

# 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 is designed to provide coverage for the unique pollution exposures facing financial institutions, commercial banks and lenders, investors or mortgage bankers.

## POLICY FORM:

LLP will indemnify the lender for financial loss arising from the default of a loan on a covered locations caused by a pollution condition or event. It is typically structured to pay the lesser of the outstanding loan balance or the cost to remediate the contamination. In addition, LLP provides coverage for third-party bodily injury, property damage and cleanup costs resulting from pollution events or conditions at, on or under the covered location.

## PROGRAM HIGHLIGHTS:

- External financing 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 the 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 underlying 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.
- Premiums for LLP are typically 65%-75% of Pollution Legal Liability (PLL) premiums.

## INFORMATION NEEDED FOR INDICATION:

- PLL Application

The above profile is only a brief overview of the product referenced. The information contained above has been provided by New Day Underwriting Managers LLC for general discussion purposes about the referenced insurance coverage. The information is not offered for the purpose of providing exact coverage terms or conditions. The policy should be reviewed to understand all the terms and conditions.



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