Pollution

Executive Summary

While it is impossibility to completely eliminate all risks in an operation, Public Entities have come a long way in minimizing the potential effects of owning and operating fuel tanks. Although intentions are good, there may exist inefficiencies in a system or miscommunication between parties that can lead to damages. Learning from these events allows us to almost constantly analyze and potentially change our current behaviors in an effort to mitigate future losses.

Scenario

On December 27th, a leak was observed in the above ground diesel storage tank located at a CIRMA Member's Bus Garage. Diesel was observed to leak into a nearby brook and surrounding areas. When the leak was discovered, the Member notified CIRMA, DEEP, and Connecticut Tank Removal to begin with damage assessments, cleanup, and containment. CIRMA then informed its Master Pollution Carrier, who provides the pollution coverage, to assist with these efforts and respond to the claim.

Investigation and Damages

The Town owns and is responsible for the fueling of the tank; however, the School District is the sole operator, as they use the tank to fuel their school bus fleet. It was undetermined if the Town or the School District was responsible for implementing and following a preventative maintenance program or spill plan, as this information had not been formally documented. Upon further investigation, it was determined that the leak had been occurring for quite some time, potentially for many months. The Town was unable to pinpoint an exact date when the leak had started due to the lack of a formalized inspection program that included testing of the tank alarm.

The Pollution Carrier accepted coverage for the first party pollution loss under the CIRMA Master Pollution policy. Due to the widespread environmental impact of this claim, it was immediately classified as a large loss with $3 million in reserves. Ultimately, due to the excessive amount of cleanup and containment costs, the member exposure totaled $2.6M. The Town was able to reduce their $2.6M exposure down to $1.6M, by having a pollution policy that paid its policy limits of $1M towards it.

Lessons Learned

- **Develop a Memo of Understanding (MoU).** If the Owner and Operator of the tank are separate entities (i.e. the Owner is the Town and the Operator is the School District), develop an agreement that formally identifies who is responsible for monitoring fuel deliveries, preventative maintenance, spill prevention program, subsequent repairs/cleanup, etc.
- **Spill Prevention Program.** Create and implement a spill prevention program, which may include assessments and testing, such as overflow valve testing. Elements of this program may be contracted out to a third party. The municipality's legal counsel should review all third party contracts to ensure necessary liability is appropriately transferred to the third party.
- **Engineering Controls.** Consider ensuring that the fuel tank has an alarm that will sound if a spill or leak is suspected. Also, ensure that the tank has double wall containment to reduce the likelihood that a spill will contaminate the surrounding area.
- **Training.** Train staff annually on the Spill Prevention program. Furthermore, the municipality may want to train employees on general hazard identification, how to identify warning signs of a spill, and who to report issues to.
- **Signage.** Consider posting signage near the tank that notifies individuals who to call in the event of a suspected incident.

For more information on this topic, please contact your CIRMA Risk Management Consultant. Visit CIRMA.org for a list of current training programs and e-Learning Center courses.

Connecticut Interlocal Risk Management Agency