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Is PFAS The Next Asbestos?

Insurance broker outlines steps operators can take to prepare for legal actions

By Michael Rayo

Per- and polyfluoroalkyl substances (PFAS), commonly referred to as “forever chemicals,” have rapidly evolved from a niche environmental concern into one of the most significant emerging risks in the insurance marketplace.

Insurers Opting Out

In recent years, carriers have responded aggressively by introducing broad, standardized exclusions that now leave many businesses exposed in ways they may not fully understand. For brokers, risk managers and business owners alike, PFAS is no longer a theoretical issue. It is an active underwriting concern and increasing as a major gap in

coverage. Laundry operators must understand how PFAS impacts liability and pollution policies, and how it intersects with real-world operations such as chemical handling, wastewater discharge and material processing. This is especially true in industries like the commercial laundry sector, where exposure is often indirect, misunderstood and embedded in everyday operations.

The insurance industry has moved quickly to limit its exposure to PFAS-related claims. A key turning point emerged in June 2023 when the Insurance Services Office introduced standardized PFAS-exclusion endorsements across multiple lines of coverage, including Commercial General Liability, umbrella and

excess liability, and Business Owners Policies. These endorsements have become standard across most carriers, with many using ISO forms or developing their own proprietary exclusion forms. As a result, PFAS exclusions are now nearly universal across liability policies. Practically speaking, this means that what many insureds believe to be broad liability coverage no longer applies to one of the fastest-growing environmental exposures in the marketplace.

There is little room for interpretation because these exclusions are meant to be broad. They remove coverage for bodily injury arising from PFAS exposure, property damage caused by contamination, and claims tied to the design, manufacture, distribution or use of PFAS-containing products. They also eliminate coverage for environmental testing, monitoring and clean-up costs, even when negligence is alleged. Unlike traditional pollution exclusions, which have historically been debated in courts and sometimes interpreted narrowly, PFAS exclusions are written specifically to eliminate ambiguity. Even when a business is not intentionally using PFAS or where exposure is incidental, coverage is typically denied. This represents a fundamental shift in how environmental risk is treated under standard liability policies.

Limited Protection Options

While PFAS exposure is often associated with heavy industry, chemical manufacturing or firefighting foam, the commercial laundry industry presents a unique and often overlooked exposure profile. Commercial laundries routinely process textiles treated with PFAS-based coatings, including stain-resistant uniforms, water-resistant garments, industrial fabrics and hospitality and healthcare linens. During standard washing and finishing processes, PFAS compounds can leach into

wastewater systems, accumulate in filtration systems or sludge, and ultimately enter municipal water-treatment systems. Over time, this can create environmental concerns. This exposure is neither isolated nor hypothetical. It is inherent to the day-to-day operations of many laundry facilities.

One of the most critical and often underestimated risk scenarios involves chemical handling and accidental discharge in these operations. Commercial laundries rely heavily on detergents, degreasers and specialty fabric treatments to deliver consistent results. If any of these products contain PFAS or interact with PFAS-treated materials, an accidental spill or discharge can quickly escalate into a significant environmental event. Contaminants may infiltrate soil, migrate into groundwater, or exceed allowable discharge levels in municipal wastewater systems. These events can trigger regulatory enforcement actions, require costly remediation and expose the business to third-party claims. Under current insurance structures, these scenarios pose a serious problem. As we know from the aforementioned insurance exclusions for PFAS, any resulting cleanup or legal costs are likely to fall directly on the insured.

Many brokers and insureds look to pollution or environmental liability policies as a solution, but these policies often have limitations. Pollution Legal Liability and Environmental Impairment Liability policies may provide some level of protection, but they frequently include PFAS-specific exclusions, sublimits or site-specific restrictions. Coverage is often tied to scheduled locations, and known-condition exclusions may apply to pre-existing contamination. Additionally, these policies typically require detailed underwriting information about chemical use, wastewater handling and site history. For many commercial laundry operators, this

level of documentation is difficult to provide. That scenario can further limit access to meaningful coverage. Consequently, even businesses that attempt to address exposure through specialized policies could face significant gaps. That's why it's important that the broker understands the exposure and can bridge the gap between the insured and the underwriter.

