OUTLINE

- Review History
- Review Environmental Insurance Market
- Review a Sampling of Environmental Insurance Products
- Review Survey Process & Results
- Discuss Emerging Issue
- Closing Thoughts
Environmental Insurance Market Place

- Market Approximately 30 years old
- Estimated Premium?
- 35-45 Insurance Companies that Specialize in environmental coverage
- Nearly every industry is looking at some form of coverage for environmental liabilities
Historical Review

History of the Environmental Movement and Cornerstone Regulations that lead to Environmental Insurance Market

Tanker Spills World War II

1970 NEPA
1976 RCRA
1978 Love Canal
1980 CERCLA

Exclusions
2007 U.S. Environmental Insurance Market Place

AIG

ZURICH

CHUBB

XL INSURANCE

Endurance

Arch Insurance Group®

Liberty International Underwriters

Hudson Insurance Group®

ASI

MARKEL

MARKEL INSURANCE COMPANY

W. R. Berkley Corporation
Interesting Developments Since 2014

ACE + CHUBB = CHUBB

XL INSURANCE + CATLIN = XL CATLIN

IRONSHORE + Liberty = ?

AIG
Market Update & The AIG Factor

- The largest Insurance provider for Pollution Legal Liability/Site Liability in 2015
- $500,000,000 of Inforce Domestic Pollution Legal Liability premium being Non-renewed over 36 Months
- $250,000,000 of Annual Domestic Pollution Legal Liability premium being non-renewed
- In 2015, over 70 dedicated Pollution Legal Liability underwriters being repositioned within and outside the company
- A continued emphasis on the growth of Blended Casualty/Environmental products for Distributors and Manufacturers
- Will remain a market for Site Liability pollution coverage for international exposures only
Environmental Insurance Products (Sampling)

Today’s Product Mix

- Site Liability - Pollution Legal Liability (PLL)/Environmental Site Liability/Premises Pollution Liability/Environmental Impairment Liability
- Blended Casualty & Pollution Products
- Contractors Pollution Coverage
- Storage Tank Liability Insurance
- Secured Lender Insurance
- Contractors Pollution Liability Professional Liability (E&O)
- Business Interruption
- Environmental Product Liability
Environmental Insurance Drivers

- Risk Transfer
- Contractual Obligations/Liabilities
- Regulatory
- General Awareness
- Client Recently Experienced an Uninsured Claim
Site Environmental Liability

- Typically protects owners and operators for liabilities or claims arising from a pollution event including:
  - Bodily Injury
  - Property Damage
  - Clean Up Costs
  - Defense Costs
  - Transportation of Waste

- May be tailored to 1st party (on site) or 3rd party (off site receptors / impact coverages)
Blended Casualty & Pollution Product

- Expanded marketplace
- Combines CGL and pollution extensions with affirmative insuring agreements
- Products pollution (occurrence)
- PLL coverage can be integrated, similar to stand-alone PLL
- Transportation and Disposal Liability
Regardless of Risk Transfer...attempt to understand:

Materials on-site
Storage Practices
Atmospheric emissions
Disposal practices
Historical site use & surrounding environment
Transportation risks
Products Pollution exposures
Contractor General and Professional Pollution (E&O) Coverage

- Provides Coverage for standard Pollution Exclusion
- Covers gradual, as well as, sudden and accidental third-party environmental liabilities
- Provides coverage for pollution events that arise out of errors or omissions while performing professional services
- Been around for a while but getting more thorough with less exclusions
Environmental Insurance Marketplace Survey

- 10 Questions Posed to Industry Professionals
- 32 Responses; Doubled Responses of Prior Year
- Data Collected, Aggregated, and Analyzed by Survey Monkey
Current Estimated Environmental Marketplace based on Annual Booked Premium

### Current estimated Environmental Insurance Marketplace based on Annual Booked Premium?

- Less than 1 Billion: 15.38% (2 responses)
- From 1 to 2 Billion: 53.15% (7 responses)
- From 2 to 3 Billion: 30.77% (4 responses)
- From 3 to 4 Billion: 0.00% (0 responses)
- From 4 to 5 Billion: 0.00% (0 responses)
- 5 Billion or greater: 0.00% (0 responses)

Total: 13

### Current estimated Environmental Insurance Marketplace Annual Booked Premium?

- Less than 1 Billion: 16.15% (6 responses)
- From 1 to 2 Billion: 40.63% (15 responses)
- From 2 to 3 Billion: 28.13% (9 responses)
- From 3 to 4 Billion: 3.13% (1 response)
- From 4 to 5 Billion: 3.13% (1 response)
- 5 Billion or greater: 6.25% (2 responses)

Total: 32
2020 Anticipated Environmental Marketplace based on Annual Booked Premium

Estimated Size of the Environmental Insurance Marketplace in 2020?

