

Innovative Approach for Reducing Liabilities

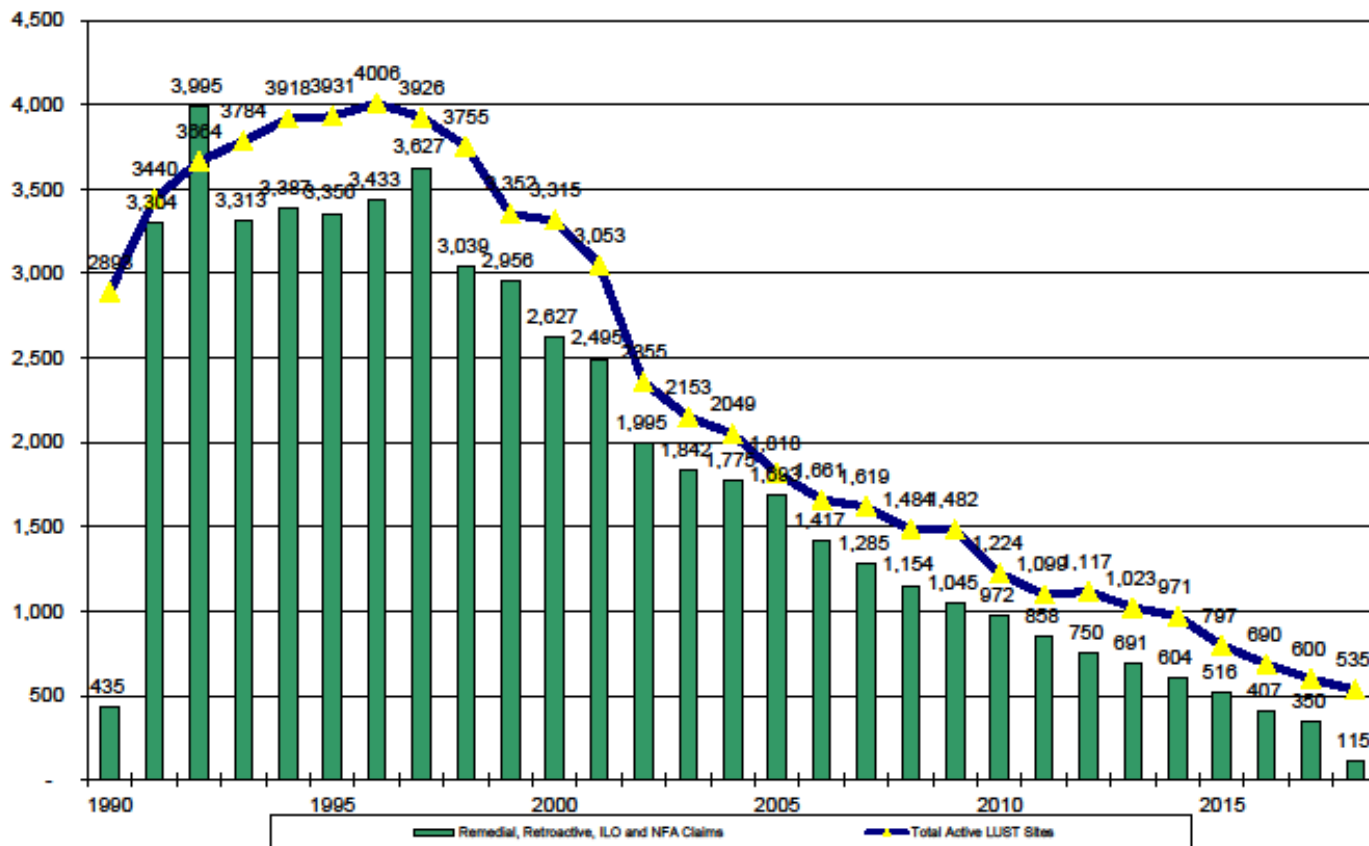
Iowa Underground Storage Tank Fund Program

James Gastineau, Administrator
Iowa Underground Storage Tank Fund Program
National Tanks Conference
September 11 – 13, 2018
Louisville, Kentucky

Iowa UST Fund History

1989	Fund Program created
1995	Innocent Landowner Program
2000	Insurance Program ceded
2003	Sunset date established
2004	AST Removal Program
2007	No Action Required Funding
2010	UST Closure Program
2014	Actuarial Review
2016	State allocations ended
2017	Loss Portfolio Transfer

