

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 Mechanical Contractors, 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.

Mechanical Contractors confront environmental liability every day. Specifically, they face environmental exposures in four major areas: operations, owned premises, 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

- Release of mercury associated with the replacement or installation of thermostats in homes.
- Leaking lubricant oils, other fluids and fuels from field equipment.
- Impacting existing utility lines such as gas or fuel, leading to product discharge into the soil and or groundwater.
- Release of oils / fuels stored on-site due to vandalism or other mishandling of the product.
- Welding fumes that contain various metals such as manganese, arsenic, zinc, lead, chromium that are inhaled by workers. Manganism, a Parkinson-like syndrome, is the resulting disease caused from the inhalation of these fumes.
- Spills of chemicals and fuels (e.g., mobile refueling tanks,) brought on-site.
- Heating, ventilation, air conditioning (HVAC) construction or maintenance errors causing release of airborne bacteria, mold or carbon monoxide build-up, in addition to mold resulting from water intrusion or moisture encapsulation.
- Other exposures associated with mold:
  - Misidentification of mold in structure prior to work performed.
  - "Re-growth" of mold due to failure to address changes needed to remove moisture and / or water intrusion.
  - Over application of solutions used to remove mold resulting in inhalation hazards.

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## EXPOSURES (CONT'D)

- Establishment of regulation that may lead to additional remediation of structures.
- Bacterial release, (e.g., legionella) from improper installation of ventilation systems.
- Malfunctioning chiller system resulting in the build up of condensation, moisture and the subsequent release of mold.
- Inadvertent disturbance of pre-existing contamination (see Construction Firms (ERP)).

### OWNED PREMISES EXPOSURES

(maintenance garages, fabrication shops, offices, etc.)

- Soil and groundwater contamination from:
- Leaking underground / aboveground storage tanks.
- Residual contamination from minor spills of oils, fuel, lubricants, etc., and poor housekeeping.
- Improper disposal of waste materials.
- Unidentified, pre-existing contamination from past owners of the premises that becomes the current owner's issue, possibly tying the current owner into Superfund actions.
- Improper storage of product and materials, leading to on-site and third-party contamination in the event of a release.

### TRANSPORTATION EXPOSURES

- Resulting pollution from collisions with various structures (e.g., pole-mounted transformers, aboveground tanks, etc.).
- Fuel / oil spills / leaks from vandalism
- Release of contents or cargo during transportation.

### DISPOSAL EXPOSURES

- Accidents during transport and disposal of hazardous waste materials or other construction activity by-products.
- On-site disposal of waste materials.
- Retroactive liability under Superfund for past disposal practices (i.e., debris in a landfill that is now on the Superfund list).

# MECHANICAL CONTRACTORS

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

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

## SAMPLE ENVIRONMENTAL RISK PROFILE

Below is the start of a sample ERP for Mechanical Contractors. 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. Mold growth as a result of poorly constructed or designed HVAC system</b>	<ul style="list-style-type: none"> <li>Financial impact associated with the cost to clean up the problem, defend our position and any resulting damage to property or injury to others.</li> <li>Such claims can have a dramatic impact on our reputation if we were to truly injure someone or cause extensive damage.</li> </ul>	Project manager or other on-site personnel, environmental manager and / or safety manager.	<ul style="list-style-type: none"> <li>Develop or follow water intrusion / moisture control protocol as well as mold response protocol.</li> <li>Third Party inspection if the system.</li> <li>Contractual indemnities from subcontractors specifically addressing environmental issues.</li> <li>Environmental insurance for both subcontractors and the organization.</li> </ul>	In 2003, the company was sued by a Colorado-based real estate investment trust (REIT) alleging improper construction of the air conditioning system in an apartment building. Mold grew throughout the ventilation system and in various apartments. In addition to filing suit against the company, the REIT also sued the design engineer on the project alleging inadequate design. The suit has not gone to litigation but we have learned that the REIT has spent over \$13,000,000 to defend against two class action suits from occupants and to remediate the problem. Counsel has determined the company, along with the design engineer, will be paying some amount of that \$13,000,000.
<b>OWNED PREMISES EXPOSURES:</b> <b>1. Fab shops</b> <b>2. Maintenance facility</b>				
<b>TRANSPORTATION EXPOSURES:</b> <b>1. Refueling vehicles</b>				
<b>DISPOSAL EXPOSURES:</b> <b>1. Non-owned disposal sites.</b>				

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