POLLUTION LIABILITY INSURANCE AGENCY
State of Washington•P.O. Box 40930•Olympia, WA 98504-0930
(360) 586-5997•1-800-822-3905•Fax (360) 586-7187

Oil Heat Advisory Committee Meeting
Thursday, December 16, 2004 – 9:30 a.m. – PLIA Office

Members Present: Jodi Thompson (Consumer); Dave Smith-Representing Jim Pendowski (Dept. of Ecology); Earl Tower (Consumer); Roger Dovel (PLIA); Lynn Gooding (PLIA); Andrea Moss (PLIA); Ginny Ristine (PLIA)

Members Absent: Calvin Caley (PNOHC); Dale Cooper (WOMA); Frank Holmes (WSPA); Jim Ledbetter (Consumer)

Review of Expected Program Costs and Revenue

Roger opened the meeting by providing those present with comparisons on oil heat claim information.

Current Claim Data	**Claim Averages**
2003 = 174	2003 = $16,855 (137 claims)
2004 = 144 (YTD)	2004 = $ 6,095 (49 claims)
Open = 154	

Roger went on to say that it has been a year since the new cleanup method was implemented and although bioremediation was hard to sell in the beginning to homeowners and contractors, things have been going well. The new method has been successful, lessening the pressure on Fund 544, which pays for the bulk of the cleanups.

The members were provided with two handouts reflecting the programs revenues and expenditures (please see attached). An increase in administration costs in 2006 was noted due to funds being shifted from Fund 544 to Fund 545 as well as an increase in the agency's self-insurance premium. The significant reduction in claim costs during 2006 compared 2003 and 2004 out of Fund 544 was also noted. The estimated figures for 2006 assume the 10% Co-pay option.

Impact(s) of 10% Co-pay

Roger began the discussion on impacts resulting from a 10% Co-pay. Dealer tank-pull contracts probably have some impact on the co-pay. PLIA has had claims on a number of occasions where the homeowner had a tank-pull contract, but the dealer showed reluctance to pull the tank. Not pulling a tank at the first sign of a potential problem could result in more contamination, thus more cleanup costs, thus greater costs to the homeowner required to pay a co-pay.

Ginny shared photos with those present of a recent claim in which the fumes were in the home and oil found in the basement. The dealer tested the 60-year old tank for water, found none, and told the homeowner that their tank was not leaking and the problem was most likely coming from offsite. The tank was eventually removed and determined to be leaking for some time.

The dealer tank-pull contracts have been reviewed by the Office of the Insurance Commissioner (OIC) and considered as a type of service contract. Dealers are currently working on meeting certain requirements with OIC. PLIA is willing to cooperate and assist the dealers in regard to the tank-pull contracts.

While a co-pay might keep costs down, in many instances, it could also open up the option for a homeowner to go past the $7500 cleanup cap currently in place. Some owners may choose to pay more so that the cleanup is done immediately with excavation rather than over time with bioremediation.

The agency's position on a co-pay is that now is not the time. PLIA has been able to control cleanup costs without a co-pay and financial pressure from Fund 544 has been greatly reduced. Revenue that would be received from a co-pay compared to funds available from Fund 544 is not significant.

Before approaching a co-pay, PLIA would like to wait until the reauthorization of the agency is finalized and evaluate the results of an educational outreach program to homeowners, dealers and, contractors after it has been in place for at least 12 to 18 months. Elements of the planned outreach program would consist of mailings stressing tank owner responsibility, methods to monitor tanks and fuel usage, legal responsibility for contamination, potential life expectancy of tanks, and costs of replacement and cleanup. The mailings are targeted to take place in September 2005. PLIA would also like to see the actual revenue collected from the 1.2-cent dealer fee over the course of an entire year.

The committee members present agreed that a 10% Co-pay is not advisable at this time.

