

A risk profile is a structured management tool for identifying the various exposures associated with an operation. Typically, a risk profile will encompass a review of an organization's operations with a focus on administrative strategies / protocol for reducing or managing particular risks. Environmental risk should not be exempt from this process. In fact, many organizations create stand-alone Environmental Risk Profiles (ERPs) to specifically address the area of environmental liability. This process adds to an organization's ability to systematically identify environmental risk and effectively manage it. Below is an excerpt from an ERP for Automobile Dealerships, which identifies some major exposures. A completed ERP can show the impact such exposures can have on the organization, as well as the risk management strategies available.

Automobile dealerships confront environmental liability every day. Specifically, they face environmental exposures in three major areas: operational, transportation and disposal liabilities. Each area must be explored to identify risks that may expose the organization to environmental liability. This hypothetical ERP identifies some of the major exposures and associated claims.

## EXPOSURES

### OPERATIONAL EXPOSURES

- Liability arising both on- and off-site from historical use, such as improper disposal, underground tanks, residual contamination from small leaks or spills, etc.
- Environmental liability assumed in acquisition and divestiture of property.
- Large parcels of undeveloped property tend to have fewer environmental issues. As a result, many times, there are poor or inadequate records of activity on those lands. Phase I environmental assessments are cursory reviews of the site with a "walk-through" of the property to physically identify issues. Environmental reports might not identify illegal or "midnight" dumping of waste or materials on these lands. The contamination may only be revealed during development.
- Errors and omissions in environmental site assessments, especially Phase Is due to their limited scope of work, can lead to unidentified underground structures or contamination.
- Contiguous properties may contain environmental conditions that could migrate to the designated site.
- Improper storage of hazardous chemicals (cleaning chemicals, fuels, lubricants, oils, degreasers, hydraulic fluids, pesticides / herbicides, paints, solvents and other substances containing volatile organic compounds) that can be released in or outdoors via inadequate containment and vandalism.
- Presence of lead (paint and pipes), asbestos (insulation and tiles), and polychlorinated biphenyls (PCBs) in light ballasts and transformers, creating third-party liability.

### CONTACT

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## EXPOSURES (CONT'D)

- Pre-existing contamination associated with:
- Methane generation from buried debris such as tree stumps, grass clippings and construction materials
- Unauthorized dumping of waste on vacant land parcels (“midnight dumping”) could include just about anything, and many times can include hazardous waste / materials.
- Past landfills, lagoons and other solid waste disposal areas – both known and unknown
- Past / present use of septic systems for disposal of wastes such as cleaning chemicals and waste oils
- Poor indoor air quality leading to “Sick Building Syndrome.” This can occur from not only fungal or mold growth in the building or ventilation system but also from carbon monoxide or bacterial build-up in the air conditioning system.
- Improperly controlled air emissions from painting booths, could lead to on-site property damage and third-party claims.
- Water intrusion / moisture build-up / mold growth from landscaping errors, poor concrete work in basements / slabs, improperly positioned sprinkler systems, etc.
- Surface water runoff resulting in the spread of contamination to contiguous parcels of property.
- Liability associated with local or regional soil / groundwater contamination not necessarily created by the prior usage of the site.
- Leaking hydraulic fluids from improper maintenance of hydraulic lifts.
- Poor underground and aboveground tank management programs resulting in surface and subsurface soil and groundwater contamination.
- Natural Resource Damages resulting in state and federal-mandated clean up and potential fines.
- Fines for regulatory violations associated with water discharge, improper storage of hazardous materials, etc.

## TRANSPORTATION EXPOSURES

- Inadvertent transport and subsequent disposal of unknown contaminated soil from onsite activities.
- Spills of contents (e.g., fuel, cleaning products, sealants, solvents, acids, etc.) during transport.
- Resulting pollution from collisions with various structures (e.g., pole mounted transformers, aboveground tanks, etc.)
- Fuel, oil spills, leaks from vandalism during transport.

## DISPOSAL EXPOSURES

- Inadequate onsite disposal of waste materials such as waste oil and fuel.
- Cleanup and liability associated with the disposal of waste materials at disposal facilities or recyclers. This has potential Superfund ramifications. Materials could include air conditioning units containing chlorofluorocarbons (CFCs), acids, adhesives, halogen lights, waste oil, batteries, brake linings (contained in asbestos), spray booth filters and waste sludge.

# AUTOMOBILE DEALERSHIPS

Name of Organization: \_\_\_\_\_

Lasts Updated: \_\_\_\_\_

## SAMPLE ENVIRONMENTAL RISK PROFILE

Below is the start of a sample ERP for Automobile Dealerships. A complete ERP can be added to provide a detailed profile: reference documents, website links, details on prior claims / incidents and the organization’s response.

A complete ERP can be used to help risk and insurance managers better identify, manage, reduce and even eliminate the organization’s exposures to environmental liability and the related costs.

EXPOSURE	IMPACT ON ORGANIZATION	RESPONSIBILITY	RISK MANAGEMENT TECHNIQUE	PRIOR INCIDENTS
<b>OPERATIONAL EXPOSURES:</b> <b>1. Pre-existing environmental conditions on acquired property</b>	<ul style="list-style-type: none"> <li>Costs associated with developmental delays, remediation, etc.</li> <li>Liability associated with contamination as the current owner of property</li> </ul>	<ul style="list-style-type: none"> <li>Property manager, legal counsel or risk manager, those responsible for due diligence in property acquisition</li> </ul>	<ul style="list-style-type: none"> <li>Self perform environmental data searches on designated EPA websites</li> <li>Hire environmental data firm to collect information on the property</li> <li>Conduct an environmental assessment</li> <li>Partner with environmental consulting firm</li> <li>Environmental indemnities in contract of sale</li> <li>Environmental insurance for existing issues and future operations</li> </ul>	None Identified
<b>TRANSPORTATION EXPOSURES:</b>				
<b>DISPOSAL EXPOSURES:</b>				