



**BUSINESS SOLUTIONS FOR CORPORATIONS OR COMPANIES THAT OWN OR OPERATE FACILITIES, SUCH AS POWER COMPANIES, PETROLEUM REFINERIES, COMMERCIAL DEVELOPERS, AND OTHER OPERATIONS THAT USE, STORE, MANUFACTURE, TREAT OR TRANSPORT HAZARDOUS MATERIALS**

## Product Profile:

PLL Select<sup>®</sup> is a flexible, strategic insurance tool designed to help your clients manage environmental risk. The policy offers multiple options to select from so that you can work with your clients to construct an environmental insurance program that matches their business needs. Coverage can be selected to meet the unique and individual risks of insureds, including those risks associated with contaminated property, industrial operations, and recycling, disposing or treating hazardous waste.

PLL Select<sup>®</sup> is structured to offer great flexibility and tailoring options – from on- and off-site liabilities arising out of pollution conditions, to environmental transportation risks, to non-owned disposal sites. PLL Select<sup>®</sup> is ideal for your large clients with liabilities arising from merger and acquisition activity, historical and current operations, and traditional waste disposal businesses.

## Business Solutions for:

### 1. STRATEGIC RISK MANAGEMENT FOR MERGERS AND ACQUISITIONS

#### **Overview – M&A Transaction Complicated by Potential Pollution Conditions**

During a \$1.2 billion merger, a national conglomerate acquired multiple industrial buildings and properties including two former Superfund sites. Those sites posed additional risks and uncertainties for both the company and their investors. By virtue of holding property titles, the company and investors could be held liable for all environmental conditions, old and new. For protection, the company's officers wanted a risk transfer alternative and assurance that any future environmental liabilities would not result in losses due to the devaluation of the property.

Prior to completing the merger, an environmental study with a historical records search revealed one of the facilities, a former tool and dye manufacturing plant, was contaminated by two leaking underground storage tanks still on-premise. Closure of the underground storage tanks and receipt of a "No Further Action Letter" from the state was completed prior to the purchase.

#### **Problem – Discovery Leads to Exorbitant Cleanup and Settlement Costs**

About 18 months after the merger the former tool and dye plant underwent renovation, while tenants continued to occupy the building. During the renovation, mercury was discovered in the building's sub-flooring. This discovery prompted an analysis of the entire property that confirmed extensive contamination throughout the property. The conglomerate's original purchase turned into a \$13.8 million environmental nightmare – the estimated amount required to remediate the property and settle tenant claims.

### **Solution – Managing Risk for Profit**

PLL Select® from Chartis may be used as a risk management mechanism with coverages that can help protect buyers and sellers from environmental liabilities that can occur in a merger or acquisition. For transactions where contamination is present, coverage may be provided for unknown and future conditions. PLL Select® can provide coverage for on-site cleanup of pre-existing conditions as well as coverage for on-site cleanup of new conditions that are:

- Triggered by discovery
- Triggered by a third-party claim

Also, the policy may respond to known conditions that are under actionable levels, should they later become actionable. On-site protection additionally includes protection for pollutants that migrate on-site from a third-party source. PLL Select® can provide first party diminution-in-value and first-party business interruption coverage due to on-site pollution conditions.

### **Additional Financial Benefits**

- By having PLL Select® in place, companies can protect their balance sheet by ensuring that any environmental liabilities can and will be addressed.
- For companies in M&A mode, PLL Select® can offer confidence to buyers and sellers alike by replacing or supporting indemnification.
- Insuring against environmental loss with a financially strong company is assurance that funds are available for payment of losses.
- PLL Select® offers a security net for the financial uncertainties of purchasing or acquiring the assets of another company particularly when properties are involved that have unknown historical usage.
- PIER (Pollution Incident and Environmental Response) Program provides 24-hour emergency response as a result of a pollution incident including access to a nationwide network of emergency and secondary response companies, with a program manager coordinating all activities, third-party claims administrator capabilities, technical support team, post-incident oversight and management – plus more.

## **2. URBAN COMMERCIAL DEVELOPER WITH DIVERSE HOLDINGS**

### **Overview – Environmental Liabilities Caused by Tenants**

An urban commercial developer has a multi-billion dollar portfolio of industrial, commercial and retail buildings located in several states. Properties include large shopping malls, manufacturing facilities and office buildings with space leased by tenants. As the owner of multiple leased properties, the developer is concerned about the liabilities associated with environmental contamination caused by those tenants – from historical and day-to-day operations.

### **Problem – Multiple Incidents at Different Locations can "Eat Up" Profit Fast**

Over a fifteen year period, a photographic developer and distributor spilled small quantities of developing chemicals inside a store located in one of the developer's malls. The chemicals flowed through a floor drain and pipe system, which eventually weakened and failed. Subsequently, the on-site soil and off-site groundwater and associated soils were contaminated. Nearby private wells that supplied drinking water were contaminated as well. Over 25 residents filed a complaint with the state's environmental agency. Costs totaled over \$500,000 and included environmental consultant fees, cleanup, disposal and legal fees.

A few months later, the developer /owner commissioned an exterminator to get rid of pests that infested plants throughout another mall. Overspray from the hazardous substance sprayed by the exterminator damaged the property of three retail stores. The stores submitted property damage claims against the owner and contractor. Other mall tenants filed business interruption claims against them. Total costs were \$1.2 million.

In one of the owner's commercial office buildings, a contractor hired by the owner spilled a large quantity of cleaning solvents that spread throughout the ventilation system. A worker in the building was overcome with solvent fumes and passed out. Over 60 building occupants complained of dizziness, headaches and nausea and were treated and released at the local emergency center. The building was evacuated for two days until the ventilation system was cleaned-up. Fifty occupants filed complaints of bodily injury. Ten tenant/businesses filed claims for business interruption. Costs of \$575,000 included legal fees and cleanup and settlement costs.

### **Solution – One Policy That Provides "Broad" Coverage for Multiple Properties**

PLL Select® can provide an owner of multiple properties pollution coverage for all locations. PLL Select®'s menu of options allows you design a simpler, more cost-effective program tailored to address the diverse needs of their portfolio. Coverage includes on- and off-site coverages for third-party property damage, bodily injury and cleanup costs triggered by pollution conditions. Definition of bodily injury includes mental anguish and emotional distress. Also, coverage is available for first party business interruption which can be actual loss or loss of rental value due to on-site pollution conditions.

### **Additional Financial Benefits**

- The PLL Select® menu allows for creativity without redundancy or numerous endorsements, saving companies the complexity and cost of numerous endorsements.
- The flexibility of PLL Select® can provide coverage for transportation and non-owned locations (including loading and unloading exposures associated with transportation).
- The policy can be endorsed to provide first-party diminution-in-value coverage due to on-site pollution conditions.
- A product's pollution endorsement offers additional protection and financial security against environmental exposure caused by a company's products.
- Many policies exclude coverage for business interruption related to pollution conditions – PLL Select® can respond to this coverage gap by providing first-party business interruption coverage for losses due to pollution conditions.

**For Additional Information, Call 1-800-348-4314**

Or email us directly at [environmental@chartisinsurance.com](mailto:environmental@chartisinsurance.com).

You can also access information and obtain a complete product listing as well as product profiles on-line at [www.chartisinsurance.com](http://www.chartisinsurance.com).

## FOR MORE INFORMATION ON CHARTIS CONTACT:

Contact us at **1-800-348-4314**

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