PINNACLE
ACTUARIAL RESOURCES

September 23, 2025

Impacts on Financial Responsibility

PRESENTED BY:

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Agenda

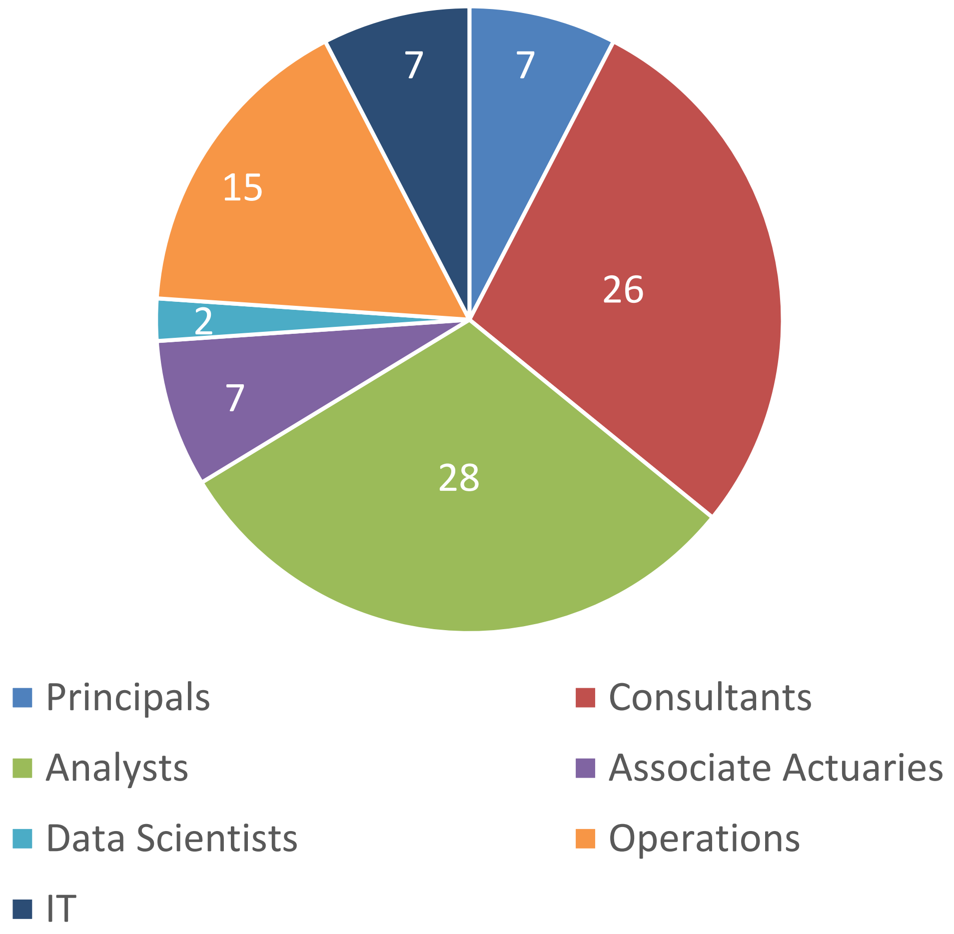
1. About Pinnacle
2. Impacts on Revenue
3. Commercial Insurance Trends
4. Changing Costs
5. EPA UST Performance Measures

1

About Pinnacle

About Pinnacle

- One of the largest independent U.S. property/casualty actuarial firms
- Total staff over 90
- Over 40 credentialed actuaries
- Home office in Bloomington, IL
- Offices in 4 locations across the country
- Clientele base of 500+



2
Impacts on Revenue

UST Fund Revenue

Registration Fees

Tank Fees

Rate Per Gallon

Impact on Fuel Taxes

California EV push could cost state $1 billion in lost fuel tax revenue by 2027

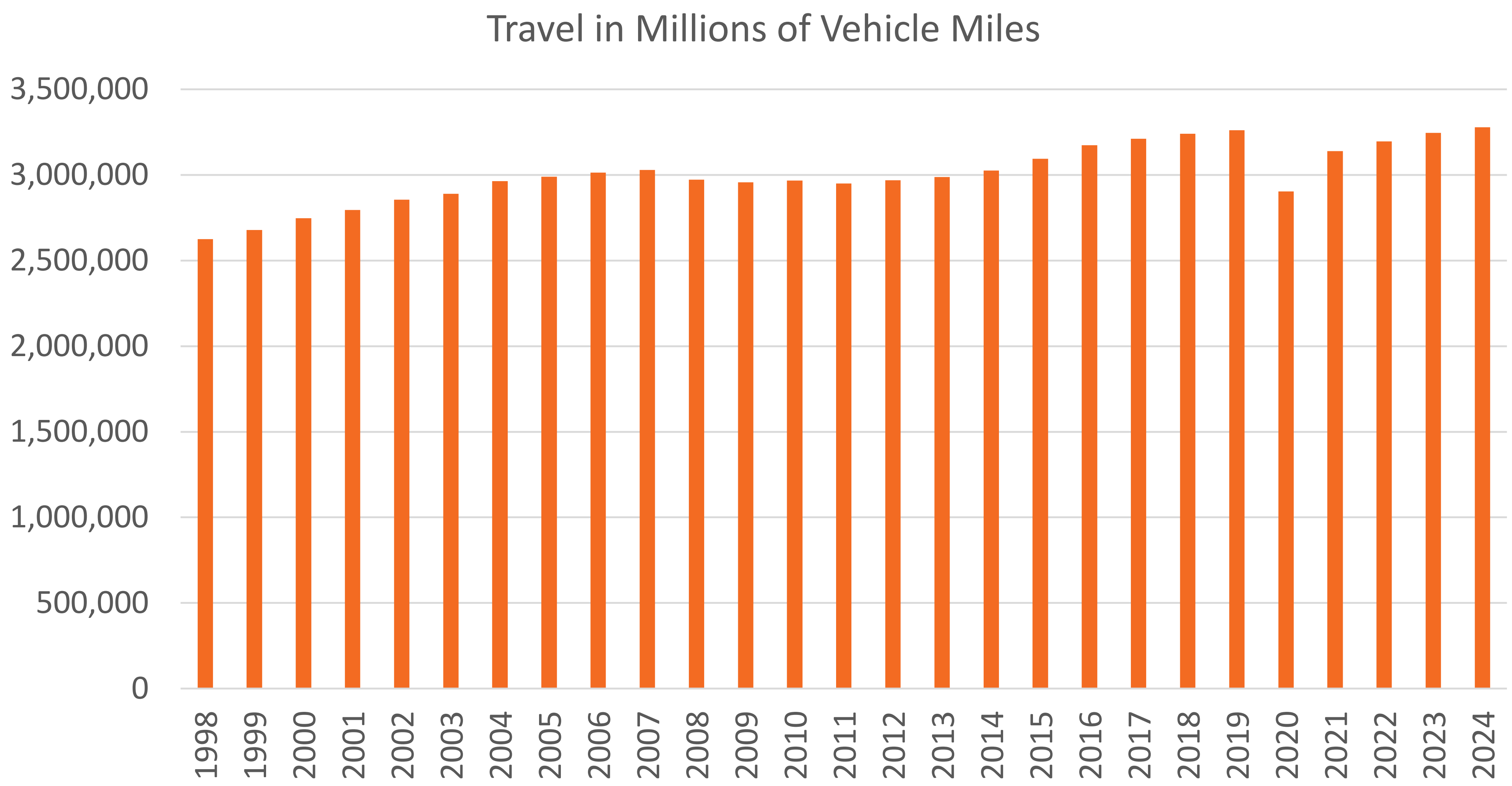
How Louisiana could lose millions in gas tax revenues by 2040

If EVs increase in line with forecasts, gas tax proceeds will decline by between 21% and 30% by 2035.

