regardless of whether it is a result of a sudden and accidental incident or a gradual cause. Cover is typically provided for on-site and off-site statutory clean up, third party property damage and bodily injury, and associated legal defence costs. Policy periods of up to 5 years are available.

Contractors' Pollution Liability

Contractors' Pollution Liability is specifically designed to provide coverage for pollution liabilities associated with contractor operations (including asbestos removal work), whether these arise from new pollution or through the mobilisation of existing contamination. Cover can be extended to business interruption risks such as the financial consequences of delayed start-ups in construction projects.

Environmental Impairment Liability for Historical Pollution

Environmental Impairment Liability policies can provide cover for potential liabilities associated with pre-existing contamination from historical operations, whether for the benefit of the "original polluter", a current site owner, a property developer and/ or a buyer who has inherited the risk through the terms of a sale and purchase agreement. Cover is typically provided for on-site and off-site statutory clean-up, third party property damage and bodily injury, and associated legal defence costs. Policy periods of up to 10 years can be arranged.

Remediation Cost Cap

These "stop-loss" programmes can be designed to protect against cost overruns on contamination clean-up schemes. A cost-capping programme mitigates the financial risk by providing the funds to complete such work in the event of a cost overrun due to more extensive or severe contamination being found. The insurance can be

combined with sophisticated funding techniques to remove timing uncertainties and make the most effective use of capital funds.

Combined Programmes and Liability Buy-outs

These are site or portfolio specific techniques which blend a combination of the principal coverages with an efficient funded element to cover projected known remediation costs. This allows for the negotiation of a flexible insurance programme, including the scope for policy periods in excess of 10 years.

Liability buy-outs provide an increasingly attractive solution to companies seeking a comprehensive exit from environmental liabilities. These programmes can be structured to provide buyers and/or sellers with a permanent buy-out of environmental liabilities without affecting ownership and control of the relevant property assets.

