

A scenic landscape photograph of a mountain range. In the foreground, there is a field of dry, golden-brown grass and low-lying green shrubs. Behind the field is a dense forest of tall, dark green evergreen trees. In the background, a large, rugged mountain range with steep, rocky slopes and some snow patches rises against a clear, light blue sky. The lighting suggests a bright, sunny day.

General Liability Risk in Mineral Exploration

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Introduction

General liability insurance in mineral exploration can appear straightforward until a serious event tests the wording. Exploration companies often operate with lean teams, depend on specialized contractors, and work in remote environments where a single incident can create outsized financial, operational, and reputational consequences. In that context, insurance should be viewed not simply as a required purchase, but as an important part of the company's broader risk management and capital protection strategy.

This document is intended as a practical review of how general liability coverage responds to the realities of mineral exploration. It provides a framework for considering the structure of coverage, the role of limits and extensions, and the importance of aligning policy wording with the way exploration programs are actually carried out. It also highlights the value of strong contractual controls, clear allocation of responsibility, and disciplined identification of exposures before they become claims.

Our approach goes beyond a narrow policy review and develops a detailed understanding of how the business actually operates so coverage can be tailored to the risk. As part of a comprehensive insurance audit, we use the policy comparison tool included in this document to benchmark your current policy against broader coverage and key market wording. This includes reviewing contracts and procedures, providing clear benchmarking insight, understanding operational relationships and project-specific variables, and drawing on current market insight and established insurer relationships to help secure broader, more responsive protection from reliable and stable markets.

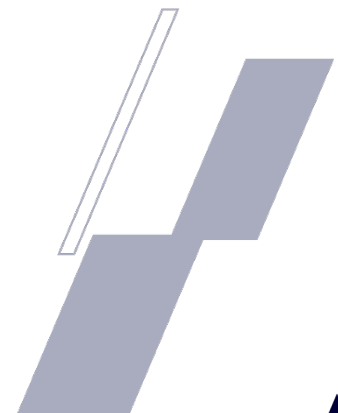
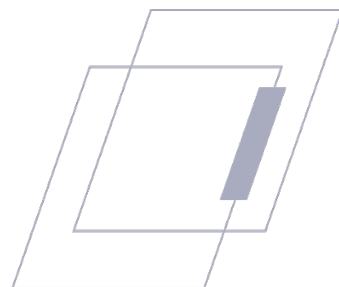


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Executive Summary: Limits and Coverage Considerations

For many mineral exploration companies, liability claim frequency is relatively low. Exploration companies often maintain lean internal operations and rely heavily on specialized contractors to perform the physically hazardous work, including drilling, aviation support, transportation, camp services, and other field activity.

That said, the severity potential of a claim should not be underestimated. A serious bodily injury event, aviation-related loss, wildfire, environmental incident, or contractor-caused occurrence can generate liabilities that are exceptionally large relative to the financial resources of a typical exploration company, the subcontracted party, and the insurance limits available to both. In a sector where many companies operate on limited budgets and have no meaningful revenue stream beyond periodic equity financing, a single large loss can place significant pressure on the balance sheet and divert capital away from exploration activity.

This issue is not fully solved by subcontracting. While much of the higher-hazard work is performed by third parties, many exploration companies do not consistently impose or verify adequate subcontractor risk transfer requirements. Common weaknesses include failure to request and confirm adequate liability limits and coverage, failure to vet relevant yet overlooked policy exclusions, failure to obtain additional insured status where appropriate, and limited understanding of the contractor's own coverage restrictions. In some cases, contractor policies may contain little or no forest fire fighting expense cover, limited or excluded pollution coverage, and other terms that materially weaken the intended transfer of risk.

As a result, the exploration company may still face vicarious liability exposure, uninsured gaps in the contractor's program, or practical recovery issues following a serious event. Two projects with similar operational profiles can therefore have very different liability outcomes depending on the quality of coverage, contractual controls, and limit structure in place.

For this reason, liability insurance should be evaluated not only by reference to the likelihood of loss, but by reference to the financial consequences of a severe event. In our view, appropriate limit selection and broader wording remain important because low-frequency losses in this sector can still be balance-sheet events. In some cases, a major loss may require new equity capital not to advance the project, but simply to repair the balance sheet.



Practical Liability Issues for Exploration Companies Operating in Canada, the USA, and Internationally

Mineral exploration companies operate in a uniquely challenging liability environment. Although the discovery of commercially viable mineral deposits is inherently uncertain, exploration companies face a broader spectrum of legal and operational risks that extend far beyond geology.

