

# Lender Environmental Collateral Protection

## Policy highlights

- Claim reopening for discovery of new and/or additional cleanup costs
- Coverage for the term of the loan to maturity
- Waiver of subrogation against borrower in possession
- Assignment of interest may be assigned to successor lien holder
- Primary insurance wording
- Deductible starting at \$0
- Automatic 60-day extended reporting period (ERP)
- Optional extended reporting period of up to three years

Zurich's Lender Environmental Collateral Protection Policy can help protect financial institutions that hold or invest in individual or portfolio loans backed by commercial real estate. In the event of a loan default and discovery of environmental contamination, the policy provides coverage to help protect collateral value and related financial losses that could hurt your bottom line.



When a pollution event occurs on or at a lender's property, the potential costs of cleaning up the impaired site may not be the only expense. Third-party bodily injury and property damage claims, including legal defense costs, unpaid loan balances, interest and fees may also add up.

## Policy benefits

Designed to help protect lenders from these types of financial losses, Zurich's Lender Environmental Collateral Protection Policy offers an effective approach to managing environmental risk. It is available on a portfolio basis or for individual loans to provide collateral

value protection, first-party cleanup and third-party liability coverages, including defense costs.

## Fast and easy loan processing

Zurich's Lender Environmental Automated Processing system, known as LEAP®, helps us deliver prompt customer service. As a lender, you can submit your electronic coverage applications online and check the status of your loans 24/7. Response time on straightforward loans may be less than five minutes, depending on specifics. Loans that are referred to a Zurich underwriter for review may be responded to within three business days.

## Flexible claim payment options

The policy helps provide lenders with collateral value protection in the event of a loan default and discovery of a pollution event during the policy period. When this occurs, the policy will pay the lesser of the outstanding loan balance and extra expenses, or the estimated cleanup costs. The lender does not actually have to clean up the property to get a claim payment under Coverage A.

Foreclosure may not be required prior to making a claim. In addition, the policy provides first-party cleanup cost coverage for claims made after the lender has foreclosed on the covered location, and coverage for third-party bodily injury, property damage claims (including cleanup costs and natural resource damage), and defense costs, caused by a pollution event.

## Case Study

As part of its risk management efforts, a major financial institution asks Zurich to help them design a customized due diligence and risk transfer insurance program to cover their commercial loan portfolio. The goal of the program is threefold: to streamline the environmental due diligence process for loans with real estate as collateral; provide a cost-effective alternative to traditional due diligence assumed by the bank's borrowers; and create an efficient mechanism for transferring environmental risks to a financially secure carrier.

After the program's inception, a loan default puts the program to the test. The bank's pre-foreclosure due diligence investigation reveals the presence of pre-existing environmental contamination from a past dry cleaning operation. Significant solvent contamination is present in the soils beneath the property, but groundwater has not yet been impacted. Rather than foreclosing on the property, the bank makes a claim for the outstanding loan balance and extra expense associated with the loan.

To learn more about Zurich's Lender Environmental Collateral Protection, contact your broker or visit [zurichna.com/financial-institutions](http://zurichna.com/financial-institutions)

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