Regulatory Enforcement Scenarios

At the same time, the regulatory environment surrounding PFAS continues to evolve rapidly, increasing both the likelihood and severity of claims. Federal agencies have established extremely low thresholds for certain PFAS compounds in drinking water, significantly increasing the likelihood that even minimal



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Environmental Liability

contamination could trigger regulatory action or distress. Regulators are also designating PFAS substances as hazardous under federal law, expanding the scope of potential liability. At the state level, regulators are developing new restrictions and reporting requirements at an accelerated pace. The combination of stricter regulations and limited insurance coverage has created a challenging environment for businesses that may not fully understand their exposure.

The financial consequences of this coverage gap could be substantial. Businesses could face significant legal costs associated with defending claims related to PFAS exposure, even if those claims ultimately lack merit. Environmental cleanup and remediation costs can quickly escalate, particularly when groundwater contamination is involved. In addition, regulatory actions can lead to operational disruptions, fines and reputational damage that can undermine long-term business relationships. PFAS-related claims also often involve latent exposure. That means that liability could arise years after the initial event. This possibility further complicates risk management and financial planning. Without proper awareness and proactive measures, many of these costs are uninsured. The insurance industry believes PFAS could ultimately become the next asbestos.

In this environment, the role of the broker becomes more important than ever. A transactional approach focused solely on obtaining

coverage is no longer sufficient. Brokers must take a more consultative role, developing a deeper understanding of their clients' operations and identifying exposures that aren't immediately visible. This includes evaluating how PFAS may enter a client's processes, whether through chemicals, materials or wastewater systems, and understanding how those exposures translate into potential claims. It also requires asking more detailed underwriting questions, carefully reviewing policy language, and clearly communicating coverage limitations to clients. The value of a broker is no longer defined solely by access to markets, but by the ability to anticipate and manage emerging risks.


Steps Operators Can Take

Commercial laundry operators can take several steps to reduce their exposure. Evaluating chemical inputs and working with suppliers to determine the potential presence of PFAS compounds is an important starting point. Where feasible, transitioning to PFAS-free alternatives can help reduce long-term liability. Reviewing existing insurance policies to identify exclusions and gaps is critical, as is exploring specialized coverage options where available. Operational improvements, such as enhanced spill-containment systems and wastewater controls, can also mitigate risk. Employee training on proper chemical handling and environmental awareness can further reduce the likelihood of incidents. Finally, staying informed

on regulatory developments allows businesses to adapt proactively rather than reactively.

Looking ahead, PFAS-related litigation and regulatory enforcement are expected to increase significantly. As claims develop, disputes over insurance coverage are likely to follow, particularly regarding older policies issued before the introduction of PFAS-specific exclusions. While some policyholders may attempt to access coverage through legacy policies or legal challenges, relying on litigation isn't a sustainable strategy. The insurance market is unlikely to expand coverage for PFAS exposures in the near term. Instead, businesses should expect continued tightening of underwriting standards and scrutiny from carriers.

PFAS represents a fundamental shift in environmental risk, one that's already reshaping both the regulatory landscape and the insurance marketplace. For the commercial laundry industry, the exposure is real, operational and often underestimated. With exclusions now embedded across most liability policies, many businesses are operating with significant uninsured risk. In this environment, understanding your exposure risks and working with a knowledgeable broker is essential. The ability to identify, explain and manage PFAS risk is no longer a differentiator. It is a necessity. **TS**

 **MICHAEL RAYO** is risk management specialist for Haylor, Freyer & Coon, an Alera Group Company. Contact him at 315.956.4104 or mrayo@haylor.com.

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