



***Insurance for buyers and sellers of property
including the contractors that work for them***

***Environmental Warranty Insurance Products
For
Chinese Drywall, Asbestos, Lead and Other Hazardous Materials
March 2010***

Available for Homes and Commercial Properties in most states including Florida

Features

- Real insurance from a real top rated insurance company
- Environmental restoration and liability Insurance coverage for homeowners and commercial properties
- Eliminates the stigma associated with Chinese drywall on tested or remediated homes
- One policy with a single premium lasts for 3 years or more and cannot be cancelled by the insurance company
- One insurance policy protects the buyer, seller and the lender

Environmental insurance coverage for

- The clean-up of a broad range of potential contaminants in, on or under the insured property
- Restoring the property back to its pre-loss state
- Liability Insurance for Bodily Injury, Medical Expenses, Property Damage and Defense Costs
- Extra Expenses and Business Interruption coverage is available

Insurance is provided through insurance companies rated by AM Bests "A", Excellent or better

Premiums and limits of liability options

Type of buyer	Homeowners	Commercial Property
Minimum premium	\$3000 single pay	\$7500 first year *
Limit of liability @ minimum premium	\$500,000	\$1,000,000
Policy term	3 years	Up to 10 years
Minimum Cost of \$1,000,000 of additional limit of coverage	\$1,000 per year of policy term	\$2,000 per year of policy term

* On commercial properties, annual rates are reduced for policy durations up to 10 years in length and substantial discounts are available on portfolios of properties.

Background

Losses associated with contaminated drywall will affect tens of thousands of property owners, "responsible parties" and their lenders. Contaminated drywall will significantly reduce the value of a building and turn loan to value ratios upside down. Traditional insurance policies will universally exclude almost all of the related damages for all of the stakeholders associated with the property. ARMR.Network, LLC has developed an entire suite of innovative insurance products to address environmental risks including contaminated drywall, asbestos and lead. Even mold risks a can be insured today.

The Problem

In short, some but not all sources of Chinese drywall off-gas sulfide gas which combines with water vapor to create sulfuric acid vapor within the built environment. Most contaminated drywall was installed between 2006 and 2007 in at least twenty four and as many as forty one states. Some contaminated drywall may have been installed as early as 2002. The jury is literally out on the possible adverse health effects to the occupants of the contaminated buildings; these health affects do not appear to be acute. However it is clear that buildings containing sulfur contaminated drywall, which can smell like rotten eggs or burnt match's will need to be remediated. Remediation involves removing the drywall and other porous surfaces, assessing and correcting potential structural damage, and the corrosion of electrical systems, HVAC

equipment and the building contents. Damages include remediation costs, diminution of property values, increased fire risk and adverse health effects to the occupants and to remediators. Generally loss costs approximate 60% of the building value. Loss exposures can be traced to “responsible parties” including developers, construction managers, general contractors, subcontractors, building products suppliers, distributors and manufacturers. Contractors remediating the drywall also have liability loss exposures and usually have significant gaps in their liability insurance coverage. Literally tens of thousands of properties and thousands of responsible parties and lenders are affected. Some trial lawyers promote Chinese drywall as the largest construction defect issue in history affecting up to 70,000 properties.

Traditional Insurance Coverage For Chinese Drywall Losses

Chinese drywall claims encompass traditional construction defect insurance coverage issues and then superimpose various “pollution” exclusion overtones. Construction defect claims introduce a series of complex insurance coverage issues in the property and liability insurance policies purchased by the stakeholders. In general, acidic gas will fall within the definition of a “pollutant” in both property and liability insurance policies because it is an “irritant” or “contaminant”. Therefore losses associated with Chinese drywall will be impacted by pollution exclusions in virtually all forms of insurance. A wide range of environmental insurance policies are available to fill coverage gaps created by pollution exclusions. For example American Safety Insurance Company has developed insurance products specifically for Chinese drywall including loss portfolio transfers for existing claims. These products and others are available through ARMR.Net.

