

## Environmental Protection - Details

Environmental Protection National Container Group (NCG) has purchased a \$10 million insurance policy to protect ourselves, our customers and – most importantly – our suppliers of used, empty containers for reconditioning or recycling, from the principal environmental liability exposures which might develop from any of NCG's operations.

It is important to note that insurers offer policies providing environmental liability coverage only after they have satisfied themselves that the prospective insured facilities are operated in a sound, environmentally responsible manner. Managerial competence and institutionalized policies and procedures are two key elements of this assessment. The NCG insurer – Gulf Underwriters Insurance Company – has reviewed National Container Groups environmental liability management program and their underwriting of a \$10 million policy confirms their judgment of its effectiveness.

The policy will not have a “retroactive date”, as do many environmental liability policies. This means that coverage will be available even if pollution conditions (i.e., any release, discharge, seepage, migration, or escape of pollutants) took place at any time prior to the inception of the policy, and were unknown at that time. This is very important protection for facilities – such as most of the NCG plants, which have been in operation for many years.

NCG has also included in the policy coverage for all transportation incidental to company operations. For suppliers of used, empty containers, this means that coverage is in effect the moment a NCG trailer leaves the supplier's gate. Transportation coverage also includes shipments to NCG facilities via common or contract carriers.

NCG expects that many suppliers of used, empty containers will inquire if their company may be added to the policy as a “named insured”. We regret that, in general, this will not be possible – principally because NCG has thousands of container suppliers, and such a number is not acceptable to the insurance company. Named insured status is available, however, under the following conditions: large, multi-plant container users, who –

- will be shipping to several NCG facilities, and
- will be directing all of their used, empty containers to National Container Group.

The insurance company requests this last condition to help prevent “false alarm” claims – that is, a claim by a named insured drum supplier in situations where it turns out that the containers were on their way to, or at, a non-NCG (i.e. non-insured) facility. Even without named insured status, however, container suppliers are provided extraordinary protection by this insurance, for it guarantees that funds will be available to properly manage any environmental liabilities which could ever develop from the pick up, transport, storage, reconditioning or recycling of their used, empty containers by National Container Group facilities.

This insurance will generate substantial freedom from concern, uncertainty and fear. For container users, however, there is a small price to pay for such freedom: careful and consistent compliance with NCG container management requirements, such as the NCG drum acceptance policy. Our environmental liability insurance has been underwritten on the basis that both NCG and our container suppliers conform to the nation's most important environmental regulations, which apply to containers. These include meeting EPA's definition of an “empty” container (40 CFR §261.7), and DOT's rules on shipping used packaging tightly sealed, with legible labels in place (40 CFR §173.29). We trust that our used container suppliers will understand why National Container Group must require that they agree to meet these provisions.

Sound environmental management of used containers – by both our container suppliers and all NCG reconditioning/recycling facilities – carried out under the protective umbrella of this \$10 million pollution liability insurance policy, eliminates the substantial fear of serious financial exposure which has been associated with used container activities since 1980. We consider this one of the most important services we can provide to container users.

Company:	Gulf Underwriters Insurance Company St. Louis, MO
A.M. Best Rating:	AA-: VII
Insurance Type:	Pollution Liability Coverage Form UC-PLIP-40-OIR (3/98)
Policy Number:	SLP 400 1498
Limits of Liability:	\$10,000,000 each occurrence \$10,000,000 general aggregate
Insured Locations:	All National Container Group reconditioning plants and container processing facilities
Scope of Coverage:	
Coverage A	Third Party Pollution Liability This coverage pays those sums, which NCG is found to be legally obligated to pay as damages which result from pollution conditions at or emanating from the insured locations.
Coverage B	Onsite Cleanup Costs This coverage pays for clean up costs which result from pollution conditions at, on or within the insured locations.
Additional Coverages:	Transportation By endorsement, the policy includes loading, unloading and contingent transportation coverage.  Storage Tanks By endorsement, the policy includes both above ground (AST) and underground (UST) storage tank coverage.
Retroactive Date:	None
Effective Date & Term:	February 3, 2006 to February 2, 2009
Retention Limit:	\$1,000,000
Extended Reporting Periods:	Basic - One (1) year Supplemental - Four (4) additional years
Specific Provision in Certificates of Insurance:	Certificates of Insurance issued by the insurance company's agent to National Container Group used drum suppliers will contain the following specific provision:  Pollution and remediation legal liability coverage includes losses from the facilities caused by pollution conditions arising from the receipt, storage and processing of used "empty containers", as that term is defined in 40 CFR §261.7, subject to the terms and conditions of the policy.