



MARSH

Calgary Real Estate Leasing – November 2006

Mould and Other Environmental Risk
Management Issues in Leasing
George Boire

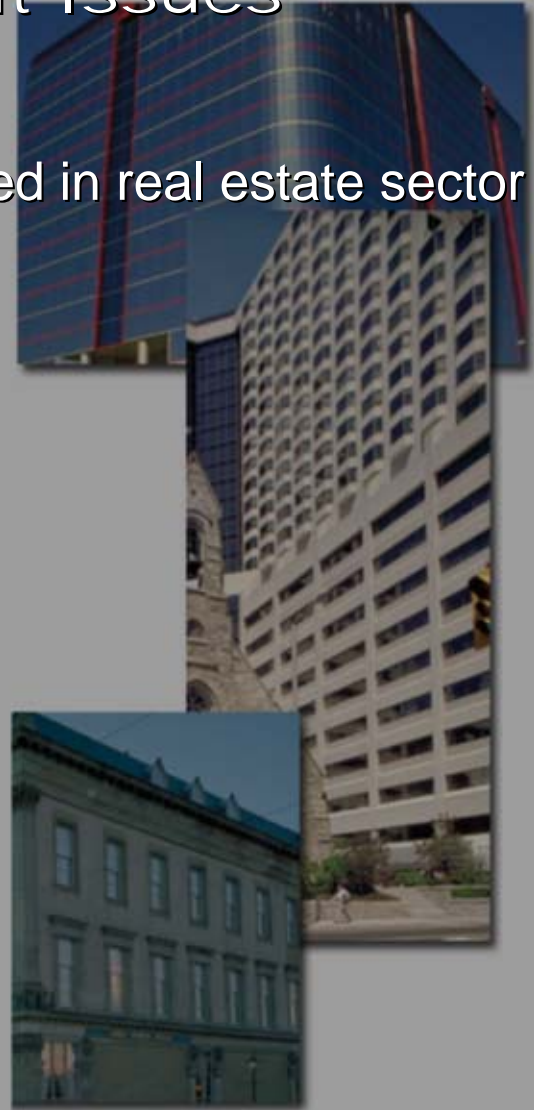
Senior Vice President, Environmental
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Marsh & McLennan Companies

New Developments in Asbestos, Mould and Other Environmental Risk Management Issues

- All Specialty Environmental Insurers interested in real estate sector
 - Individual sites or portfolio
 - Annual and 3 year policies
- Mould coverage background/update
- Asbestos coverage



Commercial Property Policy

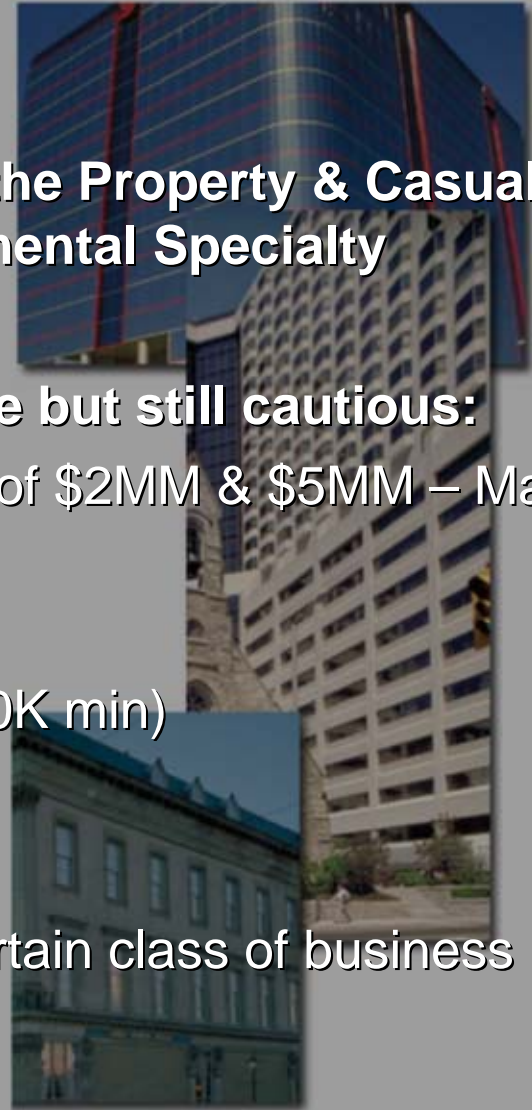
- Broad Mould Exclusion
 - Does not cover claims caused/contributed to or aggravated by mould regardless of cause
- Resultant Damage Mould Exclusion
 - If mould is the results from an insured peril there is coverage for direct physical loss or damage and expense

