

Environmental Risks to Life Sciences

Is Environmental Insurance in Your Future?



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Most Life Sciences companies have never given environmental insurance a second thought. This position could be because of a lack of perceived exposure, management controls that are considered adequate for any given exposure, the policies do not cover the nature of life sciences exposures or the cost may be too high for the coverages provided.

Environmental insurance has evolved throughout its history to meet the changing needs of the market and provide the coverages necessary to control potential exposures. The Life Sciences industry is now seeing the continued evolution of the environmental insurance market.

If you handle, transport, store or dispose of hazardous materials, you may need an environmental insurance component to expand your risk management program. Policies have expanded their definition of loss to include the raw materials and finished goods that exist in a Life Sciences manufacturing setting. The covered materials may include microbial matter such as fungi, bacteria and viruses that are grown in laboratory settings for R&D, or used in manufacturing for finished goods. This is an expansion over the limited definition of a pollution event in the standard environmental program.

International locations can be covered on a US policy, with indemnity wording covering a pollution loss overseas. The international locations do not have to be covered with an admitted policy in the country of domicile. The indemnity agreement will provide defense and clean-up costs on the domestic policy. Standard enhancements such as non-owned disposal sites, transportation, low level nuclear exposure and terrorism can be added to the policy.

What may be more important from a risk management standpoint are the services provided to every policyholder by the carrier and not the actual transfer of risk. In the event of a pollution loss, are you ready to handle the defense, investigation, and settlement of a claim? Do you have environmental attorneys on staff that can negotiate clean-up activities with regulators and emergency response companies? Are you prepared to mitigate the loss to minimize the public opinion of your company, if the event makes the local newspapers? If not, all of these services are included in the purchase of a pollution policy from a major carrier.

The final change over the past year for Life Sciences companies is the cost of the policy. Increased competition in the environmental market has lowered the premium for a fixed site policy and when the costs are annualized, a multi-year program further dilutes the expense. A recent placement for

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a five year term with \$5,000,000 in limits cost \$23,000 on an annualized basis. This particular case included 10 locations, full terrorism, transportation and 20 non-owned disposal sites.

If your Life Sciences risk management program has an environmental gap and you would like more information on the mentioned program, please contact Ray Roach of William Gallagher Associates at 617-646-0321.

