

Remediation Cost Cap Program

COVERAGE APPLICATION:

Remediation Cost Cap (RCC) is intended to provide coverage for the increased costs of remediation associated with environmental projects. From a commercial property owner to a remediation firm or redevelopment authority, the RCC program can assist by reducing the uncertainty associated with costs to remediate contaminated properties. The cost of remediation or cleanup must be greater than \$2,000,000.

POLICY FORM:

RCC provides coverage for cost overruns, excess of a self-insured retention, associated with the implementation of a Remedial Action Plan (RAP) on a covered project or projects. Coverage is structured upon the scope of work in the RAP and provides protection resulting from:

- Contamination that is greater than expected
- Discovery of "new" contamination that was not identified in the RAP
- Regulatory "re-openers"
- Regulatory changes in scope-of-work during the policy term

The policy requires reporting of cleanup costs during the policy term within agreed upon time intervals.

PROGRAM HIGHLIGHTS:

- RCC is an external financing mechanism for costs that exceed the original cost estimates under the RAP. This provides governmental authorities, owners, third parties and/or investors assurance that an alternative financial source is available in the event increases in remedial costs occur.
- Provides coverage for past, current and future environmental losses and can be structured for current and future owners.
- RCC may protect the financial condition of a borrower and the value of the lender's collateral by protecting against cost overruns that could impair the borrower's cash flow or overall financial position.
- Enhances the property value by providing the owner with an alternative to remediate with some certainty rather than continuing to "manage" the environmental liabilities on the property.
- The specific cleanup activity is defined within the policy via endorsement and covers associated engineering services.
- Co-insurance options are available and can assist in managing the cost of the RCC program.
- Environmental contractors performing remedial services may be scheduled onto the policy by endorsement.
- Programs involving multiple premises can be tailored to address the diverse needs of each property.
- Along with the RCC policy, Pollution Legal Liability (PLL) and Contractor's Pollution Legal Liability (CPL) or Combined Pollution and Professional Liability is typically purchased to ensure adequate protection for pollution liability, including third-party claims for bodily injury and property damage, arising out of the existing property and remedial contractors' or remedial engineers' work or services.

POLICY TERM:

Depending on the type of project or projects, terms may be structured up to 10 years.

MARKET OVERVIEW:

Today, there are approximately 4 domestic carriers offering RCC coverage. This represents less than 10% of the environmental insurance marketplace. Due to the complexity and variation with remediation project, the RCC is manuscripted by each individual carrier – meaning different forms and modifying endorsements. Furthermore, each carrier has different interpretations of coverage, coverage "triggers" and underwriting philosophies, so it is prudent to always endorse negotiated terms rather than merely document underwriting intent.

LIMITS OF LIABILITY:

- \$50,000,000 per loss/\$50,000,000 aggregate limit of liability.
- Limits under the RCC program are usually restricted to twice the cost of remediation.
- Co-insurance is an alternative to manage the cost of an RCC program.

RETENTIONS:

- Retentions, or "buffers," are typically a factor of the type of project and the remedial technique selected. Retentions are offered at 20% or higher of remedial estimates.

PREMIUMS:

- Typical premiums begin around \$150,000 for the \$1,000,000 per loss/\$1,000,000 aggregate limit of liability.

INFORMATION NEEDED FOR INDICATION:

- Construction Services Application
- Approved Remedial Action Plan
- Remedial contractor's proposal with cost estimates

The above profile is only a brief overview of the product referenced. The information contained above has been provided by New Day Underwriting Managers LLC for general discussion purposes about the referenced insurance coverage. The information is not offered for the purpose of providing exact coverage terms or conditions. The policy should be reviewed to understand all coverage terms and conditions.



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