In summary, mould damage is likely excluded, except where it can be demonstrated that it results from a peril not otherwise excluded



Obtaining Dedicated Mould Coverage

- Coverage has been largely carved out of the Property & Casualty market and is now written in the Environmental Specialty Insurers
- Underwriters are getting more comfortable but still cautious:
 - Offering limited capacity (often sub-limits of \$2MM & \$5MM – Max. available is \$10 MM)
 - Offering on annual and 3-year policies
 - Typically requiring higher retentions (\$100K min)
 - Greater underwriting scrutiny
 - Requiring written “Best Practices” Plan
 - Full coverage may not be available on certain class of business (I.e. “higher” risk assets)



Underwriting Information Required

- Completed application
 - Supplementary Mould/Indoor Air Quality Questionnaire
- Disclosure of Known Conditions/Past claims
- Property Information including full description of operations
- Mould a/o Water Intrusion O&M Plans
 - Written “Best Practices” Guideline for:
 - Maintenance and inspection protocols for **preventing** water and moisture incursion
 - Procedures for **mitigating** water and moisture incursion
 - Define roles and responsibilities at all levels
 - Proper communication with interested parties



Mould Risk Management

- Risk Management and Risk Transfer products must dovetail together. Mould is an exposure that cannot be managed through insurance alone;
- Insurers have been specific in what a Mould Prevention/Mitigation Plan should include. Focus is on Appropriate investigation, prevention and response.
- Availability of coverage will be based largely on engineering acceptance of the “Mould Plan”



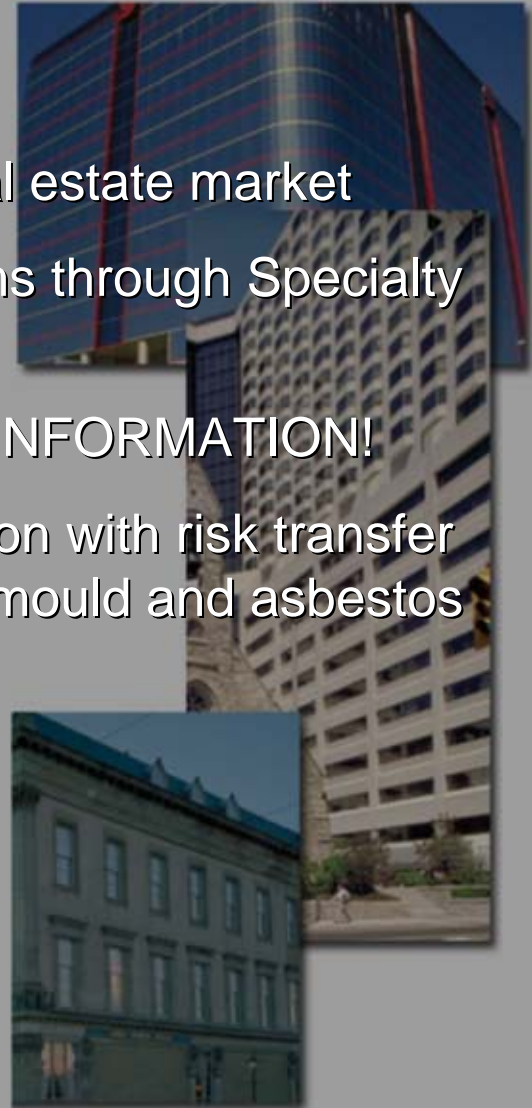
Asbestos Coverage

- Excluded in P&C Policies
- General Exclusion in Pollution Legal Liability Policies
 - Some insurers provide limited coverage for asbestos in soil/groundwater
- Coverage available for third party Bodily Injury claims (and related defence) where Asbestos Management Plan are in place
- Make sure contractors and consultants have appropriate coverage (i.e. Contractors Pollution Liability)



Conclusions

- Environmental Insurers very interested in real estate market
- Insurance is available for mould related claims through Specialty Environmental Insurers.
- Insurer's require lots of information - GOOD INFORMATION!
- Solid risk management practices in association with risk transfer solutions is vital, especially when managing mould and asbestos related exposures.



Thank You!

■ Questions?

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