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AIG Drops Pollution Legal Liability Coverage for Environmental Conditions

On January 26, AIG announced a number of strategic actions. While there are other carriers who underwrite Pollution Legal Liability (PLL) coverage, in the context of its restructuring initiative, AIG has decided that it will no longer be offering PLL policies.

PLL policies are looked to in a number of settings where there are concerns about environmental liabilities, particularly when parties to a transaction negotiate the allocation of risk associated with environmental conditions at a property. PLL coverage generally does not apply to known pollution conditions. Subject to the terms and conditions of the PLL policy, coverage is available to address pre-existing conditions that are not known at the time of the transaction, and environmental conditions that arise subsequent to the transaction. Coverage can extend to third-party bodily injury and property damage claims and also business interruption claims as well as pollution claims associated with the insured's disposal activities at non-owned locations. Also, lenders often require PLL coverage where potential environmental liabilities are a concern. Over the years, PLL policies have been an important tool in the risk management toolbox when dealing successfully with environmentally challenged properties.

AIG has reportedly begun to notify its policyholders of its decision. The insurer is advising existing PLL policyholders that coverage will continue under their current policies, but these policies will not be renewed.

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