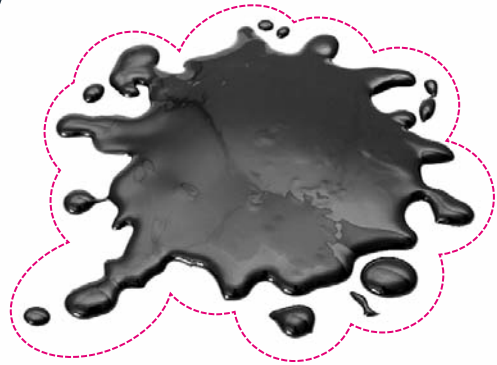


Environmental Impairment Liability



Introduction

The traditional view amongst businesses has been that only a limited set of companies such as those dealing in Chemical Production, Utilities and Waste Management are likely to have any significant exposure to Environmental Liability. With new statutory provisions recently enforced across the EU and an increasing trend of large group litigations against many spheres of industry, this is simply no longer the case.

The Environmental Liability Directive has created statutory liabilities enforced by the competent authorities according to the 'polluter pays' principle. This is not a civil law and there are no private claimants. The main focus of these new regulations is environmental damage (to nature, water and soil) rather than traditional damages (bodily injury, property damage and financial losses).

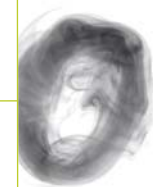
The emphasis being to protect and restore the environment not merely indemnifying third parties. In this context the protection provided by a standard Public Liability policy is quite limited, covering only third party bodily injury or property damage resulting from a sudden and accidental incident.

JLT Specialty Limited (JLT) has developed an Environmental Impairment Liability policy which combines the best coverage features available across the Environmental Impairment Liability (EIL) market and that is accessible to all businesses that have a potential exposure in this area. This policy will provide cover for clean-up and mitigation costs, as well as Business Interruption, Third Party Liability and Defence Costs.

Cover Comparison

The following table highlights possible losses from an environmental incident which may not be covered by a standard Public Liability policy and summarises the cover under the JLT Environmental Impairment Liability policy

Type of Loss/Incident	Standard Public Liability / General Liability	JLT Environmental Liability Policy
Gradual pollution	Not covered	Covered Gradual pollution during the policy period is covered. Cover for historical contamination occurring before the policy period is not included within our standard policy but can be arranged as an optional extension.
On-site clean-up at own site	Not covered	Covered Investigation costs, defence costs and cover for biodiversity damage are also included in our policy.
Environmental damage, not caused by a pollution incident	Not covered	Cover available for non pollution type damages subject to a sub-limit.
Own Business Interruption costs	Not covered	Covered
Transportation Liability	Not covered	Covered
Clean-up costs at third party premises	Cover is usually only provided for third party bodily injury or property damage. Extensions are available for clean-up costs ordered by the authorities but solely in respect of sudden and accidental pollution	Covered Investigation costs, defence costs and cover for biodiversity damage are also included in our policy.
Sudden & accidental pollution	Cover only available for third party bodily injury or property damage	Covered Cover is much wider and includes third party bodily injury, property damage as well as clean-up costs, mitigation costs, biodiversity damage and transportation.
Legal defence costs	Cover only in respect of any bodily injury or property damage claim resulting from sudden or accidental pollution	Covered Cover is wider and legal defence costs are covered for bodily injury and property damage as well as for clean-up costs, mitigation costs, biodiversity damage and transportation.



Claims examples & **illustrations**

Chlorine release to river

In September 2007, before the implementation of the ELD employees of a large waste water company were cleaning filters when a release of Chlorine took place. The chlorine had spread three miles downstream when the Environment Agency were called to the scene after residents and anglers reported that the river had turned 'milky'.

The clean-up operation took three days and the Environment Agency removed two tonnes of dead fish. The operator was prosecuted, fined and ordered to pay towards the clean-up costs. The river in question had been carefully restored for the past 25 years. This restoration effort was effectively wiped out by the pollution incident. Due to this the operator made a 'gesture' to the local fishing communities to help restore the river back to its original condition.

Pollution from heating system

The Insured owns and operates a food manufacturing site. The plant has various equipment on site including above-ground storage tanks, boilers, vapour heat exchangers, fuel oil heat exchangers and vapour water heaters. Under normal operations, clean condensates from the oil and water heat exchangers are collected and discharged into a storm water drainage system that ultimately discharges into a nearby stream and river. A crack developed in the piping of the fuel oil heat exchanger allowing fuel oil into the condensate, eventually affecting the nearby stream, river and vegetation. Local regulatory authorities were engaged. Claim ongoing currently at £850,000.

Claims examples & **illustrations**

Fire at a recycling facility

The Insured owns and operates a metal recycling facility that suffered two separate fires four months apart. Samples taken to comply with discharge permit requirements revealed elevated levels of pollutants. Further investigations showed that the water runoff from the fire and fire suppression materials had affected the wastewater treatment equipment at the Insured's facility. The regulatory authorities have been engaged as animals and vegetation in a nearby protected swamp were impacted. Claim ongoing currently at £425,000.

Oil Release from thermal power station

Valves were left open during maintenance operations at the Insured's site which caused a release of oil that affected the sea and coastline. Mitigation and clean-up operations have been conducted along the seashore where biodiversity damage has been assessed. Claim ongoing currently at £1,700,000.

Construction work causes biodiversity damage

The insured was building a new road near a sensitive river and was storing excavated materials on the flood plain of the river. A storm washed the materials into the river resulting in the death of fish, including rare and protected species, over a 5km stretch. The regulatory authorities have been engaged and a claim has been filed against the insured. Claim ongoing currently at £500,000.

Benefits of **JLT's EIL policy**

Our policy has been specifically developed to respond to the environmental risks faced by businesses today, both in respect of regulatory action by the authorities and civil claims lawyers.

The benefits include:

- Exclusive wording only available through JLT.
- Speed and ease of being able to obtain a quotation.
- The covers within the policy are flexible and can be structured to your needs meaning that you do not buy cover that you do not require and therefore the policy is cost effective.
- The policy provides Mitigation Expenses' to prevent a substantial pollution incident from occurring as outlined in the Environmental Damages Regulations 2009.
- The policy will provide indemnity for costs of clean-up of soil or groundwater including lead or asbestos contamination.

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