

Contracting Services

Environmental Claim Scenarios That Could Impact Your Bottom Line



Great American Insurance Group provides coverage for bodily injury, property damage, legal expenses and cleanup costs resulting from pollution conditions arising from contracting services on an occurrence or claims-made basis. There is liability coverage for both ongoing contracting services, as well as, completed operations coverage, to provide protection after the job is finished. The policy also covers pollution liability associated with non-owned disposal sites, transportation of products or wastes and owned locations.

As you review the following claim scenarios, think of the types of contractors you service. **Do you have companies performing similar contracting operations who are not protected for their environmental exposures?** If you have a contractor performing services other than those listed here, let us work together to analyze the environmental risks associated with your contractor.

Demolition Contractor – Asbestos

During the demolition of a portion of a museum, a contractor inadvertently disturbed unknown asbestos that had been contained in the floor tiles. The asbestos contaminated other areas of the museum, forcing closure during the remediation. The demolition contractor was held responsible for the cleanup costs and business interruption.

Drilling Contractor – Raw Sewage

A subsurface drilling contractor caused a release of raw sewage into both soil and groundwater after failing to identify a sewer line before drilling. The cleanup entailed the excavation of several tons of impacted soil and caused a number of nearby businesses to shut down for a few days when their basements filled with sewage. Substantial claims for business interruption and cleanup costs were filed.

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Drywall Contractor – Mold

A drywall contractor was hanging new drywall at a construction project when an employee accidentally drilled through a small water pipe, which was located behind the wall. The drywall contractor did not realize the water leak was occurring and a substantial amount of mold grew between the walls before anyone noticed. The drywall contractor was held responsible for cleanup of the mold, as well as, defense of third party bodily injury claims.

Electrical Contractor – Asbestos

While installing new electrical lines in a historic building a contractor used a hole saw to cut through a ceiling. Unknown to the contractor, the saw had inadvertently disturbed and released asbestos-containing insulation material. The contractor had to pay for cleanup costs for the asbestos fibers released throughout the building.

Environmental Contractor – Petroleum

While performing soil removal activities at a brownfield project a contractor accidentally broke an abandoned underground petroleum pipeline with their excavator. Product was released causing extensive contamination. The contractor was held responsible for the cost to remove the pooled petroleum, the contaminated soil and to confirm that groundwater had not been impacted.

Excavation Contractor – Contaminated Soil

During the course of performing site preparation work for a new building, an excavation contractor spread contaminated soil throughout the site. The contractor was held partially responsible for exacerbating the contaminated soil.

Fixed Base Operator – Jet Fuel

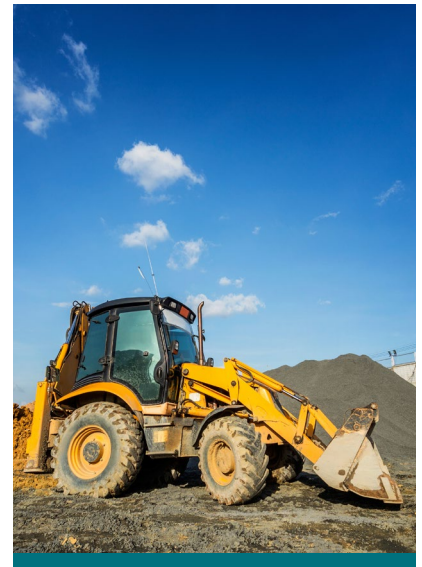
A ruptured fuel hose spilled a few thousand gallons of jet fuel onto the ground at a regional airport. The fuel eventually reached an adjacent river. The contractor responsible for fueling operations paid significant cleanup costs for soil and groundwater as a result of failing to adequately maintain the fueling equipment. Remediation included excavating contaminated soil as well as cleanup of groundwater and surface water. The contractor was also assessed a fine for natural resource damages due to the impact upon the river habitat.

General Contractor – Mold

Two years after the completion of a new high school, it was determined that the window system used during construction was allowing water to infiltrate the building. Mold was discovered. Faulty installation was part of the issue. The cost to remediate the problem was shared by the general contractor and the manufacturer of the windows. The subcontractor who installed the windows was no longer in business. The general contractor did not have pollution coverage for Mold and paid over \$900,000.

HVAC Contractor – Legionella

Several office employees became ill from Legionella. The cause of the Legionella was the improper sealing of the ducts during the installation of a new HVAC unit, which allowed condensation to build up. The employees brought suit against the property owner and the contractor.



HVAC Contractor – Mold

A mechanical contractor installed an HVAC system in an assisted living facility for seniors. The system was constructed improperly, which caused mold growth in a portion of the residences. The facility was forced to relocate several patients during the repair of the system and renovation of the moldy building materials. A claim for cleanup costs and property damage was filed.

Industrial Cleaning Contractor – Contaminated Water

An industrial cleaning contractor was hired to clean a former petroleum storage tank previously used for backup power purposes. Plastic sheeting and an associated dike were placed around the tank to prevent the runoff of contaminated rinse water. The sheeting and dike were not properly placed around the tank allowing a substantial amount of petroleum-impacted wash water to migrate onto an adjacent property. The adjacent property owner filed suit for property damage and remediation costs related to the contaminated wash water.



