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2011 Annual Summary Report

Agency Mission

The Pollution Liability Insurance Agency works to improve the economic and environmental health of the state of Washington by providing insurance services to owners and operators of petroleum storage tanks.

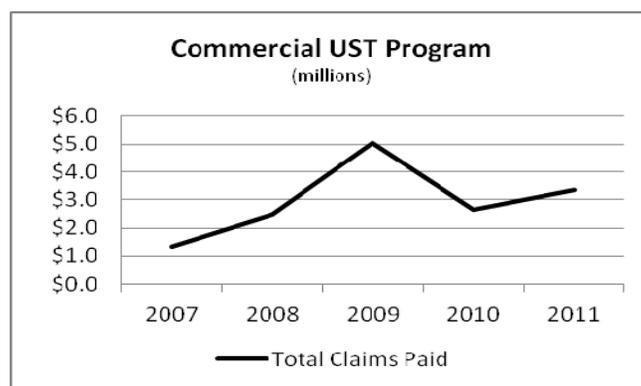
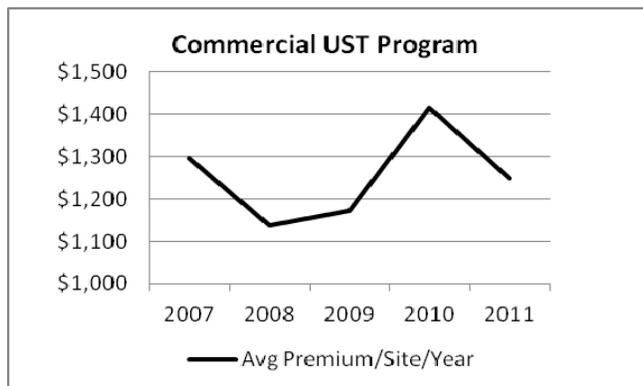
Statistics for Calendar Year 2011:

- UST owners' average annual insurance premium was \$1,250 compared to \$3,100 in 1990.
- PLIA reinsured 2,166 UST sites or 76% of the market and paid over \$3.3 million in UST claims.
- Property owners sent in 1,680 registrations for Heating Oil Pollution Liability Insurance.
- Heating oil users made claims at more than 300 sites and PLIA paid over \$3.3 million in claims.

Commercial UST Reinsurance Program

Owners of USTs are required by state and federal law to prove they can afford to pay for cleaning up any accidental leaks from their tanks. They must have at least \$1 million worth of coverage. There are a variety of ways to prove their ability to pay. However, for most small businesses and local governments, private pollution liability insurance is the only affordable alternative.

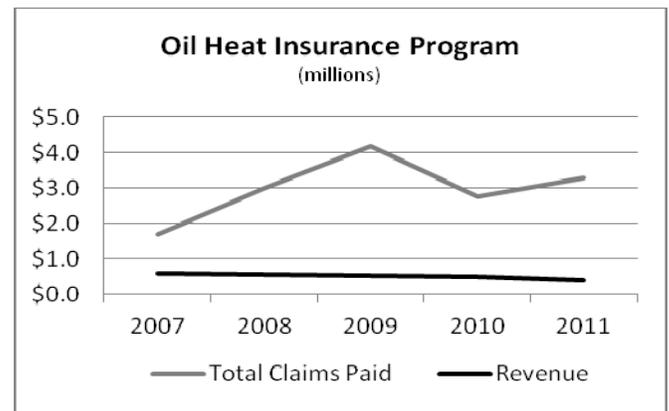
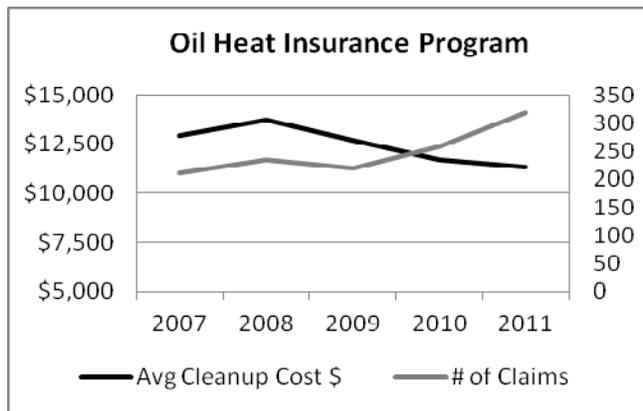
PLIA makes pollution liability insurance available and affordable by *reinsuring* their private insurance policies. PLIA currently reinsures three private insurance companies. The insurance companies pay the first \$75,000, then PLIA funds pay the rest, up to \$1 million. This lets the insurance companies keep premiums low. This state program has paid more than \$26.7 million at 348 PLIA reinsured sites since 1990.



