

# SENATE BILL REPORT

## SB 6428

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As Reported By Senate Committee On:  
Commerce, Trade, Housing & Financial Institutions, January 27, 2000

**Title:** An act relating to pollution liability insurance.

**Brief Description:** Extending the expiration date on certain pollution liability insurance programs.

**Sponsors:** Senators Prentice, Benton, T. Sheldon, Winsley, Shin, Hale, Deccio, Costa, Roach and Oke; by request of Pollution Liability Insurance Agency.

**Brief History:**

**Committee Activity:** Commerce, Trade, Housing & Financial Institutions: 1/25/2000, 1/27/2000 [DPS].

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### SENATE COMMITTEE ON COMMERCE, TRADE, HOUSING & FINANCIAL INSTITUTIONS

**Majority Report:** That Substitute Senate Bill No. 6428 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Shin, Vice Chair; Benton, Gardner, Hale, Heavey, Rasmussen, T. Sheldon and Winsley.

**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.

To fund the state's reinsurance program, the Legislature imposed a petroleum products tax of .50 percent on the first possession of any petroleum product in the state. The tax applies to the wholesale value of the petroleum product. Petroleum products exported for use and sale as fuel outside the state as well as those products packaged for sale to ultimate consumers are exempt from taxation. Collection of the tax ceases whenever the account

balance exceeds \$15 million and resumes when the balance drops below \$7.5 million. The state has not collected the tax since July 1992.

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.

In 1997, the Legislature directed PLIA to implement a program that provides advice and technical assistance to owners and operators of active and abandoned heating oil tanks. This technical assistance program includes a public information program to provide information regarding liability, technical, and environmental requirements associated with heating oil tanks. PLIA collects the costs for providing advice and assistance from the persons seeking such services.

All of PLIA's programs expire on June 1, 2001.

**Summary of Substitute Bill:** The Pollution Liability Insurance Agency (PLIA) and its programs are extended until June 1, 2007.

**Substitute Bill Compared to Original Bill:** Technical changes are made to change the expiration date of all of PLIA's programs.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** The Legislature created the Pollution Liability Insurance Agency (PLIA) as a temporary program. There are several reasons why the current extension is needed. For PLIA to expire, we need to transfer claims to an insurance company. PLIA has 41 claims that need to be investigated and resolved before any insurance company will accept a transfer. In addition, new clean-up standards have been proposed and we are unable to measure the costs of clean-ups until we know what new standards will be adopted. The home heating oil program is also an issue because we have been unable to find a private insurance carrier with a commercial product to take its place.

**Testimony Against:** None.

**Testified:** Jim Sims, Pollution Liability Insurance Agency (pro).