

Lender Environmental Protection

Zurich North America lender environmental policies address the special needs of banks, lenders, loan originators, financial institutions and investors that may hold or invest in individual or portfolio of loans backed by commercial real estate. These policies provide coverage to protect the collateral value in the event of a loan default and a pollution event that is first discovered on or at the covered location during the policy period.

There are two payment options:

- Payment of the lesser of the outstanding loan balance and extra expenses, or the estimated cleanup costs if the estimated cleanup costs are 50 percent or greater than the outstanding loan balance you may select payment of the outstanding loan balance; or
- Payment of the outstanding loan balance and extra expenses

In either case, foreclosure is not required prior to making a claim. The policies additionally provide insuring agreements for first-party cleanup costs 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 on or at the covered location.

Customer profile

The following is a list of the customer groups we serve:

- commercial banks
- lenders and loan originators
- financial institutions and investors
- life insurance companies
- pension funds
- mortgage bankers

Coverage highlights

- claim reopeners for discovery of new and/or additional cleanup costs
- each loan is covered for the term to maturity as specified in the mortgage agreement
- waiver of subrogation against borrower in possession
- assignment of interest may be freely assigned to successor lien holder
- deductibles start at \$0
- covered location(s) is defined as real property including any fixed assets or leasehold interest situated on such covered location
- mediation deductible credit of up to \$25,000 available
- natural resource damage is included
- primary insurance wording
- governmental authority definition includes voluntary cleanup programs
- automatic 60-day extended reporting period (ERP)
- optional extended reporting period of up to three years

Capacity

up to \$25 million. Higher limits may be available subject to underwriting considerations.

LEAP™

The Lender Environmental Automated Processing system known as LEAP is Zurich's proprietary internet web based application processing system for loan portfolios that allows us to provide exceptional service to our customers by processing their loan coverage requests for insurance electronically. It allows the lenders access "24-7" to process and check the status of their loans. Lenders complete the electronic disclosure form and then submit to Zurich. Response time on straightforward loans may be less than five minutes. Loans that are referred to a Zurich underwriter for review will be responded to within three business days from receipt.

Case study

As part of its risk management efforts, a major financial institution wants to implement a new program that will: 1) streamline the environmental due diligence process for loans with real estate as collateral; 2) offer a cost effective alternative to traditional due diligence borne by the bank's borrowers; and 3) provide an efficient mechanism for transferring the environmental risks to a financially secure company.

A customized due diligence and insurance program is designed by Zurich North America in association with the bank to cover the bank's commercial loan portfolio.

After the program's inception, one of the loans has an event of default. The bank's pre-foreclosure due diligence investigation reveals the presence of preexisting 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. In lieu of foreclosing on the property, the bank makes a claim for the outstanding loan balance and extra expense associated with the loan.

Financial stability. All policies are backed by the financial strength of Zurich Financial Services Group with ratings of AA-/stable from Standard & Poor's, A1/stable from Moody's and A/stable from A.M. Best. This financial strength is central to our ability to help provide security for companies pursuing business opportunities.*

Longevity. Zurich has been providing underwriting excellence for 136 years. And offering environmental insurance for over 16 years. Many of our underwriters have experience far beyond this and helped to establish the environmental insurance industry.

**Ratings as of December 15, 2008*

Zurich

One Liberty Plaza, New York, New York 10006
866 860 7292 www.zurichna.com

This is intended as a general description of certain types of insurance and services available to qualified customers through the companies of Zurich in North America. Your policy is the contract that specifically and fully describes your coverage. The description of the policy provisions gives a broad overview of coverages and does not revise or amend the policy.

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