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The Use of Insurance to Make Financial Provision Against Environmental Risk



Duncan Spencer
duncan.spencer@ediainsurance.com
+44 7825 884 222

Insurance to Manage Pollution Liability

Site Pollution Liability (SPL)

Pollution that commenced *before* today

➤ *historical / pre-existing*

Pollution that commenced *after* today

➤ *operational / new*

Pollution that happens on site or migrates from site

Contractors Pollution Liability (CPL)

Cover for pollution caused by or made worse by development works

For contractors or property developers working on sites.

Maximum term:

- 10 years, maybe 15 (SPL)
- Length of contract up to 5 years (CPL)

Limits:

- £/€30M readily available
- £/€100M occasionally

Limitations to Pollution Insurance



KNOWN POLLUTANT LINKAGES



COSTS OF REMEDIATION TO ALLOW
DEVELOPMENT



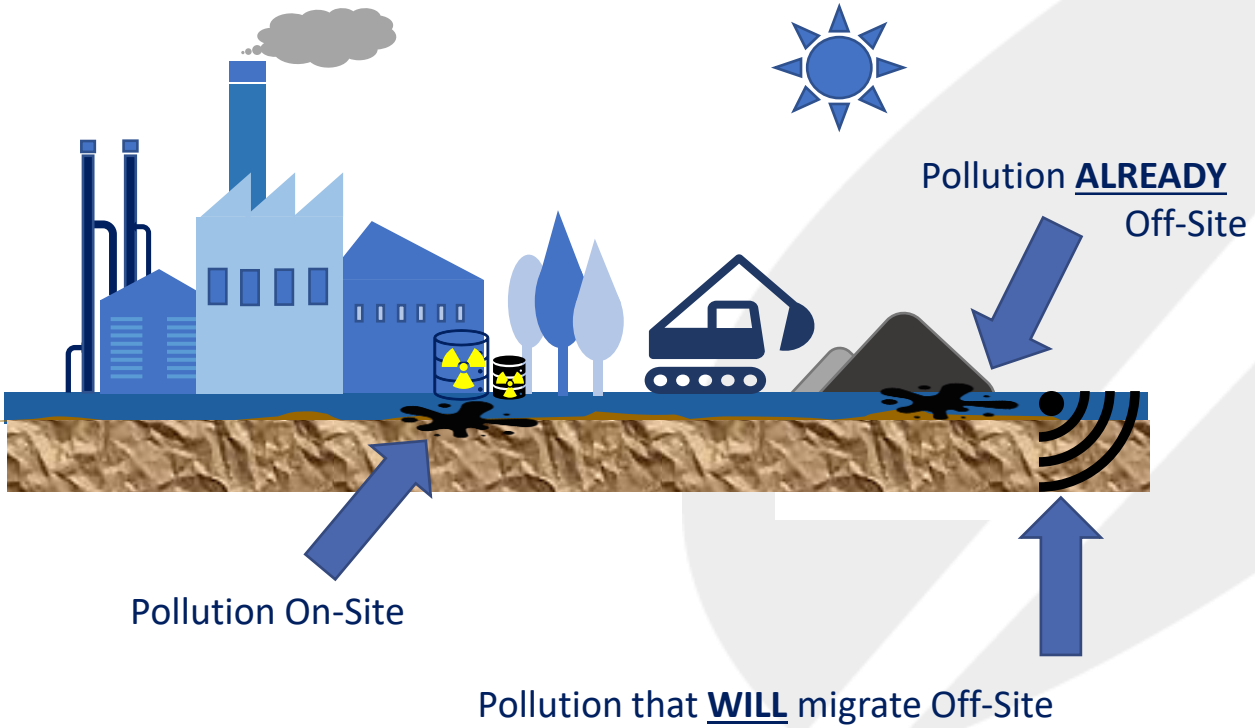
FUTURE VOLUNTARY SITE
INVESTIGATION(S)



