

SOMETHING IN THE WATER

Contamination Control



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Fertilizers, pesticides, fungicides, herbicides – all of these substances play an important role in today’s farming operations. Without them, many farms wouldn’t be able to sustain production.

Although these substances are intended to help protect and nourish crops, they can also have devastatingly adverse effects. Groundwater contamination has become a major concern, and farmers across the country are being found liable in pollution claims. As a result, environmental insurance has become an important component when developing an agricultural risk management plan.

H₂ Oh No!

While a big chemical spill might seem like the obvious culprit behind groundwater contamination on a farm, there are other, less dramatic catalysts to consider. Some contamination events take years before they produce signs or evidence of pollution.

Consider the following exposures:

- Normal and routine application of pesticides and fertilizers to fields over several years can contaminate storm water runoff and shallow groundwater.
- Livestock waste can lead to elevated fecal coliforms in surface waters, which can eventually be used as a source for drinking water.
- Improperly maintained or faulty machinery can lead to groundwater contamination from lubricating oils, freon or ammonia.
- Inadequate containment / control at fuel receiving / dispensing areas can permeate groundwater.

From chemicals and machinery to livestock waste and human error, farmers are faced with a significant exposure when it comes to groundwater contamination.

Get Covered

When it comes to water pollution, standard insurance policies simply don’t provide the needed protection. This was demonstrated in the recent Wisconsin Supreme Court ruling of *Wilson Mutual Insurance Co. v. Falk* (2013), in which a Wisconsin dairy farmer allegedly contaminated his neighbors’ wells by spreading manure on his fields as a fertilizer. It was concluded that the farmer’s manure had leached into and contaminated the wells, rendering them unusable and the water undrinkable. When the trial ended,

the Court ruled that the manure was a pollutant and, therefore, fell within the pollution exclusions in the farmer’s general liability policy. Despite arguments that the manure was a common and essential part of the farmer’s business, coverage was denied.

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This case illustrates why stand-alone environmental insurance coverage is so important. General liability policies fail to provide coverage for the potential release of pollutants into groundwater during everyday farming activities, such as manure spreading or pesticide / herbicide application. Standard environmental policies cover cleanup costs (both on and off-site) related to pollution claims resulting from groundwater contamination and odors, as well as over-application of herbicides and pesticides. Coverage also includes above-ground storage tanks, property damage and bodily injury claims resulting from pollution conditions. Legal costs associated with these claims are covered under the policy as well.

Thirsty for More Information?

Protecting groundwater from pollutants is just as important as our need for farm-based foods. As environmental concerns grow, we will continue to see strong responses from the public when drinking water is compromised. Because of the pollution exclusions in general liability policies, farmers are left with a significant exposure and are urged to explore coverage options that are specifically tailored for such events. For more information on how to protect your agribusiness, contact SilverStone Group’s Environmental Risk Services Team.

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