

Environmental | **Insight**



Can your business survive an environmental contamination incident?

Environmental incidents can affect businesses of all kinds, not just those considered to be at high risk of causing pollution.

Asia Pacific



Liberty.

Standard insurance policies often limit or even exclude coverage for pollution incidents and environmental damage, which can leave your business exposed to significant financial costs in the event of a claim.

As the world becomes more conscious of the environment, the costs associated with addressing environmental contamination are rapidly rising. It's time to carefully consider your operations and whether your traditional insurance policies give you the protection you need.

The financial and business interruption implications following an environmental incident can be significant

What is environmental impairment?

In short, it's physical damage to an environment – property, local ecosystem or wildlife – due to contamination caused by the operations of a business, for which the business is liable.

This includes:

- Any pollution to air, water or land
- Any pollution from industry
- Radioactive and toxic waste
- The potential to cause injury or harm to visitors (workers or the public)
- Clean up from natural disasters

When incidents happen, it can hit your business hard – and the level of disruption can far outweigh the actual amount of damage caused. This is where Environmental Impairment Liability insurance comes in, and why it's so important to think about.

All kinds of businesses are at risk

Recent events in the media have raised awareness about cases of environmental impairment, with claims not being exclusive to the industries that inherently cause pollution. The truth is, businesses of all kinds are increasingly vulnerable, either as the cause or the victim of contamination. In fact, a large proportion of the claims Liberty is seeing are from non-traditional industry sectors.

Alan Thorn – Head of Casualty Specialties, Asia Pacific

“People generally associate environmental insurance claims with heavy industries such as petrochemicals, mining and the waste industry, but we’re now seeing plenty of environmental notifications coming out of some of the non-traditional industry sectors including construction, property ownership, manufacturing, hospitality and healthcare.”





What are some common incidents?

Your business can be held accountable in a number of ways. Here are some of the most common examples of environmental incidents:

- Failure of waste and excess water collection systems, resulting in damage to property and natural resources
- Interference with air quality through atmospheric and dust emissions
- Rollover during transit causing release of contaminated and dangerous cargo
- Property damage and clean-up following natural and manmade disasters
- Toxic waste leakage from production plants
- Personal injury resulting from exposure to contamination
- Air emissions resulting in disturbance to business

What impact can this have?

Without the right coverage, environmental incidents can easily spell the end for a business. The legal and operational costs following a claim can be significant due to contamination caused by the operations of a business, for which the business is liable.

Although some general liability policies may cover limited third-party liabilities, it's rare that they cover the actual clean-up costs incurred by the company - which are usually far larger than damages to a third party. Most require actual property damage to trigger coverage.

To make matters worse, increasingly stringent legislation, increased public and media awareness, and the possibility of delayed, 'long-tail' claim make uninsured businesses even more vulnerable.

With this in mind, it's crucial to assess and quickly respond to an impairment incident. This will help you limit the negative (and potentially irreparable) impact on your business reputation.

Be protected from environmental damage claims from third parties and regulators



What you are covered for

Liberty offers cover for five key potential losses arising from a pollution incident, which include:

1. Clean-up costs

This can be the main expense, and is the cost of removing contaminants and pollutants. While pollutants are typically thought of as things like noxious gasses or toxic chemicals like petrol, this definition can be expanded to include more 'benign' substances, such as milk being released into a waterway. It can also include the clean-up of a third-party site, including a waterway or crown land.

2. Costs of mitigation and emergency response

Environmental disasters often require a quick response to limit the extent of the damage.

3. Brand reputation

We cover public relations and crisis containment expenses.

4. Bodily injury and property damage

5. Environmental Protection Authority orders

Costs incurred through Environmental Protection Authority (EPA) orders, including costs that the EPA incurs itself.

There is an over-reliance on mainstream commercial insurances when it comes to pollution

Liberty's Environmental Impairment Liability coverage can be tailored to suit individual needs. You can cover both fixed-site and contractors pollution liability, for both gradual and sudden contamination events.

Our underwriters and risk managers are experienced in dealing with the technical issues of complex risks, and work side-by-side with brokers and clients to identify potential risks and suggest appropriate products.

Our claims team will work closely with you to achieve a timely and effective resolution.



Contact us

If you're looking for more information on environmental contamination, please get in touch with our specialist Environmental Impairment Liability underwriters.



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For more information, please visit:

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