




Asia Pacific Environmental Sales Playbook



Bring on tomorrow





Environmental Insurance (formally known as Environmental Impairment Liability insurance) covers businesses against a range of environmental liabilities and exposures. Environmental policies are designed to respond to all types of pollution – sudden, accidental and gradual – and clean-up regulatory obligations that are getting more and more complex.

Environmental Insurance offers attractive development opportunities for brokers and is here to stay.

1 AN EMERGING RISK

Environmental exposures have been amplified by a tougher legal environment throughout Asia Pacific. This means that even though businesses' operations may not have changed, their potential environmental liabilities have increased.

2 A BIG, SENSITISED MARKET

Businesses in all industries and of all sizes face environmental liabilities. Obligations for both companies and competent authorities point towards an increase in the number and costs of environmental claims – which combined with attention from the media, have encouraged greater awareness of environmental issues by businesses, investors and customers.

3 STRONG COMPETITIVE POSITIONING

Brokers who are able to have meaningful conversations about Environmental Insurance with clients are able to differentiate themselves from competing brokers who may not have the same degree of risk and product knowledge. This has exciting possibilities for new business and retention strategies and reaffirms brokers' position as valued and informed risk advisors.

4 DIRECTORS AND MANAGERS ARE PERSONALLY EXPOSED

Following an environmental incident, individuals also face the possibility of personal actions. In fact, some local regulations might hold directors and managers personally liable for the damages. It is worth emphasising the complexity of environmental risks and the high importance of Environmental Insurance to the directors and managers deciding on the business' insurance coverages.

5 INTERNATIONAL OPPORTUNITIES

Countries around the world have adopted different local environmental legislation. With changes taking place in China as well as more broadly in Europe, companies may find that environmental exposures differ across jurisdictions and require different approaches.

In summary: Increasing client exposures and increasing client awareness point to opportunities for brokers to strengthen their positions with clients and increase their revenue. The following sections look in more detail at: the target market for Environmental, sales arguments for first-time buyers of Environmental, selling AIG to the client as the Environmental insurer, servicing aspects for the broker, suggestions for overcoming Environmental sales obstacles and finally some claims scenarios.

NOTES

1 The Environmental Protection law of the People's Republic of China 2014 came into force in January 2015. This act places new environmental obligations on companies.

2 In several European countries (Spain, Portugal, Slovakia and Czech Republic for example) businesses may need to demonstrate that they have financial assurance in place for their environmental exposures (such as a locally issued Environmental Insurance policy) in order to operate in that country.

AIG sample customers:

A positive characteristic of Environmental Insurance for brokers is that there is a wide range of business sectors that we can underwrite. From major international corporations to local SMEs, our flexibility means we can accommodate most sectors, particularly:

- **Manufacturers - from heavy industry and chemical companies to food and beverage manufacturers**
- **Retail and Warehouses**
- **Construction projects and blanket cover for companies**
- **Haulage and Logistic**
- **Property owners and developers including their tenants**
- **Waste management and disposal facilities**
- **Bulk storage**
- **Environmental Professional Service firms**
- **Power and Utility**
- **Multinationals**



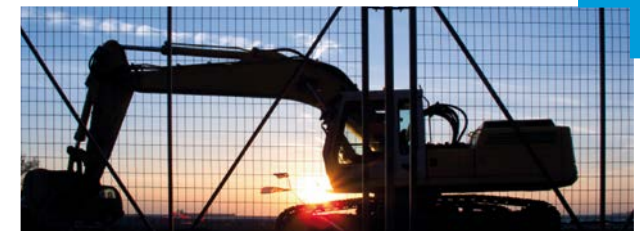
ALPHA has been with AIG Environmental for over 10 years. It is a global chemical group with more than 30,000 employees manufacturing products in more than 50 countries. The company benefits from the AIG Environmental international network and local capabilities. AIG Environmental supports its global operations with the best and most reliable local support worldwide.



BETA is a small haulage firm, operating in the general road haulage industry for nearly 30 years. The relationship between Beta and AIG Environmental has continuously strengthened since it bought its first Environmental policy with AIG in 2008.



OMEGA is a healthcare group operating a number of facilities across Australia. Healthcare groups work with AIG Environmental to help protect against exposures such as clean-up costs from operational environmental incidents.



DELTA is a construction company carrying out projects across Asia Pacific. Its operations could possibly cause new pollution or exacerbate pollution which was already present but not evident. Whether new or exacerbated, Delta is at risk of being held liable for the clean-up costs and potential costs associated to bodily injury and property damage. AIG Environmental helps manage that risk.

Clients who are “first time buyers” not having yet made the decision to purchase Environmental Insurance, need to understand at least in general terms the extent of their potential exposures and the protection offered by the insurance.

