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Top 5 Things to Pay Attention to in an Environmental Insurance Policy

Insurance agents around the country understand the importance of including environmental liability insurance in their clients' insurance programs, and many have become successful at identifying the coverages needed by the classes of business they work with most often. In order for these insureds to receive the most appropriate coverage for their operations, they must work closely with their agents to analyze what is, and isn't, included in their policies. All too often, it isn't until a claim is filed that the coverage thought to be in place doesn't actually provide the protection the insured needs. At that point it's obviously too late to secure the correct coverage.

There are insurance terms that, depending on the carrier, have very different definitions. Here is a list of the top 5 terms that can cause confusion in an environmental insurance policy. These topics have been chosen because they are often misunderstood or can have varying scopes of coverage. Making sure the coverage grants are broad enough to fit your insured's exposures is key.

- **Transportation**

The vehicle exclusion in some pollution forms is absolute. In addition to excluded over the road pollution claims, your E&O insurance may pick up the tab should a job site pollution incident occur involving a vehicle or the loading/unloading of one.

- **Restoration Costs**

A pollution policy may clean up the damage to your insured's property. It may also leave your insured with a large hole left for the insured to restore back to being a useful piece of property.

- **Natural Resources**

While policies include third party property damage coverage and associated clean up, your client may incur non-covered expenses for natural resource damages for land held in trust by the government. The insured may be required to spend hundreds of thousands of dollars reintroducing fish, biota, birds, animals, and other wildlife back to the area.

- **Work Performed by Subcontractors**

Make sure the carrier is aware of the type and amount of subcontracted work and be sure to read the policy to make sure the work is not automatically excluded. Some policies may add back coverage only if the subcontractor meets certain stipulations such as: 1) it has a similar limit of insurance and adds the primary contractor as an additional insured on the policy 2) may

only provide coverage if it is determined that the subcontractor is qualified to perform the operations that led to a claim.

- **Emergency Response Costs**

Some policies give the insured the ability to react quickly to a pollution incident/spill. Some carriers may choose not to pay for voluntary payments the insured decides to make. Be sure the insured is aware of any responsibilities in the event of a claim, if he/she is required to mitigate an emergency situation, and if there will be reimbursement.

These are just a few examples of why it is so important to help your clients carefully review and understand their policies! Misunderstanding this language can have costly repercussions for both the insured and the agency.