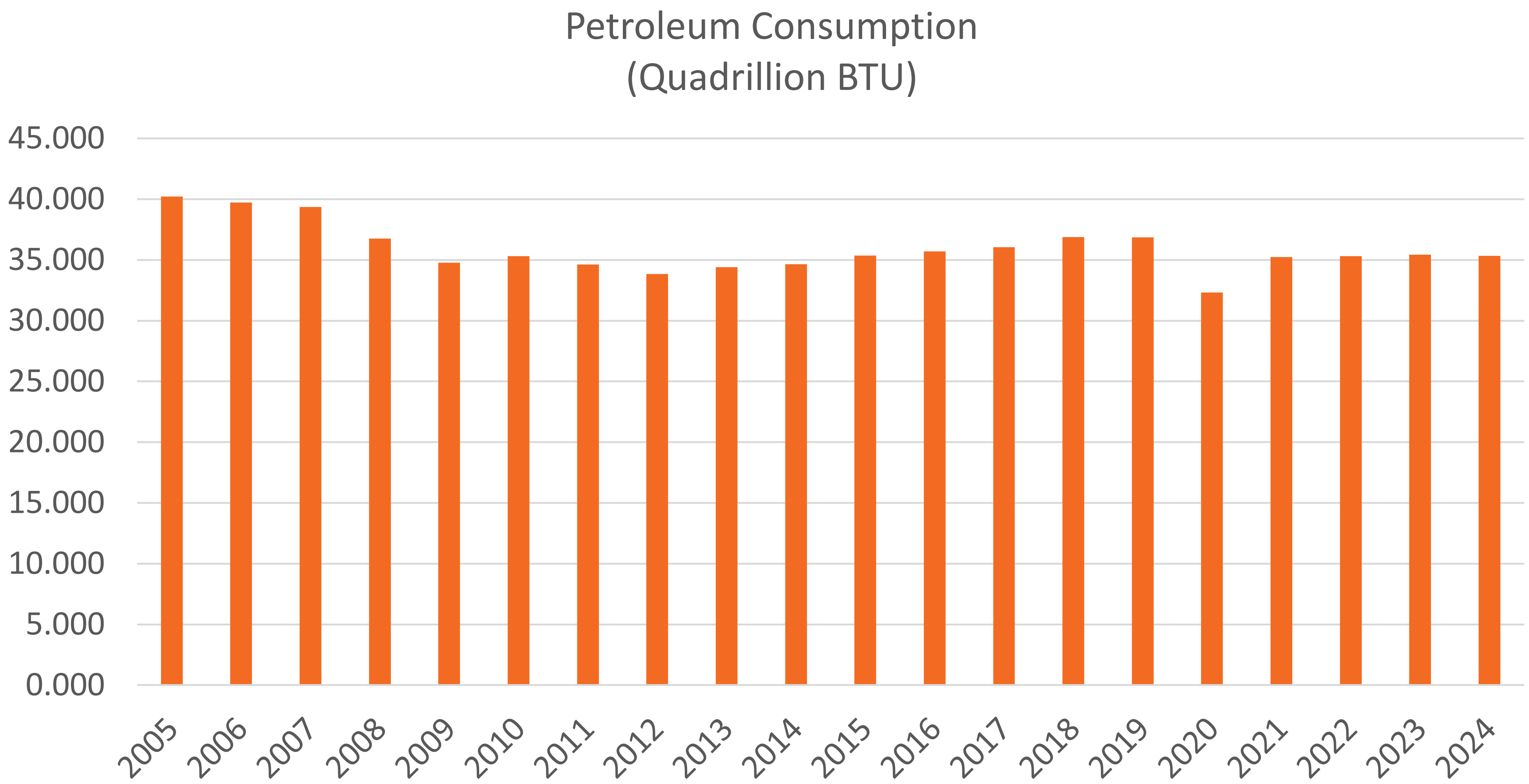
Average fuel efficiency for passenger vehicles increased more than 75 percent since 1977

