

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 Oil & Gas 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.

Oil & Gas Contractors confront environmental liability every day. Specifically, they face environmental exposures in four major areas – job site operations, owned or leased properties, transportation, and disposal liabilities. Each area must be evaluated to identify risks that may expose the firm to environmental liability. This example of an ERP excerpt identifies some of the major exposures and associated claims.

EXPOSURES

OPERATIONAL EXPOSURES

- Inadvertent disturbances of natural occurring substances and / or in-place contamination in the site preparation / construction activities.
- Liability associated with sub-surface soil / groundwater contamination resulting from hydraulic fracturing.
- Improper well casing construction leading to potential "leaks" into subsurface fresh-water aquifers.
- Shallow "coal-bed" fracturing exposing aquifer to chemicals used in the fracturing process.
- Directional drilling and fracking activities leading to vertical and horizontal migration paths for chemicals used in fracking process.
- Degradation of contaminants, fate and transport.
- Erosion and storm water run-off during well pad construction and drilling.
- Improper handling and disposal of flow back fluids.
- Improper installation and maintenance of gas collection facilities and pipelines.
- Inadequate secondary containment of storage tanks batteries.
- Poor housekeeping and preventive maintenance for operations equipment and pollution control equipment.
- Poor underground and aboveground tank management programs, resulting in surface and subsurface soil and groundwater contamination.
- Poor waste storage / handling of incompatible materials, resulting in fires or explosion.

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EXPOSURES (CONT'D)

- Resulting property damage and clean-up costs, from accidental damage / interruption of utility and product supply lines.
- Drums of spent solvents, acids and caustics causing residual contamination on- and off-site.
- Violations of various environmental permits such as air, water discharge, etc., resulting in fines for exceedances.
- Natural Resource Damages, resulting in substantial costs for state- and federal- mandated clean-up requirements and potential fines.
- Release of product from pipelines & gathering lines to transport the product, resulting in soil and groundwater contamination.
- Exacerbate contamination by excavation of access roads and well pad; improper testing of potentially contaminated soil; improper disposal / treatment of contaminated soil.
- Containment Pits and Ponds – flow back fluids.
- Contamination resulting from salt-water injections.
- Leaking of fluids from storage of trucks and equipment.

OWNED PREMISES EXPOSURES

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

- Leaking underground / aboveground storage tanks.
- Residual contamination from minor spills of oils, fuel, lubricants, etc., and poor housekeeping during maintenance operations.
- Leaks from vehicles and / or equipment stored on premises.
- Surface contamination from fuels and lubricants stored improperly (without secondary containment).

- Improper disposal of waste materials on site.
- Unidentified, pre-existing contamination from past owners of the premises.

TRANSPORTATION EXPOSURES

- Inadvertent transport and subsequent disposal of unknown contaminated soil from on-site activities such as small spills resulting in waste product.
- Loading and unloading of product at rail cars, tankers, etc.
- Spills of contents (e.g., fuel, corn products or constituents, ethanol products, contaminated soil, etc.) during transport.
- Fuel / oil spills / leaks from vandalism during the transport of any materials.

DISPOSAL EXPOSURES

- Inadequate disposal of drilling materials in lagoons and ponds.
- Clean up and liability associated with the disposal of waste / materials at disposal facilities or recyclers. This has potential Superfund ramifications.
- Improper “disposal” of saltwater, drilling flow-back fluids and drilling muds.
- Improper disposal of potentially contaminated soil.

OIL & GAS CONTRACTORS

Name of Organization: _____

Lasts Updated: _____

SAMPLE ENVIRONMENTAL RISK PROFILE

Below is the start of a sample ERP for Oil & Gas 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
OPERATIONAL EXPOSURES:				
OWNED PREMISES EXPOSURES:				
TRANSPORTATION EXPOSURES:				
DISPOSAL EXPOSURES:				

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