

# Environmental Liability Facing the Public Sector

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## Uncover your environmental liabilities and exposures

The risks within the public 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.

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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 the unexpected or unintentional release of pollutants or contaminants without any time element limitation (i.e. gradual coverage for environmental liabilities, including remediation costs)
- Coverage for mould, asbestos, lead, and silica
- Coverage for monitoring or the restoration costs in the definition of property damage and medical monitoring costs in the definition of bodily injury
- Coverage for waste and liability arising from waste streams via non-owned disposal sites coverage
- Coverage for illicit abandonment/midnight dumping

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### Customizing solutions

Public entities, such as municipalities, colleges, and universities, 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

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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:

- Integrated waste management (e.g. collection, landfill, and recycling)
- Structural contaminants, such as asbestos or lead based paint, in municipal buildings
- Sports arenas and swimming pools and their associated chemical supplies, such as ammonia and chlorine, respectively
- Mould and fungi growth resulting from water intrusion (e.g. weather event, improper drainage, and broken piping)
- Other indoor air quality concerns including biological agents and/or legionella pneumophila
- Contracting operations performed by service vendors on behalf of public sector entities
- Pass through contamination from adjacent and surrounding properties (e.g. gas stations and dry cleaners)

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## Environmental loss scenarios

The following examples demonstrate some of the ways in which the public sector may experience environmental losses:

### Loss example no. 1

A BC municipality hired a road contractor to perform routine maintenance. During the course of performing the road repair, the contractor ruptured a pipeline, resulting in a crude oil geyser discharging product into a nearby inlet and surrounding residential community for 30 to 60 minutes before being capped.

### Loss example no. 2

A municipality issued an occupancy permit for a recycling facility; however, the municipal officials were unaware that the operations included illegal storage of oil industry waste in unsafe underground containers. The business went bankrupt and the mortgage company sued the municipality for not ensuring the facility was utilized as intended.

### Loss example no. 3

A municipality purchased property to be used for a maintenance yard. The previous owner of the property was unknown. In 1990, the municipality sold the property to an outside party. The new owner discovered that the property contained an underground storage tank that leaked, and the new owner sued all previous owners for the clean-up costs that were incurred.

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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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