Respectfully Submitted By:
Xyzlinda Marshall
Administrative Secretary

Roger Dovel 12/17/04
Approved By Date

POLLUTION LIABILITY INSURANCE AGENCY
Estimated Yearly Expenditures (with 10% co-pay option)

<table>
<tr><th>Program</th><th colspan="2">Claims</th><th>Administration</th><th>Oil Heat Premium</th><th colspan="2">Total</th></tr>
<tr><td>Commercial UST</td><td colspan="2">$ 1,274,920
(544)</td><td>$ 415,186
(544)</td><td></td><td colspan="2">$ 1,690,106
(544)</td></tr>
<tr><td rowspan="2">Oil Heat</td><td>$ 822,599 (544)</td><td rowspan="2">$ 1,125,000
($112,500)*
$ 1,012,500</td><td rowspan="2">$ 436,709
(545)</td><td rowspan="2">$ 110,250
(545)</td><td>$ 822,599 (544)</td><td rowspan="2">$ 1,559,459</td></tr>
<tr><td>$ 189,901 (545)</td><td>$ 736,860 (545)</td></tr>
<tr><td rowspan="2">Total</td><td>$ 2,097,519 (544)</td><td rowspan="2">$ 2,287,420</td><td rowspan="2">$ 851,895</td><td rowspan="2">$ 110,250
(545)</td><td>$ 2,499,565 (544)</td><td rowspan="2">$ 3,249,565</td></tr>
<tr><td>$ 189,901 (545)</td><td>$ 750,000 (545)</td></tr>
</table>

Fund 544 = Pollution Liability Insurance Trust Account funded by the Petroleum Products Tax, AKA "the large fund".
Fund 545 = Heating Oil Insurance Trust Account, funded by the oil heat dealers fee. Figures are based on an assumption of a fee of 1.2 cents per gallon. Gallon estimate based on 2003 sales of 61,405,000.
UST claim costs are a yearly average of the costs incurred during FY 03-04.
Oil Heat claim costs are based on the assumption of 150 claims per year at $ 7,500 per claim (average claim cost in 2004 was $ 6,096)
Administrative costs are based on the estimates submitted for the 05-07 biennium budget, including increased liability premium.
Oil Heat Insurance Premium is calculated at $1.75 per tank for an estimated 63,000 registered tanks.
* 10% Co-pay contribution.

12/17/2004

Oil Heat Insurance Program Revenues and Expenditures

Revenue is collected for the previous year's sales. Example: 2004 revenue is based on gallons sold in 2003.

2005 revenues are a combination of the .6 cents per gallon and 1.2 cents per gallon because of the July 1, 2004 effective date for the fee increase.

Revenue estimates for '05-'06, are based on actual gallons sold in 2003 (last year reported).

In 2004, the insurance policy premium was reduced from $5.50 per tank to $1.75. The deductible paid by Colony Insurance was reduced from $3500 per claim to $500. The difference would be transfered to the claim payment column.

