



Environmental Insurance Overview

What is the role of environmental insurance?

Environmental insurance policies have been designed to address the various financial losses that can occur from a pollution or contamination incident. These losses include:

- Compensation to 3rd parties for injury and property damage
- Clean-up costs including 3rd party claims and statutory clean-up notices
- Civil fines and penalties
- Legal defense costs
- Natural resource damages
- Emergency response costs

Am I covered under my other insurance policies?

While Public Liability and ISR policies can provide some cover for pollution and contamination losses, this coverage is often limited or inadequate. Typically, these traditional policies have the following coverage gaps:

- Coverage is restricted to 3rd party claims resulting from “sudden and accidental” pollution. Therefore losses resulting from a gradual pollution event are not covered.
- No cover for statutory clean-up costs (i.e. those required by a regulatory agency such as the EPA)
- No cover for natural resource damages
- No 1st party coverage for costs of the investigation, monitoring, and clean-up of pollution at the insured’s site
- Exclusion for fines and penalties
- Exclusions for specific contaminants such as asbestos, lead paint and PCBs

For more information, contact

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What are my environmental risks/exposures?

- Storage, use and handling of hazardous substances or waste materials
- Leaking of existing or unknown underground storage tanks
- Historical contamination (a site could be impacted by unknown pollution conditions from prior use)
- Asbestos and lead paint in buildings
- Contamination migrating from a neighbouring operation
- Pollution arising from tenants activities

How can environmental insurance be used in practice?

The following case study demonstrates how traditional insurance policies may not provide adequate cover for pollution related losses.

Hamcor fire:

- A chemical plant in Queensland operated by Binary industries Pty Ltd (owned by Hamcor Pty Ltd) was destroyed in a fire
- Emergency services responded to the fire, resulting in large quantities of contaminated fire water being spread throughout the site and to neighbouring areas
- Consequently, the Queensland Environmental Protection Agency (EPA) issued a Statutory Clean-up notice to Hamcor to remediate the effected land. The cost was over AUD10 million
- The claim was denied under the Public Liability Policy on the grounds that costs associated with complying with an Environmental Statutory Notice did not constitute 'compensation' under the policy wording, i.e. there was no 3rd party claim initiated, only a statutory order
- A specialist environmental insurance product with appropriate terms and conditions could have potentially covered this claim

What should I do if I feel I have an environmental exposure or what if I am not sure?

In this first instance please contact your broking representative at Aon. Your representative will then liaise with Aon's Environmental Services Group (ESG). The ESG is a specialty group within Aon that is completely focussed on providing advice around environmental exposures and the placement of insurance in relation to pollution and contamination risks. Aon Environmental was recently recognized by "Risk & Insurance" magazine as the "best team of environmental brokers in the business who can handle the most complex environmental risks". The ESG in the Asia Pacific region is based in Sydney, and is led by Client Manager Cami Mok, who has over 25 years of experience in environmental insurance.

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