



ENVIRONMENTAL EXPOSURES

EXCAVATION & GRADING CONTRACTORS The liabilities associated with environmental exposures can devastate your business. Environmental claims are costly and time-consuming. They can range from business interruption to bodily injury, property damage and cleanup expenses. Because pollution losses are low-frequency, high severity events, your bottom line will be severely compromised if you do not have adequate protection.

Protect your business by understanding your environmental exposures and how the XL Insurance companies can help you effectively manage your risk and protect your bottom line.

COMMON ENVIRONMENTAL EXPOSURES FOR EXCAVATION & GRADING CONTRACTORS

Excavation and grading contractors – through operations, owned premises, transportation and disposal practices – face a number of environmental exposures that could devastate a profitable business:

OPERATIONAL EXPOSURES

- Excavation through and spreading of unknown pre-existing contaminated soil
- Impacting underground utility lines and other underground structures (and associated business interruption exposure)
- Disturbing naturally occurring asbestos
- Release of oils/fuels as a result of vandalism
- Spills of chemicals and fuels (e.g., mobile refueling tanks, etc.) brought on-site
- Lubricant oils and other fluids from field equipment
- Impacting groundwater from drilling and excavation work (e.g., dewatering operations)
- Impacting surface water or wetlands from excavation work (e.g., excessive silting)

OWNED PREMISES EXPOSURES (BATCH PLANTS, MAINTENANCE SHOPS, QUARRIES, ETC.)

- Leaking underground/aboveground storage tanks
- Residual contamination from minor spills of oils, fuel, lubricants, etc., and poor housekeeping
- Surface contamination from fuels and lubricants stored improperly (without secondary containment)
- Unidentified, pre-existing contamination from past owners of the premises

TRANSPORTATION EXPOSURES

- Spills of contents (e.g., fuel, asphaltic cement, etc.) during transport
- Pollution resulting from collisions with various structures (e.g., pole mounted transformers, aboveground tanks, etc.)
- Fuel/oil spills/leaks from vandalism

DISPOSAL EXPOSURES

- Inappropriate disposal of products
- Misdelivery of unidentified contaminated fill
- Retroactive liability under Superfund for past disposal practices (e.g., construction debris in a landfill that is now on the Superfund list)

– continued

This list is intended only to outline some typical environmental exposures common to excavation and grading contractors and is not all-encompassing.

CLAIM SCENARIOS INVOLVING EXCAVATION & GRADING CONTRACTORS

The following examples demonstrate some of the many ways in which excavation and grading contractors can incur environmental liabilities.



Contaminated Soil

An excavation/grading contractor unknowingly spread petroleum contaminated soil across a project site during fill operations for a housing project. The contractor was named in a lawsuit for exacerbating the extent of contamination. After lengthy deliberations, the contractor spent \$250,000 in cleanup and defense costs.

Costly Cleanup

An excavation contractor stockpiled soil on an adjacent property.

The scope of the project included excavation of 350 feet of trench for one week at a cost of roughly \$30,000. Prior to completion of the work, dioxin was discovered in the soil. The US Environmental Protection Agency investigated the situation and issued an administrative order finding the contractor and their client responsible for contamination of the adjacent property. Government-mandated cleanup costs exceeded \$250,000.

Raw Sewage Contaminates Wells

An excavation contractor was subject to indemnity and defense costs exceeding \$425,000 from sewage migrating into residential wells in a residential community. During sewer installation, a subcontractor improperly tied in piping, resulting in sewage leaking into the ground. Raw sewage migrated into the underlying groundwater and contaminate residential wells. Bodily injury and property damage claims were filed against the contractor.

Ruptured Pipeline

An excavation contractor ruptured an unmarked petroleum pipeline causing a release of its contents into the subsurface soils and groundwater. The contractor was subject to cleanup costs and business interruption expenses in excess of \$500,000.

Defense Costs

An excavation contractor was hired to perform grading operations for roads at a new sub-division. The contractor was following the engineering plans provided by the engineering firm. Unfortunately, the plans were incorrect, leading to an improper slope. When the first rain storm occurred, storm water ran off into the basements of several homes causing property damage. The excavation contractor was named in the lawsuit as well as the engineering firm. The end result: The excavation contractor was eventually dismissed, but not until \$100,000 was spent on defense costs.

The examples above are intended to illustrate the wide variety of environmental exposures faced by excavation and grading contractors and the many ways in which those exposures can arise. Insurance coverage in any particular case will depend upon the type of policy in effect, the terms, conditions and exclusions in any such policy and the facts of each unique situation. No representation is made that any specific insurance coverage would apply in the above examples. Please refer to the individual policy forms for specific coverage details.

**ABOUT THE
XL INSURANCE COMPANIES**

The environmental division of the XL Insurance companies focuses on the construction and environmental services industries, providing our clients with integrated environmental risk management® solutions. With unparalleled technical expertise and knowledge, the XL Insurance companies provide clients with integrated underwriting, loss control and claims management services.

FOR MORE INFORMATION

For more information about Construction and Environmental Services, contact:

XL Insurance
505 Eagleview Boulevard
Suite 100
PO Box 636
Exton, PA 19341-0636
Phone: 800-327-1414
Fax: 610-458-8667

www.xlinsurance.com/environmental

The information contained herein is intended for informational purposes only and does not constitute legal advice. For legal advice, seek the services of a competent attorney. Any descriptions of insurance provisions are general overviews only.

"XL Insurance" is the global brand used by XL Group plc's (NYSE: XL) insurance companies. Coverages underwritten by Greenwich Insurance Company, Indian Harbor Insurance Company, XL Insurance America, Inc., XL Specialty Insurance Company and XL Insurance Company Limited—Canadian Branch. Coverages not available in all jurisdictions.

Accurate as of March, 2011.