Here are some suggested discussion points.

THEMES 1

IS THE BUSINESS AWARE THAT GENERAL LIABILITY COVERAGE FOR ENVIRONMENTAL EXPOSURES IS VERY LIMITED AND DOES NOT COVER THE BUSINESS FOR DEVELOPMENTS IN LEGISLATION, GRADUAL, 1ST PARTY OR HISTORICAL POLLUTION?

HAS THE BUSINESS ASSESSED ITS RISK EXPOSURES? IS IT AWARE THAT ITS ENVIRONMENTAL EXPOSURES HAVE INCREASED?

DOES THE BUSINESS UNDERSTAND THAT FOR ENVIRONMENTAL DAMAGE IT MAY BE GUILTY UNTIL PROVEN INNOCENT

HAS THE BUSINESS CONSIDERED THE REPUTATIONAL IMPACT OF A POLLUTION INCIDENT

RELEVANCE OF ENVIRONMENTAL

SUDDEN & ACCIDENTAL (S&A) VS GRADUAL POLLUTION

Sometimes it is difficult to establish if a pollution incident was caused by a S&A or gradual pollution incident. Environmental Insurance is designed to cover all pollution conditions, and it makes no distinction between gradual and S&A pollution.

OWN SITE CLEAN-UP

General Liability policies do not cover own site clean-up or emergency response costs whether they are from an S&A incident or gradual pollution. Environmental can provide the business with onsite coverage for clean-up costs, 3rd party bodily injury and property damage associated to the pollution incident.

HISTORICAL POLLUTION

Pollution can be present on sites even though there is no current operational risk and businesses may face historical contamination from a site's previous uses. Environmental policies can provide businesses with coverage for historical pollution present on and off-site.

New forms of clean up introduced by regulations increase business's potential environmental liabilities. Environmental Insurance covers this (and future) legislation.

A company suspected of causing environmental damage may be assumed 'guilty until proven innocent'. Environmental covers defence and investigation costs, provides specialist environmental support to liaise with different authorities on the company's behalf.

Media and public sensitivity to local pollution incidents can impact the business's image. Environmental Insurance is clear evidence of the precautions that the business has taken with its environmental responsibilities.

[MORE THEMES >](#)

SALES THEMES
CONTINUED

THEMES 2

RELEVANCE OF ENVIRONMENTAL

DOES THE BUSINESS KNOW WHO TO TURN TO?

When an environmental loss happens, it is important to involve the right people early. Most companies haven't dealt with an environmental loss before and may not know who turn to. We provide access to Environmental clients with technical and legal experts and an extensive professional network with decades of experience.

DOES THE BUSINESS UNDERSTAND WHAT IMPLICATIONS A LONG TERM REMEDIATION PROJECT COULD HAVE ON ITS BUSINESS?

Businesses that cause environmental damage have to restore the site to its original condition. This can be complex and take many years. Our Environmental covers the costs and provides the environmental expertise to do this.

DOES THE BUSINESS KNOW THAT INDIVIDUAL EMPLOYEES CAN BE HELD PERSONALLY LIABLE?

Following an environmental incident, individuals face the possibility of personal actions. Our Environmental can cover investigation and defence costs and settlements for pollution or environmental damage caused by the business and its employees.

IS THE BUSINESS AWARE THAT EMERGENCY WORKS CARRIED OUT BY REGULATORS CAN BE CHARGED BACK TO THE BUSINESS THAT CAUSED THE POLLUTION?

Environmental covers clean-up costs incurred by third parties or governmental authorities carrying out emergency works on behalf of the business.

We have outstanding technical expertise, in terms of underwriting expertise and training material to help our brokers develop their Environmental Insurance accounts. This is supported by a highly experienced Environmental claims team to ensure our clients get the best possible support after an environmental incident.

LOCAL EXPERTISE

We have the largest environmental underwriting team globally, offering the highest single market capacity available, tailored solutions and added value consultancy and support services. With specialised and dedicated environmental underwriters across the region, brokers and clients have access to technical underwriting expertise, support and expert decision making in their local markets.

CLAIMS EXPERTISE

AIG has specialised Environmental Claims handling team. The team is experienced in complex environmental claims and can handle requests in local languages. Benefiting from our extensive global capabilities and knowledge centres, our claims handlers are able to offer strong and dependable customer support during a stressful period for our clients.

CONSTANT INNOVATION

Environmental regulations and obligations have increased in recent times and can be expected to continue developing throughout the region and globally. AIG has remained steadfast, delivering innovative Environmental Insurance programmes in Asia Pacific for over 10 years and improving our protection so it keeps up with the businesses' growing environmental exposures.

