



ACE Environmental Risk

Premises Pollution Claims Scenario

Property fund management company realise liability from tenants

Scenario: A small powder coating company who leased an industrial unit near Southampton from a large property fund went into liquidation. Contractors employed to refurbish the unit discovered large process tanks, which had been poorly maintained. This had resulted in leakage of chlorinated solvents. Furthermore, cracks in the reinforced concrete floor of the warehouse had allowed chemicals to escape, causing extensive soil and groundwater contamination to the surrounding property, with potential to impact on sensitive local water resources. As a result of the former tenant going into liquidation, the property fund became liable for the resulting environmental exposures.

Product: The property fund had purchased an annual portfolio-wide Premises Pollution Liability (PPL) policy, covering some 75 properties, as part of their management strategy and in order to protect their stakeholders. The cover gave an incident limit of £5 million with a policy aggregate of £10 million and a self-insured retention (SIR) of £25,000.



Claims Management: Specialist consultants were immediately deployed to the site under instruction from the insurer to assess the extent of the impact. Investigation works were undertaken and extensive risk modeling prepared to determine the potential impacts on local potable water resources. As a result, source removal i.e. the process infrastructure and tanks filled with chlorinated solvents, and a programme of groundwater treatment were undertaken. The insurer's relationship with specialist consultants provided for a rapid response and prevented contamination from impacting on water resources, which would have resulted in a much greater liability and potential prosecution. The policy responded to meet the costs of physical remediation, and covered loss of rental income.

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