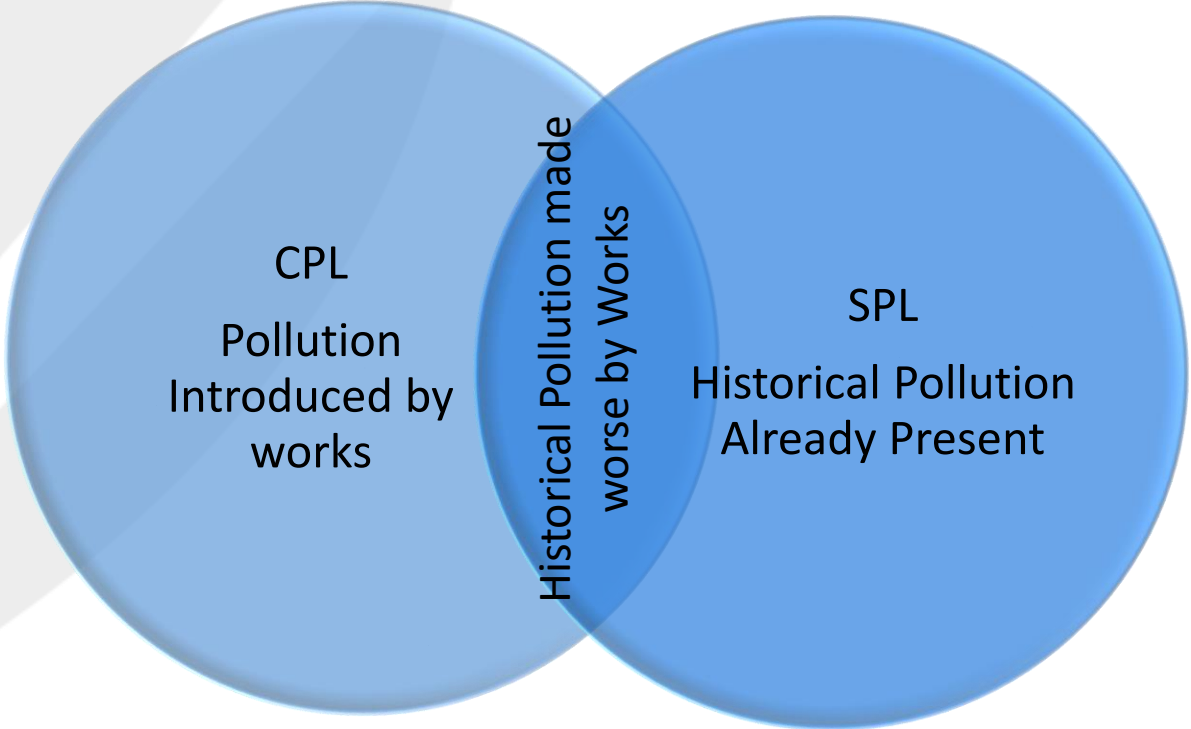
THEREFORE:
A NEED FOR DEVELOPMENT OF A
REMEDIAL STRATEGY

The Issue

Who is responsible?



The Solution





Titanium Oxide Lagoons



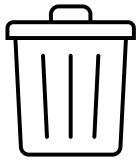
In the 1930's the site comprised four lagoons