Answered: 32  Skipped: 0

- $2-$3 Billion: 34.38% (8 responses)
- $3-$4 Billion: 28.00% (8 responses)
- $4-$5 Billion: 3.13% (1 response)
- $1-$2 Billion: 25.00% (8 responses)
- $5 Billion or Greater: 12.50% (4 responses)

Total: 32
Greatest Premium Growth Areas

**Greatest Premium Growth areas**

- Blended Casualty and Pollution Products: 46.67% (7 responses)
- Site Liability; Pollution Legal Liability; Environmental...: 13.33% (2 responses)
- Contractors Pollution Liability: 6.00% (0 responses)
- Professional Liability: 6.07% (1 response)
- Underground Storage Tank Liability: 0.00% (0 responses)
- Transportation Liability: 33.33% (5 responses)

**Current Greatest Premium Growth areas**

- Site Liability; Pollution Legal Liability; Environmental...: 37.60% (12 responses)
- Contractors Pollution Liability: 3.13% (1 response)
- Professional Liability: 9.38% (3 responses)
- Underground Storage Tank Liability: 0.00% (0 responses)
- Transportation Liability: 0.00% (0 responses)
- Blended Casualty and Pollution Products: 60.00% (16 responses)

Total responses:
- 15
- 32
Drivers for Purchase

Drivers
Answered: 15   Skipped: 0

General Awareness
Risk Transfer
Contractual Obligations

What is the most significant driver leading to the purchase of environmental insurance?
Answered: 32   Skipped: 0

General Awareness
Risk Transfer
Contractual Obligations

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<th>Responses</th>
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<tr>
<td>Risk Transfer</td>
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<td>General Awareness</td>
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<td>Risk Transfer</td>
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<td>Contractual Obligations</td>
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Strongest Industry Sector Growth Area

Answer Choices | Responses
--- | ---
Real Estate | 20.00% 3
Industrial/Manufacturing | 13.33% 2
Oil and Gas | 46.67% 7
Contractors and consultants | 13.33% 2
Transportation | 6.57% 1
Financial Institutions | 0.00% 0

Total | 15

Answer Choices | Responses
--- | ---
Real Estate | 28.13% 9
Industrial/Manufacturing | 15.63% 5
Oil and Gas | 25.00% 8
Contractors and consultants | 31.28% 10
Transportation | 0.00% 0
Financial Institutions | 0.00% 0

Total | 32
## International Environmental Insurance Marketplace Survey Results

### Greatest Prospective International Growth of Environmental Products outside the U.S.

#### Answered: 15  Skipped: 0

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#### Answered: 32  Skipped: 0

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<td>Middle East</td>
<td>3.13%</td>
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How many carriers will be servicing the Environmental Insurance Marketplace in 2020:

Answered: 32  Skipped: 0

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<td>0-20</td>
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<td>20-40</td>
<td>56.25%</td>
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<td>60-80</td>
<td>0.00%</td>
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<td>80+</td>
<td>3.13%</td>
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Total 32
What is today’s largest threat to Environmental Insurance Carriers?

Answered: 32  Skipped: 0

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<tbody>
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<td>Consolidation of Parent Company or internal Environmental Units</td>
<td>9.38% 3</td>
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<tr>
<td>Profitability of Products</td>
<td>46.88% 15</td>
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<td>Employee Turnover</td>
<td>3.13% 1</td>
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<td>Lack of Premium</td>
<td>6.25% 2</td>
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<td>Lack of Product offering</td>
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<td>Competition</td>
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<td>Losses</td>
<td>18.75% 6</td>
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Summary of Data

- Data suggests market is positioned to strengthen and grow with increased premium.
- Industry indicates that Site Liability and Blended General Liability/Pollution are the strongest growth areas.
- Contractual Obligations appear to be the key driver. This is likely due to more industry awareness.
- Real Estate and Contractors/Consultants appear to be the strongest market sectors as opposed to Oil and Gas as noted in 2015. Appears to follow economic activity.
- Asia and Canada are trending for growth Internationally since 2015
- Contractors Liability is most competitive while Site Liability and Combined GL/Pollution are least.
- Profitability of Products was identified as the biggest threat.
Emerging Issues

Indoor Environmental Quality - Legionnaires

- 2015 South Bronx, NY Incident
- August 2015 Emergency Regulations passed in the State of NY and New York City
- Require Inspection, Testing, and Maintenance systems that recirculate water within buildings.
- Other States (aging infrastructure – Flint, Michigan)

Energy - Utility and Power Industry-Coal-Ash Impoundment Facilities

- Closure Requirements and Heightened Oversight from EPA and State Regulatory Agencies
- 3rd Party Litigation and claims from Property Damage and Bodily Injury (NRD)

New Administration / Politics

- Citizen Suit Increases (changing political landscapes)
- Social Media Activity

Emerging Chemicals / Contaminants

- PFOAs / Waste Water Systems
- Enhanced Laboratory Detection Levels

Policy Interpretation / Case Law (what constitutes a pollutant and is therefore excluded from the CGL)
Closing Thoughts

- Growing Industry
- Dynamic & Creative Marketplace
- Relationship Driven / Technical Marketplace
- Emerging Issues Create Continued Demand