

Environmental Insurance – Comparison with Property and Casualty Insurance

Liability	Scenario	Covered by type of Insurance?				
		Property		Casualty		Environmental
Statutory Remediation (clean up by or instructed by the regulator)	Heating oil tank leaks in to river that is then cleaned up by or at the instruction of the local authority	✗	Property of the insured has not been impacted	✗	No third party has been impacted and so is not considered as “damages” by the policy	✓
Historical Pollution	Pollution already present within the ground caused by the sites previous users	✗	Not an insured peril	✗	Pollution needs to be an identifiable event to be covered	✓
Gradual Pollution	Small spills over a long period of time around a tank filling point	✗	Pollution needs to be sudden	✗	Pollution needs to be an identifiable event to be covered	✓
Wear and Tear	Fuel pipe fails due to corrosion	✗	Loss due to corrosion excluded	✗	Failure would be considered a “gradual” event	✓
Biodiversity Damage	Fire causes damage to a neighbouring habitat	✗	Property of the insured is not damaged	✗	Policy may include a fauna and flora exclusion, plus no third party impact	✓
Own Site Clean up	Pollution needs to be dealt with within the property boundary	✗	Maybe – only the property of the insured is covered – soil or groundwater beneath the site does not have value	✗	No third party has been impacted and so is not considered as “damages” by the policy	✓

Case Study Example - In 2003 – a fire at Bartoline's factory caused pollution of a nearby water course that was cleaned up by the Environment Agency. The subsequent claim on their Public Liability policy was turned down, demonstrating that statutory regulators costs are not considered "damages" under standard insurance products. Some Casualty insurers have since modified their policy and confirmed that actions by the regulator are covered. It is important to note that this approach remains limited due to restrictions to clean up of own site and the potential for gradual pollution.

