

Expanding Environmental Risks in Credit Positions

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Through a convergence of risk factors, more commercial borrowers are exposed to uninsured environmental loss exposures than at any time in history. The emerging environmental risks discussed below are affecting main street business, public entities and farms for the first time.

Bankers as a result of the **Environmental Risk Mega Trends** detailed below are unsecured with insurance in their credit positions on many more small business borrowers than they have been in the past. The good news is the genuine environmental insurance products needed to address these emerging mega trend risks are

“Insurance agents and brokers receive no training on environmental risks and insurance topics.”

readily available in the insurance market place at affordable prices; and have been for many years.

The most significant constraint preventing the wide spread use of environmental insurance is in the insurance distribution system. Insurance agents and brokers receive no training on environmental risks and insurance topics. Therefore, the vast majority of insurance agents and brokers are not educationally equipped to competently advise their customers

on these relatively complex insurance topics. The result is lenders and their borrowers alike have a lot of uninsured environmental risks that almost all parties are completely are unaware of.

The Society of Environmental Insurance Professionals (SEIP) is a 501, C,3. not for profit organization dedicated to expanding the knowledge and utilization of environmental insurance. Interested parties are encouraged to visit the SEIP website and join to the organization. www.seipro.org

To manage environmental risks in a loan portfolio all a lender needs to do is;

1. Identify the loss exposures of their borrowers; (There are a lot more uninsured environmental loss exposures in loan portfolios today than there have been in the past 40 years.)
2. Implement credit policies to avoid uninsured credit positions on loans.

This is easier said than done however.

To start the discussion, it helps to understand the basic insurance tools available to lenders.

Environmental insurance is designed to fill the insurance coverage gaps created by *Pollution Exclusions* in both property and liability insurance policies. Because the effects of pollution exclusions

are expanding over time, the number of available environmental insurance products is also expanding in a hotly competitive insurance market place. At last count there were over one hundred and forty different environmental insurance products available in the US market place. With the plethora of environmental insurance products available with premiums as low as \$1,000, there is little reason for any legal business activity to be uninsured for environmental loss exposures today.

There are basically three options for lenders to take to address the emerging uninsured environmental risks in their customer base.

1. Ignore the expanding risks by conducting business as usual.
2. Amend the insurance requirements in loan covenants to close the insurance coverage gaps for losses associated with pollution/contamination/fungus/mold/bacteria/Category 3 water/lead/asbestos/silica in virtually all of the commercial property and liability insurance policies sold today.
3. Purchase Secured Creditor Environmental insurance on loans secured by commercial property.

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Option 1 judging from the observed insurance requirements in commercial loan covenants this is by far the most common environmental risk management strategy used by lenders today. To implement Option 1, no further action is needed by the majority of lenders. Loan officers choosing this course of action will sleep better at night if the rest of this article is not read.

Option 2 is a low cost alternative to manage the environmental risks in a loan portfolio. Lenders routinely require commercial borrowers to maintain property and liability insurance. Loan covenants usually specify the amounts and types of insurance that must be maintained by borrowers.

Lenders require certificates of insurance be provided annually over the term of a loan to prove that the borrower is insured and in compliance with the loan covenants. If the borrower fails to purchase insurance the banker will buy the insurance for them and apply the premiums paid by the bank for that insurance to the outstanding loan amounts.

Lenders have a long standing culture of never being uninsured in their security position on a loan. In practice, most business owners do not want to be uninsured either. On that point the borrower and lender are in harmony. In practice, both are uninsured for environmental risks in most cases and neither party recognizes it.

The “make sure the borrowers are insured” risk management strategy for the lender falls apart on environmental risks. This is due to insurance requirements in loan covenants that ignore the effects of pollution exclusions in property and liability insurance policies and the Environmental Risk Mega Trends that are explained below.

To implement Option 2 all that is needed is a set of insurance requirements that are appropriate

for the environmental risks of each type of commercial borrower. This can be done with as little as two sets of environmental insurance requirements for loan covenants based on the business the borrower is in. Although customizing these requirements for the specific the business the borrower is in is highly recommended.

In the most basic terms, borrowers will either be purchasing:

- 1. Environmental Impairment Liability insurance to insure pollution/contamination losses at specified building locations or;**
- 2. Contractors Environmental Liability insurance to insure pollution/contamination losses arising from a contractor’s operations.**

These basic types of genuine environmental insurance are sold under a broad range of brand names.

