



## PRODUCT PROFILE

# LENDER LIABILITY POLLUTION PROGRAM

### COVERAGE APPLICATION

Lender Liability Pollution (LLP) is intended to provide collateral value protection from loan defaults resulting from pollution events or conditions. LLP provides pollution coverage for the unique exposures associated with financial institutions, commercial banks and lenders, investors or mortgage bankers.

### POLICY FORM

LLP indemnifies the lender for financial loss arising from the default of a loan on a covered location caused by a pollution condition or event. It can be structured to pay either the outstanding loan balance or the cost to remediate the contamination. In addition, LLP provides coverage for third-party bodily injury, property damage and clean up costs resulting from pollution events or conditions at, on or under the covered location.

### PROGRAM OVERVIEW

- LLP is a risk management mechanism for environmental losses / claims that would otherwise be paid by the lending organization.
- LLP is offered on both an individual location or portfolio basis.
- Foreclosure is not required prior to making a claim.
- Coverage is customized based on the specific mortgage agreement and each loan is covered for the term to maturity.
- Coverage may be provided with a waiver of subrogation against borrower in possession.
- Assignment of interest may be freely assigned to successor lien holder.
- LLP can be structured with mediation deductible credits of up to \$25,000.
- Natural Resource Damage coverage is included.
- LLP can be modified to include governmental voluntary cleanup programs.

- An automatic 60-day extended reporting period (ERP) is provided, with an optional ERP of up to three years.
- Reduces uncertainty associated with extending loans to environmentally-related organizations.
- Programs involving multiple premises can be tailored to address the diverse needs of each property.

### POLICY TERM

LLP policies can be structured up to 10 years. Longer terms may be negotiated on an individual basis.

### MARKET OVERVIEW

Today there are approximately 4 domestic carriers offering LLP coverage. The volume of LLP programs represent less than 5% of the environmental insurance marketplace. The LLP is manuscripted by each individual carrier – meaning different forms and modifying endorsements. Furthermore, each carrier has different interpretations of coverage and underwriting philosophies, so it is prudent to always endorse negotiated terms rather than merely documenting underwriting intent.

### LIMITS OF LIABILITY

\$50,000,000 per loss / \$50,000,000 aggregate limit of liability.

### RETENTIONS

\$25,000 minimum. Higher retentions are negotiated based on the financial strength of the Insured.

### PREMIUMS

- Typical premiums begin around \$20,000 for a \$1,000,000 per loss / \$1,000,000 aggregate limit of liability.

## CONTACT

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