

Navigating Environmental Risks After Natural Disasters

After a natural disaster has passed, the challenges businesses face are often just beginning. Although property damage, injuries and business interruptions directly caused by these events typically receive attention, companies should also consider post-natural disaster environmental risks that can create health and safety hazards, financial losses and reputational damage. It is especially important for businesses to be aware of and address these exposures since traditional insurance policy coverage may limit or exclude them.

This article provides more information on types of environmental risks that can arise after natural disasters and discusses steps businesses can take to reduce post-natural disaster environmental liability.

Types of Environmental Risks After Natural Disasters

The forces associated with natural disasters can create conditions that lead to substantial environmental risks, including:

- **Mold**—Water intrusions from severe weather events like floods and hurricanes can lead to mold growth throughout a company's building. For example, building materials such as drywall and wood can create environments conducive to mold growth when combined with moisture. According to the U.S. Centers for Disease Control and Prevention (CDC), mold can cause many adverse health effects, including respiratory problems, burning eyes or rashes. Individuals with asthma or mold allergies

may also have severe reactions, and immunocompromised people or those with chronic lung disease may develop infections after mold exposure.

- **Spills, leaks, and other toxic releases**—The strong forces from natural disasters, such as high winds, can damage infrastructure that is made of hazardous

The United Nations Environment Programme warns that natural disasters can cause damage to pipelines, storage tanks and processing equipment, which can result in the release of hazardous materials.

materials or stores hazardous chemicals. For example, structural damage to an organization can produce toxic building debris that releases harmful substances such as asbestos, lead, polychlorinated biphenyls, chlorofluorocarbons, radioactive material or silica; storage containers that hold harmful chemicals (e.g., diesel fuel) can be damaged, creating leaks; and contaminated waste products on company property can be dispersed into the environment. These events can all pollute the surrounding water, air and soil. Additionally, businesses that are constructed on historically contaminated grounds (e.g., Superfund sites) are at an elevated risk of toxic releases due to the nature

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of those areas, even if their operations typically do not generate hazardous materials.

- **Disruption of waste management systems**—With the damage and amount of debris produced by a natural disaster, waste management systems may become disrupted or inundated. For example, sewer systems may not function properly, causing health risks, or waste removal services may not be able to operate, resulting in the buildup of harmful material.
- **Fire byproducts**—The fires associated with natural disasters can create poor air quality. Whether a severe storm ignites an electrical fire or a wildfire spreads to a building, the materials that burn may create toxic fumes. Additionally, if fires arise, firefighting chemicals containing per- and polyfluoroalkyl substances (PFAS) or other harmful substances may be used to stop them. PFAS are known as forever chemicals because they do not break down, and their use can create further environmental damage and health risks.

Steps Businesses Can Take to Reduce Post-natural Disaster Environmental Liability

There are several strategies businesses can implement to mitigate the environmental risks associated with natural disasters and subsequent exposures, including:

- **Conduct thorough environmental risk assessments** to identify potential hazards and vulnerabilities, including those created by building materials, operations, chemical storage and waste.
- **Establish and regularly update robust risk management plans** that encompass both immediate and long-term environmental risks.
- **Build and maintain infrastructure with a focus on resilience and sustainability** to withstand the impact of natural disasters and lessen potential environmental impacts.

- **Stop pollution proactively** by eliminating or reducing the use of hazardous materials, modifying pollution-creating processes, investing in sustainable technologies and improving waste management systems.
- **Provide training and education** to employees on proper handling, use and storage of hazardous materials.
- **Stay abreast of relevant environmental laws and regulations** applicable to the business and ensure compliance with them.
- **Secure insurance that specifically covers exposures and potential liabilities arising from environment-harming incidents**, including coverage for property damage, third-party injuries and costs to clean the area impacted by the event.
- **Regularly review and update insurance policies** to align with changes in the business and the evolving environmental landscape.

Conclusion

It is essential for businesses to be aware of the environmental risks that may arise after natural disasters and to take action to address them in order to help avoid health and safety risks, financial losses and reputational damage. Companies should also work with a licensed insurance professional to secure adequate coverage for their exposures.

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