Transitioning to electric vehicles will exacerbate declines in fuel tax revenue

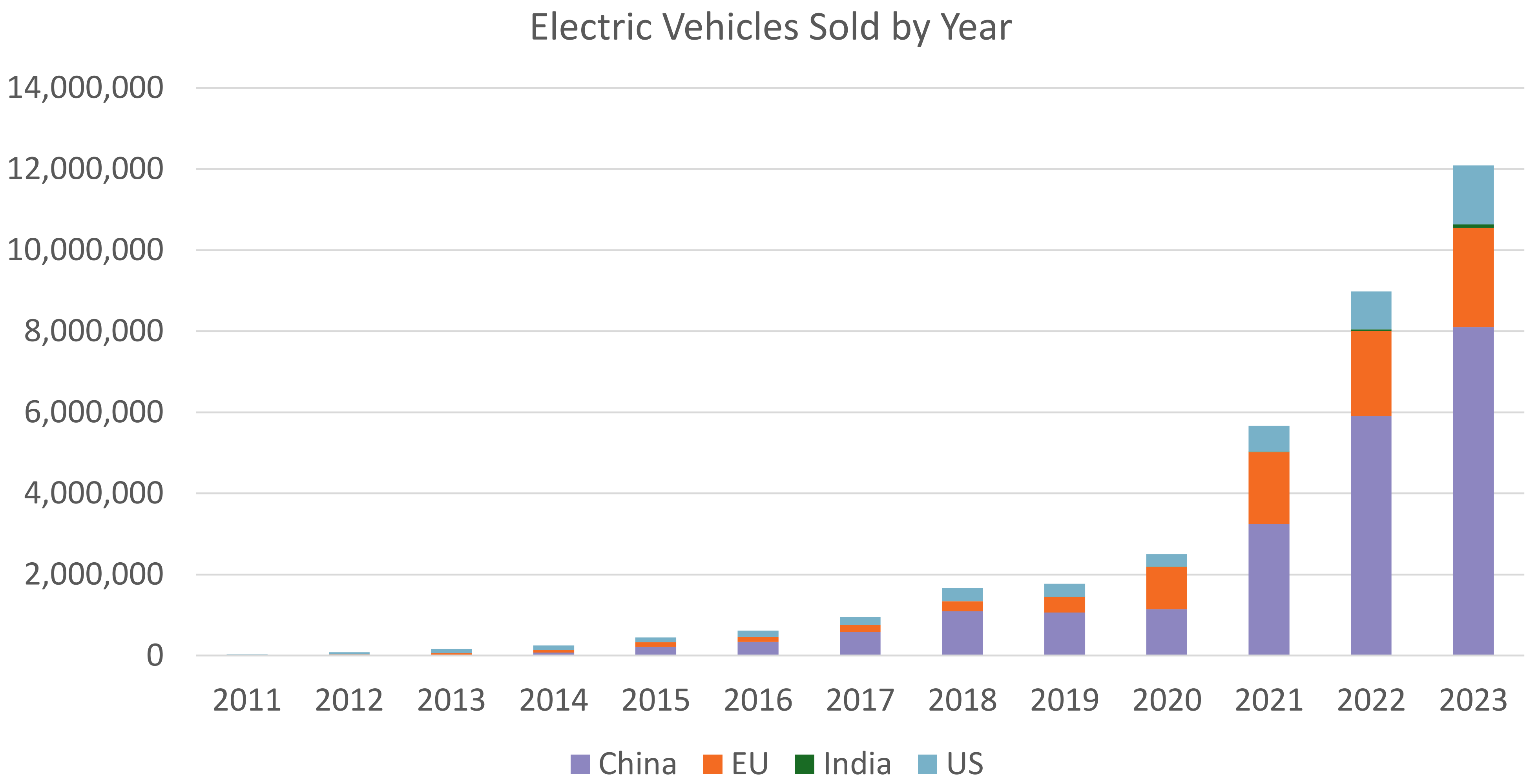
US DoT Federal Highway Administration



US Energy Information Administration



Autoinsurance.Com



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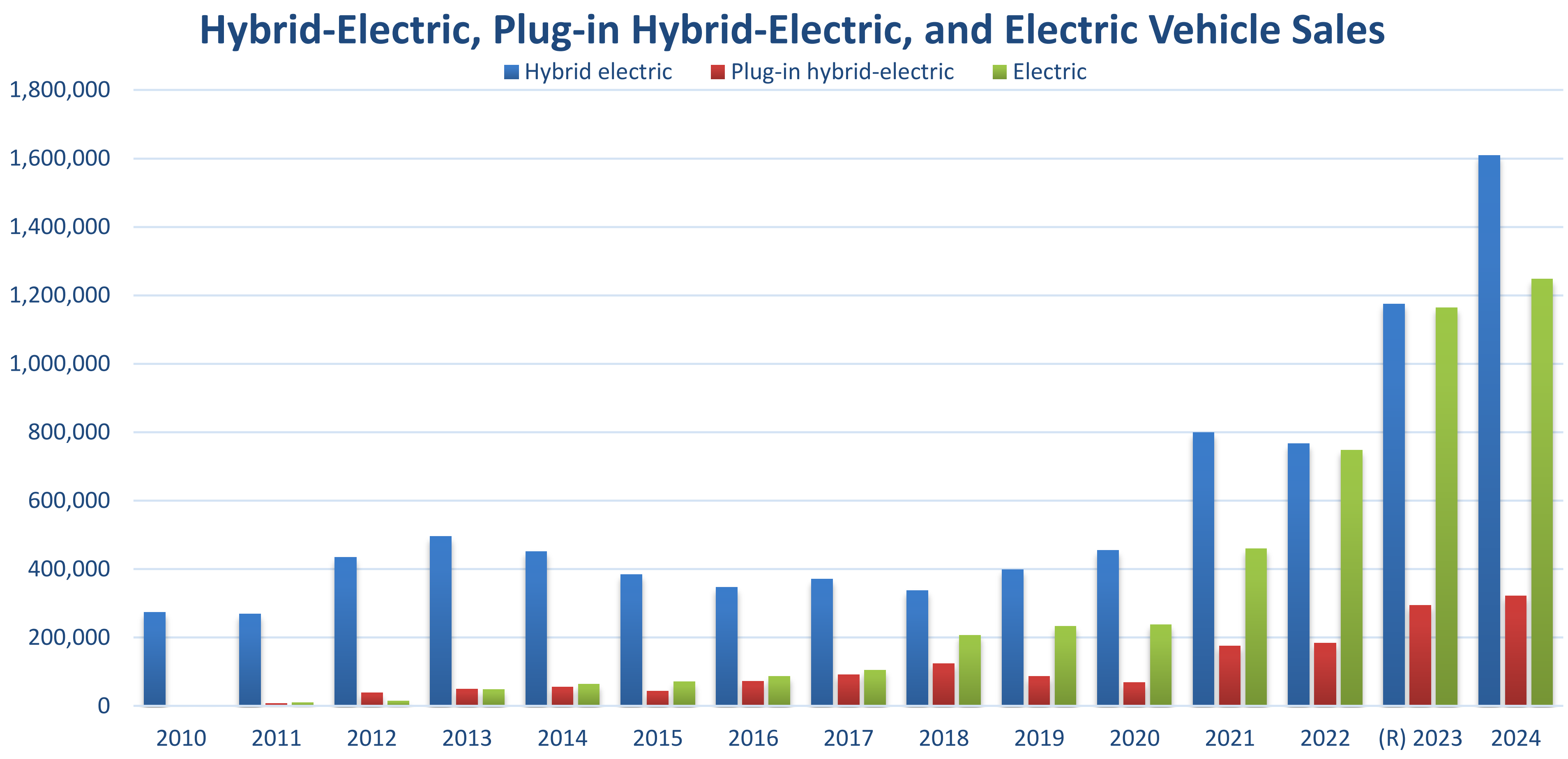
Argonne National Laboratory
Light Duty Electric Drive Vehicles Monthly Sales Updates



Source: https://www.anl.gov/esia/light-duty-electric-drive-vehicles-monthly-sales-updates as of Mar. 6, 2025.

