

## What is Environmental Insurance?

Environmental insurance is a risk management tool for brownfield project financiers and/or sponsors to transfer their risk to the insurer (insurance company) for potential clean up costs or liability related to environmental conditions at a property or project.

There are two common types of environmental insurance – Cost Cap (CC) and Pollution Legal Liability (PLL).

CC insurance is used to cover cost overruns when planned remediation ends up costing more than anticipated. CC insurance can be very expensive and will not be offered by Ohio EPA's Voluntary Action Program (VAP).

PLL focuses primarily on the costs and risks associated with potential contamination both on and off the property, as well as unanticipated contamination found during site cleanup and/or redevelopment.

Ohio EPA will offer PLL insurance under the new VAP EIP.

PLL environmental insurance can be used to:

- replace an escrow for the unexpected cost of remediation, which would insure against:
  - the chance of discovering new contamination;
  - third party lawsuits/claims; and/or
  - the environmental legacy of the operation.
- fill liability gaps created by contaminant exclusions not covered under the VAP (asbestos, lead paint);
- provide protection from costs that could destabilize your business or municipal budget due to unexpected cleanup;
- provide a tool to establish financial stability for estimated clean-up costs; and/or
- address liability concerns and costs for Natural Resource Damage Assessments (NRDA) that are not covered under the VAP.

Environmental insurance coverage is not restrictive and may not be as expensive as you think. Policies are flexible and coverage can be customized to address your needs. There are a wide range of possibilities available that can fit your budget and mitigate or eliminate specific risks.