Across Canada, the United States, and international jurisdictions, exploration companies can face liability arising from bodily injury, property damage, wildfire, environmental impairment, transportation incidents, aviation operations, occupiers' liability, and claims tied to the acts or omissions of contractors and subcontractors.

These risks are often amplified by the realities of exploration work itself. Remote and undeveloped locations, limited infrastructure, seasonal access, difficult terrain, severe weather, and dependence on specialized service providers all increase the complexity of loss scenarios. Even where field programs are relatively modest in size, the liability severity can be disproportionate, particularly where a claim involves multiple parties, regulators, or third-party property damage.

The Core Liability Challenge

A recurring issue in mineral exploration is that responsibility often remains with the permittee, project owner, or proponent, even where the immediate cause of a loss rests with an independent contractor. In practical terms, this means the exploration company may still face investigation, defence costs, civil litigation, regulatory orders, or cost recovery actions despite having contracted out the underlying work.

This is especially relevant where the company is alleged to have:

- hired the contractor,
- coordinated or directed site activities,
- retained operational control,
- failed to supervise appropriately,
- failed to implement adequate site protocols, or
- contributed to the conditions that led to the loss.

From a risk management perspective, general liability exposure in mineral exploration can be viewed through two lenses: direct liability arising from the company's own acts or omissions, and liability arising from third parties, whether through vicarious liability for those acting on its behalf or contingent exposure to the acts or failures of key counterparties.

Core General Liability Risk Drivers in Mineral Exploration

Liability exposure in mineral exploration is driven by a combination of physical hazards, contractor reliance, environmental sensitivity, and jurisdictional factors. The following sections outline the principal pathways through which liability arises and the conditions that drive loss severity.

1. Project Geography and Legacy Site Hazards

Project geography can be a significant driver of liability exposure in mineral exploration. Beyond remoteness and difficult access, many projects are affected by steep or unstable terrain, avalanche exposure, rockfall, rock slide, and the presence of historic mine workings such as shafts, tunnels, adits, and other legacy disturbances. These conditions can create serious bodily injury and property damage exposure for employees, contractors, visitors, and, in some cases, members of the public.

Historic workings are particularly important because they often present severe hazards that may be partially concealed or difficult to control. Unprotected openings, deteriorated collars, unstable ground, hidden voids, and subsidence can all lead to catastrophic loss scenarios. Even where the current exploration company did not create the original condition, it may still face liability if it failed to identify, communicate, secure, or otherwise manage the hazard appropriately within the project area.

Terrain-driven hazards can also affect access roads, drill pads, camps, staging areas, and helicopter landing zones. Avalanche conditions, slope instability, rockfall, and ground movement may be influenced by weather, snow loading, erosion, freeze-thaw cycles, or disturbance associated with exploration activity. In remote environments, these risks can be further compounded by delayed rescue, limited communications, and the practical difficulty of emergency response.

Claim Scenario: A drill crew or contractor vehicle is operating near historic underground workings or below unstable slopes when ground collapse or rockfall causes serious injury and equipment damage. The resulting claim alleges that the exploration company failed to assess site hazards adequately, establish safe exclusion zones, or communicate known terrain and legacy site risks to those working on the project.

From a risk management perspective, these exposures highlight the importance of hazard identification, site mapping, access controls, contractor communication, and operating procedures tailored to the physical characteristics of the project. Project geography is not simply a background feature of an exploration property, it can be a key factor in the severity of a liability loss.

Key Consideration: The policy should not exclude losses arising out of, or resulting from subsidence, sinking, caving-in erosion, mudslide, rockfall or any other kind of earth movement.

2. Contractor Dependency and Field Operations Risk

Contractors are central to exploration execution. Drilling companies, geotechnical consultants, earthworks crews, camp operators, helicopter providers, and logistics contractors often perform the most hazardous field functions. This creates a significant exposure for the exploration company because it may still be named in claims involving worker injury, damage to adjacent property, site safety failures, or loss alleging from poor operational coordination.

Claim Scenario: A drilling contractor suffers a fatal rod-handling incident at a remote site. While the contractor's own safety practices are immediately scrutinized, the exploration company is also investigated because it is alleged to have controlled aspects of scheduling, site coordination, and operational oversight. The company incurs defence costs, management distraction, and reputational exposure well before liability is ultimately determined.

