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*Working to support a public-private partnership that improves economic and environmental vitality, opportunity, and excellence.*

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## 2003 Annual Report

### Agency Mission

The mission of the Pollution Liability Insurance Agency (PLIA) is to make pollution liability insurance available and affordable to the owners and operators of regulated petroleum underground storage tanks (USTs) and heating oil tanks by offering reinsurance services to the insurance industry.

### Statistics for Calendar Year 2003:

- The average insurance premium per commercial UST site was \$1,464 compared to \$3,100 in 1990.
- PLIA reinsured 2,210 commercial UST sites or 79% of insured tanks in the state.
- PLIA received 3,921 registrations for Heating Oil Pollution Liability Insurance, making the total number of insured homes and businesses over 60,800 statewide.
- PLIA received over 160 claims and paid out over \$2.1 million in claim costs for insured heating oil sites.

### Commercial UST Reinsurance Program

Owners of USTs are required by state and federal law to be financially responsible for corrective action in case of an accidental release of petroleum. There are a variety of ways to demonstrate financial responsibility. However, for most small businesses and local government entities, pollution liability insurance is the only practical alternative.

PLIA makes pollution liability insurance available and affordable to the owners by serving as the reinsurer of insurance policies. As the reinsurer, PLIA assumes part of the risk for each release. In the case of a one million dollar policy, PLIA is responsible for settlements over \$75,000. This assumed risk allows the insurance companies to reduce insurance premiums. The lower premiums have saved businesses and local governments over \$21 million since PLIA began in 1990. The program has spent over \$15.2 million on cleanups at 290 sites.

### Heating Oil Pollution Liability Insurance Program

Heating oil tanks used for providing heat are not regulated like commercial petroleum tanks. However, contamination resulting from a leak or spill must be addressed according to the state's cleanup regulations. PLIA has been providing coverage for owners of active heating oil tank since 1996 with the Heating Oil Pollution Liability Insurance Program. Tank owners register with PLIA to receive up to \$60,000 in pollution liability coverage. Some insurance companies that write homeowners coverage are now requiring homeowners to have PLIA insurance. Since the program started, PLIA has received over 830 claims and paid for cleanups at over 450 sites.

Heating oil dealers pay a fee of six-tenths of one cent per gallon of heating oil sold to generate the revenue to help fund the program. Stakeholders are sponsoring legislation in 2004 which would propose an increase in the fee to cover rising claim costs.

### Underground Storage Tank Community Assistance Program

Grants were provided in the early 1990s to owners of USTs at remote and rural gas stations. Each grant was limited to \$150,000 of which no more than \$75,000 could be spent on cleanup of contamination. By 1995 USTs at 112 sites were upgraded to meet federal and state standards with cleanups conducted at 70 sites. Even though new grants are no longer being offered, PLIA is responsible for the oversight of the original grant recipients.

### Financial Assessment

PLIA and its programs are funded from the Pollution Liability Trust Account (Trust Account) and the Heating Oil Pollution Liability Trust Account. Neither PLIA nor any of its programs receive any State General Fund revenue.

The main source of revenue for PLIA and its programs is the Petroleum Products Tax (PPT), an excise tax of 0.5 percent on the wholesale value of petroleum on the first introduction into the state. The PPT is only collected when the unrestricted cash balance in the Trust Account falls below \$7.5 million. The tax was not collected between July 1992 and July 2003. The tax is currently being collected and will continue until the unrestricted cash balance reaches \$15 million. It is anticipated this will occur sometime in 2004. Since 1991 \$10 million in interest earned by the Trust Account has been transferred to the State General Fund.

The Heating Oil Pollution Liability Trust Account is funded by the fee paid yearly by heating oil dealers. This revenue covers most of the administrative costs of the program and the required insurance policy premium. The claim costs are paid out of the Pollution Liability Trust Account. The proposed fee increase would cover all administrative costs, the insurance premium, and a portion of the cleanup costs.

## Calendar Year 2003 Financial Report

### Pollution Liability Trust Account – Fund 544

<b>Cash Balance (1/1/03)</b>		<b>\$18,106,143</b>	
Revenue		10,162,446	
Administrative Expenses (includes some oil heat admin.)		509,322	
Claim Payments	Commercial UST *	\$ 725,517	2,901,828
	Oil Heat	2,176,311	
<b>Cash Balance (12/31/03)</b>		<b>24,882,448</b>	
Loss Reserve (set aside for existing UST claims)		\$ 3,212,186	11,212,186
Surplus Reserve (set aside for emergency/natural disaster)		8,000,000	
<b>Unrestricted Cash Balance** (12/31/03)</b>		<b>\$13,645,253</b>	

\*This is only the portion paid by PLIA. Insurance companies spent \$504,048 on cleanups at reinsured sites in 2003.

\*\* The unrestricted cash balance is the balance in the fund after the loss and surplus reserves (Commercial UST claims only) are set aside.

### Heating Oil Liability Trust Account – Fund 545

<b>Existing Balance (1/1/03)</b>	<b>\$119,518</b>
Revenue	432,860
Administrative Expenses	136,898
Insurance Premium	322,735
<b>Ending Balance (12/31/03)</b>	<b>\$ 92,745</b>

### Statutory Authority

The enabling legislation is contained in:

- **Chapter 70.148 RCW, Underground Petroleum Storage Tanks** – Creates a state financial responsibility (pollution liability insurance) program meeting EPA standards for owners and operators of underground storage tanks.
- **Chapter 70.149 RCW, Heating Oil Pollution Liability Protection Act** – Authorizes PLIA to develop a program that provides pollution liability insurance for heating oil tanks.
- **Title 374 WAC, Pollution Liability Insurance Agency**– Agency’s rules and operating procedures.