

# Environmental Insurance for Agribusiness

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## Uncover your environmental liabilities and exposures

The risks within the agricultural sector are becoming increasingly complex, placing a greater emphasis on environmental accountability, liability for directors/officers, and managing new regulations. Integrated and comprehensive environmental insurance coverage is a fundamental component of a strong risk management program. However, traditional insurance policies have limitations and exclusions that restrict coverage for various environmental liabilities or impacts to the natural environment, exposing companies to financial and reputational losses.

Aon's Environmental Services Group specializes in identifying and assessing the key environmental exposures organizations face in their day-to-day operations, historical exposures, and special projects.

### Identifying the gaps

Historically, insurance programs were not designed to capture environmental risks and exposures. As such, many insuring agreements lack specific environmental terminology and affirmative coverage for pollutants, and contaminants may be limited or even excluded.

Environmental coverage enhancements and affirmations include:

- Coverage for first-party remediation costs to soil and water, on-site
- Coverage for gradual pollution for third-party liability
- Coverage for emergency response costs incurred to respond to the release of a pollutant
- Coverage for civil fines and penalties related to pollution events
- Non-owned disposal sites (NODs) coverage

### Customizing solutions

Agricultural businesses are surrounded by environmental exposures in their operations, infrastructure, and buildings that could compromise their reputation and revenue. Environmental coverage can be imperative in situations including but not limited to:

- Third-party liability from bodily injury and property damage (e.g. diminution of value, loss of use, and natural resource damage)
- Business interruption due to an environmental incident (e.g. extra expenses, loss in revenue, loss in rental income, delay in construction, and delay in start-up)
- Remediation or cleanup costs for on-site/off-site environmental damage
- Punitive damages
- Fines and penalties imposed by government orders
- Defense costs

### Managing risk

Aon's Environmental Services Group is constantly managing new risks, evolving regulations, and working with unique projects for our clients. Our team can help mitigate further damage and take preventative action in situations such as:

- Failure to contain or the improper storage of agrichemicals and fertilizers
- Overuse of irrigation causing pollution conditions to soil and groundwater
- Poor management of livestock excrement and wastewater causing impairment of drinking water
- Ammonia release arising from fertilizer inputs or faulty refrigeration units
- Seepage of septic or leaching of disposal wastes into the soil and groundwater
- Rendering and disposal of biological waste (e.g. bodily fluids and tissues)
- Inadequate storm water management systems
- Sediment discharged into surface waters

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## Environmental loss scenarios

The following examples demonstrate some of the ways in which the agricultural sector may experience environmental losses.

### Loss example no. 1

An agrichemical and fertilizer distributor was storing fertilizer in a large silo. The silo experienced a complete failure resulting in a total loss of the product. The product travelled down an adjacent rail road line into a tile drainage system, under a corn field, and migrated over 5 kilometers from the insured site. Related damages and clean-up costs were in excess of CAD 2 million.

### Loss example no. 2

A large food manufacturer agreed to spend more than CAD 3.5 million – CAD 1 million in a cash penalty and the rest for environmental improvements – to settle

a complaint in federal court. The complaint alleged that one of the company's slaughterhouse and meat packing plants committed more than 600 violations to the Clean Water Act between 1992 and 1996. By terms of the settlement, the company agreed to take a number of measures, including: (1) to stop dumping millions of gallons of partially treated wastewater each year onto nearby croplands, (2) to build new waste storage ponds with liners to replace existing ponds without liners, and (3) to reduce the number of cattle confined in the feedlot at the slaughterhouse. It is expected that the company will spend an additional CAD 1.5 million to build the new lined treatment ponds and slightly more than CAD 1 million to change its feedlot operations.

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## The Aon difference

- Largest dedicated team of environmental insurance broking professionals and claims advocacy in Canada
- Broad service offering including: environmental liability, focused contract management consulting, and environmental risk identification and assessment
- Innovators within the marketplace
- Leading market share in environmental liability insurance placements from within a single practice group

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## We're here to empower results

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