Open Claims and Total Active LUST Sites

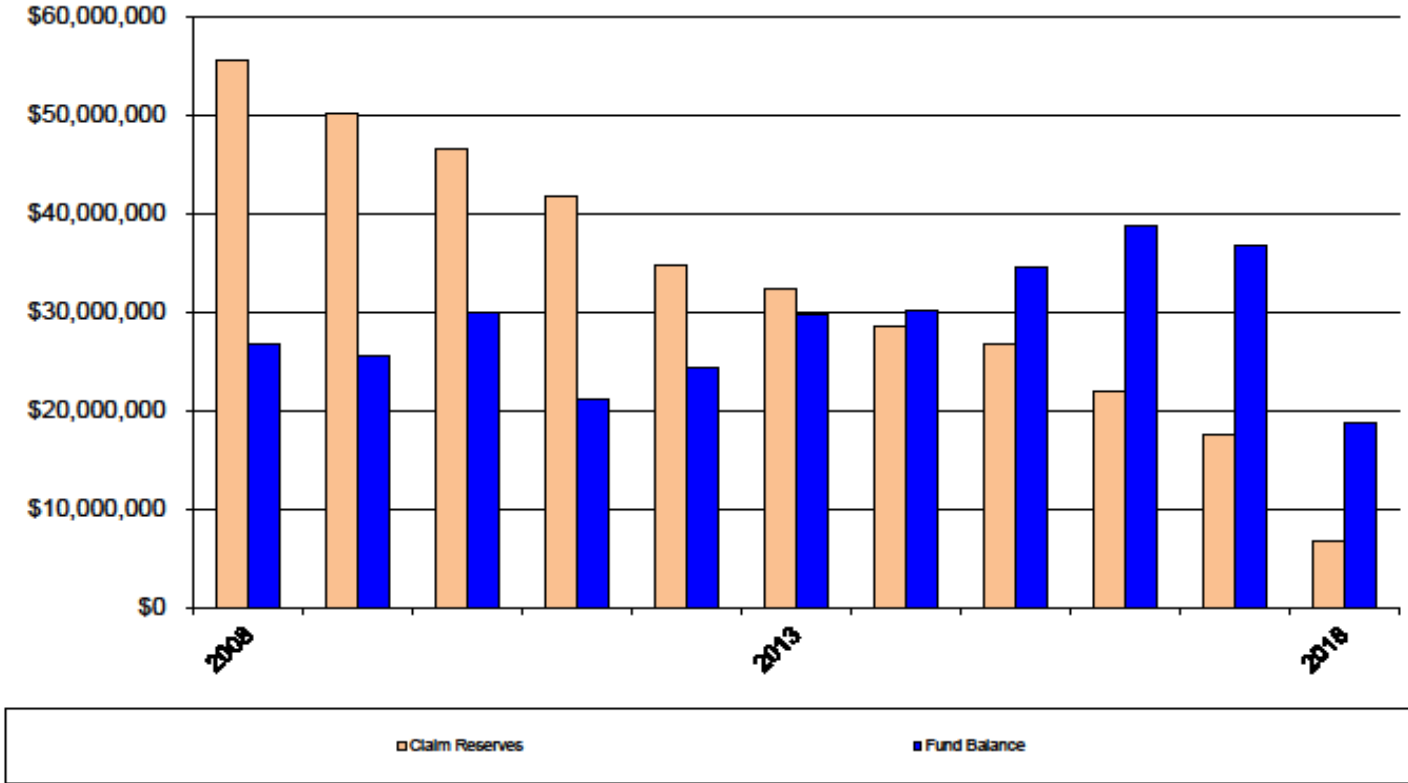


Program Funding

- ❑ Environmental Protection Charge
- ❑ Motor Vehicle Tax allocation
- ❑ Bonding
- ❑ Cost Recovery
- ❑ EPC extended, then repealed
- ❑ Program funding ceased with EPC repeal

Remaining options: Interest & Cost Recovery

Claim Reserves vs. Fund Balance



Actuarial Review

- Evaluation completed for Nov. 2014
- Reserves generally sound, but potential for growth in claim costs up to 28%
- Long term funding uncertain
- Options
 - Retain liabilities
 - Transfer liabilities

Loss Portfolio Transfer

A financial reinsurance transaction in which loss obligations that are already incurred and will ultimately be paid are ceded to a reinsurer.

- Examples:
 - Worker's compensation claims
 - Corporate acquisition to remove liabilities from balance sheet
 - Insurance captive run-off
 - Iowa Student Loan Liquidity Corporation

Iowa's LPT Experience

- 2004 Legislation granted authority
- Option to transfer all or a portion of known liabilities to a third party to terminate operations or reduce claim count
- Mini-LPTs completed 2007, 2013, 2016
 - Shared liability claims
 - Transfer of reserves, risk premium
 - Time value of money

Board Considerations

- Program funding ceased 12/31/2016:
 - 369 claims / liabilities \$19.9M / balance \$39.9M
- Certainty of liabilities
- Adequate funds to support LPT
- Claimant desires (i.e. elect to participate)
- Funding for remaining duties and/or liabilities
- Effect on meeting goals within scheduled funding

LPT Planning

- ❑ Large Scale LPT option commenced 2016
- ❑ Mandatory Participation
- ❑ Selection of claims
 - Claims held by responsible parties
 - Claimants actively working toward closure
 - 205 sites selected
 - Retained inactive claims, complex claims, claims projected to close in near future

LPT Implementation

- ❑ Public bid required
- ❑ Claim files available for review
- ❑ Claim work continued
- ❑ One bid received
 - 199 claims
 - Reserve balances \$9,847,991
 - 20% risk premium, 7.75% admin charge
 - Transfer completed: \$13,041,497.41
- ❑ Agent responsible to bring claims to a close following regulatory requirements

Program Status

August 1, 2018

UST Fund:

115 claims / liabilities \$6.4M / balance \$18.4 M

LPT agent:

199 claims / reserve estimate \$9.85M / transfer \$13.0M

184 claims (15 closed)

- \$ 2.0M payments
- \$177,358 from claims closed under estimate
- (\$ unknown claims where costs are more than estimated)
- \$10.8M remaining

2018 and beyond

Continually declining fund balance!!

- Program balance \$18 million
- Liabilities of 115 known claims \$6.4 million
 - Claim payments ~ \$2.4 million
 - UST closures ~ \$1 million
 - Special projects ~ \$750,000
 - Governmental agreements & transfers ~ \$300,000
 - Administration costs ~ \$250,000
- Estimated financial end 3 to 6 years
- Legislative sweep or new programs?

Questions

James Gastineau, Aon Risk Services
Administrator, Iowa UST Fund Program
2700 Westown Parkway, Suite 320
West Des Moines, IA 50266
james.gastineau@aon.com
Phone: (515) 440-7016