



RENOVA

Structuring Insurance Deals

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RENOVA PARTNERS

- Boutique Real Estate firm for redeveloping environmentally contaminated land
- Founded in 2001 by industry veterans to harness 45+ years experience
- Works with Fortune 200's and municipalities helping remove environmental property issues
- Completed over 45 redevelopment projects having industrial, commercial and residential end uses

RENOVA – EXPERIENCED BUYER

RENOVA

Corporate Sellers value our experience

- 15 years as principals in Brownfields
- Corporate references on completed projects
- Never returned a project to seller, despite unforeseen contaminants

RENOVA'S COMPETITIVE ADVANTAGES

- Deep understanding of regulatory process
- Long history of successful remediation
- Proven risk mitigation programs
- Consensus driven entitlement

THE CHALLENGE

- Corporate sellers recognize that environmental liability cannot be “transferred” via contractual mechanism
- Sellers believe they must
 - hold contaminated properties
 - maintain balance sheet reserves for remediation
 - assume most stringent cleanup requirements when “polluter” is remediating and remediation is not tied to redevelopment
- Remediation and redevelopment of contaminated properties is not the mission of most corporate sellers

THE OPPORTUNITY

- Define potential liabilities
- Provide financial mechanisms, including insurance, to assure buyer's ability to perform remediation and indemnify other environmental liabilities
- Enable the corporation to divest of these "hidden" assets and
 - book sales proceeds
 - eliminate balance sheet reserves for cleanup and contingent liabilities

RENOVA'S SOLUTION

- Acquires the property with equity partner
- Indemnifies seller for environmental liability arising from the site
- Arranges multi-tier insurance coverage for clean-up and protection against 3rd party claims
- Selects and manages remedial contractor
- Redevelops or sells property to end user

THE RESULT

Developable land acquired:

- Primarily in-fill locations within existing markets
- Reduced clean-up requirements when tied to redevelopment and strong regulatory support for remedy
- Dormant land returned to productive use

MECHANISMS FOR RESOLVING LIABILITY

- Indemnification
- Remediation
- Long term Operations and Maintenance - Engineering Controls (EC's)
- Deed Restriction/Land Use Controls (LUC's)
- Environmental Insurance

Insurance Value in Brownfield Transactions

- Buyers/Developers
 - Balance sheet certainty
 - Renova Partners uses environmental insurance in EVERY transaction
- Sellers/Polluters
 - Protection against “boomerang”
- Lenders
 - Credit protection
- Regulators
 - Assurance of RP financial ability to remediate
 - Motivation to make consistent progress

Key Insurance Products

- Pollution Legal Liability (PLL)
 - 1st & 3rd party claims for unknown pollution conditions
 - Cleanup costs, Bodily Injury, Property Damage
 - 10 years maximum policy term (5 max for “new” pollution conditions)
 - Natural Resource Damages coverage under scrutiny
 - Coverage available for offsite disposal sites

Key Insurance Products

- Cleanup Cost Cap (CCC)
 - Cost overrun coverage for known remediation projects
 - Self Insured Retention based on defined Scope of Work
 - Policy terms up to 10 years available
 - Regulatory oversight costs can be covered expenses

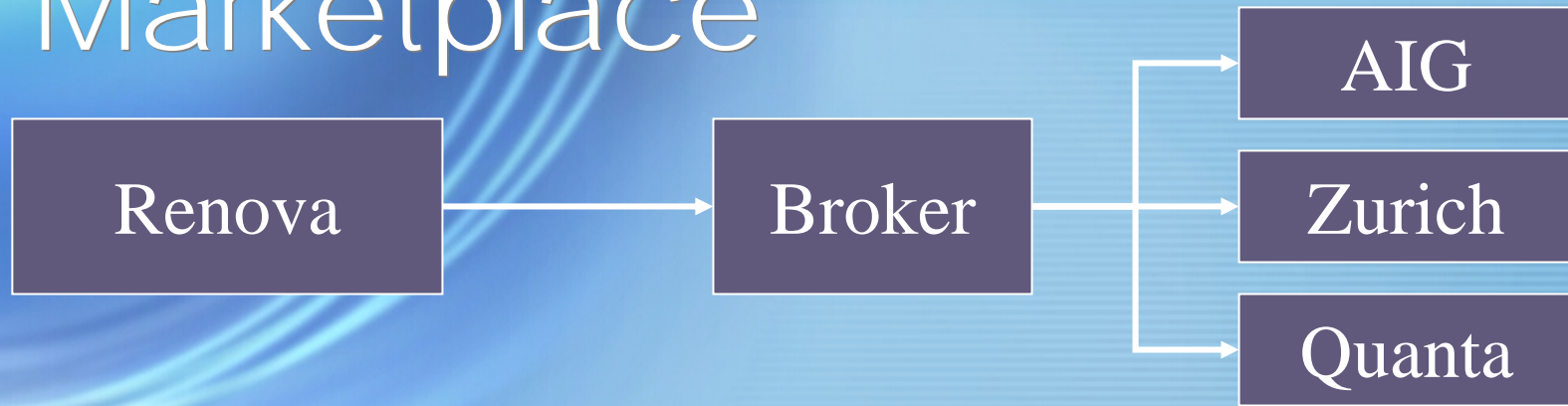
Key Insurance Products

- Blended Finite Risk Insurance
 - Combines elements of annuity, CCC and PLL insurance
 - NPV of expected remediation costs are pre-funded to insurer
 - Makes most sense for very term cleanup projects
 - May permit policy terms up to 20 years
 - Yes, it is insurance and it is legal

Environmental Insurance Marketplace

AIG	Largest and market leader
Zurich	Experienced underwriters, selective
Quanta	New to marketplace, big clean balance sheet
XL Environmental	Exited cost cap market
ACE	Aggressive but inconsistent

Accessing the Insurance Marketplace



- Brokers typically paid by commission (fee arrangements possible)
- Underwriters paid only when insurance is purchased (no underwriting fees)
- No direct writers
- Brokers have knowledge of most advantageous terms and conditions

Elliot Spitzer vs. Insurance Industry

- Questions regarding objectivity of certain insurance brokers
- Questions regarding legitimacy of certain types of insurance
- No direct effects on environmental insurance marketplace

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are needed to see this picture.

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Dynamic Insurance Marketplace

- Available policy terms contracting
- Natural Resource Damages under scrutiny
- Cost cap underwriting standards toughening
- Cost Cap marketplace shrinking
- Cost Cap minimum premium rising

Questions?

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