

2024 Environmental Insurance

Market Outlook

Also known as pollution coverage, environmental insurance is designed to help provide financial protection for businesses that are held liable for losses stemming from the unexpected release of pollutants during their operations. The environmental insurance market has produced generally favorable conditions in recent years, evidenced by new market entrants, expanding risk appetites among underwriters, continued growth in business written and flat to modest premium increases for most policyholders. According to industry data, the segment has recorded a 25% annual rise in policies written over the last few years, with the majority of insureds—namely, those purchasing primary layers of coverage—experiencing rate increases below 5%.

Yet, industry experts confirmed that market conditions have become more challenging for policyholders operating in high-risk industries (e.g., energy, manufacturing and transportation) or seeking excess layers of coverage. As such, some of these insureds have faced coverage limitations and double-digit premium jumps. What's more, several factors could impact companies' environmental exposures moving forward, including increased concerns regarding perfluoroalkyl and polyfluoroalkyl substances (PFAS), rising issues surrounding microplastics and worsening weather trends. Heading into 2024, current market conditions will likely persist, while insureds in certain sectors or with poor loss control measures could encounter further rate hikes and coverage restrictions.

Developments and Trends to Watch

- **PFAS exposures**—PFAS refer to a large grouping of chemicals manufactured and distributed in the United States since the 1940s. Over the last few years, PFAS have been the subject of increased regulatory scrutiny stemming from emerging developments regarding the health and safety of these substances and their environmental impacts. In addition to the federal government implementing multiple efforts to limit PFAS exposures, 15 states currently have standards restricting PFAS contamination within soil and groundwater, while New York and New Jersey have already listed PFAS as hazardous substances in their regulatory regimes. This legislation has contributed to a rise in litigation and liability concerns for businesses found responsible for causing PFAS contamination amid their operations. As scrutiny of these chemicals persists, businesses that leverage PFAS may experience elevated environmental exposures and losses.
- **Microplastic-related risks**—Microplastics are small pieces of plastic that measure less than 5 millimeters (0.2 inches) long. They originate from larger pieces of plastic that have degraded and the commercial production of items such as synthetic textiles, tires and personal care products. Microplastics have become increasingly prevalent in the environment, contaminating various water sources, the soil and the air. These pollutants may contain toxic chemical additives that can pose serious health concerns for animals and humans. As a result, companies that contribute to microplastic pollution could face large-scale lawsuits from affected parties and associated losses. With this in mind, businesses that manufacture, distribute, dispose of or use microplastics should be aware of the liabilities they may face.
- **Severe weather concerns**—Recent years have seen extreme weather events surge in frequency and severity. These events can leave behind substantial losses for impacted companies, including pollution concerns and related environmental exposures. In particular, businesses that store potentially toxic substances on-site could unintentionally contaminate the air and local water sources if their commercial properties are destroyed or otherwise affected by heavy wind and rain during hurricanes. Further, the substances companies utilize to minimize the damage posed by adverse weather could contain contaminants that produce harmful runoff (e.g., salt to melt snow or ice and extinguishing agents to mitigate wildfires). In these instances, businesses could be held responsible for pollution-related losses and face associated lawsuits and insurance claims.

Tips for Insurance Buyers

- Consult a trusted insurance professional to understand your environmental exposures and coverage needs.
- Establish company policies and procedures that ensure proper storage and handling of toxic materials, promote eco-friendly operations on-site and reduce pollution concerns.
- Work with legal counsel to maintain compliance with applicable federal and state environmental legislation.



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