

Environmental Impairment Liability Risk Overview: Dairies

Applicable Coverages and Industry Summary

Environmental Impairment Liability (EIL) Insurance provides coverage for pollution conditions on or emanating from a scheduled location and therefore, is often known as "Site Pollution Liability." Animal husbandry operations, and specifically dairies, carry significant site pollution exposures. At the forefront of their environmental exposures are waste management activities. However, dairy farmers should also evaluate their potential for impacts on local air quality and from milking parlor wastewater. EIL Insurance should be considered as part of a dairy's environmental risk management strategy. Below are examples of exposures common to many dairies which could lead to third-party claims or first-party cleanup costs.

Storm Water Runoff



Transport of organic waste and associated nutrients, such as nitrogen and phosphorus, off-site via storm water runoff impacting nearby surface water bodies.

Runoff from animal husbandry operations is alleged to be one of the primary non-point source contributors to eutrophication – increased nutrient levels – of surface water. The increased nutrient load can change the botanical makeup of the watershed to the point the water body is no longer of value for human activities and can lead to harmful algal blooms. The resulting depletion of oxygen in the water threatens fish and other aquatic animals.

Groundwater Contamination



Leakage, overflow and breach of waste lagoons and leaching from spray fields is a major source of groundwater contamination in the United States.

Most notably, nitrate contamination associated with manure storage facilities and spray fields has been linked to methemoglobinemia – blue baby syndrome. This condition affects the blood's ability to carry oxygen, potentially effecting child development and occasionally leading to death. Adults can also contract acquired methemoglobinemia.

More than 40 diseases can be transferred to humans through manure. The effects of contracting these diseases range from flu-like symptoms to death. There is also the potential that antibiotics and other medication administered to dairy cows could leach from manure storage facilities and spray fields and enter into the groundwater.

Additional Exposures



- Wastewater treatment plant operations: Dairy wastewater is typically associated with a very high chemical oxygen demand and suspended/dissolved solids concentrations. A release of dairy wastewater, due to system interruption or treatment plant infrastructure failure, could significantly impact local watersheds.
- Loss of beneficial use: Facilities managing large amounts of biological waste have the potential to detract from the use of neighboring properties without actually causing real property damage. The definition of loss of use can be expanded to include: "...loss of enjoyment of tangible property that has not been physically injured or destroyed..."
- Fuel, herbicide/pesticide and fertilizer storage operations: Most dairies store fuel for their own use and often apply herbicide/pesticide, and fertilizer in related operations. These chemicals have the potential to impact soil and groundwater beneath the site.



Industry Risk Overview (continued)

Coverage Features

Company:

Admiral Insurance Company (A+)

Available Terms:

- Up to \$16 Million limit of liability
- Up to a three-year term length
- Minimum Premium: \$5,000

Features:

- Onsite cleanup costs, 3rd party liability and defense coverage for pollution conditions on or emanating from a scheduled location
- Property damage coverage includes natural resources damages
- CGL available for waste handling and recycling facilities; including Anaerobic Digesters
- Can provide coverage for known and pre-existing pollution conditions
- Non-owned disposal site, punitive damages (where allowed by law) and transportation pollution liability (TPL) enhancements can be considered
- UST coverage meets EPA financial assurance requirements

Submission Requirements

The following items may be required prior to quoting or binding an EIL Policy:

- Completed, signed Endurance EIL Application
- Copies of relevant environmental permits
- Loss control plans such as Spill Prevention, Control and Countermeasure Plans and/or Manure or Nutrient Management Plans.
- Financials – balance sheet and income statement – if CGL coverage is to be considered or the EIL SIR exceeds \$25,000

New business submissions should be sent to the appropriate underwriter as indicated below and to submission@feinsurance.com

Contacts

Matt McPhee (western)
Direct Phone: 720-931-2109
mmcphee@feinsurance.com

Camilla Paonessa (central)
Direct Phone: 720-931-2123
cpaonessa@feinsurance.com



David Brereton (eastern)
Direct Phone: 720-931-2132
dbrereton@feinsurance.com