Lenders can choose to be loss payees and additional insureds under genuine environmental insurance policies at little or no additional premium to the borrower.

Genuine Environmental Insurance has six essential coverage elements.

1. There must be an insuring agreement for losses caused by sudden and gradual releases or escape of “Pollutants” with coverage for;
2. Causing damage to the property of others;
3. Causing Bodily Injury to third parties;
4. Defense costs;
5. Clean up costs as required under environmental protection laws.

Insurance policies that only provide coverage for pollution losses through an exception to a pollution exclusion for “sudden and accidental” (read pretty darn fast) pollution releases are not and should not be confused with genuine environmental insurance.

Insurance coverage litigation over the true meaning of exceptions to pollution exclusions are the most litigated words in the 400-year history of the insurance business. Although an exception to a pollution exclusion is better than a total exclusion for losses associated with pollution events, it is impossible to predict what the insurance coverage will be until after the loss. In a case example discussed in Mega Trends below, one State Supreme Court justice in a litigated insurance coverage matter referred to an exception to a pollution exclusion as “useless insurance” and questioned the ethics of the vendors who sold it to an uninsured insurance buyer.

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Option 3 is for the lender to purchase or require the borrower to pay for Secured Creditor Environmental insurance.



A secured creditor environmental insurance policy is specifically designed to protect only the lender on a commercial property that the lender has a security interest in. Secured Creditor policies have been available for decades to reduce the amount of time and money lenders expended in Phase 1 environmental risk assessments.

Secured Creditor insurance is a low cost alternative for a lender to fill the insurance coverage hole created by pollution/contamination exclusions in the insurance policies required in the loan covenants.

A Secured Creditor Environmental Insurance policy starts off with a genuine Environmental Impairment Liability insurance policy on a property the lender has extended credit to. However, since the sole intent of the insurance coverage is to protect the lender's security position, a Secured Creditors Environmental insurance policy alters a couple of very important coverage elements in an EIL policy.

1. Only the lender is insured, the borrower receives no benefit in the form of risk transfer.
2. To have a claim under the Secured Creditor policy there is a double insurance coverage trigger required.
 - There needs to be a covered pollution release at the insureds property that needs be cleaned up;
 - The borrower must be in default on the loan and the lender has already foreclosed on the property. (This is the no benefit to the borrower part

The primary purpose of Secured Creditor insurance is to pay for the clean-up costs on a property the bank has foreclosed on. There is liability insurance built into the policy form. However, the environmental liability loss exposure third parties by a lenders passive interest in foreclosed property is minimal.

Foreclosure's on contaminated property that triggers a government mandated clean-up is a likely scenario in a world where most borrowers are uninsured for environmental hazards. Environmental clean-ups routinely go into seven figure amounts and a clean-up of ground water can take decades to complete. An uninsured borrower facing pollution liability claims by 3rd parties and environmental clean-up costs has a good chance of not being able to make their loan payments because the government has a super lien on the property for clean-up costs and other environmental damages. Recognizing this reality, the sellers of Secured Creditor insurance modified the clean-up coverage in

the EIL policy to pay the insured lender *The Lesser Of*:

1. The outstanding loan balance or;
2. The actual cost of clean-up.

If the lender takes option 1 does not the site need to be cleaned up by the lender anyway? Isn't the lender the new owner and responsible for clean up?

The lender would be the owner of the site and the owner is responsible for cleanup you are right.

With the insurance proceeds paying for the clean up the thinking is the lender can sell the property.



Realizing that clean ups of ground water in particular can take a long time to complete, one seller of Secured Creditor Environmental insurance (Zurich) allows the lender to select an upfront payment of the estimated clean-up costs in order to cash out on a foreclosed property.

Secured Creditor Environmental insurance is traditionally used by lenders extending loans on industrial properties. Although in consideration of the Environmental Risk Mega Trends discussed below, logically the Secured Creditor Environmental insurance product could be used for other commercial property risks like health care facilities, hospitality, apartments, condos and farms.

There are three main advantages in the use of Secured Creditor Environmental insurance from the lenders perspective.

