



Rise of Environmental Insurance Requirements in Latin America

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**Latin American Region
Environmental Roundtable**
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Introduction

- Importance of envtl. insurance (EI)
 - 3rd-party pollution liabilities
 - 1st-party cleanup and remediation
 - protect property values
- LAR envtl. regulation & enforcement ↑ ↑ ↑
- EI market in LAR: \$20-40MM/yr (premiums)

Introduction

- Req' by banks, foreign investors, counterparties
- Purchasers "tend to be multinational companies with local holdings, especially those in heavy industry, chemical companies, and energy companies"
 - ACE report (2008)
- Recent trend toward instituting legal requirements

Overview of Environmental Insurance

- EI developed to fill coverage gaps created by “pollution exclusions”
- 1970s: first specialized policies (EIL)
- Variety of coverages have been developed; current LAR offerings are limited
- EI requirements often found in financial assurance rules in pollution control laws

Environmental Insurance Requirements in LAR

Argentina

- 1st country to implement; most developed in LAR
- *Gen. Evtl. Law, Art. 22* (2002): EI required for envt'ly-risky activities; implementing regs. in 2008
- To date, only surety policy approved; no true EI
- Targeted reqs.: waste transporters, PCBs, securities disclosure

Environmental Insurance Requirements in LAR



Argentina (cont.)

- Provincial/local laws
- Recent developments

Brazil

- No broad EI requirement
- EI "an instrument of the National Environmental Policy"

Environmental Insurance Requirements in LAR



Brazil (cont.)

- Targeted: nuclear plants, haz. waste, ports
- Gov't enforcement: Nat'l Steel Co. (2010)

Chile

- Reqs.: EIS review period (abrogated), mine closure
- Pending bill re handlers of toxic substances

Environmental Insurance Requirements in LAR

Colombia

- Broad req. passed in 1999; never implemented
- Targeted: foreign mining companies

Mexico

- Broad req. since 2001; never implemented, but gov't can require in "severe" cases
- Effective req. for haz. waste transporters

Environmental Insurance Requirements in LAR



Puerto Rico

- U.S. federal requirements
- Local reqs. re USTs, tire handlers

Uruguay

- No broad req.; gov't may require in specific cases
- Targeted: port services

LAR Market for Environmental Insurance

- Small # of insurers
- Small # of products
- Current: PLL, CPL, surety bonds
- Future?: E&O, CCC, lender/secured creditor, storage tank liability

Conclusion

- EI an increasingly important consideration in LAR
- Markets should mature; demand should rise
- Primary drivers: sophisticated entities and increased envtl. regulation/enforcement
- EI requirements will be important as well—stay informed



Thank you!

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