

What impact is COVID-19 having on environmental exposures?

With businesses worried about how to get their operations up and running again, it's worth considering how environmental exposures may have changed during the pandemic, and how an Environment Impairment Liability policy could offer protection.

Since the outbreak of COVID-19 we have seen businesses having to close, change and reduce their operations. Although businesses are conducting less activity, we are seeing an increase in the environmental exposures our clients are facing.

These are unprecedented times for businesses. To help you understand these environment exposures and how insurance can offer protection, here are some points to consider:

1. The changing ways businesses have started to operate following the COVID-19 outbreak

We have seen several businesses quickly respond to the demands of COVID-19. Clothing manufacturers turned into mask manufacturers, wineries into hand sanitiser manufacturers and fitness studios started operating completely online.

Changing the way you operate means your environmental exposures also change. We also know that risk management can be a secondary thought when businesses have been trying to adapt quickly and ensure they remain operational during a lockdown.

Buying machines or retooling production lines requires reassessment of previous environmental exposures for the present. Businesses may not be insured for their new operations or even aware there are gaps in their current policies. Do they understand what environmental exposures they are not covered for and where Environment Impairment Cover comes into play?

2. Operations have reduced/stopped; this must mean their environmental exposure has reduced?

With businesses in lockdown, exposure to illegal waste dumping can increase with offenders taking advantage of the quiet site conditions to dump illegal waste.

Businesses face pollution damage to their site and neighbouring sites when the waste causes pollution from exposures such as chemical run off into surrounding soil and waterways.

The Environment Protection Authority (EPA) can fine an operation for failing to remove illegally dumped waste. The EPA will not tolerate pollution of the environment and will not hesitate to take action if it thinks offences have occurred.

In Australia, during COVID-19 a number of potential polluting events at closed premises have made the news, including large fires at an e-waste facility, vehicle wrecker and storage facility.

Fires can cause the escape of pollutants which are expensive to clean up and create unwanted media attention. It is important businesses have clean-up measures in place to prevent further reputational damage caused by pollution run off into surrounding properties.

It is also important, following a large event such as a fire to maintain or restore public confidence in the business. This can be managed by way of engaging a public relations or crisis management firm. Environmental Impairment Liability can cover these costs under Crisis Containment expenses.

3. The business is not involved in any high hazardous activity - does this mean they are not exposed and don't need environmental cover?

Businesses don't need to be carrying out high environmental activities (such as petrol stations, landfills and chemical manufacturers) to be exposed to environmental risk.

A common occurrence we see are property owners of a site deciding to redevelop the land and during excavation unknown soil contamination such as asbestos is found. When clean-up orders are issued the costs incurred to transport and dispose the material to an asbestos facility are significant.

As a property owner or occupier, not only are businesses exposed to the pre-existing site use, they are as an owner non-occupier exposed to environmental exposures caused by tenants. Due to COVID-19 the risk of tenants disappearing or going into liquidation has increased, and liability for the clean-up can fall back on the owner even if the owner did not control the site.

4. During lockdown and coming out of lockdown, what are the common environmental risks?

Businesses must ensure that they are able to maintain and operate pollution control equipment. Solid and liquid waste must continue to be consigned and disposed of appropriately, and to appropriately approved facilities. Some risk measures to consider:

► Legionnaire's Disease outbreaks as buildings reopen

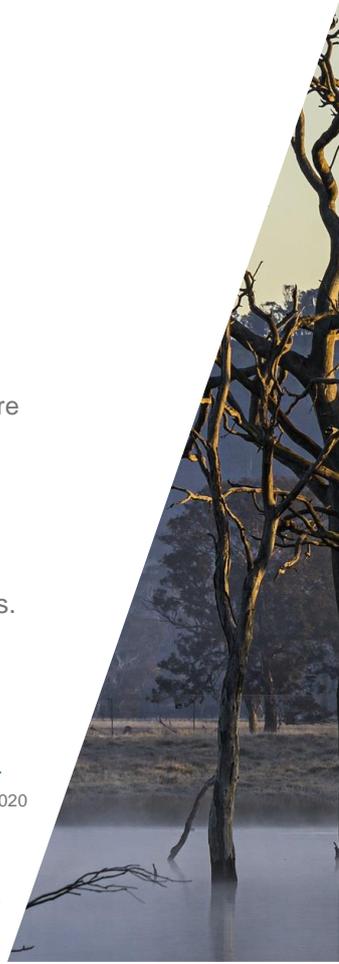
The shutdown of businesses during the pandemic shutdown response has led to an unprecedented amount of stagnant water in dormant buildings. It becomes a breeding ground for Legionella bacteria, which can be spread from toilets, sinks, showers and air-conditioning systems. Recently in Ohio, officials found Legionella at five schools that had been closed during the pandemic. To avoid contamination businesses can consider flushing and sanitising pipes and disinfecting cooling towers that use water to lower air temperature.

► Have core staff been maintained during the lockdown period?

If businesses need to make the unfortunate decision to let go of staff, have they made sure that the retained team are well-briefed on the appropriate response to an environmental breach?

► Risk management during the lockdown period

Regular maintenance inspections should be undertaken throughout lockdown periods. If these checks are done regularly it reduces the risk of pollutants escaping such as gases and chemicals during the starting up of facilities.



► **What security measures are in place?**

To reduce the risk of unauthorised access and illegal waste dumping which could result in escape of pollutants and environmental breaches, businesses may need to implement additional security measures for premises left unoccupied more often.

5. Are businesses aware they could be uninsured for their environmental exposures?

Property and General Liability insurance policies do have an element of environmental cover however these traditional covers are limited. As shown in our [Comparison Matrix](#), Liberty's Environmental Impairment Liability [insurance](#) covers the gaps such as gradual contamination, first party costs, emergency response costs, civil fines, asbestos and biological contaminants, just to name a few.

¹ <https://probonoaustralia.com.au/news/2020/08/weve-actually-been-busier-than-ever-face-mask-demand-keeps-ethical-clothing-businesses-afloat/>

² <https://www.insurancebusinessmag.com/ca/news/specialty-insurance/from-vodka-to-hand-sanitizer-how-operational-pivots-impact-environmental-exposures-219988.aspx>

³ <https://www.afr.com/technology/in-times-of-covid-19-the-fitness-industry-is-going-fully-digital-20200326-p54e7g>

⁴ <https://www.news.com.au/technology/environment/melbourne-factory-fires-campbellfield-thomastown-sites-on-epa-taskforce-radar/news-story/a96ff701501aa3bfd8f1dca6394dcd6f>

⁵ <https://www.miragenews.com/fire-at-thomastown-vehicle-wreckers/>

⁶ <https://www.smh.com.au/national/nsw/fire-engulfs-northern-beaches-storage-facility-20190328-p518d0.html>

⁷ <https://www.nytimes.com.cdn.ampproject.org/c/s/www.nytimes.com/2020/08/27/health/covid-schools-legionnaires-disease.amp.html>



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