- 1. With insurance protection in the event clean up expenses are incurred on a foreclosed property, lenders do not have to be as concerned about environmental due diligence in the credit evaluation process.** In many cases the cost of insurance is less than the cost of a Phase 1 environmental assessment on a property. Something to keep in mind is if the Phase 1 assessment is wrong, no risk has been transferred by the bank. A secured Creditor insurance policy offers reduced cost of due diligence plus risk transfer.
- 2. Because the borrower must be in default on the loan before there can be a claim presented**

to the insurance company on the Secured Creditor Environmental insurance policy, the entire net asset base of the borrower is effectively the deductible on the coverage. Therefore, the environmental insurance underwriting process is stream lined considerably by the huge deductible. Ease of administration to acquire insurance coverage at the lender level is a major value position in this type of environmental insurance.

3. Cost, a genuine environmental impairment liability insurance policy covering both the borrower and the lenders interest will typically be 40% higher than insuring the lenders interest only under a Secured Creditor Environmental insurance policy. Another huge cost advantage for Secured Creditor insurance is the policy is purchased by the bank which can add multiple unrelated properties onto one insurance policy. This practice eliminates the Minimum Premium constraints for EIL insurance. For a single insured location, the Minimum Premiums for an EIL policy are typically greater than \$5,000 for a \$1,000,0000 insurance policy on an industrial facility and \$3500 for a commercial or habitational property. In contrast, with a Secured Creditor Environmental insurance policy in place on a loan portfolio, the incremental annual premium to add a single commercial property to the policy can be measured in the hundreds of dollars.

Does the lender purchase a Secured Creditor policy for all of its loans? Or does the borrower purchase it on a one off basis if the lender wants it?



The lender will usually have a master secured creditor policy in place and the borrower can add a property to the master policy for less than the cost of buying a separate Secured Creditor insurance policy.



If a lender is concerned about limits of liability a separate policy will provide dedicated limits. I think if the borrowers really understood the risk and what the insurance they are paying for actually covers they would always choose to purchase EIL insurance on the property, not secured creditors insurance. But their insurance agents are incapable of explaining either environmental risks or the insurance coverage in almost all cases. The result is a lot of needlessly uninsured losses associated with contamination events of various sources.

The one underlying flaw in the basic value position of Secured Creditor Environmental Insurance is; the borrower who in most cases must pay the insurance premium, receives no benefit from the insurance coverage. The borrower must be in default and has handed the keys to the property over to the lender before the Secured Creditors Environmental coverage will apply to pay for the clean-up a contaminated site. That said the Secured Creditor Environmental insurance value position mirrors the value position of Credit Insurance where the party paying the premium receives no benefit from the insurance policy purchased outside of accessing credit. Most Credit Insurance policies have pollution related exclusions by the way.

Emerging Environmental Risks Effecting Borrowers And Their Lenders

There are changes in society converging to increase the environmental risks of borrowers and their lenders alike. These changes form Mega Trends, a term originally coined by author John Nesbitt in 1982 in his book Megatrends: Ten New Directions Transforming Our Lives. I refer to these emerging environmental risks as mega trends because so many stakeholders are involved. The Mega Trends in environmental risks can be broken down into two essential components.

1. Systematic reductions in commercial property and liability insurance coverage for any loss created by

contamination events.

2. Expansions on how decades old environmental laws should be enforced.

To manage the emerging environmental Mega Trends in their loan portfolios, bankers will need pay a lot more attention to which of their borrowers have environmental loss exposures and to the effects of pollution exclusions within the insurance coverages specified in their loan covenants. As is discussed below, unless provisions are made to address the universal exclusion of losses related to contamination events, borrowers and their lenders will very likely be completely uninsured for any loss event involving contamination of some sort. The risk factors are already in place to produce many more uninsured contamination losses than at any point in history.

The major contributors to increased environmental risks for borrowers and their bankers a like include these **Four Environmental Risk Mega Trends**.

Environmental Risk Mega Trend # 1 - The expansion of "Pollution Exclusions" by the Court System

Multiple courts in insurance coverage disputes are siding with the insurance companies who contend the purpose of pollution exclusions is to eliminate insurance coverage for claims arising from contamination. Courts in litigated insurance coverage disputes cases have applied pollution exclusions to alleged damages arising from bacteria contaminated sandwiches and contaminated hot tubs in hotels.

It is a persistent myth with insurance agents and brokers and therefore in their customer base, that pollution exclusions only apply to hazardous waste, this has never been an accurate assumption. The case example below shows the folly in such errant assumptions.

