POLLUTION LIABILITY INSURANCE AGENCY
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Oil Heat Advisory Committee Meeting
Tuesday, September 18, 2007 1:00 p.m.-3:00 p.m. – PLIA Office

Present: Christophe Allen (WOMA/PNOHC); Earl Tower (Consumer); Greg Hanon (WSPA); Lynn Gooding (PLIA); Andrea Moss (PLIA); Ginny Ristine (PLIA)

Absent: Frank Holmes (WSPA); Jim Pendowski (Ecology)

After introductions, Lynn explained that the agency has started making changes to the heating oil program's rules chapter 374-70 of the Washington Administrative Code (WAC). Everyone present received a draft copy of the rule with changes.
Andrea briefly went through the sections with changes. They included:

- Removing the word "active" throughout the chapter as well as the definition.
- Revising the definition of "abandoned heating oil tank"
- Adding the definition of "decommissioned heating oil tank".
- Giving new owners up to 180 days to re-register after a property transaction in order to avoid a lapse in coverage from the previous owners' policy.
- Giving registered owners up to one year to file a claim after abandoning or decommissioning their tank.
- Allowing coverage of previously registered abandoned or decommissioned tanks as long as the owner replaces it with a new registered heating oil tank.
- Removing the $1500 reimbursement for first- and third-party property restoration.
- Removing the requirement for an owner to prove that their tank is active at the time of registration. PLIA will investigate this at the time of a claim.

Giving new owners 180 days to register their tanks to avoid a lapse in coverage may help reduce the number of lawsuits brought up against previous owners by the new owners that have discovered contamination after a property transaction. Many insurance policies also have a standard extended reporting period. The 180 days will extend coverage for the previous owners. It may also help in the case of property transactions that take place in the spring or summer. This could give new owners who may not make their first purchase of fuel until the fall or winter a chance to hear about the program from their oil dealer.

Earl asked whose responsibility it was to notify new owners about the heating oil insurance program. Lynn responded that many dealers tell their new customers about the program; however, there are those that slip through the cracks. Also many insurance companies and title companies now require owners to register with the program.

Earl asked about an incentive to owners to proactively replace their tanks. Earl and Greg did not attend the June 26 meeting when the committee discussed the new tank reimbursement program for homeowners. Lynn gave them a brief overview, explaining that registered owners that have a valid claim with PLIA and replace their tanks may receive a reimbursement for the difference of what a standard steel tank costs compared to a fiberglass, or as protective, tank. The agency still needs to decide on whether owners will receive a flat rate or the actual cost.

Removing the $1500 reimbursement for property restoration is a cost saving measure. It could potentially save up to $250,000 per year.

Greg wanted to know where the one-year period to report a claim came from. The agency based this timeframe on the International Fire Code's requirement for an owner to properly decommission a tank within a year. Greg also suggested adding the word "registered" to WAC 374-70-080(4) for consistency.

As a homeowner, Earl thought giving new owners 180 days very generous. He did have concerns about the lack of a preventive program that would give owners an incentive to replace their tanks that may be leaking. He wanted to know if offering this type of program would have a huge impact on the fund. Also, what would the environmental impact be if owners waited to replace their tanks until a problem arises?

Lynn explained that a prevention program would uncover many new sites. At this time, the agency does not have the resources to manage the anticipated increase in the number of claims.

Greg likes the direction the agency is heading towards with the program changes. He requested a short summary of agency controls detailing what things are being done to make the program more efficient and what future steps are planned. He would like to share it with the members of the Western States Petroleum Association.

Lynn went over the handouts for the Pollution Liability Trust Account and the Oil Heat Insurance Program Revenues and Expenditures. The Petroleum Products Tax may retrigger sooner than the agency anticipated. Although the average cleanup cost remains around $10,000, the number of claims continues to increase. Sites still undergoing bioremediation also pose an unknown liability. Some 370 sites may still need additional cleanup.

Greg asked why the fund needed an $8 million surplus reserve. The $8 million surplus reserve is required by statute for emergency purposes and was calculated at the beginning of the program. Lynn will look into what changes would need to be made in order to reduce the trust account floor.

Lynn will send another draft of the chapter, with additional changes, to committee members for their comments before beginning the rule revision process. She hopes to have all the changes made by the end of the year to include in the policy at its renewal in January.

Submitted By:
Xyzlinda Marshall
Administrative Secretary

Lynne Gorel 10/9/07
Approved By Date