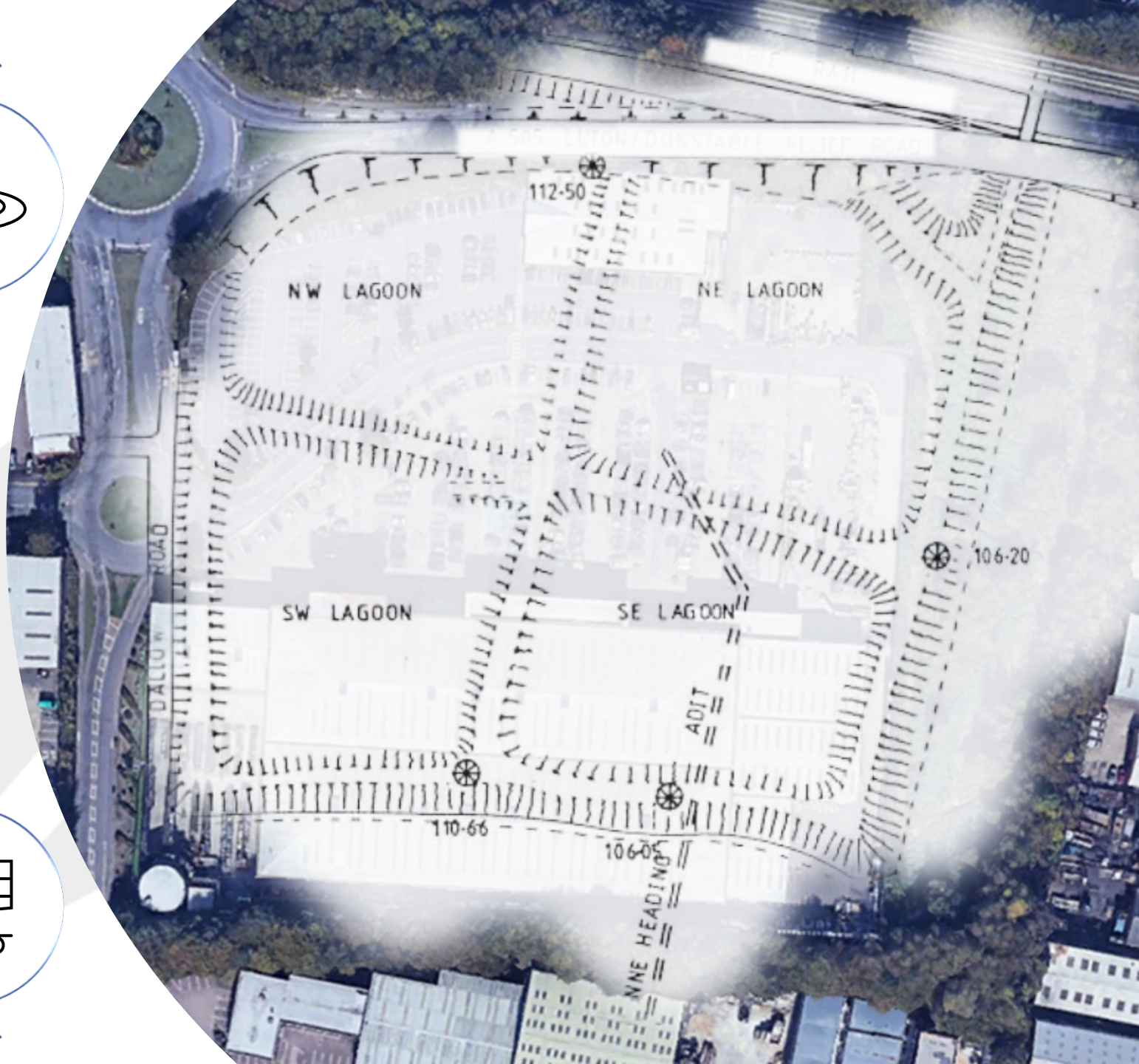
Used for disposal of Titanium Dioxide waste



