

SENATE BILL REPORT

SHB 1007

As Reported By Senate Committee On:
Financial Institutions, Insurance & Housing, March 27, 1997

Title: An act relating to heating oil pollution liability protection.

Brief Description: Expanding the duties of the director of the Washington state pollution liability insurance agency.

Sponsors: House Committee on Financial Institutions & Insurance (originally sponsored by Representatives L. Thomas and Wolfe; by request of Pollution Liability Insurance Agency).

Brief History:

Committee Activity: Financial Institutions, Insurance & Housing: 3/27/97 [DP].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, INSURANCE & HOUSING

Majority Report: Do pass.

Signed by Senators Winsley, Chair; Benton, Vice Chair; Finkbeiner, Hale, Heavey, Kline and Prentice.

Staff: Catherine Mele (786-7470)

Background: In 1989, the Legislature created the Pollution Liability Insurance Agency (PLIA). The Legislature created PLIA in response to the requirements of the Environmental Protection Agency (EPA) that owners and operators of petroleum underground storage tanks demonstrate financial responsibility for the cleanup of contamination resulting from spills or releases of petroleum.

The PLIA underground storage tank program provides reinsurance to commercial insurance companies, which in turn provide pollution liability insurance to underground storage tank owners in Washington. This reinsurance program is meant to improve the availability and affordability of pollution liability insurance for owners and operators of underground storage tanks by selling reinsurance at a price significantly below the private market price for similar insurance. The discount is passed to owners and operators of underground storage tanks through reduced insurance premiums and increased availability of insurance.

In 1995, the Legislature directed PLIA to develop and administer a program that provides pollution liability insurance for heating oil tanks. This program currently provides insurance coverage for the cost of cleanup of contamination resulting from release from active heating oil tanks. The program does not provide insurance for abandoned or inactive heating oil tanks. The insurance policy provides coverage of \$60,000 per occurrence for each site per year. Generally, the insurance policy covers the owner of the tank for cleanup, property damage, and bodily injury.

Property owners are liable for the pollution that occurs on their property. In 1994, the Legislature enacted laws requiring sellers of residential real property to make an extensive list of disclosures concerning their property to the buyer. The law mandates that the seller disclose possible environmental hazards from heating oil tanks.

There are concerns that when homeowners sell their residences they incur needless high costs of testing for contamination and sometimes for removal of heating oil tanks. Currently, there is no formal program that provides owners of heating oil tanks with technical assistance, and key information regarding an owner's options and responsibilities concerning heating oil tanks.

Summary of Bill: The Director of the Pollution Liability Insurance Agency is authorized to implement a program that provides advice and technical assistance to owners and operators of active and abandoned heating oil tanks. If the director finds that contamination is not present, or that contamination is not a threat to human health and the environment, the director may provide written opinions and conclusions about the results of the investigation to owners and operators. The director is authorized to establish a public information program to provide the public with information regarding liability, technical, and environmental requirements associated with heating oil tanks. The Pollution Liability Insurance Agency is authorized to collect the costs for providing advice and assistance from the persons seeking such services. These new responsibilities expire on June 1, 2001.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: This is a good piece of legislation that creates a much needed public information program. State technical assistance will help avoid unnecessary and expensive cleanups and will facilitate real estate transactions. The House bill is exactly the same as the Senate bill.

Testimony Against: None.

Testified: Representative Thomas, original prime sponsor (pro).