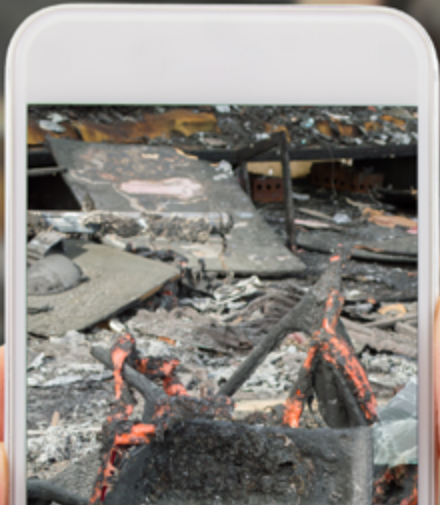


REPORT

Managing an environmental loss in Canada: The cost of getting it wrong

From first notice to final payment, an effective environmental claims response depends on the technical expertise applied from day one





\$3K - \$350K

TYPICAL CLEANUP COST RANGE FOR A
SMALL TO MEDIUM HYDROCARBON SPILL

\$30K - \$1.5M

AVERAGE COST RANGE FOR A RESIDENTIAL
HEATING OIL SPILL AFFECTING A BUILDING'S
FOUNDATION.

What makes environmental claims different

Environmental or pollution claims are technically complex, cost-sensitive, and heavily influenced by the quality of the response in the earliest stage of the file.

The type of loss determines which policy responds. Retaining the appropriate experts and consultants early in the claim plays an important role in implementing an effective remediation approach. The rigour applied to cost review determines whether insurers pay what is owed or significantly more. And the coverage analysis conducted in the first days determines whether material issues are managed proactively or discovered too late to change the outcome.

Claims handled with specialized adjusting expertise tend to follow a more structured path, where regulatory requirements are addressed appropriately, costs can be benchmarked and reviewed, coverage positions may be established earlier, and the file often progresses toward resolution more efficiently.

Understanding what drives that outcome is the foundation of effective claims management.

Common environmental claims in Canada

Environmental losses in Canada tend to fall into a handful of categories, each with its own coverage triggers, regulatory obligations, and response requirements.

Motor vehicle accidents and fuel delivery spills

The most frequent environmental claim involves transport vehicles. Long-haul rollovers, collisions, and fuel delivery incidents result in spills of hydrocarbons, such as fuel, gas and oil, that reach the ground, drainage systems or neighbouring properties. Because these events occur during vehicle operation, the auto policy may respond depending on the policy wording and circumstances.

Contractor pollution liability

When a contractor causes a pollution condition at a third-party site, through equipment fluid leaks, storage tank overfills, or heating oil that escapes from temporary tanks, the contractor's pollution liability policy may be triggered. A critical question is whether the contamination was caused directly by the contractor's operations or predates their presence on site.

Premises pollution

These claims arise when contamination is discovered during due diligence, site assessment, or redevelopment activity. The investigation must establish whether the contamination is new or pre-existing, whether it migrated from an adjacent property, or whether it is tied to historical site operations. These questions drive both the coverage analysis and any subrogation recovery.

Vandalism and fire-related pollution

When vandalism or fire creates a pollution condition at a storage yard, fleet depot, or leased premises, complexity increases substantially. Pre-existing contamination may be present, and the landlord may assert cleanup obligations beyond the scope of the insured event.





What effective loss adjusting looks like

When an environmental claim is first assigned, the adjuster's immediate priority is information. Contact is made with the insured to understand what happened and what steps have already been taken. All involved parties are identified and relevant documentation collected: statements, CCTV footage, agreements, and any records pertinent to the facts of the loss.

Running alongside the investigation is a critical question: is a qualified environmental consultant in place? If not, or if the person retained lacks the necessary qualifications, the adjuster redirects. The consultant is the central technical authority on the loss, collecting samples, managing site operations, liaising with regulators, and developing the Remedial Action Plan. The adjuster relies on their findings, but not passively. Knowing when to challenge a proposed remediation approach, whether alternative options exist, and whether the recommended scope is proportionate to the actual contamination, requires deep experience in the loss type.