Oil Heat Pollution Liability Insurance Program

Heating oil tanks are not regulated like commercial petroleum tanks. However, if they leak, the contamination is regulated by the state's toxic cleanup law. PLIA has been providing insurance for heating oil tanks since 1996. Tank owners register with PLIA to receive up to \$60,000 in pollution liability coverage. Some homeowners' insurance companies are now requiring homeowners to have PLIA insurance.

Since the program started, PLIA has processed nearly 2,700 claims and paid \$23.8 million for cleanups at insured heating oil sites. Revenue to pay for the administration of the program is generated by a fee paid annually by heating oil dealers. Most claims are funded by the Petroleum Products Tax. The average cleanup cost has decreased from \$19,000 in 2003 to \$11,348 in 2011.



Underground Storage Tank Community Assistance Program

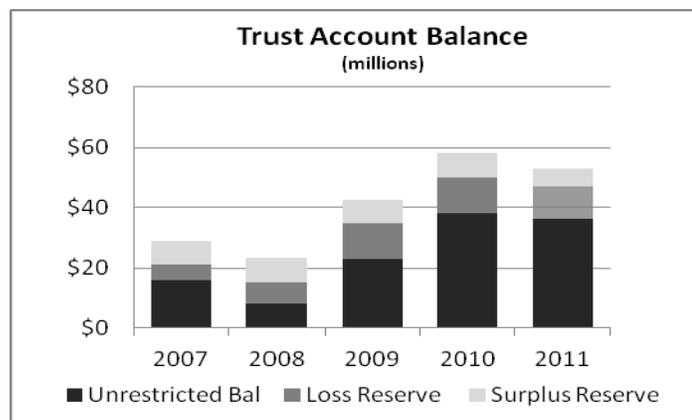
In the early 1990s, PLIA provided grants to 98 remote and rural gas stations and 15 small, local governments to pay for new tanks. Upgrading the tanks made sure that firefighters, school buses, and emergency services continued in these isolated communities. The grants were limited to \$150,000, some of which was spent on cleaning up leaks. Liens were put on the commercial sites to ensure they continued to sell gas for 15 years, a condition of the grant. Eighty-three of the 98 grant sites have met the 15 year requirement and removed liens placed on their property. The remaining sites stopped operating before the 15 years ended and remain closed.

The legislature approved an additional \$1 million for grants in 2005. This grant period ended in June 2007. PLIA awarded a total of \$619,044 in grants for three sites in Okanogan County and one in Jefferson County. Three of these sites remain in operation. One site filed for bankruptcy and remains closed.

Financial Assessment

PLIA and its programs are funded from the Pollution Liability Insurance Trust Account and the Heating Oil Pollution Liability Trust Account. PLIA does not receive any State General Fund revenue. Interest from both trust accounts is deposited to the State General Fund. The General Fund has received over \$28 million in interest revenue from these funds since 1992 (\$506,307 in FY11).

The main source of revenue for the Pollution Liability Insurance Trust Account is the Petroleum Products Tax (PPT), an excise tax of 0.5 percent on the wholesale value of petroleum. The PPT is only collected when the unrestricted cash balance in the trust account falls below \$7.5 million. The “unrestricted cash balance” is the balance after required reserves are set aside. The tax has only been collected three times since 1990. It was last collected from July 1, 2009 through March 30, 2010 and generated \$48.1 million. The total fund balance as of January 1, 2012 is \$52.7 million; the unrestricted balance is \$36 million.