Of interest in almost all of the court cases involving the judicial interpretation of Pollution exclusions, if the insured party had purchased the appropriate genuine environmental insurance in the first place, there would be no reason for any insurance coverage litigation over what type of a claim a Pollution Exclusion may apply to.

A good example of this Mega Trend factor is to look at the agricultural sector. In December, 2014 the Wisconsin State Supreme Court determined that the common pollution exclusion in the liability insurance policies sold to farmers applied to contaminating ground water with bacteria and/or nitrates as a result of spreading manure on fields. Other states are very likely to follow the Wisconsin precedence case law on the matter.

In the opinion of one Supreme Court Justice, insurance agents had been selling farmers "useless insurance" in the Farm Liability insurance package for a core operation that cannot be avoided in the business of dairy farming. That operation was the centuries old practice of spreading manure on fields as a fertilizer. The same supreme court justice questioned the ethics of the vendors that would sell an insurance policy that excluded loss events from a core business operation of the insured.

With that State Supreme Court decision, the lenders on the 23,000 dairy farms in Wisconsin alone are depending on that “useless insurance” to protect their collateral positions on those farms who must dispose of manure on a daily basis. The lenders on farms in the other states across the country are no better off in their environmental risk management strategies or much more likely, the absence of any affirmative environmental risk management strategy in their credit positions on agricultural businesses.

To insure against contamination loss events farmer's need specially modified Environmental Impairment Liability insurance. Off the shelf EIL policies were originally designed to insure industrial businesses, those industrial grade environmental insurance policies do not work well if at all to insure common farming environmental risks.

Price is not the barrier it once was in environmental insurance on farming risks. Genuine Environmental Impairment Liability insurance coverage specifically designed to insure a farm is available for as little as \$1,500 for a policy with a \$500,000 limit of liability. A dairy farmer can have up to 300 cows and still be at \$1,500 in premium.

For more information and farming environmental risks and insurance see www.armr.net/farms also see a Lenders guide to environmental insurance on farms [http://armr.net/lenders-guide-to-pollution-exclusions](http://armr.net/lenders-guide-to-environmental-insurance-to-pollution-exclusions)

There is no known source of functional Secured Creditor Environmental Insurance on farming risks as of this writing.

Mega Trend #2 - The Expansion of Specifically Excluded Contaminants from insurance coverage

For the past fifteen year's insurance companies have been quietly slipping exclusionary endorsements into commercial insurance policies for losses “arising from” or in some cases “in anyway related to or in any sequence” the specified materials. These specifically excluded materials include mold, bacteria, contaminated dry wall, asbestos, lead, silica and by default with the exclusion of bacteria, category 3 water. (For more information on Category 3 water see *The Dark Secrets of Category 3 water* <http://armr.net/revealing-the-dark-secrets-of-category-3-water-exclusions>)

These exclusions for specified contaminates are essentially pollution exclusions on steroids. They are designed to avoid any coverage litigation as discussed in Mega Trend #1. If a loss is reported on an insurance policy containing a specified contaminant exclusion, it will almost always be denied by the insurance company with no chance of overturning the insurance company's denial of the claim in court with legal arguments that the insured did not understand the exclusions.

Of course no one at the insurance companies found it convenient to inform the insurance agents and brokers about the effects

of the new exclusions through any briefing materials on the new exclusions. Therefore, most insurance agents/brokers continue to sell the insurance policies to businesses without informing their customers of the new insurance coverage restrictions.

“Fungi and bacteria are not new loss exposure's; these materials are omni present in the built environment.”

Specifically excluded materials today routinely include asbestos and lead. It has been difficult to buy products with asbestos and lead in them since 1978. So these two excluded materials are not new environmental risks to the lending community. However, lending on habitational buildings built prior to 1978 should have due diligence performed on them to evaluate this loss exposure to borrower and lender alike. It is virtually impossible to buy insurance for the cleanup of lead and asbestos today.

Fungus and bacteria related losses deserve special attention in formulating risk management strategies on commercial borrowers simply because they are such a common contaminate associated with water losses. There are a lot more water intrusion losses in building that fires just to help put things into perspective on the probability of loss.

Fungi and bacteria are not new loss exposure's; these materials are omni present in the built environment. What is new is building owners and their vendors

do not have liability insurance in place in industry standard insurance policies for any type of a loss event involving a speck of any form or type of fungi (includes mold) or bacteria if either material is involved in any sequence to a loss event.