Rigorous cost control is one of the most tangible ways adjuster expertise protects the insurer's position. Remediation costs vary significantly by loss type, location, and site characteristics. An experienced adjuster brings benchmark knowledge that allows for informed challenge when costs fall outside expected ranges. Every invoice is scrutinised to confirm that charges are supported, within scope, and reflective of work performed.



Effective claims adjusting is about knowing which questions to ask at each stage, and being experienced enough to challenge the answers.”

Benjamin Delgado, environmental practice leader, Canada

Reserve and payment recommendations are updated as the investigation develops, helping the insurer maintain an up-to-date understanding of potential exposure at every stage.

Throughout, a parallel coverage review is underway, confirming the responding policy, identifying whether another policy may be triggered, and flagging concerns to the insurer without delay, whether related to coverage or site conditions.

All work proceeds on a without prejudice basis until coverage is formally determined, and all stakeholders are kept updated as the investigation develops. Managing the insured’s expectations throughout, without implying coverage is confirmed before it is determined, is as important as the technical and financial rigour applied to the file.

Environmental claim response steps

IMMEDIATE RESPONSE

- ✓ Notify the Spills Action Centre (SAC)
- ✓ Retain a qualified environmental consultant
- ✓ Communicate expectations

ASSESS & INVESTIGATE

- ✓ Complete preliminary site inspection
- ✓ Verify risks and sensitive receptors
- ✓ Determine applicable site standards
- ✓ Complete subsurface investigation
- ✓ Delineate the zone of impact

PLAN & EXECUTE

- ✓ Develop a Remedial Action Plan
- ✓ Dependent on contaminants, standards, and coverage – permits may be required

COMPLY & CLOSE

- ✓ Comply with regulatory orders
- ✓ Document everything



The cost of inadequate expertise

Managing an environmental claim without the right technical expertise has measurable financial consequences:

Risk of paying a claim that may ultimately fall outside the applicable coverage. Without a thorough coverage review at the outset, claims can proceed through the entire remediation process before a material issue is identified.

Risk of allocating a claim to a policy that may not be the most appropriate based on the facts. Pre-existing contamination, pollution originating from adjacent properties, or conditions attributable to third parties may trigger a separate policy entirely. Routing a claim to the wrong coverage creates exposure that extends well beyond the remediation cost itself.

Missing a subrogation opportunity. Where a third party contributed to the loss, a right of recovery may exist, but that opportunity closes quickly if the right questions are not asked early.

