

BLOG

The Perfect Storm for Environmental Liability

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As global climate patterns change at an accelerated pace, bringing flooding, wildfires and catastrophic storms to areas that have been historically safe from extreme weather, the long-term effects of environmental contamination have yet to be fully understood. What is certain is that climate disasters will have major consequences for our health, the health of the environment and environmental liability exposure for businesses.



Climate change is amplifying and changing the patterns of natural disasters in degrees that current computer modeling has not been able to predict. All of this is making disaster prevention inadequate, even for the most conscientious business owners, and it's opening new concerns for environmental liability.

When a natural disaster impacts a populated area, contamination follows. Even something as innocuous as milk can become a pollutant if it's introduced into the wrong place, so it's no surprise that when the run-off from flooding and ash from fires sweep over the landscape, picks up pollutants (such as the chlorinated solvents used at dry cleaners), and releases them into the immediate and abutting areas, it's a problem.

Wildfires

2018 saw the worst devastation from wildfires in California history. Ninety-eight lives were lost and while material losses are yet to be calculated, it is expected to be the [costliest fire season](#) on record according to the Insurance Information Institute.

From the standpoint of environmental liability, fires can cause widespread contamination in ways that are nearly impossible to mitigate. The fires themselves release massive amounts of pollutants into the air, especially when they burn large manufacturing plants, chemical plants, cars, or gas stations.

In addition, the emergency response to contain the fires can be equally damaging. Chemicals and fire retardants sprayed on structures to suppress fires can be toxic and seep into soil. Even the water firefighters use creates run-off, spreading pollutants to surrounding areas and aquifers.

Flooding

Flooding is the worst culprit in spreading contamination. Rising ocean temperatures are [shifting rainfall patterns](#) and increasing the amount of both inland and coastal flooding. Sometimes the contamination caused by flooding is obvious. A widely publicized case was the [Arkema Chemical Plant](#) whose refrigeration system was disabled from flooding during Hurricane Harvey and forced evacuations within a 1.5 mile radius. In cases like Arkema, regulators step in right away to enforce remediation measures and lawsuits quickly followed.

But more often, contamination goes undetected for years, or decades. Consider the potential consequences of flooding in areas like Chicago's northwest side. Once a heavy industrial area, a wave of gentrification brought in high-end residential development. Beautiful neighborhoods are surrounded by decommissioned scrap metal and fabrication plants that are ripe for run-off in the event of a flood.

No Insurance Product for Climate Change

Whether you believe humans are the cause or not, we're all faced with the simple fact that weather patterns are changing, and new areas need to prepare to be in harm's way.

But there is no insurance product that protects against climate change. The cradle-to-grave aspect of environmental liability opens businesses and homeowners to potentially more exposure as natural disasters become more commonplace, widespread and intense.

To date, we haven't seen dramatic rate increases in environmental insurance products because the long-term effects have not been fully grasped. Furthermore, environmental insurance carriers don't disclose how policies respond to incidents, so raw data on contamination is not as well-known as it is in property and casualty claims.

The carrier industry and environmental insurance specialists are grappling with adjusting their underwriting models to address new climate realities. As they do so, businesses should take a hard look at incorporating the new risks posed by the changing climate into their risk management strategy because environmental liability never goes away.

This is one in a series of posts looking at the risk and insurance implications of the changing climate. To see the other posts in this series, [click here](#)

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