Key Consideration: Contractor dependence materially increases risk exposure where the insured lacks formal prequalification procedures, written field protocols, or documented oversight of high-hazard operations.

3. Project Wildfire Risk

Exploration programs are often carried out in forest, prairie, grassland, scrub, and other combustible terrain where fires can spread rapidly once ignited. While the exposure to wildfire ignition exists globally, the severity of resulting liability is often greatest in North America, where operators may face suppression cost recovery, timber and natural resource damage claims, property damage allegations, and third-party litigation.

Potential ignition sources include drill rigs, vehicles, exhaust, welding, cutting, generators, brush clearing, refueling, and other mechanized field activities.

Claim Scenario: An ignition occurs during field operations in severe fire conditions and spreads beyond the project area, leading to government recovery efforts and third-party claims.

Key Consideration: Risk control should be focused on terrain, operating conditions, and fire controls. These include shutdown and fire watch protocols, weather and fire danger monitoring, equipment controls, emergency response planning, and supervision of contractors and field crews.

4. Fuel Handling, Contamination and Environmental Liability

Exploration operations frequently involve the transport, storage, and handling of fuels, drilling fluids, lubricants, and other potential contaminants. Helicopter operations, drilling activity, camp operations, and site servicing can all create environmental exposure, particularly where materials are stored or transferred in remote conditions. Controls such as bermed containment, double-walled tanks, proper drum storage, spill response planning, and careful pollutant management are therefore important. Historical contamination from prior operations may also require careful handling. Where contamination affects soil, watercourses, groundwater, or sensitive habitat, environmental liability can be significant, and regulators will often look first to the permittee to respond.

Claim Scenario: A subcontractor damages a fuel tank during mobilization and diesel migrates into a creek. Cleanup orders and remediation obligations are directed to the exploration company. Local landowners or affected stakeholders allege nuisance, property damage, and environmental loss. Insurance response may be constrained where pollution exclusions apply under the general liability policy.

Key Consideration: Broad time element coverage, including sufficient latitude for delayed loss discovery and claim reporting, together with coverage for first-party cleanup costs, is an important consideration. Standard liability policies commonly contain absolute pollution exclusions or only limited “sudden and accidental” pollution coverage, which is generally insufficient where pollution exposure is meaningful. Coverage may also be further restricted by the care, custody or control exclusion where the exploration site, work area, or affected property is considered to be under the insured’s operational direction or control. For these reasons, dedicated environmental liability insurance should be considered, particularly where field conditions, site geography, fuel handling, drilling activity, waste management, or other operational factors increase the potential for contamination events.

5. Aviation and Helicopter Operations Liability

Aviation operations materially change the project's liability profile, introducing higher-severity and more complex risk. Helicopter-supported exploration concentrates multiple liability exposures into a single event, including severe bodily injury or fatalities, cargo loss, challenging recovery environments, and complex multi-party litigation involving the operator, pilot, contractors, and the exploration company.

Claim Scenario: A charter helicopter carrying crew and equipment crashes while servicing a remote exploration site. The aviation operator's insurance responds initially, but claims are also advanced against the exploration company for negligent selection of the operator, poor logistics planning, or creating operational pressure to continue flying in marginal weather.

Key Consideration: Aviation-related claims are high-severity and legally complex. Even where the operator carries its own insurance, the exploration company may still require robust liability limits and careful contractual review.

6. Transportation, Access Roads, and Mobile Equipment Exposure

Exploration often depends on forest service roads, contractor trucking, temporary access routes, and off-road equipment movement. Liability can arise not only from vehicle operation, but from broader allegations tied to unsafe road conditions, weak traffic controls, poor coordination, or unrealistic scheduling.

Claim Scenario: A contractor vehicle collides with a member of the public on an access road leading to the project. The claim expands beyond auto negligence and includes allegations that the exploration company failed to manage road use safely and did not maintain adequate controls for shared access.

Key Consideration: Auto liability may rest with the vehicle operator, but the exploration company can still face significant non-owned and operational liability exposure where roads or access systems are tied to the program.

7. Occupiers' Liability and Site Control Exposure

Liability exposure at exploration sites arises not only from field operations, but also from site occupation, organization, and the interface with workers, contractors, the public, and other third parties. Hazards may include old workings, unstable slopes, excavation areas, temporary structures, unmarked operational zones, camp fire risk, food service issues, sanitation failures, and deficiencies in emergency response or site coordination. Where injury, illness, or property damage occurs, the exploration company may face allegations that it failed to inspect, warn, secure, supervise, or otherwise manage a foreseeable hazard.