A good example to illustrate this insurance coverage gap is a wrongful death claim made against a hotel owner for exposing a guest to legionella bacteria in a hot tub. Legionella bacteria can thrive in warm water, like hot tubs and indoor water features. Legionella bacteria once aerosolized and breathed into the lungs can cause Legionnaires Disease in humans. The disease is a respiratory ailment that is often fatal. In this loss example the typical commercial general liability (CGL) policy sold to a hotel owner today would not even pay defense costs in a wrongful death case caused by bacteria. Also the property insurance purchased on the hotel would not pay the business interruption loss that is likely to be incurred once potential guests learn of the Legionnaires Disease problems at the property.

Another universally under insured and very common environmental loss exposure to commercial building owners is Category 3 water. Category 3 water is by definition water contaminated

with bacteria which includes all water in a drain pipe, all water in a sprinkler system and drinking water that sits on carpeting for two days to name a few examples. Because of the effects of insurance exclusions and limitations for bacteria related losses in property and liability insurance policies, all property owners have inherent insurance coverage restrictions for losses associated with a drop of Category 3 water. (For information how these exclusions apply to a claim see Claims Magazine <http://armr.net/what-every-adjuster-should-know-about-fungibacteria-exclusions-2>)

Also new is the amount of recoverable property insurance once a speck of any type of fungi or bacteria is involved with a loss event is reduced to a token sublimit of \$10,000 in most commercial property insurance policies sold today. To put the \$10,000 insurance coverage restriction in perspective, the average cost of a Category 3 water loss in a commercial building is \$250,000. Some Category 3 water losses are measured in the tens of millions of dollars but still are subject to the \$10,000 recoverable insurance limit for losses associated with bacteria of any form or quantity in any sequence in the loss scenario.

As of this writing, genuine environmental insurance policies are available on commercial buildings for a premium of \$3,500 for a \$1,000,000 limit of liability which would insure a hotel the size of a Fairfield Inn. Purchasing a three year policy term reduces the cost per year to \$2,400. In general, the EIL premium on a commercial

building should cost no more than 10% of the property and liability insurance premium. Insuring a portfolio of owned properties can create EIL premiums per location measured in the few hundred dollars per location.

Secured Creditor Environmental insurance as of this writing does not provide adequate coverage for fungi and bacteria related loss events.

Mega Trend # 3 - The Expansion Of The Clean Water Act To Non-point Source Polluters

The systematic expansion of environmental protection laws over time creates new environmental loss exposures to borrowers who have not been materially affected by these decades old laws in the past. For example, the expansion in 2015 of the Clean Water Act rules to non-point source water pollution by default embroils hundreds of thousands of farmers applying manure, chemical fertilizers and pesticides on fields.

All of the stakeholders in farming including the consultants, the vendors helping the farmer and their lenders are affected by the expansions of the Clean Water Act. All of these stakeholders are very likely uninsured for the environmental risks because of the of pollution/contamination exclusions in their business insurance policies.

A perfect example of this mega trend is in Iowa where the city of Des Moines is suing the county board of supervisors in three counties under the Clean Water Act. The county board members serve as trustees for three Water

Drainage Districts upstream from the city on the Raccoon river.

A Water Drainage District is essentially a network of trenches and drain tile systems intended to remove excess subsurface water from farm fields. The Drainage Districts operate as quasi-public entities.

The city is alleging that the Water Drainage Districts are discharging nitrate contaminated water into the Raccoon river without the required permits to do so under the Clean Water Act. Nitrates are a salt commonly found in fertilizers. Nitrates will leach into ground and surface water when crops cannot utilize the amount of nitrogen being added to the soil as fertilizer. High levels of nitrates are known to cause Blue Baby Syndrome in humans and mortality in cattle.

The city of Des Moines depends on the Raccoon river for the drinking water supply for its 500,000 residences. As a result of the increased levels of nitrates in its drinking water supply the city needs to build and operate a water treatment system to remove the nitrates. The cost of the system is projected at \$100,000,000 and the city would like for the Trustees of three upstream county Water Drainage Districts to pay the city for the costs associated with the new water treatment plant. Many of the trustees are also farmers who benefit from the functioning of the Water Drainage Districts.

