



## **American International Specialty Lines Insurance Company Settlement Agreement Fact Sheet**

### **Overview**

On January 3, 2008, the United States Environmental Protection Agency (EPA) and the United States Department of Justice announced a settlement with the American International Specialty Lines Insurance Company (AISLIC) that obtained funds for the environmental cleanup of several industrial sites. The settlement resolves liability under an insurance policy issued by AISLIC that insured against environmental liabilities at several industrial facilities.

The policy had been issued by AISLIC to Fruit of the Loom, which declared bankruptcy in 1999. The policy, as well as the responsibilities for facilities formerly owned by Fruit of the Loom were taken over by two trusts, established when the bankruptcy settled in 2002. The trusts assumed responsibility for cleaning up the seven facilities and agreed to pursue Fruit of the Loom's environmental insurance claims, including those under the AISLIC policy, on behalf of the United States and the states of Illinois, Michigan, New Jersey, and Tennessee. Under this settlement, \$42,500,000 in additional funds will now be available for environmental investigation and clean-up at the seven facilities.

### **Background**

The seven facilities were originally owned by Velsicol Chemical Corporation (Velsicol). In 1986, Fruit of the Loom and related company NWI Land Management Corp. (NWI) bought out Velsicol. NWI took title of the seven facilities which had been contaminated while owned by Velsicol. As part of the buyout, Fruit of the Loom and NWI agreed to indemnify Velsicol for environmental liabilities in connection with these facilities.

On December 29, 1999, Fruit of the Loom and NWI filed bankruptcy petitions and immediately stopped indemnifying Velsicol. Velsicol remained independently liable under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA, commonly known as Superfund) for contamination at the seven facilities, and the United States and Velsicol asserted environmental claims against Fruit of the Loom and NWI in the bankruptcy. The environmental bankruptcy settlement in the *Fruit of the Loom Bankruptcy* provided for the creation of custodial trusts responsible for the seven facilities. The trusts would undertake site investigation and clean-up activities under CERCLA at the seven facilities and assert environmental claims against the AISLIC policy on behalf of the United States and the states.

## **Intervention in the *AISLIC v. NWI-I Insurance* Litigation**

In November 2005, AISLIC brought a lawsuit, *AISLIC v. NWI-I*, against the Fruit of the Loom entities and the custodial trusts asking the court to rule that the environmental claims were not covered under the policy. In 2006, the United States successfully moved to intervene in this private party insurance dispute. For more than a year, the parties engaged in discovery and negotiations before reaching settlement.

## **Settlement**

The agreement is a \$42,500,000 settlement between AISLIC, the successor trusts (established pursuant to the Fruit of the Loom bankruptcy), the United States, several states and several non-governmental intervenors. The settlement agreement resolves liability under an insurance policy issued by AISLIC that insured against environmental liabilities for the covered sites. The parties to the settlement are as follows:

- AISLIC (a member company of the American International Group, Inc. (AIG));
- NWI-I, Inc. (formerly known as Fruit of the Loom, Inc.);
- LePetomane II, Inc. (as Trustee of the Fruit of the Loom Successor Liquidation Trust (one of the custodial trusts));
- LePetomane III, Inc. (as Trustee of the Fruit of the Loom Custodial Trust (one of the custodial trusts));
- the United States (on behalf of EPA, the Fish and Wildlife Service, the National Oceanic and Atmospheric Administration, and the Nuclear Regulatory Commission (NCR));
- the states of Illinois, Michigan, New Jersey and Tennessee; and
- Union Underwear, Inc., Martin Mills, Inc., and Fayette Cotton Mill, Inc., which operate Fruit of the Loom's post-Bankruptcy underwear business.

## **Seven Properties and Contaminants**

The over \$42 million recovery will be divided among these sites:

1. Hardeman County Landfill, Toone, Tennessee (Velsicol Hardeman County Superfund Site): Pesticides and volatile organic compounds (VOCs) (242 acres).
2. Ventron/Velsicol Berry's Creek Facility, New Jersey: boroughs of Carlstadt (19.5 acres) and Wood-Ridge: Mercury (9.45 acres).
3. St. Louis Facility, St. Louis, Michigan (Velsicol Chemical Superfund Site): DDT and PCBs, chlorobenzene, carbon tetrachloride, trichloroethylene (TCE), and other chlorinated compounds. Onsite soil samples revealed contamination with PCBs, copper, chromium, zinc, and magnesium (54 acres).

4. Hollywood Dump Facility, Memphis, Shelby County, Tennessee (North Hollywood Dump Superfund Site). Municipal landfill from the 30's through the 60's. Pesticides and heavy metals, including lead, copper, and arsenic (69 acres).
5. Residue Hill Facility, Chattanooga, Tennessee (Tennessee state Site). Landfill with pesticides.
6. Marshall 23 Acre Facility, Marshall, Illinois (Illinois state Site a/k/a Velsicol Chemical Corp 23 Acre Site). Various VOCs, pesticides (chlordane), and cadmium.
7. NWI Breckenridge in Breckinridge, Michigan (NRC Site): Radioactive waste materials (low levels of uranium and thorium isotopes) subject to jurisdiction of the NCR (2 acres).

#### **AISLIC**

AISLIC is a member company of American International Group, Inc. (AIG). AISLIC's address of its principal place of business is 70 Pine Street, New York, NY 10270.