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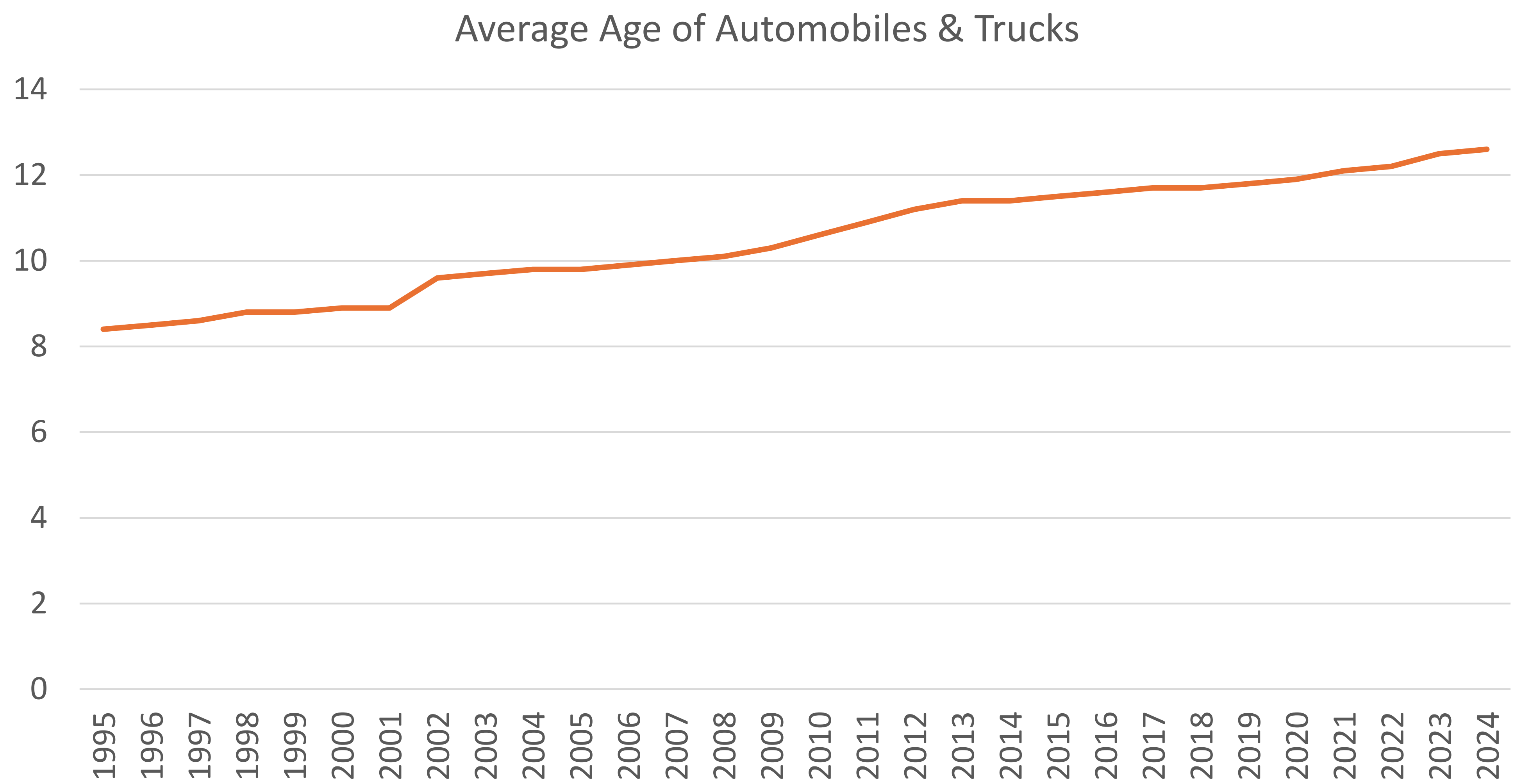
Bureau of Transportation Statistics



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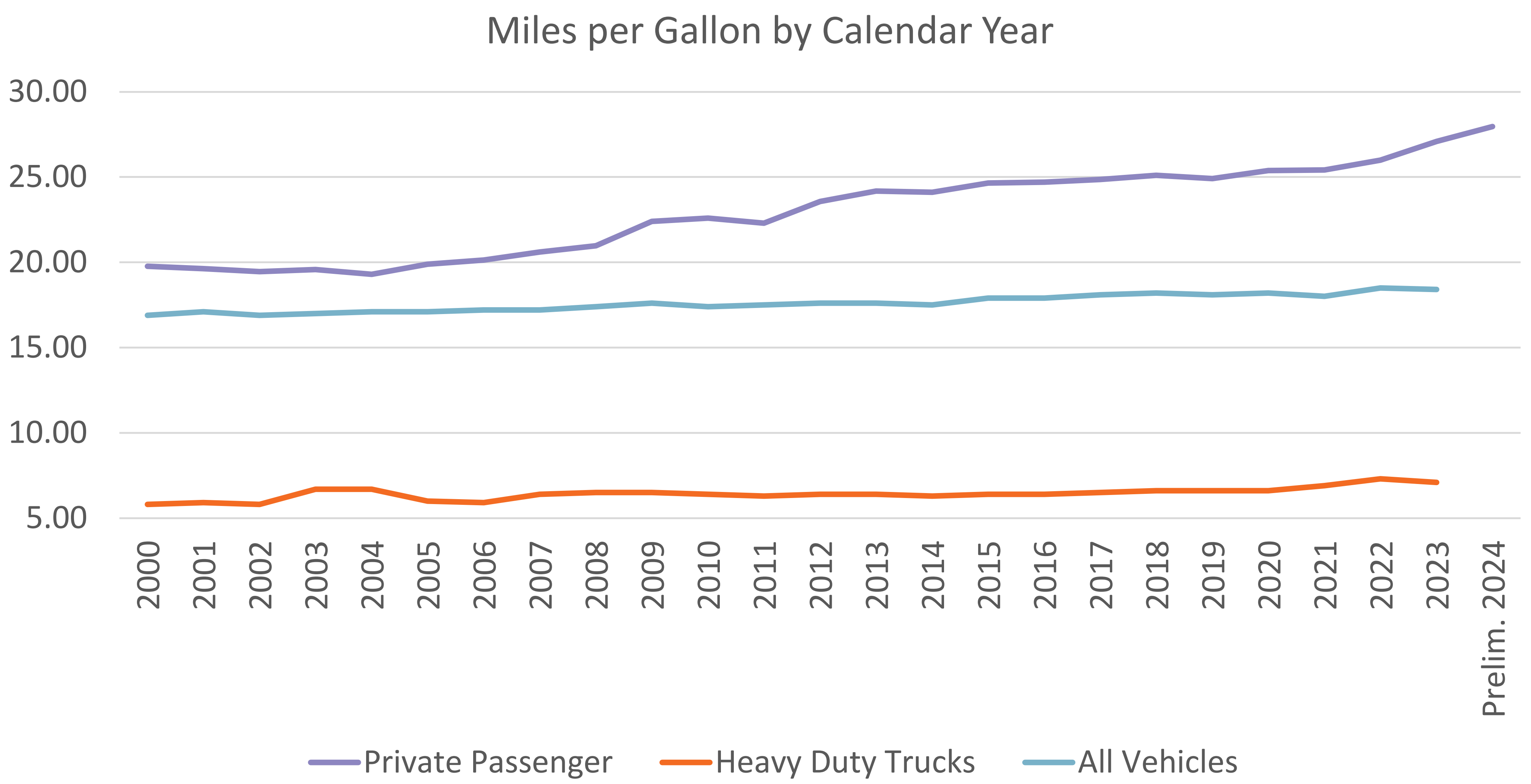
US Energy Information Administration