Commercial Property and Homeowners insurance policies fundamentally insure losses from discrete fortuitous loss events that result from accidents and natural disasters. It is usually difficult to obtain coverage for a construction defect on a property insurance policy because the prerequisite “insured cause of loss” is missing to trigger coverage under the policy. Property insurance policies also have pollution exclusions. Therefore property insurance policies will usually deny a Chinese drywall loss based upon the absence of an insured peril and the effect of the pollution exclusion. However under “All Risk” policies there may be coverage for ensuing loss to the wiring and fixtures on the property. Even with ensuring loss protection most property owners and their lenders will be left uninsured for the majority of the costs to remediate and restore contaminated drywall.

Commercial General Liability insurance policies have significant barriers to coverage for construction defect claims. Generally construction defect losses fail to meet the coverage trigger criteria of an accident in a CGL policy. Also exclusions for damages to “Your Work” and “Impaired Property” in a CGL policy can stand in the way of coverage for a contractor. However, if the proximate cause of the loss is materials supplied by the contractor, the effect of these “operational” exclusions becomes more clouded and the focus shifts to Property Damage and Bodily Injury losses and the various pollution exclusions that can be found in CGL insurance policies. The off-the-shelf ISO Commercial General Liability policy with the standard pollution exclusion (f.) is not supposed to apply to losses arising from products or completed operations. Virtually all losses associated with Chinese drywall with the exception of the restoration contractors’ operations should arise from products or completed operations. Therefore any of the responsible parties associated with a Chinese drywall loss that have an off-the-shelf ISO GL policy without a “Total” pollution exclusion endorsement should have liability insurance available to at least defend a claim associated with Chinese drywall. In contrast if the GL policy has a “Total” pollution exclusion endorsement, pollution losses from products and completed operations are excluded and separate environmental insurance coverage will need to be purchased to fill the resulting coverage gaps in the GL policy. Remedial contractors will need specially modified liability insurance packages to perform any work on Chinese drywall. Commercial property owners will need to amend their insurance requirements for their vendors in contracts and purchase EIL coverage accordingly. Lenders need to amend their insurance requirements of commercial borrowers for this new risk. All stakeholders need a review of their current GL and environmental coverage to evaluate potential coverage gaps. ARMR.Net provides these insurance products and consulting services to our clients.

ENVIRONMENTAL INSURANCE SOLUTIONS

Commercial environmental insurance policies are available to address a wide range of outdoor and indoor air pollutants including mold, asbestos, lead, silica and the effects of Chinese drywall.

NEEDED INSURANCE COVERAGES FOR PROSPECTIVE* OPERATIONS:

- Environmental Impairment Liability for third party damages plus first party coverage for remediation, restoration costs and loss of rents. All commercial property owners need this coverage.
- Contractors Pollution Liability, third party damages including clean up and restoration costs.
- Professional Liability for contractors and consultants
- General Liability with Completed Operations and/or Products Pollution liability
- Restoration Contractors will need specially modified liability insurance packages

TARGET MARKETS FOR INSURANCE AGENTS AND BROKERS:

- Contractors
- Commercial Property Owners
- Condominium Associations
- Developers
- Building materials manufacturers and distributors
- Financial Institutions

MINIMUM PREMIUM: \$3,600 CPL

\$9,000 EIL with coverage for mold and Chinese drywall
\$25,000 GL with products pollution

ARMR.Net offers access to a wide range of high quality environmental specialty insurance markets. Each risk will be evaluated and coverages and market(s) will be recommended based on the parameters of the risk. ARMR.Net brings to the table creative and highly skilled environmental insurance design and placement specialists ready to assist in the development of custom designed insurance products to meet our clients' risk transfer goals.

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* Environmental insurance policies will not normally cover previously uninsured prior acts or operations. However continuous renewal of environmental insurance does insure completed operations which were previously insured. EIL policies can provide full prior acts coverage on commercial properties including coverage for Chinese drywall and other indoor and outdoor pollutants.