Pollution Risk Is a Construction Risk: Why Contractors Need Pollution Insurance

Pollution risk is not limited to environmental contractors. It affects nearly every Canadian construction business, regardless of trade, project size, or scope of work. Yet many contractors continue to rely on Commercial General Liability (CGL) policies or limited pollution extensions that were never designed to cover environmental losses.

This disconnect leaves many contractors exposed to significant uninsured risks.

Pollution losses often arise from routine construction activities, including fueling equipment, handling materials, excavation, demolition, and stormwater management. Fuel, oil, hydraulic fluids, paints, solvents, concrete washout, sediment runoff, asbestos, silica dust, lead, and mould can all create pollution-related liabilities. These exposures do not require negligence or specialized environmental work. They are embedded in normal construction operations.

As a result, pollution risk should be viewed as operational risk.

WHY CGL COVERAGE FALLS SHORT

While CGL insurance remains a core component of construction risk management, most policies contain broad pollution exclusions. These exclusions often remove coverage for remediation expenses, regulatory cleanup orders, gradual pollution events, and many completed operations claims.

Some insurers offer limited pollution extensions, but these are not a substitute for dedicated environmental coverage. They are typically narrow in scope and subject to strict conditions. Contractors often discover their limitations only after a claim occurs.

One of the most significant limitations is the common 120-hour discovery and reporting requirement. Under many extensions, a pollution event must be discovered and reported within that timeframe for coverage to apply. Because contamination is often not identified until weeks, months, or even years later, many claims fail to meet these conditions.

WHAT CONTRACTORS POLLUTION LIABILITY INSURANCE PROVIDES

Contractors Pollution Liability (CPL) insurance is designed specifically to address environmental exposures arising from construction operations.

Coverage typically includes:

- Third-party bodily injury and property damage caused by pollution conditions.
- Environmental cleanup and remediation costs, including regulator-directed work.
- Emergency response expenses.
- Legal defence costs.

- Completed operations coverage for pollution discovered after project completion.
- Sudden and gradual pollution events.
- Transportation-related pollution exposures.

Many policies may also cover legally insurable civil fines, penalties, or assessments arising from a covered pollution condition.

Unlike limited CGL extensions, CPL policies are built around the realities of environmental claims, which often emerge long after the original incident occurs.

CONTRACTS ARE INCREASING ENVIRONMENTAL LIABILITY

Construction contracts increasingly transfer environmental responsibilities to contractors, often regardless of fault. Contractors may be required to comply with environmental regulations, indemnify project owners, and assume liabilities that extend beyond the protection offered by a standard CGL policy.

Without CPL insurance, contractors can unknowingly retain substantial uninsured liabilities, creating financial exposure that may exceed their risk tolerance.

A PRACTICAL BOTTOM LINE

Pollution risk is part of everyday construction activity. Traditional CGL policies generally exclude the environmental losses that matter most, while limited pollution extensions often contain restrictive reporting requirements that can undermine otherwise valid claims.

Contractors Pollution Liability insurance helps close this coverage gap by addressing environmental risks that arise from normal operations, supporting contractual compliance, and protecting financial stability.

In today's construction environment, where regulation and environmental accountability continue to expand, pollution insurance has become an essential component of modern risk management for Canadian contractors.

If you have questions specific to your business, or would like additional information, please reach out to your Navacord Insurance Services Alberta Inc. Advisor.

LET US HELP YOU MANAGE YOUR RISK

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