

Pollution Liability Insurance Agency

2007 Annual Summary Report

2/8/08

Agency Mission

Our mission is to help small businesses, local governments, and homeowners protect their businesses and property from petroleum contamination caused by leaking tanks through affordable and available liability insurance.

Statistics for Calendar Year 2007:

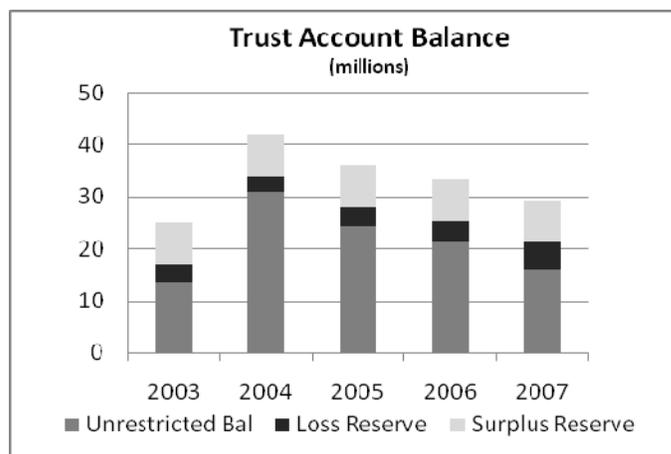
- PLIA reinsured 2,102 commercial tank sites or 66% of insured sites in the state.
- The average commercial insurance premium was \$1,297 compared to \$3,100 before PLIA.
- Homeowners sent in 2,050 registrations for Heating Oil Pollution Liability Insurance.
- Homeowners made over 215 heating oil claims and PLIA paid over \$1.6 million in claims.

Financial Assessment

The Pollution Liability Trust Account (Trust Account) and the Heating Oil Pollution Liability Trust Account fund PLIA and its programs. We do not receive any State General Fund money. The Trust Account receives most of its revenue from the Petroleum Products Tax (PPT), a 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 and is stopped when the balance reaches \$15 million. The “unrestricted cash balance” is the balance after required reserves are set aside. The tax has only been collected once since 1992. The PPT generated \$30.2 million from July 2003 through July 2004 before being stopped. The current total fund balance is \$29.1 million. The unrestricted balance is \$16 million after \$13.1 million in reserves is set aside. Since 1991, the State General Fund has received \$25.6 million in interest earned by the Trust Account.

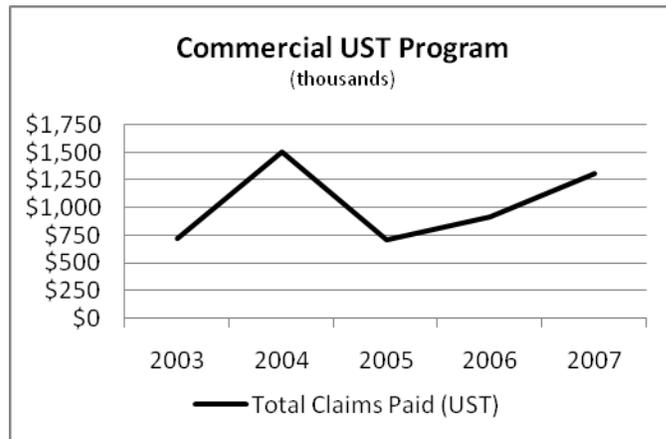
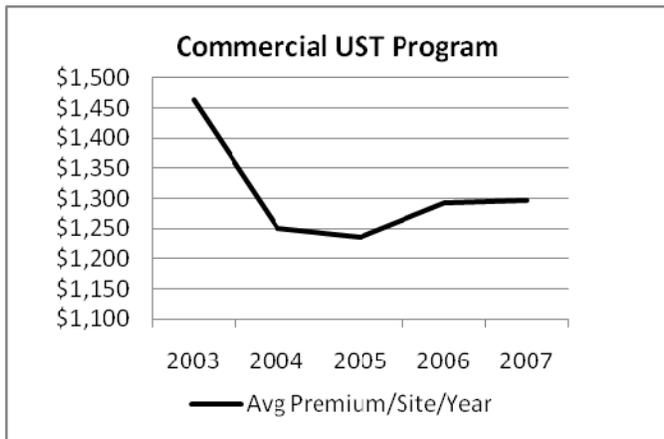
Revenue for the Heating Oil Pollution Liability Trust Account comes from a 1.2 cents per gallon fee paid yearly by heating oil dealers. The fee generated \$585,087 in 2007. This revenue covers the administrative costs of the program, the insurance premium, and a portion of the claim costs. The remaining claim costs are paid out of the Trust Account.



