

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 Property Acquisition, 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.

Property Acquisition firms confront environmental liability every day. Specifically, they face environmental exposures in one major area: operational. 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 from both on- and off-site historical use, such as improper disposal, underground tanks, residual contamination from small leaks or spills, etc.
- Liability associated with local or regional soil / groundwater contamination, regardless of the source of contamination.
- 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.
- Select a quality firm to perform the Phase I assessment. The Phase I is the most minimal in scope when it comes to environmental assessments, and quality assurance is important for an accurate risk profile of the property.
- Incomplete understanding of the history of the site's past operations, or no environmental record keeping or oversight, leaving questions about the potential for contamination.
- Property with existing facilities that may have shut down with chemicals left in tanks, piping and process equipment or to fully characterize the site.

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## EXPOSURES (CONT'D)

- Phase I and Phase II Environmental Site Assessments fail to fully identify / quantify the level of contamination.
- Improperly maintained material storage areas (e.g., raw materials or leaking drums left on bare soil, where storm water runoff could spread the contamination beyond the immediate area, even onto neighboring properties.
- Unknown status of on-site storage tanks
  - Abandoned underground storage tanks (USTs), e.g., from former gas station operations
  - Improperly closed USTs
  - Inadequate containment of aboveground storage tanks (ASTs)
  - Unlined AST bottoms
  - Poor spill management programs.
- Past waste disposal practices could have adverse impact on soil and / or groundwater:
  - Buried waste
  - Unlined pits / leach ponds
  - Septic systems
  - Open dumping
- Electrical equipment containing PCB contaminated dielectric fluids.
- Property may have included dry cleaning operations that utilized perchloroethylene (Perc, or PCE) and other chemicals.
- Contamination in vehicle maintenance areas from:
  - Improper disposal of waste oils and batteries
  - Leaking gas / petroleum tanks
  - Oil / water separators
  - Vehicle washing / tank washing activities
- Transportation loading and unloading areas:
  - Spills
  - Leaking pipes
  - No diking
- Unlined or cracked sumps and pits.
- Existence of fill material of unknown origin (e.g., could be composed of petroleum contaminated soils, etc.)
- Wastewater treatment facilities inadvertently releasing contaminants into lagoons or waterways.
- Obsolete and remote equipment storage yards where oils and other residual waste fluids may have percolated into the soil.
- Presence of asbestos-containing building materials and insulation on process equipment.
- Lead in water pipe and lead-based paint on older structures.
- Pesticides and herbicides over applied during property maintenance.
- “Midnight dumping” at idled facilities.

# PROPERTY ACQUISITION

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

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

## SAMPLE ENVIRONMENTAL RISK PROFILE

Below is the start of a sample ERP for Property Acquisition. 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. Possible Superfund liability.</li> </ul>	Site manager, legal counsel, environmental manager or risk manager.	<ul style="list-style-type: none"> <li>Self perform environmental data searches on designated EPA websites to identify potential concerns.</li> <li>Hire environmental data firm to collect information on the property.</li> <li>Conduct an environmental assessment.</li> <li>Environmental indemnities in contract of sale.</li> <li>Environmental insurance to protect from liability associated with on- and off-site contamination.</li> </ul>	The company purchased a tract with intent to develop the property into a residential community. The property was used as farmland for many years. Environmental studies conducted prior to the purchase revealed potential issues with the soil (mainly pesticide and herbicide use) but no other environmental concerns. During development, the contractors uncovered three 10,000-gallon USTs that the prior owner had used to refuel vehicles – the owner never registered them. Therefore, the Phase I could not uncover their existence. Extensive soils and groundwater remediation was required, delaying the project for over a year.