

# Environmental Insurance for the Power and Utilities Industry

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## Uncover your environmental liabilities and exposures

The risks within the power and utilities sector are becoming increasingly complex, placing a greater emphasis on environmental accountability, liability for directors/officers, and managing new regulations (e.g. greenhouse gas reduction). 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.

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### 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 natural resource damage within the definition of "property damage"
- Coverage for first-party remediation costs to soil and water, on-site or off-site
- Coverage for gradual environmental liabilities to third parties, including remediation costs
- Coverage for civil fines and penalties related to environmental events
- Coverage for waste
- Coverage for transportation and transported cargo related to environmental incidents
- Coverage for liability arising from waste streams via non-owned disposal sites coverage

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### Customizing solutions

Power and utility companies are surrounded by environmental exposures in their operations, work sites, material storage, and waste disposal practices 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

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### 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:

- Thermal pollution from warm cooling water released to surrounding water bodies
- Storm water runoff and leaching of organic compounds, heavy metals, fly ash, and slag from uncontained ponds, landfills, lagoons, and other outdoor/unlined storage facilities
- Failure of bulk oil storage tanks without adequate containment and/or loading/unloading risks
- Release of heavy metals (e.g. mercury) during combustion
- Harmful ecological effects, such as bioaccumulation of mercury in fish or destruction of fish habitat at dam reservoirs
- Management, storage, and disposal of hazardous materials and hazardous waste on-site, during transportation, and disposal off-site
- Electrical equipment (e.g. transformers and capacitors) containing large quantities of polychlorinated biphenyls (PCB) (i.e. contaminated dielectric fluids at substations and along transmission lines)
- Flooding and relocation of sedimentation, resulting in habitat disruption and natural resource damages

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## Environmental loss scenarios

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

### Loss example no. 1

A coal-fired power plant stored baghouse dusts containing heavy metals in an uncovered dumpster behind the facility. Whenever it rained, storm water mixed with the dust forming a slurry and eventually migrated off-site. Contamination to an adjoining third-party property was determined to have occurred over the course of several years. The release of contaminants was identified during a regulatory agency compliance inspection. In addition to site investigation and remediation to the adjacent property, the regulatory agency issued a CAD 400,000 fine.

### Loss example no. 2

A petroleum refinery experienced an explosion while activating an alkylation unit at the refinery. Approximately 4,900 lbs. of hydrogen fluoride was released, which generated 90,000 lbs. of hydrofluoric acid. The local fire department responded using water to extinguish the fire and suppress the acid from migrating off-site. After conducting air monitoring trials it was determined that there was no release of hazardous substances off-site; however, the on-site remediation costs associated with the release were CAD 5M.

### Loss example no. 3

A Texas family suffered from a multitude of health issues after an oil company began a number of drilling operations near their 40-acre ranch. The family's young daughter had frequent nosebleeds and rashes while her mother experienced symptoms ranging from severe migraines to vomiting white foam. There were 20 chemicals found to be present in the mother's body by an internal specialist. The family filed a USD 66M lawsuit and after a two-week trial were awarded USD 2.9M for personal injury and property damages.

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## We're here to empower results

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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/assessment
- Innovators within the marketplace
- Leading market share in environmental liability insurance placements from within a single practice group