Masonry Contractor – Silica

A masonry contractor, performing a renovation project at a historic building, was sued by employees of a nearby office building. The claimants asserted that they were exposed to silica dust coming from the job site. The claimants reported damages for bodily injury asserting that required measures were not used to prevent or minimize dust emission during the project.

Mechanical Contractor – Hydraulic Fluid

A mechanical contractor improperly installed fittings during routine maintenance of a hydraulically driven conveyor system. A subsequent leak was not discovered until the next routine maintenance cycle. The leaking hydraulic fluid migrated into a floor drain located beneath the equipment, which discharged directly into an adjacent drainage ditch. Property owners adjacent to the site noticed a sheen on the water in the ditch and requested an environmental investigation by regulators. The regulators mandated cleanup of the spill and the site owner subsequently filed actions against the mechanical contractor to pay for the cleanup costs.

Painting Contractor – Lead

A child who lived in an apartment building constructed in the 1970s was diagnosed with lead poisoning. The renovation of the building by a painting contractor allegedly caused unsafe conditions for the child. The parents of the child filed a bodily injury claim against the painting contractor. As part of the investigation of the claim, an expert was hired. Other potential causes for the lead poisoning were discovered. As a result, the painting contractor was held liable for only a portion of the claim.

Pile Driving Contractor – Waste Oil

A pile-driving contractor punctured an unknown underground storage tank which resulted in the release of waste oil. The waste oil impacted adjacent soils and forced the job to stop until the materials could be delineated, excavated and properly disposed.



Plumbing Contractor – Contaminated Water

A plumbing contractor installing a lawn sprinkler system did not install adequate vacuum breakers on the discharge side of the water supply valves. When pressure in a drinking water system fed by the same water main fell below atmospheric pressure, a vacuum was created which caused back-siphonage of stagnant water from the lawn sprinkler system into the drinking water supply. Several people drank from the water supply and contracted dysentery. Costs were incurred to investigate the issue, purge the system and to provide temporary clean water. Suits followed alleging bodily injury.

Roofing Contractor – Coatings

A roofing contractor applied polyurethane foam along with layers of elastomeric protective coatings to a roof of a commercial building. After completion of the building, workers in the building began to suffer respiratory problems caused by irritants in the coatings. Suits for bodily injury and business interruption were filed against the general contractor and roofing subcontractor.

Sandblasting Contractor – Lead

A subcontractor working for a street and road contractor performed abrasive sandblasting on a bridge located near a residential area. Lead paint chips and dust from the sandblasting became airborne and migrated onto residential properties, requiring cleanup. The residents filed property damage claims against the street and road contractor and the subcontractor for the dust generated by the subcontractor.

Steel Erection Contractor – Diesel Fuel

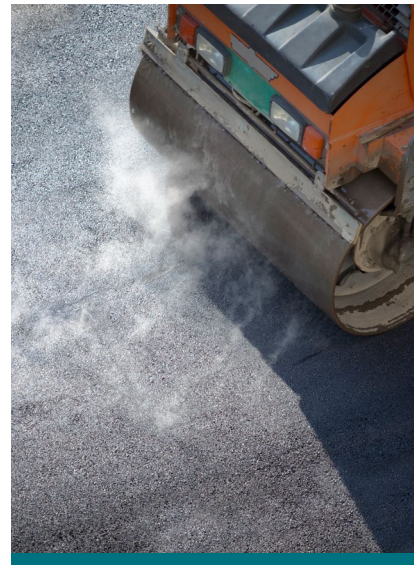
A steel erection contractor accidentally caused a release of diesel fuel at a construction site when a crane operator dropped a steel beam. The beam landed on a small tanker truck that was brought onto the site to refuel other construction equipment. The cost of the emergency cleanup was in excess of \$55,000.

Street and Road Contractor – Hydraulic Fluid

During construction activities, a crane used to lift concrete barriers overturned. The accident ruptured the crane's hydraulic hoses spilling all its fluid onto the ground. The contractor was required to pay for cleanup costs arising from the spill.

Street and Road Contractor – Petroleum Impacted Sediment

Inadequate erosion control measures implemented during construction of an abutment for a highway overpass resulted in petroleum-impacted sediment to be deposited into a pristine waterway. The street and road contractor was required to pay for cleanup costs and natural resource damages.



Street and Road Contractor – Diesel Fuel

A street and road contractor was hired to repave a 25-mile section of highway. During the project, one of the contractors' dump trucks accidentally backed into and ruptured a mobile refueling tank. 300 gallons of diesel fuel were released onto the surface and migrated into a nearby storm drain.

Utility Contractor – Sediment

A utility contractor left an unfinished concrete vault open over the weekend. Heavy rains washed away sediment controls allowing sand and silt to be released from the unfinished vault into the adjacent bay. The contractor was subsequently fined by a regulatory agency for natural resource damage resulting from the release of sediments into the bay.

Utility Contractor – Fuel Release

A utility contractor was subject to cleanup costs after vandals opened an onsite mobile refueling tank causing diesel fuel to be released onto virgin soil.



The claim scenarios in this newsletter are provided to illustrate the variety of environmental exposures faced by your clients. The facts of any situation which may actually arise and the terms, conditions, exclusions, and limitations in any policy in effect at that time are unique. Thus, no representation is made that any specific insurance coverage applies to the above claim scenarios.

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