Two Coasts, Two Wins For Policyholders In Environmental Coverage Disputes

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Two recent court decisions on opposite coasts have delivered significant victories for policyholders seeking environmental insurance coverage, establishing important precedents for coverage disputes...

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Two recent federal appellate decisions – one from the Second Circuit, one from the Ninth – will be useful tools for policyholders pursuing coverage for environmental liabilities under both legacy and current liability programs.

The first is Town of Harrietstown v. Westchester Fire Insurance Co., No. 25-2253-cv (2d Cir. May 4, 2026) (applying New York law). The Town owns the Adirondack Regional Airport and received a Potentially Responsible Party (PRP) letter from the New York State Department of Environmental Conservation regarding PFAS contamination linked to firefighting foam. The insurers took up the defense under a reservation of rights, but later withdrew and argued that the policies' "Combined Claims" provision allowed them to slice the single PRP demand into separate claims based on whether the contamination came from training uses (excluded) or emergency response (potentially within the pollution exclusion's crash/fire/explosion exception). The Second Circuit rejected that reading, affirming that "[a] single claim cannot be a 'combined claim'; the provision unambiguously refers to a situation where a claim that would be excluded by the Pollution Exclusion is brought with another claim that would be covered by the Policies." Because the letter constituted a single claim (i.e., "a single entitlement to relief or assertion of right") and the insurers acknowledged that some portion of the contamination might have come from foam used responding to crashes, that was enough to trigger the duty to defend.

The second is County of San Bernardino v. Insurance Co. of the State of Pennsylvania, No. 24-6986 (9th Cir. Apr. 23, 2026) (applying California law). The County sought coverage under three umbrella policies

issued from 1966 to 1975 for groundwater contamination at the Chino Airport. The fight was over whether the policies' $9 million annual aggregate limit applied to property damage at all. The aggregate provision applied only "where applicable," and the Limit of Liability section stated that it applied "separately in respect of Products Liability and in respect of Personal Injury by occupational disease…" While the insurer read those provisions to impose a general aggregate cap, the County read them to mean an aggregate applied only to the two categories specifically named. The Ninth Circuit held the language was "genuinely ambiguous." In so doing, the court walked through the drafting history of 1960s CGL forms (which often had no aggregate limit for non-products claims) and pointed to the insurer's own internal claim documents stating that "no aggregate limit applies to premises liability losses." Resolving the ambiguity in the insured's favor, the court held the policies "do not specify an aggregate limit for property damage."

Airports, municipalities and other organizations facing PFAS, groundwater, or other environmental exposures should not accept insurers' narrow readings of policy provisions to limit their coverage obligations. These decisions confirm that courts will hold insurers to the policies they sold, with any ambiguities resolved in favor of coverage.

The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.