



BUSINESS INSURANCE CUSTOM WEBINAR

Hidden Risks and Unforeseen Hazards:

**What Risk Management
Professionals Need
to Know About
Environmental Liability**



WEBINAR PRESENTED BY

Business Insurance

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Hidden Risks and Unforeseen Hazards

Panelists:



Michele Schroeder
Zurich NA



Dayna Carney
Wachovia Insurance Services



William F. Brumund
Golder Associates Corp.



Julie Dunai
Zurich NA



Sheryl Marzzarella
Golder Associates Corp.

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Moderator:

Regis Coccia, Editor
Business Insurance



Michele Schroeder

Assistant Vice President and General Counsel







Zurich NA



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Changes Impacting Environmental Risk

- Environmental insurance evolves

Pre 1970		CGL Policy contains no Pollution Exclusion (PE)
1970		CGL Policy begins to bear PE
1980		Stand-alone Environmental Policy
1990		CGL Policy bears Total Pollution Exclusion (TPE) and Special Risk Exclusions
2000		CGL Policy bears TPE and Expanded Special Risk Exclusions
2000		Variety of Specialized Environmental Risk Policies and Coverages

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Changes Impacting Environmental Risk

- Environmental risk evolves
 - More regulations and aggressive enforcement
 - Scientific advancements and social dictates

Now is the time . . .

. . .to take stock of changes that have occurred

Regulatory and Enforcement Risk

- Increase in scope and type
 - Perchlorate
 - CO2
 - Oxygenates
- National standards vs. state regulations
- Financial responsibility—expansion and long-term
- Aggressive enforcement—increase litigation / decrease RBCA
- Interagency involvement / jurisdiction

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Scientific Advancements and Social Dictates

- Enhanced detection of contamination—field and laboratory
- Cellular damage
- Fear of future injury / medical monitoring
- New studies—alleging causation
- Alternative and collective theories of liability
- Societal pressures

Webinar Presented by:

William F. Brumund

Principal

Golder Associates Corp.



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Evolving Trends in Environmental Work

- Type of work Golder Associates does
- Clients desire more comprehensive services on environmental remediation projects
 - Make the problem go away
 - Design, permit, execute work
 - CM at-risk / self perform
 - Caution when using innovative technologies (in U.S.)
- Continued concern about protecting the insured from third-party claims

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Evolving Trends in Environmental Work

- Emerging hidden risk, pressure to deliver ASAP
 - Sometimes skip or curtail normal review procedures
 - Especially on change order issues
 - Errors in spreadsheets, calculations, and modeling
- Obama Administration
 - Anticipate more environmental enforcement activity
 - More emphasis on alternate energy
 - Wind, Solar, Biomass
 - Risk in new technologies—expectations
 - Green house gas work on solid waste landfills

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Claims Implications

- Quantum of environmental claims can be huge
 - Frequency may be low but severity can be high
 - Reassess limits and deductible
- Instability in the insurance market
 - Assess the capability and solvency of your insurer
 - Necessary claims support
 - Geographic and technical
 - Ability to pay settlement or judgment
- Personal liability for professionals is on increase

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Client Risk Shifting

- Increasing trend to transfer risk by contract
 - Owners and clients shifting as much risk as they can to vendors, consultants, and contractors
 - Often the provider cannot control these risks
 - Often these risks are not insured under normal CGL or Professional Indemnity policies

Sheryl Marzzarella

*Principal and General Counsel
Golder Associates Corp.*



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Overview

- Know your business
 - Identify risks
 - Retain vs. insure risks
 - Avoid assumption of risks

- Risk partners
 - Insurance broker
 - Insurance carriers

Know Your Business

- Your business and risks are constantly changing
 - Complacency is costly
- It is not cost effective to insure all risks
 - Retain high-frequency, manageable risks
 - Insure severe risks
- Avoid risk shifting from other parties
 - Refuse to be their insurance carrier

Risk Partners

- Rely on your partners to assess and mitigate risk
- Insurance brokers
 - Help identify insurable risks
 - Know insurance products and markets
 - Know quality of insurance carriers
 - Can find broad coverage / best price
 - Offer creative solutions

Risk Partners

- Insurance carriers
 - Long-term viability
 - Market capabilities
 - Competent
 - Claims handling
 - Solution focused

Dayna Carney, CPCU

Senior Vice President

Wachovia Insurance Services



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Key Issues Driving Client Behavior

- Growing regulatory and public pressure
- Individuals are being held accountable
- Growing demand by owners for turn-key solutions
- Pressure to compete on a global scale
- Pressure to “maintain” revenue base

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Companies at Risk

- Small- to mid-size companies
 - Less than \$250M in revenue
 - Lack day-to-day resources to assess environmental risks
- Despite corporate governance, companies large and small, are cutting back on internal resources devoted to risk management
- Pressure to maintain credit ratings and financial ratios

Assess and Mitigate Environmental Risk

- Regularly discuss upcoming business opportunities and emerging regulatory issues
- Proactively review potentially uninsured risks
- Review all insurance options as a tool to remove “uncertainty”
- Provide guidance on alternative solutions to contractual and insurance requirements
- Provide analytic tools designed to evaluate total cost of risk and risk tolerance

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Consider a Specialist Broker

- Accustomed to dealing with complex environmental issues
- Provide “outsourced” risk management services
- Streamline negotiations with Insurance Carriers
- Understand the need for customized approach
- Understand that insurance is only one element of an effective solution

Webinar Presented by:

Julie Dunai

*Head of Zurich Environmental
Zurich NA*



Proactively Address Environmental Risk

- Understand your risks
 - Safeguarding your corporate assets
 - Improving business results / operations
 - Protecting your reputation
- Leverage expertise...it takes a team effort
 - Your internal experts / decision makers
 - Risk managers
 - Insurance specialists
 - Product / service / process leads
 - Your broker / agent
 - Your insurance carrier

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Insurance Carrier Criteria

- An understanding of your industry
- Thought leadership and innovation
- Breadth, depth and flexibility of products and services—"one-stop shop"
- Financial stability..."there when you need them"
- Regional / local presence—"there where you need them"
- Experienced underwriting, risk management and engineering team
- Dedicated environmental claims group

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Get Started Today...

- Reach out to your internal insurance decision makers
- Find out if you're protected...speak with your broker
- Learn more about environmental risks
- Begin uncovering your hidden risks

Audience Q&A



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