

THE A-B-C's OF E.I.L.s

First Party, Third Party, Contractor's, Remediation Cost Cap... Decisions, decisions...

Understanding the basics types of environmental coverage, and how and to what extent each responds, is one of the keys to knowing what you need. Beyond lender and resale requirements, there are many benefits in securing this line of coverage for the premises you own or manage, regardless of occupancy.

FIRST & THIRD PARTY COVERAGE

Environmental exposure can include pollution on your own property (e.g., solvents leaking into concrete floors in owned buildings), as well as third party bodily injury/property damage claims (e.g., underground tanks onsite polluting groundwater). Products are available that cover these exposures separately, or combine them under one policy/limit. Rental income exposure due to environmental hazard can also be insured; a property could be without a tenant for a year or more in the event of a substantial pollution incident!

Fungus/mould/black discolouration has become a prevalent pollution exposure for property owners, especially those in the office and residential sectors. Environmental liability policies will usually provide first and third party coverage, albeit with a sublimit. Having a water damage mitigation plan in place is an excellent risk management tool to alleviate a mould/fungus loss.

CONTRACTOR'S POLLUTION LIABILITY

Often, lenders want contractors working on a real estate development project to provide proof of pollution liability coverage. This coverage, known as Contractor's Pollution Liability, can be purchased by the contractor, but can also be purchased by the project owner/developer as part of an Owner Controlled Insurance Program. Additional coverage for fungus/mould can also be added on, usually with a sublimit for both first and third party exposures.

REMEDIATION COST CAP COVERAGE

One of the easiest ways of transferring risk associated with a known environmental remediation issue is to obtain a remediation cost cap policy. The policy provides coverage in the event of cost overruns associated with the discovery of higher concentrations or greater spread of contamination or pollutants; changes in governmental regulation; or failure of technologies used in remediation. In these scenarios, the environmental liability remains with the property owner, but the owner has capped the expected cost of the remediation.

HKMB HUB'S CLIENT EXPERIENCE

Tenancy requirements are usually the reason property owners choose to take environmental liability coverage. Equally important, however, should be the goal of minimizing *Total Cost of Risk* by managing unforeseen expenditures. A multi-year Environmental Impairment policy or Remediation Cost Cap coverage can help ensure your pollution expenses are "contained" and don't "overflow" your budget!

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