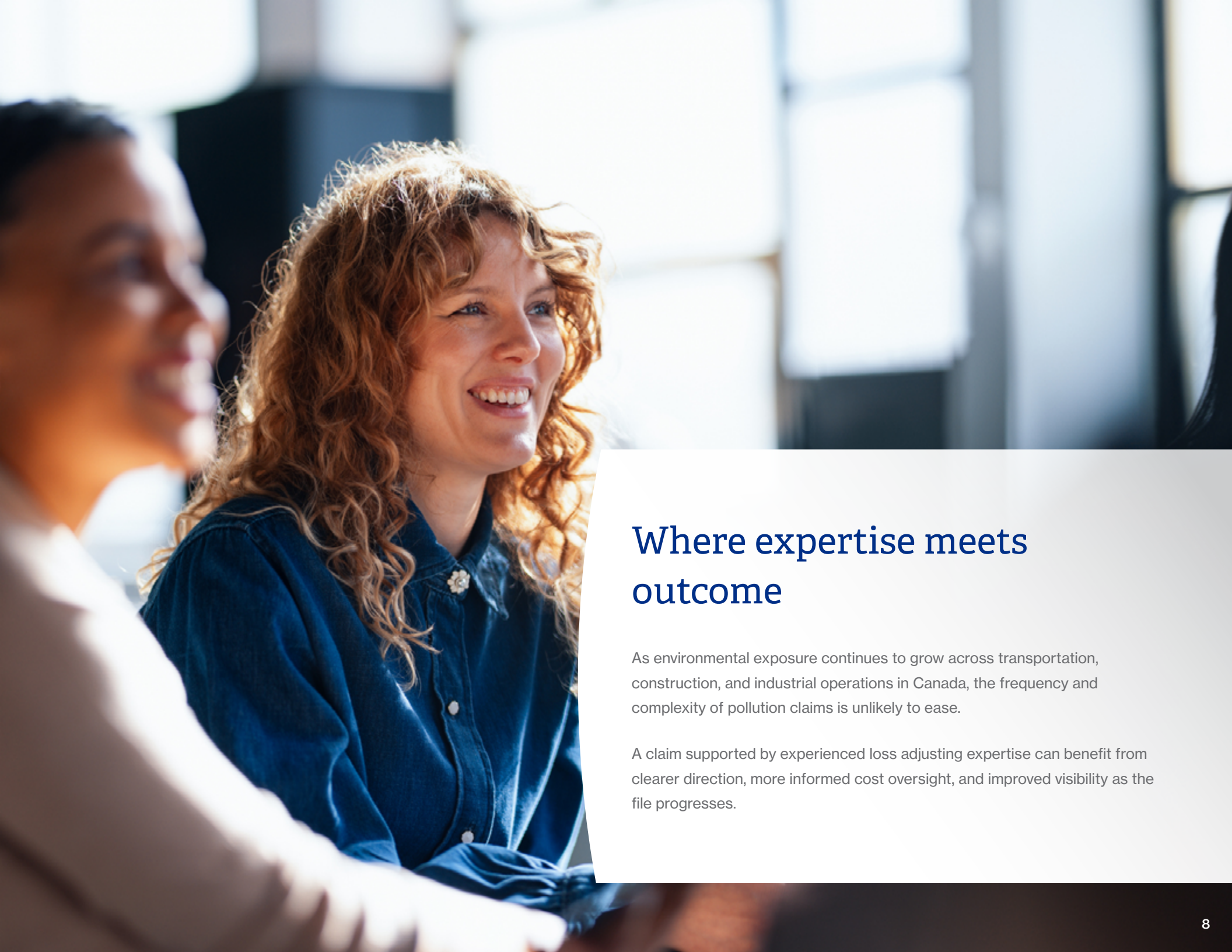
Risk of incurring remediation costs that have not been fully evaluated or benchmarked. When expertise is insufficient to benchmark costs or challenge consultant recommendations, inflated or unsupported charges can pass through unchallenged.

In a claim type where costs can range from thousands to millions of dollars, the cumulative impact of these errors across a portfolio can be significant.



For insurers, the primary financial risks in an environmental claim are paying more than is owed, paying for something that is not covered, or missing the opportunity to recover from a responsible third party.”

Benjamin Delgado, environmental practice leader, Canada



Where expertise meets outcome

As environmental exposure continues to grow across transportation, construction, and industrial operations in Canada, the frequency and complexity of pollution claims is unlikely to ease.

A claim supported by experienced loss adjusting expertise can benefit from clearer direction, more informed cost oversight, and improved visibility as the file progresses.

Case study

Tractor-Trailer Rollover: Highway Hydrocarbon Spill

A long-haul transport truck carrying fuel oil sustains a rollover on a provincial highway. Fluids spill across the roadway and enter an adjacent drainage ditch, triggering mandatory notification to the Spills Action Centre and a regulator-mandated cleanup. The insured retains an environmental consultant overnight.

An experienced adjuster reviews the consultant's qualifications and the proposed Remedial Action Plan before work begins. During the cost review, mobilization charges are identified above the accepted regional benchmark. These are flagged and negotiated prior to payment. Because the spill occurs in the course of vehicle operation, the auto policy is often the policy reviewed for potential response, subject its terms and conditions. The claim closes at the lower end of the expected cost range for a spill of this size and complexity.



For further discussion on environmental response strategies, visit crawco.ca.

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