

# Facilitating Brownfields Redevelopment



Current, historic and potential environmental risks can have a negative financial impact on a Brownfields redevelopment opportunity. Brownfields are properties whose expansion, redevelopment, or reuse may be complicated by the actual or potential presence of hazardous substances, pollutants, or contaminants.<sup>1</sup>

## Brownfields Redevelopment Stakeholders

- Property owners
- Developers
- Local, state and federal governments

## EPA Brownfields Program Awards Since Inception<sup>2</sup>

- 1508 Assessment Grants totaling \$364.8 million
- 250 Revolving Loan Fund Grants totaling \$239.6 million
- 542 Cleanup Grants totaling \$101.2 million

*“Obstacles that include unanticipated cleanup costs and fears of unforeseen liability often dissuade otherwise interested developers (and other stakeholders) from investing in Brownfields. Environmental insurance is one of the few tools capable of limiting both these barriers.”*

— Environmental Protection Agency (EPA) website

As the amount of useable commercial and residential property continues to shrink in many regions of the country, federal and state governments have looked to spur economic development and the revitalization of Brownfields with the implementation of regulatory and financial incentives.

With the removal of many regulatory burdens and the introduction of cost containment to environmental liabilities through innovative insurance policies, the development of Brownfield properties offers opportunities for owners, developers and government groups for profitable redevelopment.

## Brownfields Environmental Risk & Liability

In many instances, Brownfields properties are the result of industries moving out of urban areas to take advantage of less expensive land or lower taxes, leaving behind underused sites. Owners of these remaining sites face difficulties in selling because buyers and developers shy away from the potential legacy of environmental liabilities. States and municipalities also suffer because the underused properties decrease the tax base for the area and become an eyesore for the community.

In response, the federal government and many states have developed programs and incentives to encourage the sale and redevelopment of these properties. However, there are a number of environmental liabilities that exist, potentially derailing the rejuvenation efforts:

- Cleanup costs for known pollution that exceed initial estimates
- Known pollution much greater in scope than previously realized
- Discovery of unknown pollution
- Exacerbating existing pollution conditions or creating new ones during remediation operations

Whether a Brownfields redevelopment project is part of a state voluntary cleanup program, initiated contractually under an allocation of responsibilities and liabilities through a purchase and sales agreement, or a combination of both, environmental risk management solutions from Chartis are a key component to help successfully manage the risk of these liabilities and return these properties to value-producing assets for all stakeholders.

## Insurance Solutions for Your World

Chartis pioneered the innovation of environmental insurance products and complimentary programs for entities with Brownfields. For nearly three decades, we’ve been underwriting complex risks for clients across the world – delivered through a network of regional offices with expertise in local nuances and issues, particularly Brownfields.

<sup>1</sup> Small Business Liability Relief and Brownfields Revitalization Act - Public Law 107-118 (H.R. 2869) January 11, 2002

<sup>2</sup> Environmental Protection Agency Press Release April 7, 2008, Environmental Protection Agency Press Release May 8, 2009

Continued

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Chartis is a world leading property-casualty and general insurance organization. Our 34,000 employees deliver commercial insurance offerings through hundreds of innovative products and services. Chartis maintains the financial strength that clients demand with over \$52.1 billion gross premiums written worldwide and \$17.7 billion paid out in claims in the U.S. and Canada in 2008.

Our expertise in providing environmental insurance to assist Brownfield redevelopment is vast, and includes experience interacting with federal and state cleanup agencies. Some states have partnered with us to deliver tailored environmental insurance programs, administered through state agencies, to provide solutions to developers, businesses and local governments.

Beyond our industry-leading insurance policies, our environmental team offers proactive services that can help stakeholders approach a Brownfield project with confidence. Our complimentary value-added policyholder advantages include:

- PIER (Pollution Incident and Environmental Response) – access to a network of vetted, third-party resources that provides emergency response and media support in the event of an environmental incident
- RiskTool System – an online risk management system that identifies, controls and tracks environmental, health, safety and transportation work place risk through risk training programs, risk management guides, and legislation passed by government agencies
- Environmental Portal<sup>SM</sup> – tracking of environmental insurance policies for multiple site portfolios through a secure, Internet-based system
- The largest dedicated environmental claims team in the industry with backgrounds in environmental law, engineering, consulting and claims

## Environmental Insurance from Chartis Transforms a Community

As communities, developers and states move forward with Brownfield redevelopment programs, environmental insurance plays a key role in overcoming traditional environmental obstacles without impeding progress or putting a community at risk, as this case example illustrates:

A former industrial property had sat idle for several years in a working-class East Coast city. Developers of a full-service assisted living facility had investigated the site but were discouraged by fears that cleanup costs might exceed estimates. Soil and groundwater assessments revealed lead, petroleum, and barium contamination that would cost hundreds of thousands of dollars to remediate. The developers were additionally concerned with the potential for off-site contamination and bodily injury claims.

City management, recognizing the multiple benefits of this redevelopment project, used a portion of a federal grant towards an environmental insurance policy from Chartis that provided coverage for both the developer and the municipality. With confidence that cleanup costs would not escalate beyond the original estimate and the limits of the insurance program, the developer proceeded with the plans. The new 97-unit, assisted-living facility opened and was completely occupied within three months. This \$14 million redevelopment project brought more than 45 new jobs to the city.

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**Chartis, one the nation's leading providers of environmental insurance, underwrites environmental insurance through 13 strategically placed offices countrywide.**

### Contact

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Chartis is a world leading property-casualty and general insurance organization serving more than 40 million clients in over 160 countries and jurisdictions. With a 90-year history, one of the industry's most extensive ranges of products and services, deep claims expertise and excellent financial strength, Chartis enables its commercial and personal insurance clients alike to manage virtually any risk with confidence.

Chartis is the marketing name for the worldwide property-casualty and general insurance operations of Chartis Inc. For additional information, please visit our website at [www.chartisinsurance.com](http://www.chartisinsurance.com). All products are written by insurance company subsidiaries or affiliates of Chartis Inc. Coverage may not be available in all jurisdictions and is subject to actual policy language. Non-insurance products and services may be provided by independent third parties. Certain coverage may be provided by a surplus lines insurer. Surplus lines insurers do not generally participate in state guaranty funds and insureds are therefore not protected by such funds.



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