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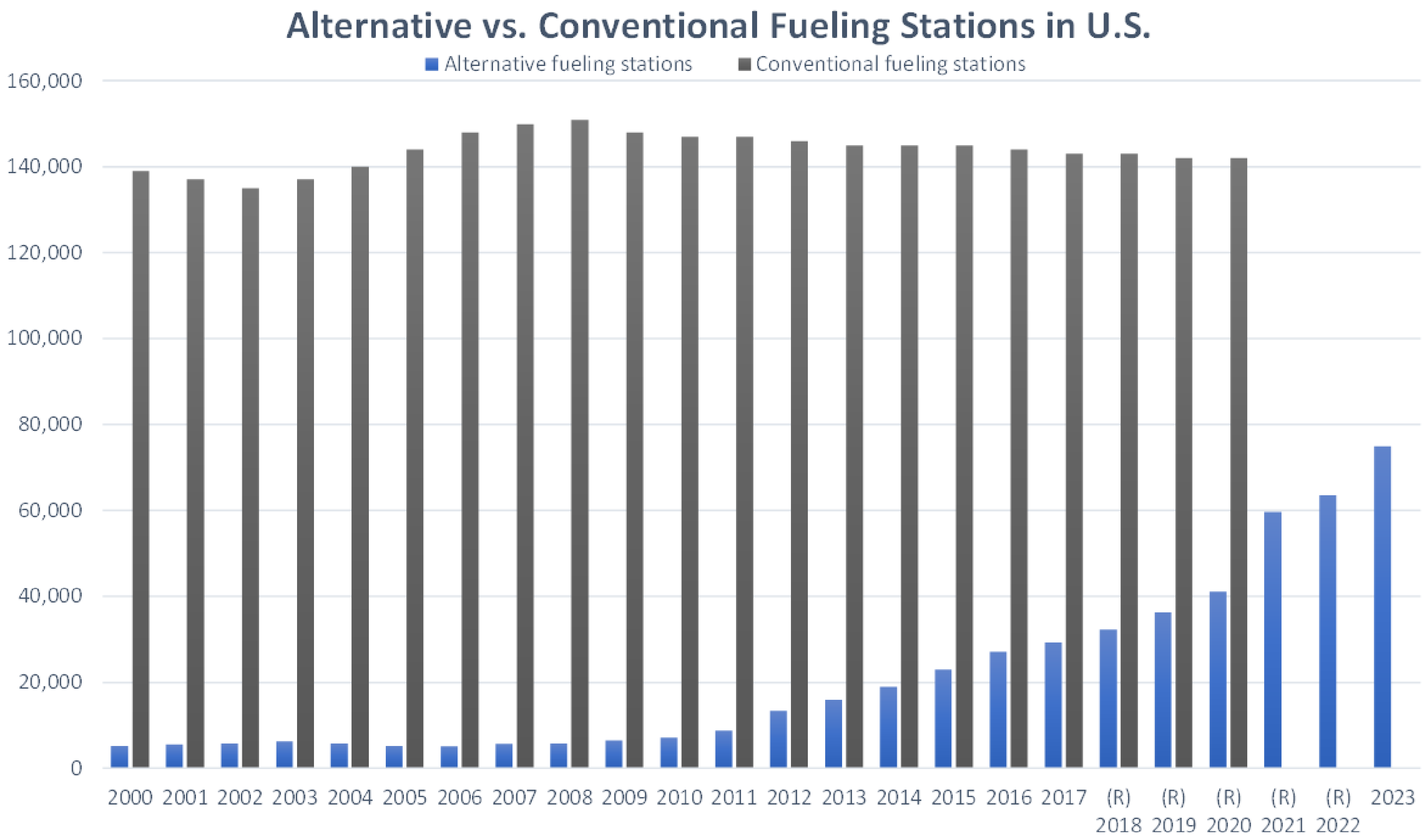
Bureau of Transportation Statistics



