

## ENVIRONMENTAL EXPOSURES

**GENERAL BUILDING 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 GENERAL BUILDING CONTRACTORS

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

#### OPERATIONAL EXPOSURES

- Fumes, emissions and spills from chemicals applied during construction (finishers, sealants, curing compounds, floor coatings, adhesives, asphalt, etc.)
- Fumes and emissions caused by construction activities (abrasive blasting, welding, concrete cutting, internal combustion engines)
- Disturbance of asbestos-containing materials, including naturally occurring asbestos
- Disturbance of lead-containing materials (paint, pipes)
- Disturbance of PCB-containing materials (transformers, hydraulic systems, switches, light ballasts, etc.)
- Disturbance of mercury (switches, thermostats, etc.)

- Discovery of unknown pre-existing contamination during site preparation/excavation activities
- Spills from fuels and lubricant oils from equipment
- Release of oils and fuels as a result of vandalism
- Inadequate erosion controls
- Pollution incidents resulting from improper piping installations
- Pollution conditions caused by improperly installed, maintained or balanced HVAC systems
- Pollution incidents resulting from impact/damage to above-ground piping and structures
- Impact to underground utility lines and other underground structures
- Mold growth resulting from water intrusion (weather event, improper drainage, broken piping, etc.)
- Silica exposure from concrete cutting activities

#### OWNED PREMISES EXPOSURES

- Leaking underground/aboveground storage tanks
- Surface contamination from spills of oil, fuel, lubricants, etc.
- Improper disposal of waste materials
- Unidentified, pre-existing contamination from past owners of the premises

– *continued*

## **TRANSPORTATION EXPOSURES**

- Inadvertent transport and subsequent disposal of unknown contaminated soil
- Spills of contents during transport
- Resulting pollution from collisions with structures (e.g., pole-mounted transformers, aboveground tanks, etc.)

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

## **CLAIM SCENARIOS INVOLVING GENERAL BUILDING CONTRACTORS**

The following examples demonstrate some of the many ways in which general building contractors can incur environmental liabilities.



### **Employee Injured During Building Renovations**

A general contractor added a curing agent to a concrete utility trench it had poured. The curing agent emitted vapors containing xylene. When an employee at the facility entered the enclosure, he was overcome by the vapors, became dizzy, and fell into the trench, sustaining various injuries. The employee filed suit against the contractor and subsequently the contractor filed a claim with its general liability insurance carrier.

The carrier denied coverage under the pollution exclusion which the Court upheld stating that an “absolute” pollution exclusion in the policy barred coverage.

### **Employees Are Hospitalized After Installation Of New Carpets**

A general contractor (GC) installed new carpeting in an office building. One week after installation, the building owner informed the contractor that employees were complaining of headaches and dizziness. This was attributed to the odors from the new carpets. The general contractor could not prove that the manufacturer of the carpet or the carpet adhesive was responsible; thus, the contractor was left with the claim. The GC filed a claim with their general liability carrier. The claim was denied due to the fact that “hazardous materials” such as formaldehyde and volatile organic compounds associated with the carpeting and adhesives are pollutants.

### **Homeowner Finds Sewage In Drinking Water**

A subcontractor improperly tied-in sewage piping during installation causing raw sewage to migrate into the underlying ground, contaminating a nearby water well. The general contractor was subject to defense costs exceeding \$25,000 as well as property damage and bodily injury claims.

### **City Workers Sickened**

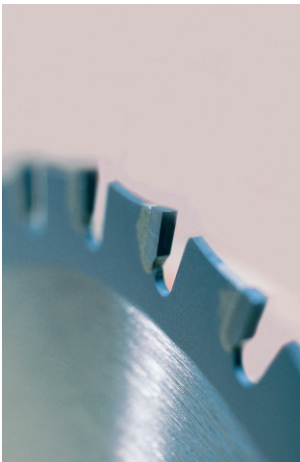
A general contractor was renovating a municipal government building and did not properly contain the area to minimize seepage of fumes from materials utilized and emissions from gas-powered generators and equipment. Ten separate bodily injury claims were filed when employees complained of headaches, nausea and respiratory problems due to unsafe air quality conditions from exposure to toxic fumes and airborne contaminants. An air quality study was conducted and the contractor was held responsible for causing the building-related illnesses.

### **Contractor Destroys Company's Heating/Air Conditioning System**

A general contractor removed lead-based paint from a commercial building. The contractor isolated the work areas with containment; however, the HVAC system was not disconnected. The dust generated from the lead removal operations clogged the heating coils of the HVAC system in the building. The contractor was liable for replacing the HVAC system and the associated disruption of business in the building.

### **Contractor Causes Property Damage To Building**

A general contractor (GC) used muriatic acid while performing concrete etching in a commercial building. The highly corrosive fumes from the acid were not properly contained and were released into the building damaging the newly installed chrome fixtures. As a result, the GC was responsible for \$75,000 in property damages.



### **Renovations At School Result In Bodily Injury Claims**

A general contractor (GC) was renovating an elementary school. During the course of work, dust from concrete cutting set off the fire alarms. Parents of students filed a claim against the general contractor for bodily injury due to fear of contracting silicosis. Although the GC was not held liable for causing a pollution incident, defense costs exceeded \$50,000.

### **Completion Of High School Project Delayed Another Year**

To achieve the completion date on a school project, the general contractor (GC) accelerated its schedule, allowing the drywall contractor to start before the building envelope was completed. Rain damaged a majority of the installed drywall as well as the materials stored on site. This resulted in \$2 million in repair costs and associated delay costs, borne by the GC.

### **Local Bank Faces Both Asbestos and Mold Cleanup**

A general contractor (GC) renovating a bank hired an asbestos abatement contractor. As part of their final cleanup process on a Friday, the abatement contractor utilized a high-pressure wash, resulting in saturated carpets, ceilings and walls. Materials remained saturated over the weekend while the HVAC system remained turned off. The GC was greeted with extensive mold growth throughout the building on Monday morning, and ultimately a \$600,000 bill to correct the damage. Although the GC ensured that the subcontractor retained pollution insurance, the subcontractor had a mold exclusion on their policy, leaving the entire cost on the shoulders of the GC.

*The examples above are intended to illustrate the wide variety of environmental exposures faced by general building 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 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](http://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*