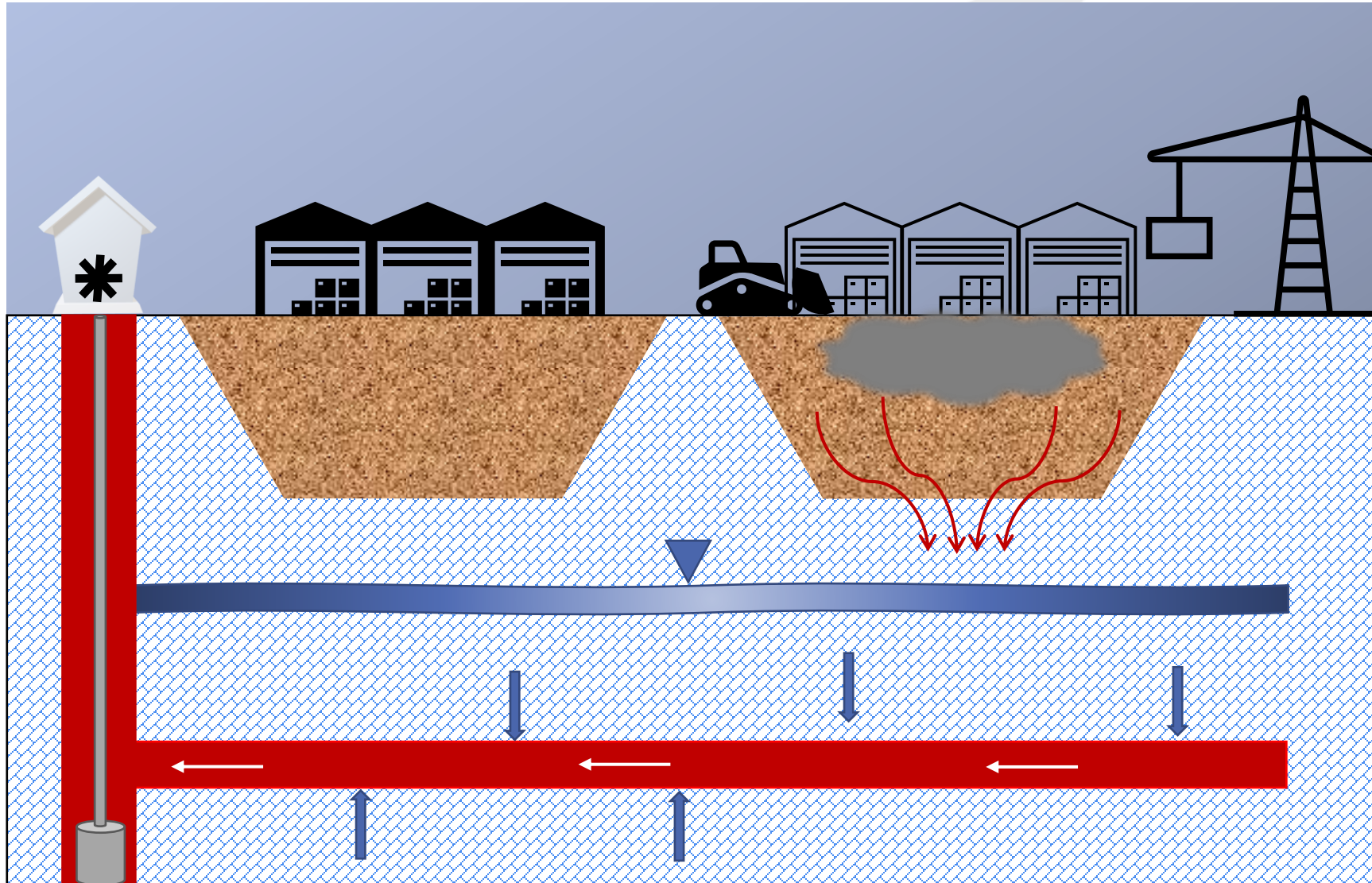
Variety of other waste in landfill in 1960's-80s



Retail Park built in the 1990's



Conceptual Model



Lagoon Risk - Summary

The Risk

- Property acquired on the basis of “low risk”
- Pollutant linkage very short and likely already in place
- Development will mobilise in situ contaminants
- Monitoring network required by Local Authority
- Liability with landowner, tenant or contractor?
- Insurable?

