

CHUBB®

Global Risk Spotlight

Five Challenges of Managing Environmental Risks Worldwide





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With 20 years of underwriting experience in the environmental insurance arena, Michelle has responsibility for the development, underwriting, and delivery of environmental risk solutions for brokers and their clients, from small and mid-sized to large multinational organizations. Additionally, Michelle oversees all retail-focused environmental business for Chubb Environmental and manages a national team of environmental underwriting specialists deployed throughout the U.S.

Environmental risk is not only a significant financial liability, it's a serious reputational exposure.

Environmental risks are among the most challenging to manage on a global basis. Fueled by trends such as volatile weather patterns and tightening environmental regulations, these exposures and the challenges of managing them continue to evolve. As multinationals seek to address these critical risks worldwide, considering five key obstacles is vital:

1

The diverse web of environmental regulations.

From compulsory insurance requirements, to how to store pollutants, environmental regulations can vary widely around the globe. And there is a universal trend of increasing environmental regulations and strengthening enforcement occurring worldwide. For example, in France, the concept of “Ecological Prejudice” in the French Civil Code essentially makes companies liable for damages to the environment and obligated to repair them. The penalty for failing to comply can be up to €10 million. Navigating varied and often changing regulations is complicated but essential to effectively manage environmental risk.

2

Uncertainty around coverage gaps.

Contamination from historical gradual release of pollutants is one of the most costly and complex environmental exposures—and many companies do not realize it is not typically covered by their general liability policy. Historically, general liability policies have provided some protection for sudden and accidental pollution, but even this coverage is increasingly limited in the transitioning market. Companies should be well aware of what's covered by existing policies, what's not covered, and ensure dedicated environmental protection is in place where exposure exists. Other critical gaps to consider include coverage to support crisis management and incident response and first-party business interruption coverage for lost revenue if business operations are halted due to an environmental incident. Both are available as extensions to environmental programs.

3

Substantial reputational risk.

When an environmental incident occurs, there is more than cleanup, regulatory penalties and liability losses to contend with. Companies perceived to have damaged the environment can face significant reputational damage. In the age of social media, damaging information about a company – and its handling of an environmental incident – can go global instantly. Prompt, proper handling of an incident is critical to mitigate not only financial damage but potential reputational damage as well.

Building a multinational environmental program requires a comprehensive approach, drawing on stakeholders from multiple disciplines.

4

The intricacies of structuring a multinational program.

To be effective, a multinational environmental program should address a company's risks and local environmental and insurance regulations everywhere it operates. Optimally, it would include locally-issued policies to ensure coverage that is fully compliant with local laws and regulations. When local coverage is not purchased or not available, a parent-level master policy can insure the overseas financial interests of the parent company. The master policy can also include Difference In Conditions (DIC) and Difference in Limits (DIL) clauses to bring consistency to the varied terms, conditions and limits of underlying local policies.

5

Navigating claims and incident response locally.

Think ahead to when there is a claim. Will your company have the resources and expertise to manage an incident, swiftly, wherever it occurs? Where the claim is ultimately paid must be carefully considered too. Some countries require local payment, others don't. Missteps can have significant tax consequences and result in fines and penalties.

Building a multinational environmental program requires a comprehensive approach that draws on risk management, coverage, regulatory, loss control and incident response expertise and resources. It requires asking many questions and collaborating with experts who know the world's risk and regulatory environments and can structure strong and reliable protection from the local level up. Once the right program is in place, ongoing management can be eased and optimized in collaboration with an insurer that has the track record, team, expertise and technology that elevates multinational risk management for customers worldwide.

When considering environmental exposures and insurance, think ahead to when there is a claim. Will your company have the expertise and resources to manage an incident, swiftly, wherever it occurs?

Chubb Data & Insights:

Chubb's Multinational Research Tool provides our clients and brokers with ready access to answers on questions about global market regulatory and compliance issues worldwide. The tool is an interactive online repository which enables Chubb to align its full suite of global network capabilities with our customers multinational programs along with local country insurance requirements. Once an international environmental global program is determined as the preferred solution, our customers often ask:

- ✓ Are there any local policy issuance pre-requisites?
- ✓ Any local regulations which could lead to a gap in coverage? And how do we navigate to avoid this outcome?
- ✓ Is local premium collection required?
- ✓ Are claim payments required to be made locally in the country of loss?
- ✓ Are multi-year policies permitted?

Chubb's full-service solution encompasses environmental underwriting, engineering, loss control and claims specialists in more than 630 offices worldwide.

Leading the Way, Locally and Globally Managing Environmental Risks

Chubb provides a broad range of global environmental liability solutions – from traditional policies for operational exposures to custom programs for complex liabilities or M&A transactions. We offer a full service multinational environmental solution – with underwriting, engineering, loss control and claims specialists in more than 630 offices worldwide.

Chubb Global Services, comprised of 350 professionals worldwide, is wholly dedicated to serving our multinational customers and ensuring the smooth operation of each client's program, locally and globally – from structuring compliant master programs and locally issued policies, to paying claims and insuring a swift, well-orchestrated response to environmental incidents.

Chubb also leverages technology, including Worldview,[®] our proprietary online service platform, to ease program management and give our customers and brokers greater transparency, certainty and control in managing risk across all lines of insurance worldwide.

Elevating multinational risk management.

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