Commercial UST Reinsurance Program

State and federal laws require owners of regulated underground storage tanks 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. Owners have a variety of ways to prove they can pay. However, for most small businesses and local governments, private pollution liability insurance is the only affordable option.

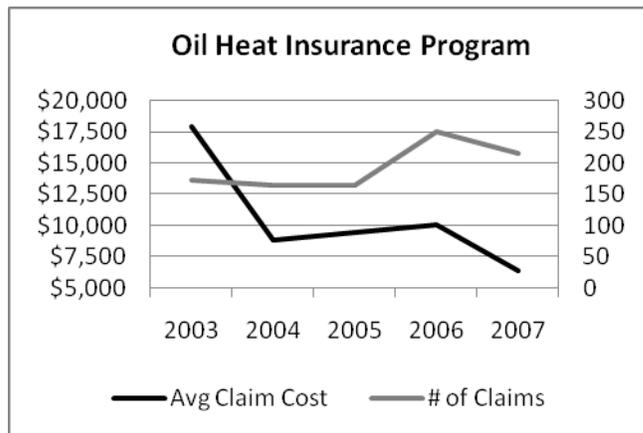
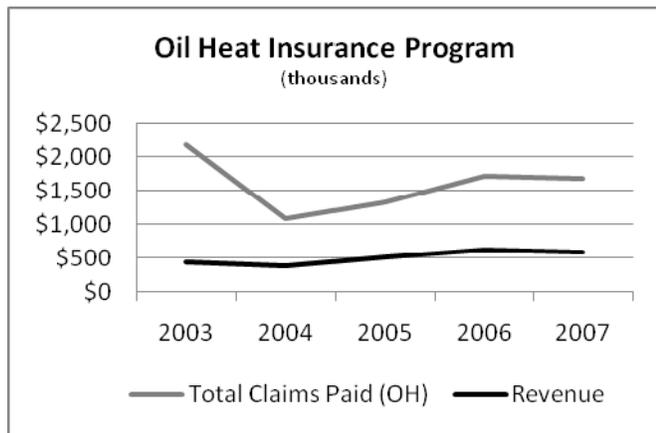
Our program makes pollution liability insurance available and affordable by *reinsuring* private insurance policies. The private insurance company pays the first \$75,000 of a claim, and we pay the rest, up to \$1 million. This lets the insurance companies keep premiums low. Over \$15.2 million has been paid at 197 reinsured sites since 1990.



Heating Oil Pollution Liability Insurance Program

Our state does not regulate heating oil tanks like commercial petroleum tanks. However, if they leak, the contamination is regulated by the state's toxic cleanup law. PLIA has provided free insurance for heating oil tanks since 1996. Tank owners register with us to receive up to \$60,000 in pollution liability coverage. Some homeowners' insurance companies now require homeowners to have our insurance.

Since the program started, we have received over 1,600 claims and paid for cleanups at over 1,000 sites. In 2004 we changed the cleanup process because of rising claim costs. As a result, the average cleanup cost went from \$19,000 in 2003 to \$10,200 in 2006.



Underground Storage Tank Community Assistance Program

In the early 1990s, PLIA provided grants to 112 remote and rural gas stations and 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, with a portion going towards cleaning up leaks. As one condition of the grant, owners had to agree to sell gas for 15 years. Seven of these grant sites met the 15 year requirement in 2007 and can remove liens placed on their property. An additional 44 sites will meet the requirement in 2008.

The legislature approved an additional \$1 million for grants in 2005. This grant period ended in June 2007. We awarded a total of \$619,044 in grants for three sites in Okanogan County and one in Jefferson County.