The Solution

- CPL Policy for development works
- SPL Policy to follow post development

The Outcome

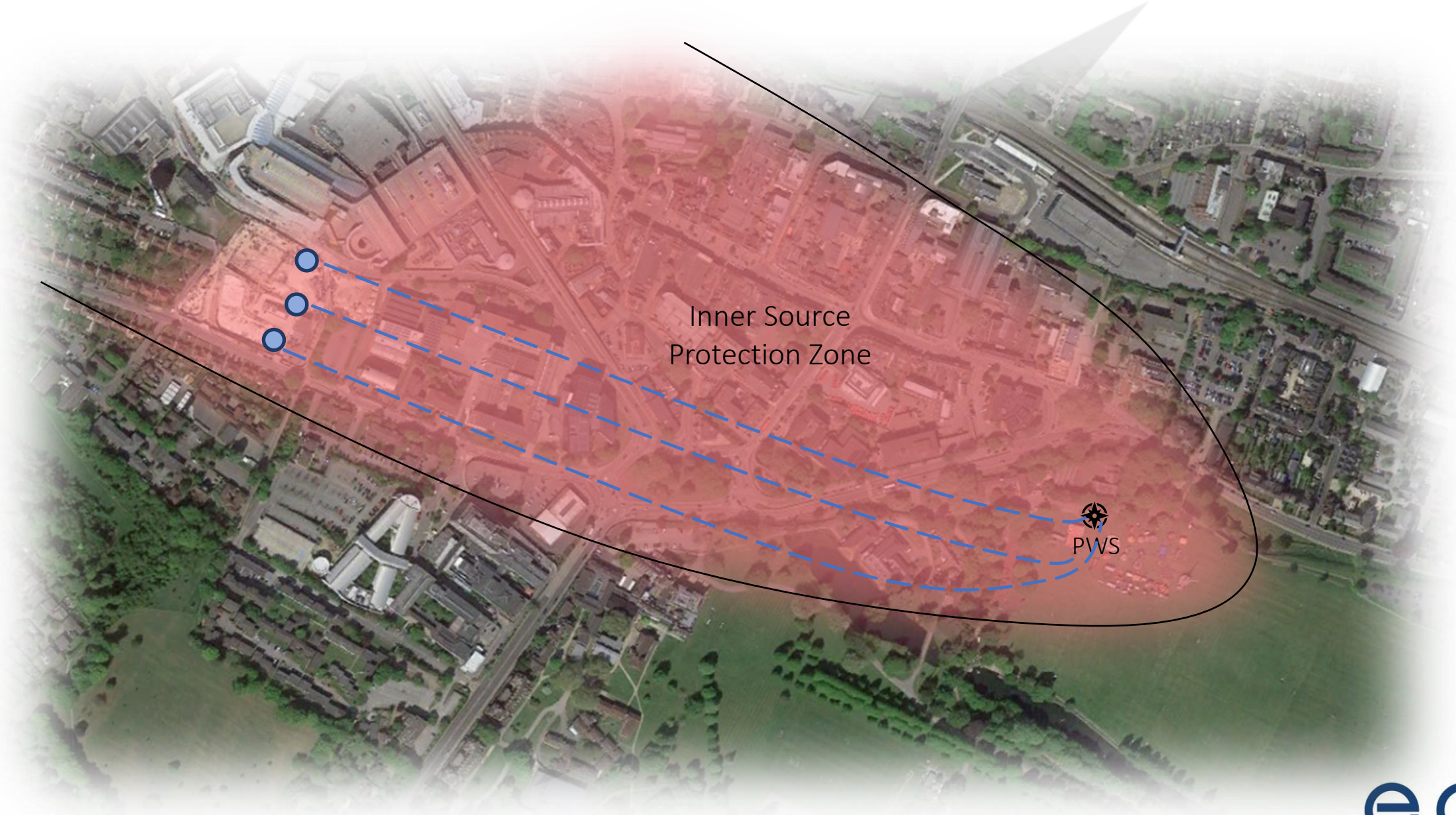
- Funders at ease over risk profile
- Issue resolved for future buyers



Former Gasworks







Inner Source
Protection Zone


PWS

Pollution Management



Gasworks Risk - Summary

The Risk

- Property acquired on the basis of “suitable for use”
- Pollutant linkage very short
- Development will mobilise in situ contaminants
- Monitoring network required by Water Company
- Insurable?

The Solution

- Remediation “array” installed as part of development
- CPL Policy for development works
- SPL Policy to follow post development

The Outcome

- Funders at ease over risk profile
- Issue resolved for future buyers

Conclusions



Communication of Risk (to developers) can be very misleading



Insurance can play a role in managing pollution liabilities both:

- Short term, during development; and
- Long term, post development



Giving assurance to:

- Vendors;
- Purchasers;
- Developers;
- Funders; and
- Regulators...