Claim Scenario: A third party or site worker is injured, or multiple camp users are affected by a fire, and the exploration company is named for allegedly failing to maintain appropriate site controls, warnings, contractor standards, or emergency systems.

Key Consideration: Public access, historic site conditions, and camp operations should be assessed as integral components of the project's overall liability profile, even where services are subcontracted or the company did not create the original hazard.

8. Jurisdictional, Political, and Overseas Liability Risk

Exploration projects outside North America can present additional exposures arising from political conditions, civil unrest, community opposition, security concerns, workforce arrangements, and differences in local operating standards. In some jurisdictions, foreign mining companies may face heightened tension with local communities, including opposition linked to land use, permitting, environmental concerns, or the displacement of local workers. These conditions can increase the risk of project disruption, third-party claims, and damage to property, equipment, or reputation.

Expatriate and travelling employees may also face materially different legal and practical protections than they would enjoy in Canada or the United States. Domestic workers' compensation arrangements may not respond adequately to overseas injuries, and local coverage may be limited, inconsistent, or difficult to access. For that reason, global employers' liability and foreign voluntary workers' compensation should be considered, together with appropriate medical, evacuation, and security-response cover where warranted.

In addition, operating practices in some overseas jurisdictions may not reflect the same level of regulatory oversight, contractor discipline, training, or site controls commonly expected in North America. This can increase both loss frequency and severity unless the project sponsor imposes strong internal standards for contractor selection, supervision, safety management, emergency response, and community engagement.

Key Consideration: Overseas projects should be assessed not only by reference to the physical work being performed, but also by local political conditions, workforce protection, medical and evacuation capability, contractor controls, and community relations.

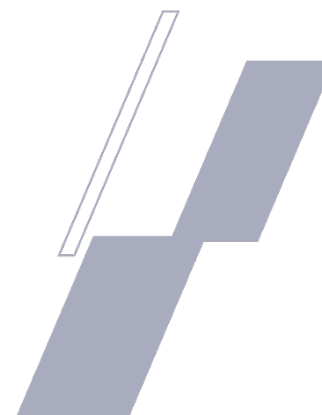
Vicarious Liability and Non-Delegable Exposure

A particularly important issue for mineral exploration companies is the gap between contractual risk transfer and actual legal exposure. Many companies assume that well-drafted contractor agreements, indemnities, hold harmless clauses, and insurance requirements are sufficient to transfer liability from the principal. In practice, this is often only partially true.

Subcontracted operations can expose the exploration company to significant loss regardless of contractual language. This is because:

- the company may still be named directly in claims,
- regulators may proceed first against the permittee,
- courts may look at practical control rather than contract labels,
- some duties are effectively non-delegable,
- contractor insurance may be inadequate, limits eroded by defence costs, or coverage subject to exclusions, and
- indemnities are only as valuable as the contractor's solvency and ability to honour them.

Where the exploration company is alleged to have directed the work, retained operational influence, failed to supervise appropriately, chosen an unsuitable contractor, or contributed to unsafe conditions, liability may still attach. For this reason, contractor management and liability Insurance program design should be treated as core strategic issues, not administrative formalities.



Practical Risk Management Priorities

From an insurance underwriting perspective, the strongest liability profiles tend to share several characteristics:

- formal contractor prequalification procedures,
- clear allocation of roles and responsibilities,
- written site and safety protocols,
- documented wildfire controls,
- environmental response planning,
- strong incident reporting practices,
- Strict adherence to contractor COI compliance
- careful review of contractor insurance wording and limits, and
- liability limits that reflect catastrophe potential rather than minimum contractual requirements.

The objective is not simply to transfer risk on paper, but to reduce the probability that the exploration company becomes the primary bearer of loss when a contractor-caused event turns into a multi-party claim.

Closing Perspective

General liability risk in mineral exploration is often underestimated because early-stage projects are viewed as temporary and contractor-driven. In reality, exploration companies face substantial liability exposure well before a mine is built. Wildfire, pollution, aviation, public injury, drilling incidents, and transportation losses can all create serious claims environments, particularly where contractual risk transfer mechanisms fail to perform as intended.

A properly structured insurance program, supported by disciplined contractor oversight and strong operational and contractual controls, is therefore an essential part of the exploration company's broader risk strategy.

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