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Considerations

Miles Driven Increasing

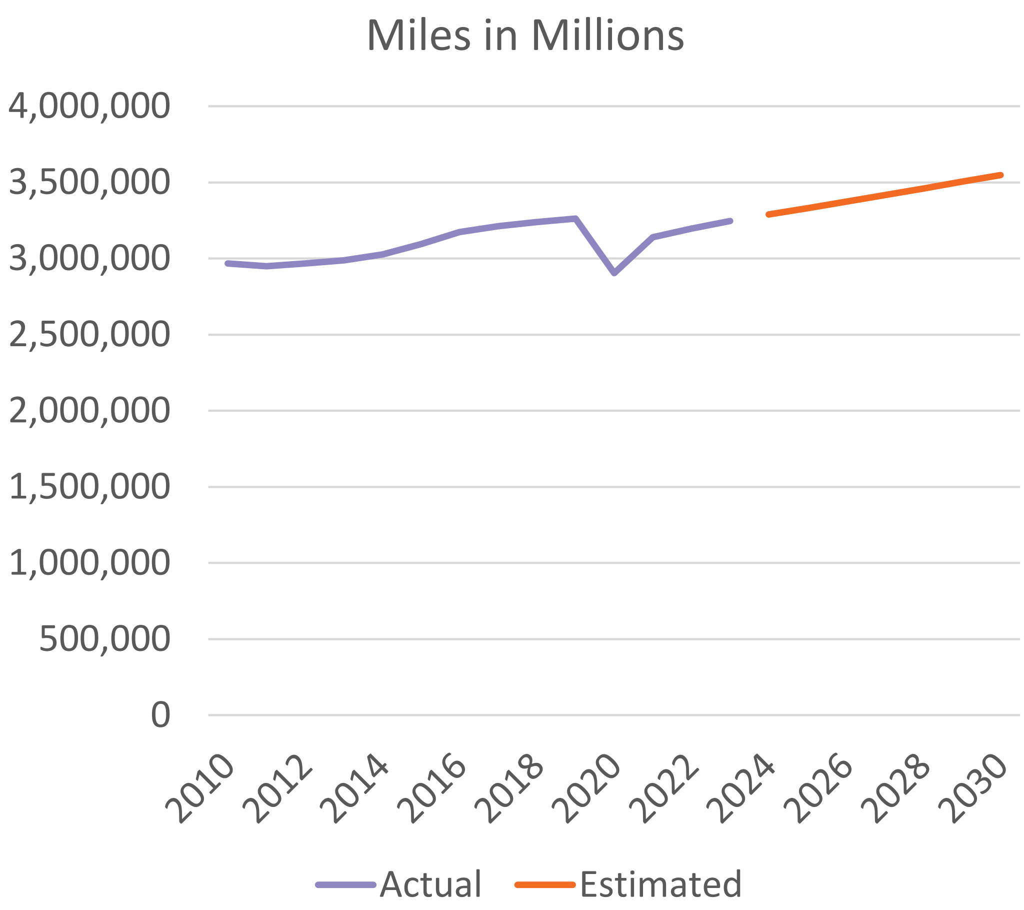
Vehicles Lasting Longer

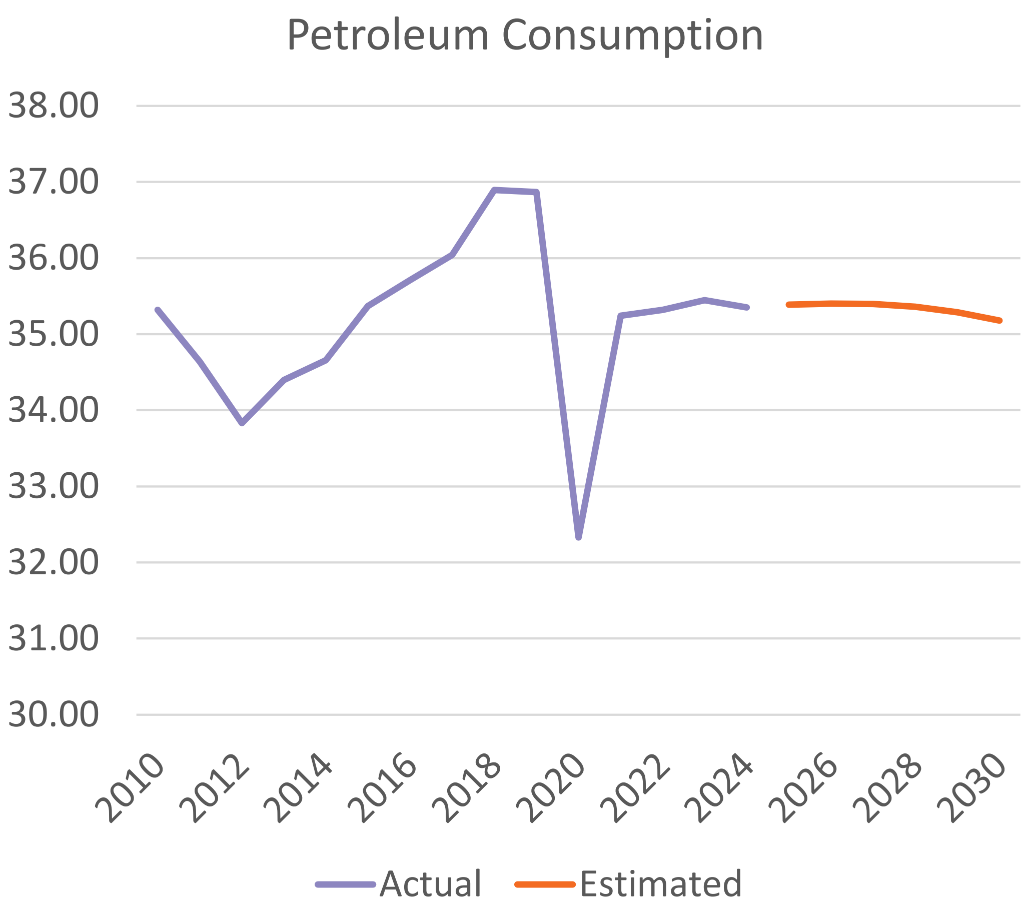
Driving Habits – EV versus Other

Miles per Gallon Increasing

Move towards Hybrids and EVs

Impact on Fuel Taxes Graph





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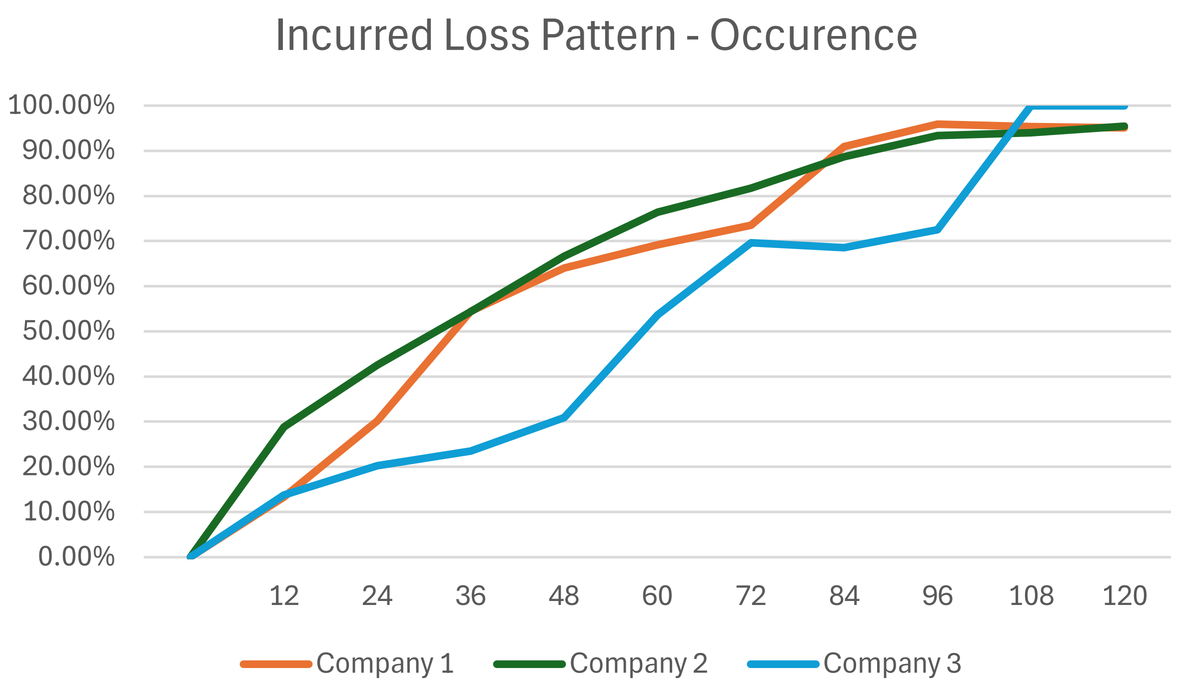
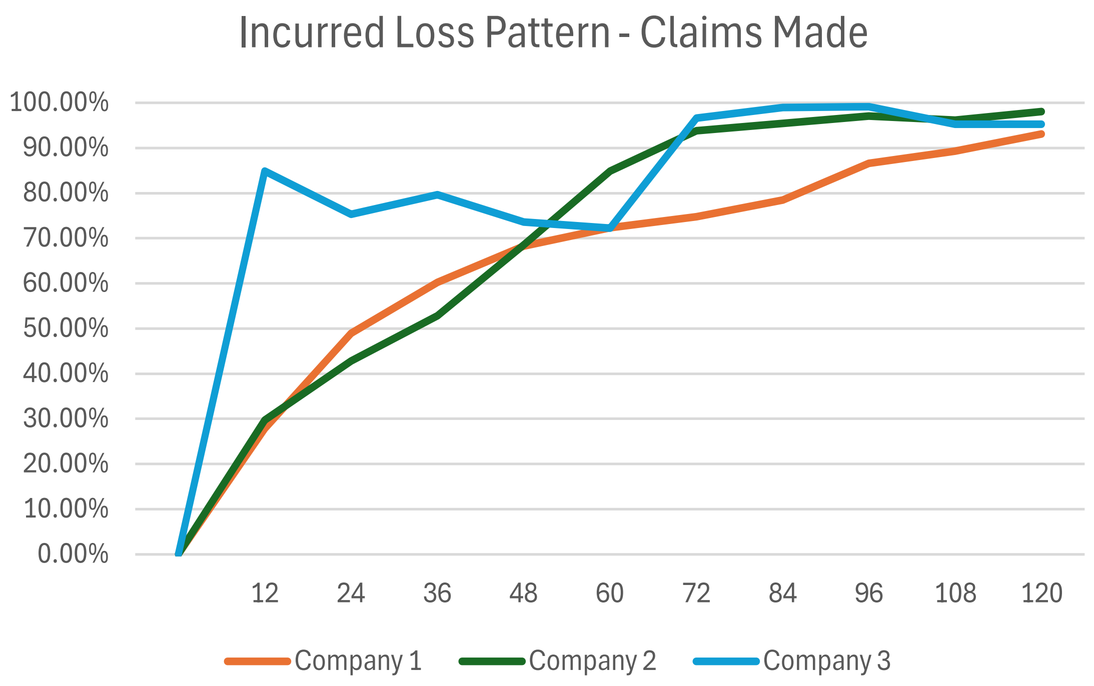
Commercial Insurance Trends