Besides having some eye popping costs associated with the claim against the county board members, why is the City of Des Moines lawsuit a significant

new risk factor to a lender? In this example, citizens not the government regulators are using a decades old environmental protection law to force compliance with Clean Water Act standards on non-point source polluters.

When the costs of the treatment plant are ultimately spread out through the inevitable ensuing cost recovery lawsuits embroiling the three counties the county board of supervisors represent, the farmers in three counties utilizing the drainage district and all of the suppliers of agricultural chemicals to those farms, the number of affected stakeholders will be counted in the thousands. All of these parties are likely uninsured for any costs associated with the matter because of the far reaching effects of Pollution Exclusions. Even a public official's liability insurance policy likely has a pollution related loss exclusion.

In the absence of a proactive environmental risk management strategy in their credit policy, lenders will have uninsured credit positions on all of the stakeholders involved as defendants.

Genuine environmental insurance (not the "useless insurance" for environmental damages observed by the WI Supreme Court) has been continuously available for all of the stake holders in the Des Moines water treatment plant matter for many years. Although it's water over the dam now, no one will insure a burning building, most if not all of the stakeholders in the Des Moines matter could have purchased environmental insurance that would have applied

to the nitrate problem in the Raccoon River. Most of these stakeholders had no idea why environmental insurance was needed due to uniformed insurance agents and brokers who very likely never have had the opportunity to attend any training course on environmental risk management and insurance at any point in their careers.

The expansion of the Clean Water Act to non-point source water pollution will affect a broad range of bank customers who were never impacted by the law in the past. Expect to see a lot more legal actions like the Des Moines water problem in the future.

Mega Trend #4 – Expansion of Waste Management Laws Into The Farming Business

In a parallel case to the City of Des Moines, in Yakima, Washington motivated neighbors successfully utilized decades old federal waste management laws to alter dairy farming practices. This case also involved nitrate contamination of ground water as a result of farmers applying too much fertilizer, in this case manure to their fields. In the Yakima Valley farmers had applied so much manure to the fields that the nitrate levels in the ground water were seven times over the safe drinking water standard.

The neighbors utilized the Resource Conservation and Recovery Act (RCRA) to bring a lawsuit against four farms in the valley. RCRA made into law in 1976, regulates waste disposal practices at the federal level. RCRA has a specific exception for

agricultural waste which would include manure.

The farms in this example were applying so much manure to the fields that the applied manure far exceeded the nutrient needs of the crops. Once the nutrient needs of the crops were exceeded by the over application of manure, in the opinion of the federal court, the farms were actually operating waste disposal sites without a permit as required under RCRA. Operating a waste disposal site without a permit under RCRA can be subject to a \$50,000 a day fine per violation and five years in jail, although such a stiff penalty was not applied in Yakima.

Of particular significance, the Yakima alley case proved that State Right to Farm Laws are not right to pollute laws. Also it was the neighbors of the farms not the environmental regulators that brought the legal action under the federal environmental protection laws.

As in of the previous example in Iowa, all of the stakeholders involved in the Yakima Valley contaminated water situation are very likely uninsured for any of the costs associated with the matter. The farmers would have been sold the same Farm Liability insurance policies that the WI State Supreme court justice in Mega Trend #1 thought was “useless insurance”. As the examples in Des Moines and Yakima illustrate even farms need environmental insurance today.

Secured Creditor Environmental Insurance is not an effective option for agricultural risks as of this writing.

Conclusion

Many more borrowers are uninsured for common causes of environmental or contamination loss's than at any point in history. This leaves an expanding gap in the risk management strategies of lenders.

Environmental insurance solutions are readily available for virtually any legal business activity in a hotly competitive environmental insurance market place. However, these insurance products are vastly underutilized.

The major constraint in utilizing environmental insurance as a risk management tool is not the cost of the insurance or the adequacy of the coverage. The constraint affecting all of the stakeholders is the lack of understanding in the insurance agent and brokerage community as to how pollution/contamination exclusions operate and how to use a wide range of environmental insurance products to fill the resulting insurance coverage gaps.

Lenders can protect their credit positions on uninsured contamination risks simply by adding well designed environmental insurance requirements to loan covenants or in some types of loan originations by purchasing Secured Creditor Environmental Insurance.

In the absence of rational insurance requirements in loan covenants that address the pollution/contamination coverage gaps in property and liability insurance, lenders are certain to be handed the keys on the property they hold as collateral on more small businesses than at any point in the past forty years.



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