

Environmental

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Willis

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Environmental risk transfer

If you are involved in owning, investing, occupying or developing land, the chances are that you or your client will face environmental liabilities. Pollution issues that would have raised little interest even a few years ago are now firmly on the boardroom agenda. Why is this ?

Increasingly stringent EU and UK environmental legislation, improved awareness of environmental issues within the property and financial sectors and escalating costs of dealing with contamination are often key causes. Like it or not, potential contamination issues, real or perceived, can have a material impact on a company's liquidity or financial condition and be a major hindrance in property and company transactions.

Environmental risks are notoriously difficult to quantify, verify and manage. Getting it wrong can result in very damaging losses, even on seemingly well managed sites. This has led to an increasing demand for financial solutions to environmental problems. With general liability insurance policies providing little, if any, cover for the majority of pollution exposures, there has been a strong growth in the specialist environmental insurance market within Europe.

Using this market, the Willis environmental team is ideally placed to deliver innovative, robust and cost effective insurance solutions. We enjoy considerable market prominence due to the significant volumes of business transacted with the environmental insurance market. However, our market leverage goes beyond size alone; it is also developed from our experience, creativity, flexibility and commercial insight. The principal environmental insurance coverages,

which can be tailored to manage the risks of concern are:

- **Historical Pollution Cover:** Arranged for future liabilities associated with pre-existing contamination or for contingent liability exposures associated with previous divestments.
- **Operational Pollution Cover:** Cover for ongoing pollution risks, for example from unanticipated discharges, leakages or spillages (regardless of whether sudden and accidental or gradual in nature).
- **Remediation Cost Cap:** "Stop loss" programmes designed to protect against cost overruns on contamination clean-up projects.
- **Contractor's Pollution Liability:** Coverage for pollution liabilities associated with contractor's operations, whether from new pollution incidents or the mobilisation of existing contamination.
- **Combined Programmes and Liability Buyouts:** A blend of the principal coverages with a funded element to cover known remediation costs. Such programmes can be structured to provide buyers and/or sellers with a permanent buy-out of environmental liabilities.

"The professionalism and experience of Willis' environmental team firmly establishes it as one of the leading brokers in this field."

Paul Davies
Macfarlanes

Willis is one of the world's leading risk management and insurance intermediaries. We have 14,500 professionals in over 300 offices around the world, all working together towards one goal:

Helping our clients succeed.

Environmental Insurance Case Studies

Examples of recent insurance solutions delivered by Willis are summarised below. For further details of these and other case studies, please contact us or visit our website www.willis.com/services/environmental.

Property Deal

Environmental insurance unlocked a £15 million property deal when concerns over potential environmental liabilities looked set to thwart the deal. For a premium cost of less than one percent of the deal value, the vendor gained a clean exit from the site sale whilst maximising the sale price. The purchaser gained certainty that potential future losses arising from the indemnity it provided to the vendor would be covered.

Company Transaction

A US corporation concerned that it might inherit significant environmental liabilities through the purchase of a UK manufacturing company turned to Willis for a solution. By working closely with the preferred insurer, the client and their environmental consultants, Willis succeeded in placing insurance to cover the 'known' pollution as well as the unknown. This enabled the purchaser to fix their maximum future exposure and allowed the deal to proceed within the required tight timescale.

Indemnity Cover

Upon selling a number of timber yards from its portfolio, a company provided an environmental indemnity to the purchaser. Although the seller had itself benefited from an indemnity when it bought the sites several years earlier, it was not as comprehensive as that provided to the new purchaser. Willis structured an insurance policy to transfer this residual risk, providing the seller with certainty that a future claim under the indemnity would be covered.

Property Risk Management

The owner of an office development was concerned that contamination beneath the site, a former gas works, could present significant future liabilities. Although remedial works had been undertaken in the mid 1990s, it was known that residual tars and contaminated groundwater had been left beneath the site. Willis placed long term coverage to protect the owner against further clean-up that may be required as a result of changing legislation or third party claims.



Nathan Sewell
International Practice Leader for the Mergers and Acquisition Practice at Willis. Nathan leads the Environmental Team, bringing substantial experience gained within the financial products insurance sector.



Nick Bennison
Nick combines his vast experience of the insurance industry with his sound environmental science knowledge. This gives Nick an excellent platform to advise clients on a wide range of risk transfer options.



David Barr
David has extensive experience of environmental risk assessment, remediation planning and financial modelling. This provides an invaluable technical resource enabling the design of innovative insurance solutions.



Fiona Gray
With a background in the construction industry and environmental consultancy, Fiona has extensive experience of providing risk management advice at both a strategic and local level to clients across a range of industry sectors.



James Alexander
James combines his background in landfill engineering with environmental insurance expertise gained at Certa (formerly environmental risk underwriting agents to Allianz).

Willis' Environmental Team combines insurance, commercial and scientific specialists dedicated to the provision of independent advice, design and placement of environmental risk transfer programmes.

Profiles of the key team members are outlined opposite.

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