Terminology

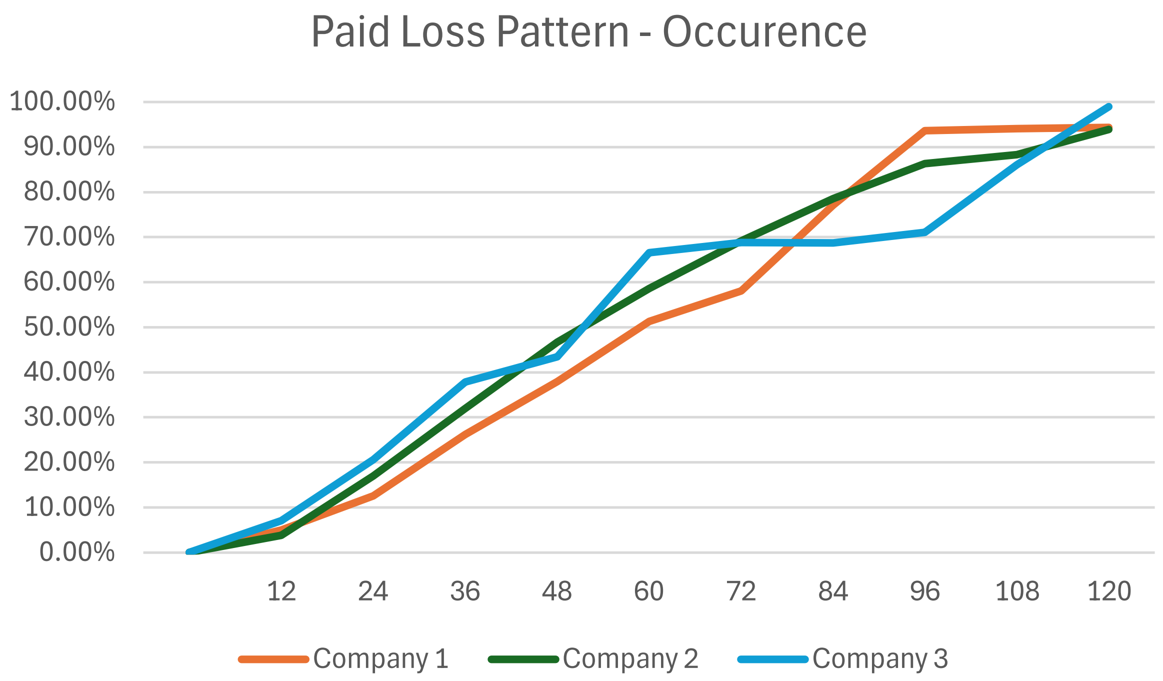
- **Case Reserves**: The estimate of unpaid loss amounts established by the claims department for unpaid claims that have been reported; For Tank Funds, we calculate this as Requested Amount – Paid Amount
- **IBNR**: Loss for claims Incurred But Not Reported. In this report, we have used the term in its broader, more general sense to represent development on current claims and unreported claims (also referred to as "pure" IBNR or IBNYR – Incurred But Not Yet Reported)
- **Paid Loss**: The amount of money that has been paid to cover the claims
- **Reported Loss**: The total of paid loss and case reserves for known claims
- **Ultimate Loss**: The total of reported loss and IBNR

