



William McElroy,
Environmental Manager
Liberty International Underwriters

Anticipating and Managing an Environmental Catastrophe

Don't assume an environmental catastrophe can't happen to you. Pollution can arise from something as simple as taking out the trash. Which means that anyone, including you, could have liability. Your best bet: be on alert for all risks - big, small, and invisible. Know how to eliminate risk before it starts...and how to manage it if it does.

Now You See It: Apparent Risks

For over thirty-five years companies with obvious risk like refineries, smelters and chemical manufacturers have invested heavily in risk reduction. They created extensive operational and financial contingency plans that activate immediately when disaster strikes. What catastrophes are on their list? Common scenarios like these:

Warehouse Fire

While this is obviously a big problem for a lot of reasons, you need to also think about the environmental consequences. What are you storing and is any of it potentially hazardous when burned? If so, what type of hazard is it and how much of it do you have? Do you know what agencies to notify? Is an evacuation order possible? In most cases water will suppress the fire – where will it end up?

Tank and Pipeline Failure

Should one of yours fail, do you have a response plan? Where is a spill likely to migrate? Do people drink the surface water or groundwater in your vicinity? Is there an immediate risk to people or the environment or is it just a big mess? Do you know who to call and how quickly they can respond?

Refrigeration Leak

Do not take your large-scale commercial refrigeration unit for granted. A leak in this equipment can be a big problem. Do you have all of the specialized equipment you will need in the event of an emergency?

Anticipating and Managing an Environmental Catastrophe

Site History

What events took place around your sites... before you were there? An old problem could be loaded and ready to go off. Conduct a thorough historical survey of your premises. Make sure your historic documents are in order and readily available. Don't just assume that things are clean.

Now You Don't: Concealed Risks

Some chemicals, like ammonia, chlorine or carbon monoxide, can be immediately fatal if inhaled in sufficient amounts. But many other chemical exposures have more insidious effects and pinpointing the source is problematic. Remember, companies making plastic parts, printing circuit boards or painting anything deal with products that can pollute. And, unfortunately, it does not take a large amount of some chemicals to pollute a lot of groundwater. Commonly used commercial cleaning agents, paints and solvents, old equipment exposed to the elements and even your parking lot are alleged to be potential sources of contamination.

And remember: A lot has transpired since the Superfund law went into effect 25 years ago, but one thing hasn't changed: liability follows trash – even to the disposal site. While new, uncontrolled hazardous waste sites aren't discovered very often, time does take its toll on everything – even the best engineering and management controls.

Think the Unthinkable

Your worst-case scenario could include a big spill or a fire or a process server with a lawsuit. Whatever you envision, play through the scenario to determine what help you will need and who will provide it. The best way to do this: a pre-determined corporate emergency response team. Such a team includes a representative from each of your key operating units who identifies and prioritizes the unit's daily operating needs.

Compiling this institutional knowledge in a centralized place is the first step. A solid plan requires practice. Build a scenario around the unthinkable, get your emergency response team into place and find out how the units really respond when disaster strikes. Schedule annual practice days and use what you learn to improve the plan

When choosing response team members, don't assume that your experts are emergency experts. For example, are your lawyer and your technical consultant experts on the risks you face or should you retain someone else? It's better to answer that question in a practice scenario rather than in the middle of chaos.

It also pays to handle the public relations problem right the first time. It takes a big environmental problem to make the national news, but smaller problems are big news in the hometown newspaper. And in the Internet Age, bad news travels fast and lives forever. A badly handled environmental problem can haunt you for years. Know who your spokesperson will be and know what they will say in advance. Use the practice scenario to determine if what you want them to say holds up to scrutiny. Your company's reputation and viability depend on it.

Lastly, make sure your insurance policy covers the unthinkable and is appropriate in size and scope to your business. This is one area where one size definitely does not fit all. Keep in mind that few buyers of environmental insurance think it is worth the price – until they need it.

How much is a part-per-billion, anyway?

Think of it this way, sports fans. On any given week in the Fall, approximately one million people attend regular-season professional football games in the U.S. At that rate, it would take 1,000 weeks of football to get one billion fans into stadium seats. Since football season is only 16 weeks long, it would take over 62 years to entertain one billion fans.

So, if you attend one professional football game in the next 62 years, excluding the playoffs, you are one part- per- billion.

Please contact

Liberty International Underwriters
Asia Pacific Contact
Cami Mok - cami.mok@libertyiu.com
T: + 61 2 8298 5853 F: + 61 2 8298 5888