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UST Private Insurance – Lessons Learned

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Outline

- Why Insurers Attracted to Tanks
- Tank Insurance Marketplace
- Basic Coverage Outline
- Underwriting Considerations & Data Points
- Interdependence of Stakeholders
- Impacts of Changes



Quick Basics – Insurability

1. Due to Chance
2. Definiteness and Measurability
3. Statistically Predictable
4. Not Catastrophic
5. Randomly Selected Loss Exposure
6. Large Loss Exposure



Why Insurers Are Willing to Provide Tank Coverage

- Tank Systems – in general, meet the basic insurability requirements – see previous slide
- Regulated Space - rules established that outline insured, regulator, insurer and other stakeholders responsibilities and requirements
- Long Term Market Potential – liquid fuels will continue for a long time
- Tank Systems have long term physical durability



Tank Insurance Marketplace

- Multiple Companies offer Tank Coverages
 - EPA List of Known Providers – 16 listed
 - Additional Carriers provide Pollution Liability
 - Some geographically selective
 - Some segment selective
 - Dynamic insurance marketplace – Mergers/Acquisitions
- Competitive Pricing
- Additional coverages available beyond FR minimum



Tank Coverage Outline

- Required to meet FR (40 CFR 280)
 - Cleanup Costs, Third Party Bodily Injury & Property Damage Liability
 - Defense Costs – outside of limits
- A difference of note – Insurance Policy language: “We will pay on behalf of the insured...”
- Additional Coverages often available or provided (beyond FR minimum elements)
 - Restoration Costs
 - Site (non-tank)
 - Non-Owned Disposal Site
 - Waste Transportation



Underwriting Considerations & Data Points

- Tank System Status & Components
 - Tank Type, Age, Material, Product
 - Piping – Material, Age, Distance
 - Containment
- Compliance Records
 - History of prior releases
 - Inspection records
 - Tank system testing data
- Location History & Planned Future



Interdependence of Stakeholders

- Carriers often use data from multiple sources
 - Data drives decision making on coverage & pricing
 - Availability
 - Reliability
 - Timely / Current



Impacts of Changes

- Tank Related Regulatory Changes – if has potential to impact expected frequency or severity (basics) – insurance providers may alter their approaches for coverage
- Other External Regulatory Changes – similar consequence as above
- Insurance Marketplace Changes – Carrier & Broker mergers / acquisitions – product offerings change, underwriting team assignments change