MULTINATIONAL EXPERTISE

We have the industry's largest owned international network and Environmental licenses across the globe. Our extensive knowledge of sophisticated programme structures and one of the most extensive lists of local environmental policies available in the market allow us to help you and your clients design and implement bespoke multinational programmes, whether locally administered or on a controlled master basis - bringing to you and your clients a powerful global lead advantage and unmatched service capabilities.

Our experience suggests that most purchase obstacles raised by clients relate to their uncertainties about their environmental exposures and resulting reservations about the pricing to gain specialised Environmental coverage.

All of these obstacles can be effectively countered.

POTENTIAL OBJECTION

I'VE NEVER HAD A
POLLUTION LOSS SO
WHY DO I NEED TO BUY
THE INSURANCE NOW?

It's possible that the business has been having pollution losses for years without realising it as at times these are dealt with as operational costs. Management need to be aware of this and realise the true extent of their environmental exposures.

IT DOESN'T SEEM
WORTH THE
PREMIUM SPEND

Environmental Insurance premiums are a small percentage of what the losses businesses could incur. Defense costs alone can add up to 7 figures.

WE JUST DON'T NEED
ENVIRONMENTAL
INSURANCE, WE'LL TAKE
CARE OF ANY LOSSES
OURSELVES

Environmental losses are highly technical and often require skilled resources to manage them. Following a claim, companies might end up paying more in consulting fees and engineering support than they would have in insurance premiums. And this does not include any of the direct costs related to the environmental claim itself.

Here are a number of scenarios illustrating how clients' Environmental policies have been triggered and responded to a variety of businesses' needs and environmental exposures.

The scenarios are all based on actual cases.

OUTLINE OF CIRCUMSTANCES

COMMENT

1	NATURAL RESOURCE DAMAGE A pipeline ruptures in a protected area and oil is leaked into a natural reserve. Authorities force the business to carry not only primary remediation and clean-up, but indemnify the environment for the damage caused to the natural habitats and species affected.	An example of environmental damage to a protected site with complex, long term planning consequences for the business that could last many years.
2	ON-SITE GRADUAL POLLUTION A gradual leak from an underground fuel oil storage tank was discovered by the competent authorities during a site inspection.	The business was required by the regulator to carry on-site clean-up and remediation.
3	1ST PARTY BUSINESS INTERRUPTION Heating oil release from a wastewater treatment station damaged the facility and rendered it unable to treat the wastewater.	The business's operations were interrupted until the plant was cleaned and filters were replaced.
4	3RD PARTY BUSINESS INTERRUPTION A chemical storage tank collapsed and contaminated neighbouring installations as well as the nearby river.	The industrial park was shut down for cleanup and remediation works, forcing businesses to interrupt their operations until these were completed.
5	3RD PARTY CLEAN-UP Oil seepage from a transfer pipeline impacted neighbouring property.	The necessary soil and water cleanup, including continuous pumping of the water table, was conducted for 6 months.
6	BODILY INJURY During a fire at a plastic manufacturing plant, toxic black smoke was released into the air and reached neighbour businesses and residents.	Businesses and residents have filed 3rd party bodily injury claims against the company.

[MORE >](#)

CLAIMS SCENARIOS
CONTINUED

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OUTLINE OF CIRCUMSTANCES**COMMENT****PROPERTY DAMAGE**

An ammonia leak at a refrigeration plant cause 200 gallons of ammonia to be released into the adjacent site, damaging pipeline networks.

A claim for property damage was filed by the third party.

8

INVESTIGATION BY COMPETENT AUTHORITY

A river nearby a dairy factory was found to be polluted. The business was asked to present evidence and cooperate with the authorities.

An investigation was opened to identify the party responsible for the contamination.

9

CLASS ACTION

A business is suspected of causing the contamination of their local water supply.

50 local residents living around a chemical plant undertake a joint court action against the business.

10

BURDEN OF PROOF

A business is suspected of causing pollution. The Regulator requested the suspected company to take action to mitigate and remediate the pollution. It was later proved that the suspected company was not the actual polluter.

An example of how a business that has not caused any pollution can still be required to incur costs to clean it up.

11

CONTAMINATION CAUSED BY FIRE FIGHTERS

After a fire at a metal recycling facility, investigations of pollutant levels revealed that the water runoff from the fire and fire suppression materials had affected the wastewater treatment plant at the Insured's facility.

The business had to pick up all the costs related to the clean-up of the plant.

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TRANSPORTATION

A milk tanker overturned and 28 cubic metres of the product were spilled on the road and entered the adjoining fields.

The business carried out clean-up operations and groundwater monitoring - which was mandated by the competent authorities.



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