



# Environmental Exposures

## Commercial Office Building

### Environmental Exposures

Have you ever looked at a commercial office building and said to yourself *wow, this property has a lot of environmental loss exposure?* Maybe not, but commercial office buildings have more environmental loss exposures than many people might think. The truth is commercial office buildings have needed environmental insurance since the introduction of the various fungi, bacteria, and pollution exclusions found in standard liability and property policies. ARMR-designed environmental policies include bodily injury or property damage associated with environmental losses as well as consider the cleanup costs, remediation costs, and litigation expenses of those environmental and contamination losses.

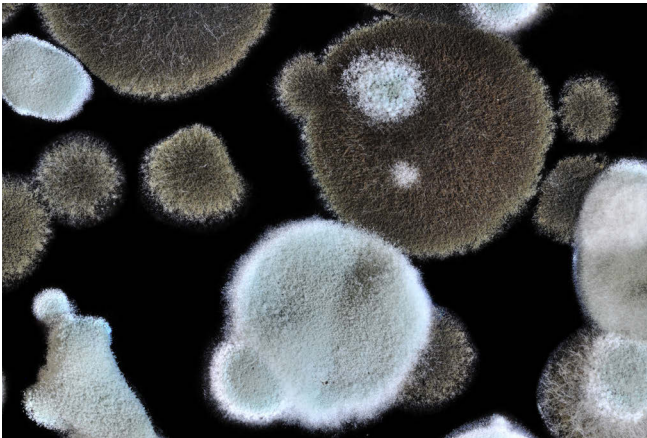
### Common Environmental Exposures Found at Commercial Office Buildings Include the Following:

- Indoor air quality issues from mold, carbon monoxide, bacterial air releases, and vapor intrusion events
- Legionella bacteria or lead found in water and HVAC systems
- Category three water losses
- Fungi and mold conditions on or within the building
- Overuse, dispersal, or escape of cleaning solvents
- Storage of maintenance chemicals
- Bodily injury claims resulting from lead, asbestos, or polychlorinated biphenyl (PCB) exposure
- Construction debris containing hazardous materials (e.g. paint cans, tars, silica dust, etc.)
- Meth lab cleanup or explosion
- Leaking underground or aboveground storage tanks



## Coverage Gaps in Standard Property & Liability Policies

The bodily injury and property damage associated with an environmental loss involving a commercial office building can be incredibly costly and can affect a lot of people and businesses in a short amount of time. You also have to consider the cleanup, restoration, and litigation expenses. These easily can be more costly than the property damage and bodily injury. For example, imagine a dental office being shut down for three weeks while they clean up an environmental contamination loss.



It is routine for commercial office building owners or managers to transfer their operational risks through the use of insurance; for example, two common insurance policies purchased by commercial office building owners or managers are commercial property insurance and Commercial General Liability insurance. What might come as a surprise to many commercial office building owners and managers is the fact that standard property and liability policies contain various pollution exclusions that leave them uninsured for a majority of their environmental loss exposures. The result is underutilization of environmental insurance on

commercial office buildings. The need for insurance coverage is critical to ensure the commercial office building can continue to funnel its resources into what matters: their tenants.



## Available Environmental Insurance Coverage

The good news is insurance coverage exists that is designed to close the gap in coverage caused by the various pollution exclusions thus providing coverage for bodily injury, property damage, cleanup costs, and defense costs incurred by commercial office buildings from environmental and pollution losses. The new ARMR HPR™ program combines an affordable environmental policy with a no-cost water intrusion loss prevention plan. It is the only program of its kind with its own network of contractors!



ARMR.Net has designed this program for a broad range of indoor environmental loss exposures as well as external environmental exposures. The program includes a no-cost water intrusion management plan completed by a qualified restoration and remediation contractor from the ARMR network! Coverage includes EIL, Transportation Pollution Liability, and Non-Owned Disposal Site Liability with the option to include Business Interruption, Loss of Occupancy, and Underground Storage Tank coverage.



## Claims Examples and Case Study:

Did you ever think a utility contractor could cause an environmental loss at an insurance agency office? Neither did we! Below are a few claims examples and a case study. For more information, please reach out to your ARMOR broker.

### *Insurers See Triple-Digit Increases in Mold Claims Against Commercial Building Owners Since 2000*

After seeing triple-digit increases in mold claims filed against commercial building owners over the past three years, more insurers are excluding mold claims from CGL policies issued to owners of apartment and office buildings, hotels, and municipal buildings. Some building owners are reportedly amending leases to hold tenants responsible for certain damages that lead to mold growth.

- *The Denver Post*



### *Office Ventilation System Transmits Toxic Mold Throughout Office Building – Maryland*

Three Maryland office workers filed a lawsuit seeking three million dollars for personal injuries arising out of toxic mold claims for exposure to toxic mold (*Eddy v. Fegan*). The suit alleges that mold and fungi “were allowed to flourish” within the building’s 30-year old heating, ventilation, and air conditioning system. Defendants are the current and former building owners, the current and former property managers, and the on-site building supervisor. The plaintiffs’ injuries include asthma and reactive airways disorder.

### *Case Study: 2 Category 3 Water Losses in a Month*

In July 2017, there was a large storm combined with poor maintenance of the drain pipes that caused a backup of water in a commercial office building. The tenants on the first floor had to be evacuated for a week in order to extract, clean up, and build back the property. While the build back operations were occurring in August 2017, a fiber optics contractor was laying a new line for the commercial office building and hit the sewage line causing the commercial property to be flooded with sewage water. Since water in a drain pipe along with sewage water is grossly contaminated with bacteria, the Fungi and Bacteria exclusion on property and general liability policies would apply. Depending on the state, the pollution exclusion would also apply for both losses.

The second flooding in August caused all tenants including a medical office, dental office, and an insurance agency to close for two weeks. Luckily, the insurance agency’s staff were able to work remotely. The medical office and dental office were not so fortunate.

The property damage and cleanup costs resulting from the two environmental losses were close to \$500,000. The business interruption costs that will be subrogated to the commercial office building owner is over \$225,000. Since this was an environmental loss, the property and CGL policies held by the commercial building owner would not apply. The total loss not covered on the GL and property policy is over \$725,000.





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