

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 Railroads, 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.

Railroads 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 from both on- and off-site historical use, such as improper disposal of waste products, leaking underground tanks (known or unknown), unpremeditated residual contamination from small leaks or spills.
  - 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.
- 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.
  - Residual contamination of soil / groundwater resulting from poor storm water runoff controls. Simple, non-reportable spills that go unaddressed can lead to greater first- and third-party environmental issues, especially when carried into subsurface soils or contiguous properties.
  - Contamination of soil / groundwater resulting from long-term use of rail yards / rail sidings, due to a history of poor housekeeping and maintenance activities.

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## EXPOSURES (CONT'D)

- Air emissions from operating processes could result in nuisance-type claims.
- Improperly maintained polychlorinated biphenyls (PCB) containing equipment and transformers. PCBs tend to be fairly immobile in soil, which this may lead to surface contamination at and beyond property boundaries.
- Improper housekeeping and preventive maintenance resulting in residual contamination.
- Inadequate underground and aboveground tank inventory and / or management programs (i.e., secondary containment) can lead to groundwater contamination.
- Inadequate or improper waste / raw materials storage / handling practices.
- Improper storage of incompatible materials may lead to on-site releases and / or potential explosion.
- Improper treatment or disposal of wastewater and sludge from water treatment operations.
- Regulatory fines due to malfunction of oil / water separators releasing petroleum contaminated water into bodies of water or waste streams.
- Natural Resource Damages, resulting in substantial costs for state- and federal-mandated cleanup requirements and potential fines.
- Release of product from pipelines, resulting in soil and groundwater contamination.
- Improper storage, resulting in release of:
  - Compressed gases
  - Diesel fuel, lubricant oils and other petroleum-based products
  - Flammable solvents
  - Chlorine
  - Ammonia
- On-site cleaning operations of the tankers, rail cars and on locomotives without proper collection controls could result in adverse soil and groundwater conditions both on- and off-site.
- Inadequate or lack of environmental protocol that could reduce or minimize the incident, in the event of an accident or emergency spill:
  - Storm water management
  - Spill contingency program
  - Environmental response program
- Lack of adequate containment around loading / unloading areas, resulting in on- and off-site contamination.
- Risks associated with the existence of and / or remediation activities surrounding lead paint in public buildings.
- PCBs in the capacitors of light ballasts.

### TRANSPORTATION EXPOSURES

- Inadvertent transport and subsequent disposal of unknown contaminated soil from on-site activities.
- Loading and unloading of product from rail cars, etc.
- Spills of contents (e.g., fuel, product, equipment maintenance fluids, process materials, 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 disposal of sludge and other waste from wastewater treatment operations.
- Cleanup and liability associated with the disposal of waste / materials at disposal facilities or recyclers. This may expose the organization to Superfund liability.
- Improper “disposal” or sale of production by-products.

# RAILROADS

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

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

## SAMPLE ENVIRONMENTAL RISK PROFILE

Below is the start of a sample ERP for Railroads. 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. Improper secondary containment for cleaning operations.</b>	<ul style="list-style-type: none"> <li>• Costs associated with business interruption due to cleanup activities.</li> <li>• Costs associated with first- and third-party cleanup.</li> <li>• Liability associated with third- party bodily injury and property damage claims.</li> <li>• Potential third-party diminution in property value due to the stigma associated with the contaminated site (even if cleaned up).</li> </ul>	Site manager, legal counsel, environmental manager or risk manager.	<ul style="list-style-type: none"> <li>• Construct proper secondary containment around perimeters.</li> <li>• Create employee response protocol in the event of an emergency.</li> <li>• Don’t perform the operation on-site. Choose to have an experienced third-party vendor perform the operation (if feasible).</li> <li>• Create strict inspection / acceptance protocol to ensure no hazardous materials enter the septic/sewer systems.</li> <li>• Proper monitoring protocol in the event groundwater is impacted.</li> <li>• Environmental liability insurance for on-site cleanup and third-party liability.</li> </ul>	
<b>TRANSPORTATION EXPOSURES:</b>				
<b>DISPOSAL EXPOSURES:</b>				

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