



ENVIRONMENTAL EXPOSURES

Mechanical 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 MECHANICAL CONTRACTORS

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

OPERATIONAL EXPOSURES

- Completed operations exposures including incomplete HVAC system hook-up, improper system construction or unbalanced systems causing condensation and air quality problems
- Fumes, emissions and spills from chemicals utilized during construction (finishers, sealants, lubricants)
- Heating, ventilation, air conditioning construction or maintenance errors causing release of airborne bacteria or mold
- Introducing fumes or chemicals into HVAC system when conducting service and maintenance
- Incidental exposure from asbestos-containing or mold contaminated building materials, and lead paint on pre-existing structures
- Lubricant oils and other petroleum hydrocarbons from field equipment

- Release of oils/fuels as a result of vandalism
- Sprinkler system error or shut-off allowing toxic fire to spread

OWNED PREMISES EXPOSURES (OFFICES, FABRICATION SHOPS, MAINTENANCE GARAGES, ETC.)

- Leaking underground/aboveground storage tanks
- Residual contamination from minor spills of oils, fuel, lubricants, 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

- Inadvertent transport and subsequent disposal of unknown contaminated materials
- Pollution resulting from collision with various structures (tanks, pole-mounted transformers)
- Fuel/oil spills/leaks from vandalism

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

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CLAIM SCENARIOS INVOLVING MECHANICAL CONTRACTORS

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

Lead Dust Contaminates Building

A mechanical contractor removed lead-based paint from a commercial building. The contractor isolated the work areas with containment, but the HVAC system was not disconnected. Dust generated from

lead removal operations clogged the heating coils in the building's HVAC system. The contractor was required to replace the HVAC, as well as pay for business interruption claims totaling \$150,000.



Mercury Contaminates University

A mechanical contractor was dismantling laboratory piping at a university when he inadvertently spilled

mercury. The result was building-wide mercury contamination. The cost to the contractor to decontaminate the building was over \$350,000.

Mechanical Contractor Spreads Fungus At Hospital

A mechanical contractor removed ductwork from a hospital's HVAC system. It was later determined that the ductwork was contaminated with a dangerous fungus. The dismantling activities and the on-site storage of dismantled ductwork caused the fungus to spread into the hospital. Patients became infected with the fungus; some were critically

infected. The contractor was found liable for the spread of the fungus and faced bodily injury and property damage claims in excess of \$1 million.

Toxic Fumes Released Into Community

A mechanical contractor was repairing an ammonia line at a food warehouse located in the center of town. A valve failed during their operations and released over 60 pounds of ammonia into the facility and surrounding community. Over 1,000 people reported medical conditions. The loss was over \$350,000 due to bodily injury and business interruption.

Mold Spread Throughout HVAC System

A mechanical contractor installed an HVAC system in a new commercial office building. After three years, mold and mildew growth was released throughout the entire building resulting in poor indoor air quality. Claims against the contractor for bodily injury and loss of property use exceeded \$500,000. In addition, the contractor was responsible for decontaminating the HVAC system.

Shipyard Becomes Contaminated Due to Mechanical Contractor's Action

While a mechanical contractor was repairing leaks on fuel lines at a shipyard, an unknown party opened the valve that separated the inactive lines under repair from the active lines. Fuel began to flow through the lines under repair, releasing 3,500 gallons of gasoline. The cost to clean up soils and groundwater contaminated by the petroleum hydrocarbons was \$500,000.

Extermination Of Bees Sickens Bank Employees

An HVAC contractor was conducting service and maintenance on an air conditioning unit located on the roof of a bank building. The contractor identified

a bee hive on the system, and sprayed poison on the hive to kill it. The HVAC system was still operating, and the fumes from the poison were spread over the building. Three people were hospitalized, and 10 others complained of headaches and nausea. The contractor paid \$300,000 in property damage and personal injury claims.

The examples above are intended to illustrate the wide variety of environmental exposures faced by mechanical 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.

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Accurate as of March, 2011.