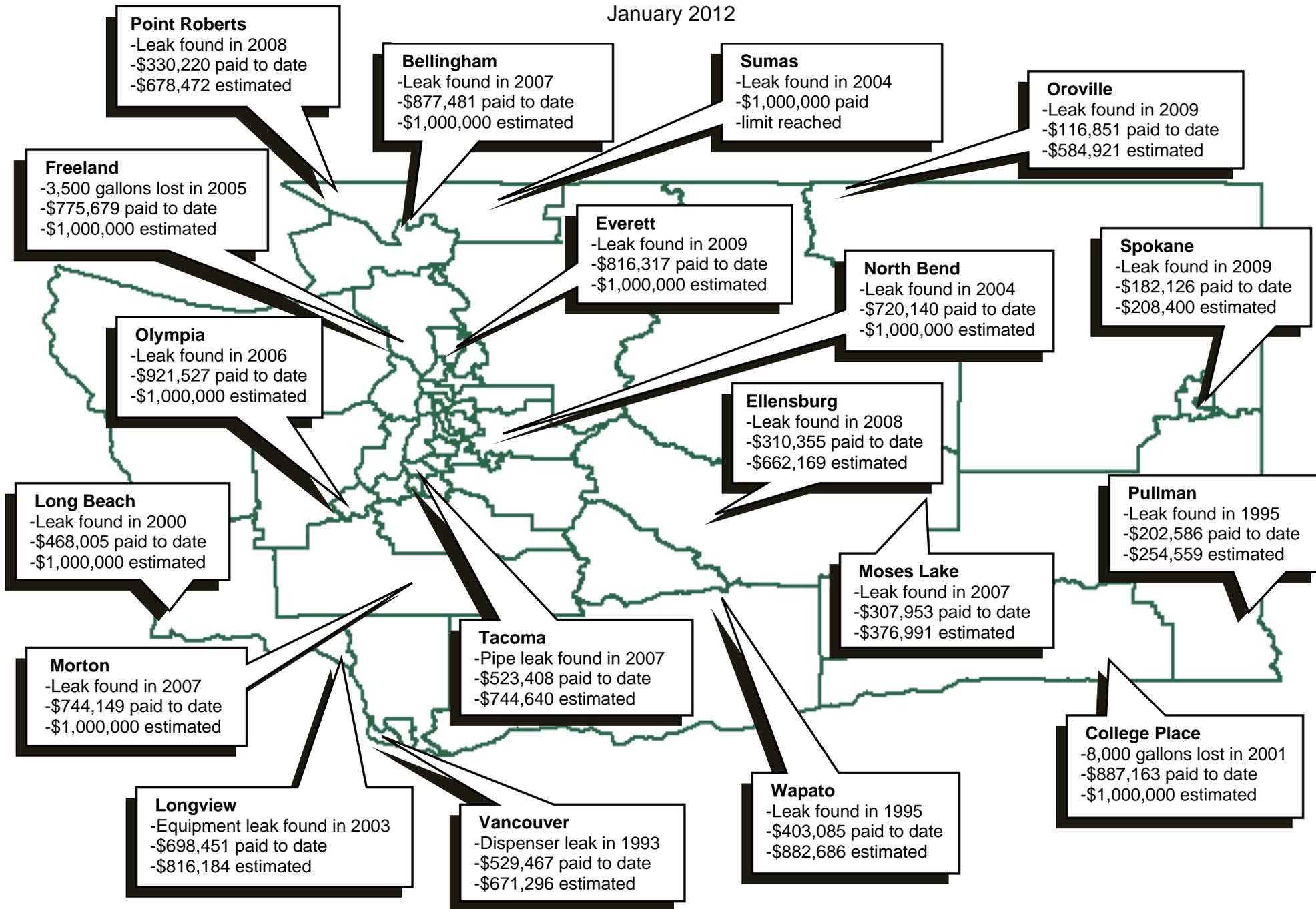


Revenue for the Heating Oil Pollution Liability Trust Account is generated by a 1.2 cents per gallon fee paid yearly by heating oil dealers. The fee generated \$388,651 in 2011. This revenue covers the administrative costs of the program, the insurance premium, and a portion of the claim costs (\$41,323 in 2011). The remaining claim costs are paid out of the Pollution Liability Insurance Trust Account.

WA State Pollution Liability Insurance Agency

Select Commercial UST Claims

January 2012



Estimated costs are the total costs estimated by the insurer.

Legislative district map



Heating Oil Pollution Liability Insurance

County	Tanks Insured	Claims Filed
ADAMS	4	
ASOTIN	2	
BENTON	215	1
CHELAN	36	
CLALLAM	86	1
CLARK	1125	62
COLUMBIA	2	
COWLITZ	264	9
DOUGLAS	2	
FRANKLIN	116	1
GARFIELD	2	
GRANT	3	
GRAYS HARBOR	254	4
ISLAND	389	5
JEFFERSON	271	
KING	38,237	2340
KITSAP	3151	27
KITTITAS	88	
KLICKITAT	21	
LEWIS	143	1
LINCOLN	3	
MASON	225	1
OKANOGAN	14	
PACIFIC	173	
PEND OREILLE	1	
PIERCE	2951	34
SAN JUAN	184	1
SKAGIT	388	7
SKAMANIA	5	1
SNOHOMISH	2569	124
SPOKANE	3967	6
STEVENS	17	
THURSTON	1522	65
WAHKIAKUM	55	1
WALLA WALLA	64	
WHATCOM	354	2
WHITMAN	6	
YAKIMA	513	
	57422	2693