



Contractors Pollution Liability (CPL)

Protecting Against Contractor's Pollution Risks

Overlooking Coverage Gaps — The Definition of Risky Business

Here's a phrase you never want to hear: "I'm sorry, but that isn't covered under your General Liability policy." When it comes to environmental liabilities or pollution incidents, this is a lot more common than you may think.

Contractors, whether their discipline is home building, remediation, paving or even mechanical, can face daunting liability from environmental claims due to the nature of their work. Story after story has shown that those contractors who rely solely on their GL policies to protect them from these liabilities may end up with losses that cripple their businesses.

Contractors Pollution Liability (CPL) insurance provided through AIG insurers is the way to manage environmental liabilities left uncovered by standard GL insurance with restrictive pollution exclusions.

Insurance provided through an AIG insurer is specifically tailored to the needs and exposures faced by contractors and offers a business-critical solution to help minimize loss when pollution conditions result from covered operations at a job site. The environmental insurance coverage offered through AIG insurers has been adapted over the past thirty-four years to meet changing market demands. We continue to look to the future of environmental risks faced by contractors with aggressive market research and product development to ensure the most effective and specialized products are available to meet their needs.

What Types of Contractors Need CPL?

Construction

- Managers
- Demolition and general
- Home builders / developers
- Marine
- Street and road

Environmental

- Abatement
- Environmental remediation
- Site restoration
- Cleanup
- Emergency spill response

Operations and Maintenance

- Airport fueling
- Maintenance
- Plant operations
- Waste water
- Sewer and utility

Trade

- Aboveground and underground storage tanks
- Electrical
- HVAC
- Industrial
- Mechanical
- Pipeline

Focus on the Job, Not the Risk

We know that you didn't get into business to spend time worrying whether or not you're covered for pollution risk. CPL was designed to address the specific pollution risks of contractors so you can focus on the day-to-day business operations. CPL provides insurance solutions for environmental liabilities resulting from:

- Construction and remediation operations, whether performed by the contractor or subcontractors
- Claims alleging improper supervision of subcontractors

Contractors Pollution Liability coverage is available on either a claims-made basis or on an occurrence basis as Contractors Pollution Occurrence (CPO).

All Contractor's Pollution Insurance is Not Equal

For over three decades, we have listened to our clients and the market to continually improve all of our insurance products, including CPL. With the latest revision of CPL, we've enhanced the coverage, highlighted by:

- Coverage for emergency response costs for cleanup of pollution conditions that necessitate immediate action
- Transportation Coverage
- Motor vehicles and watercraft used for covered operations now have automatic over-the-road pollution coverage
- Non-owned disposal site exclusion is now limited solely to transfer, storage or disposal facilities
- Products installed as part of covered operations not excluded
- If a loss is successfully mediated, the deductible paid by the insured is reduced by 50% with a limit up to \$25,000

The Industry Leader — For Good Reason

AIG insurers are keenly aware of the unique risk management needs of the contracting industry. In fact, we offered the first pollution policy on an occurrence basis for contractors in the industry. It is this depth of experience in insuring contractors against pollution claims that sets us apart from anyone else in the industry. In the event the unthinkable happens, having AIG insurers in your corner can make the difference.

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Additional Key Coverage

- Subrogation waiver automatic where required in a written contract
- Completed operations now included in the definition of covered operations
- Joint ventures no longer excluded, now defined as Insured for Named Insured's Operations
- Loss now defined to include punitive damages where allowable by law
- Restoration costs now added as part of cleanup costs definition

Practical Examples: The Financial Benefits of Having AIG Insurers at Your Side

– School Addition Plagued By Mold

Three months after renovations were completed at an elementary school, a teacher became ill allegedly from odors entering her classroom. Further investigation by the school led them to file a claim against the general contractor alleging that the subcontractors created a dangerous environment by failing to prevent water intrusion, install proper equipment to prohibit high humidity levels, prevent high levels of carbon dioxide, provide proper air circulation and prohibit the growth of mold. The teacher was diagnosed with occupational asthma and sought to recover costs associated with bodily injury, lost wages, as well as pre- and post-judgment interest.

Result

The general contractor was insured through an AIG insurer with a CPO policy providing mold coverage via endorsement. Although the work in question was performed by subcontractors, the general contractor was liable for the work. Under the CPO policy, the contractor was covered for work performed by subcontractors. The initial claim was mediated from several hundreds of thousands of dollars down to just over \$100,000.

– Soil Erosion Eats Away At Job Profits

During the development and construction of a residential community, excessive soil erosion and site run-off from the work site contaminated a local creek. Several local groups filed suit against the general contractor and development owner alleging the defendants violated the Clean Water Act and state water statutes. In addition, it was alleged that the defendant's method to control soil erosion contaminated the site with phosphates and caused excessive algae to grow. The development owner then sued the general contractor for breach of contract.

Result

Site run-off is one of the leading causes of water contamination during construction. Fortunately for this general contractor, it was the policyholder of a CPO policy issued through an AIG insurer with an endorsement including silt and sedimentation in the definition of pollution conditions. The run-off and subsequent contamination that was caused by the operations were covered under the policy. The claim was settled for less than \$100,000 and with a full release of liability for the general contractor.

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– Legal Defense Provided for Subcontractor and its General Contractor

A firm was contracted to perform the re-lining of a culvert pipe as part of a city-wide construction project. During the performance of the work, a local homeowner alleged that inhalation of the fumes from the project caused her to suffer tinnitus (ringing of the ears), dizziness, and other neurological problems. The fumes apparently entered her home because there was no p-trap on the washer line. She filed suit against the subcontractor and contractor involved with the job.

Result

Pursuant to the policy's terms, a legal defense team was provided separately to both the subcontractor and the contractor involved. After closing arguments, the jury was asked to initially determine whether any of the defendants were liable to the plaintiff under any legal theory advanced in her complaint. The jury deliberated for less than an hour and answered "No" to this question. All defendants were found not liable.

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Claims scenarios are presented for illustrations only and are not intended to be relied upon by insureds.

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