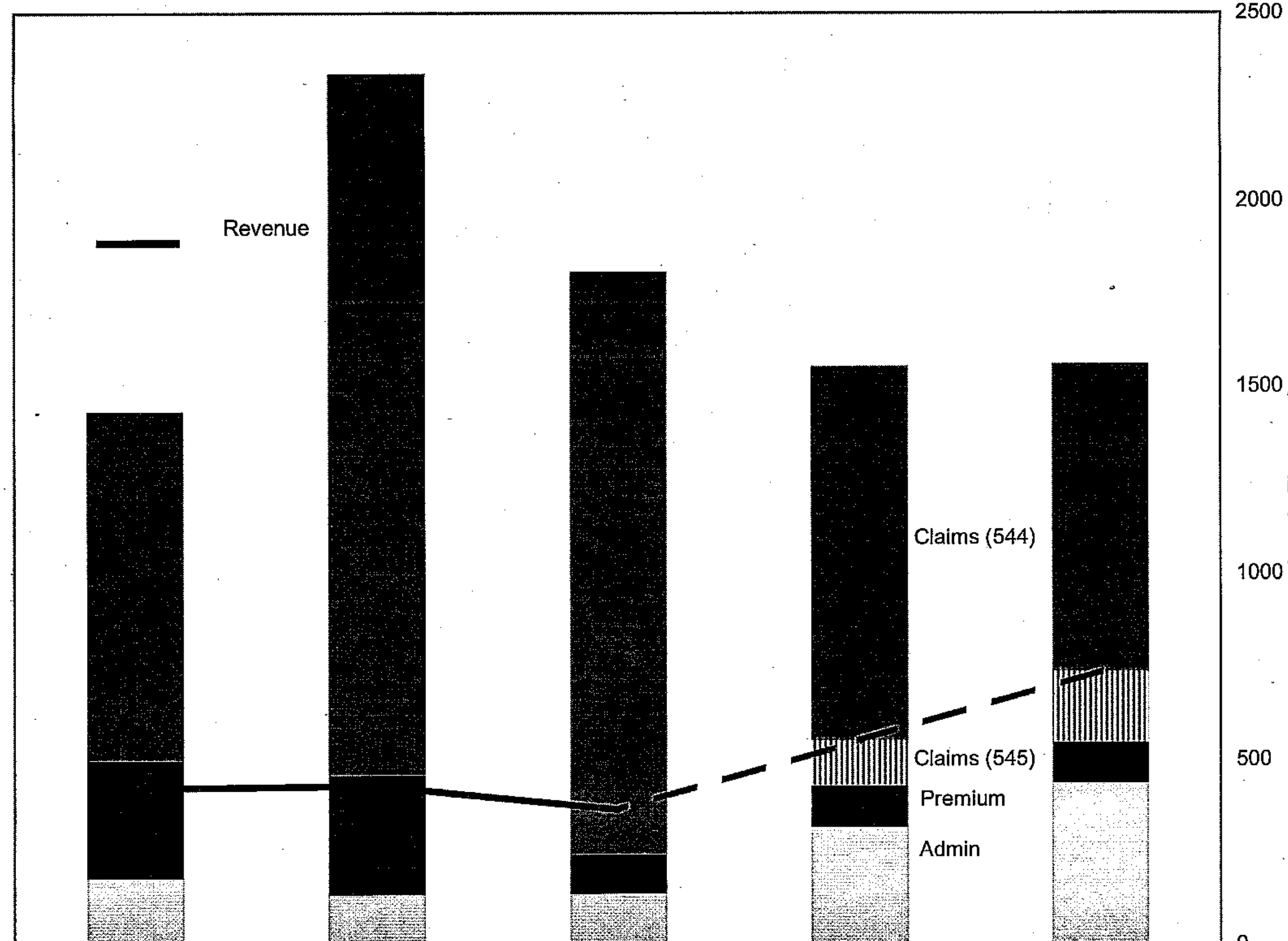
All oil heat claims have been paid out of Fund 544. Starting July 1, '04, some claims will be paid for by the additional revenue (fund balance transfer at end of calendar year will constitute payment of claims from fund 545).

Payments shown here are based on date of payment and not "date-of-loss". Date-of-loss would refer to the year the claim was made. 2006 claim estimates assume 10% co-pay is in affect.

Figures are based on fiscal years (7/1-6/30) and are shown through FY 2004 (7/1/03-6/30/04).

2006 increase in administration due to increased liability premium.

* 2005-2006 figures are estimates.



	2002	2003	2004	2005*	2006*
Claim Payments (Fund 544)	935985	1878724	1566382.47	1002416	822599
Claim Payments (Fund 545)				122584	189901
Policy Premium	318285	322735	106446	110250	110250
Administrative Expenditures (Fund 545)	181524	137345	138577	319811	436709
Oil Heat Revenue (Fund 545)	426552	432860	368430	552645	736860

*Estimates (2006 includes 10% co-pay option)
Source: OFM AFRS (Claims Payments and estimates provided by PLIA)

12/17/2004