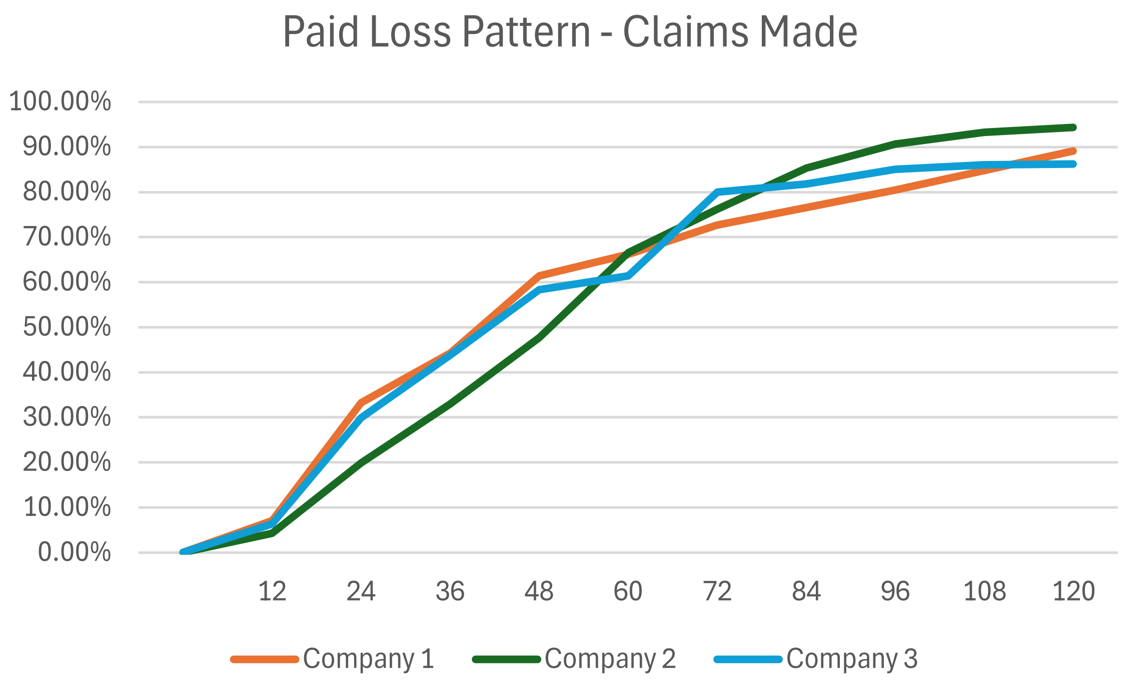
Development Lag





Development Lag





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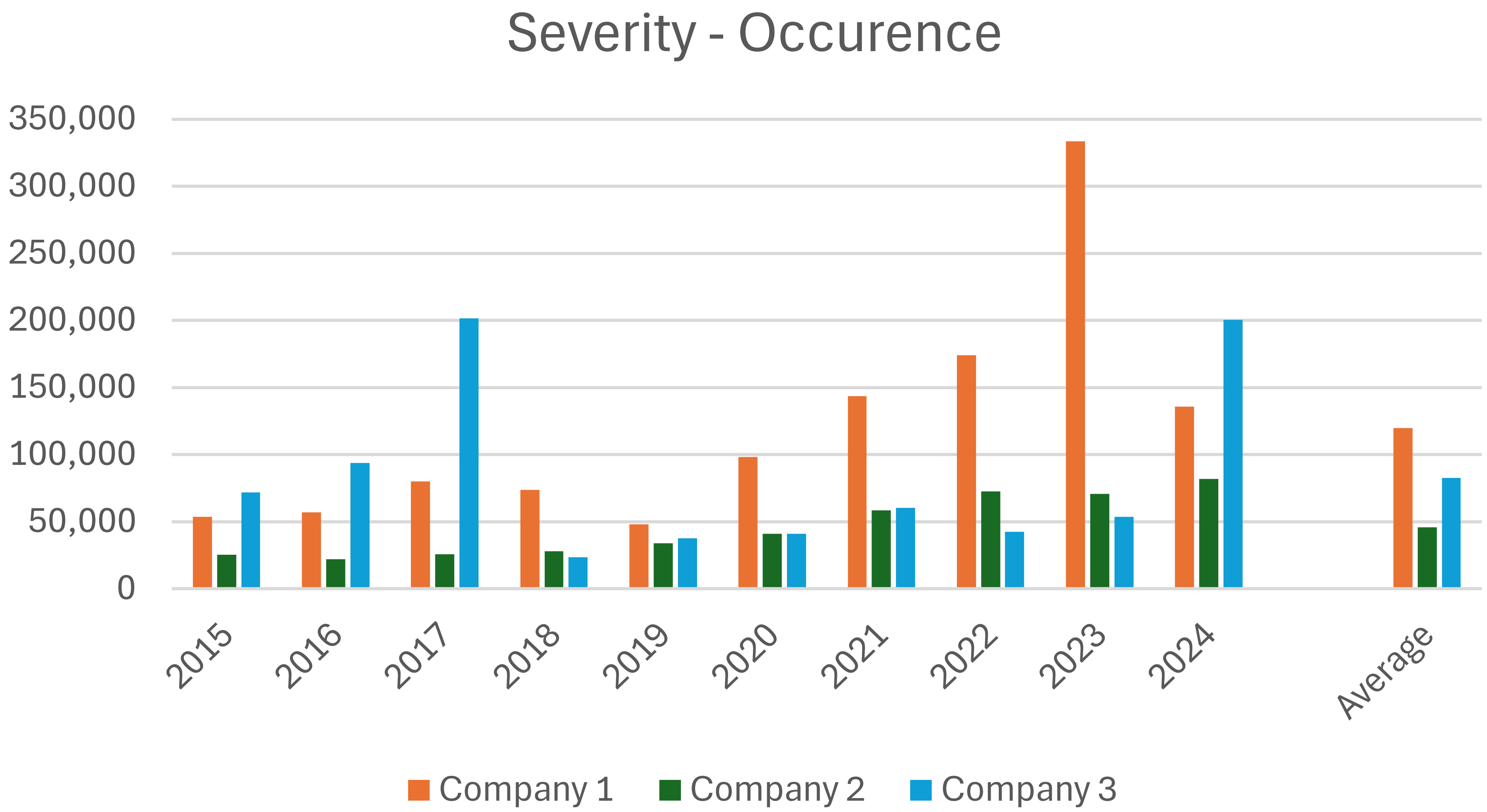
Severity



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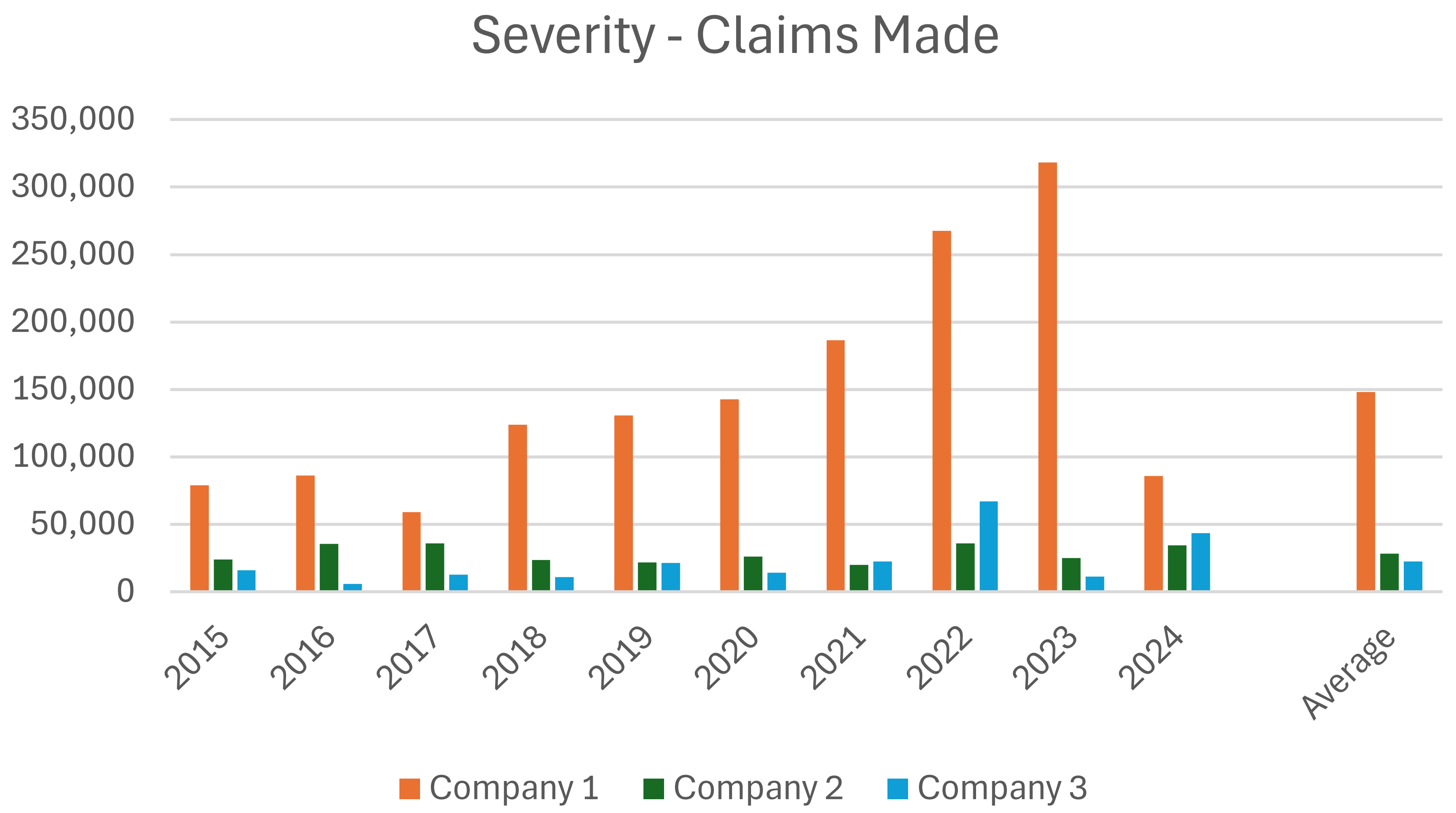
Severity


Severity - Claims Made
350,000
300,000
250,000
200,000
150,000
100,000
50,000
0
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
Average
Company 1
Company 2
Company 3

Premium Changes

- Has been increasing due to rising cost and aging tanks
- In 1984, Congress created the UST program to protect the public against potential leaks
  - Stricter guidelines were implemented, so many tanks were replaced
  - Now hitting the 30 – 40-year age
- In 2015, the EPA revised UST regulation
  - Emphasized proper operation and maintenance
- Several State Fund fees increasing
  - i.e. Washington, Massachusetts and California
- Social inflation

Classifications

- Tank Age
- Tank Size – Gallons
- Tank Wall/Pipe Material – Steel, Plastic, Fiberglass, Cathodically Protected Steel
- Tank Wall/Pipe Construction - Double Wall, Single Wall
- Facility Characteristics
  - Close to a marina or at an airport?
  - Prior leaks?
  - Larger than 25,000 gallons?
  - What does the tank contain (non-petroleum based product)?
  - Has any UST at this location been removed, closed in place, or taken out of service?

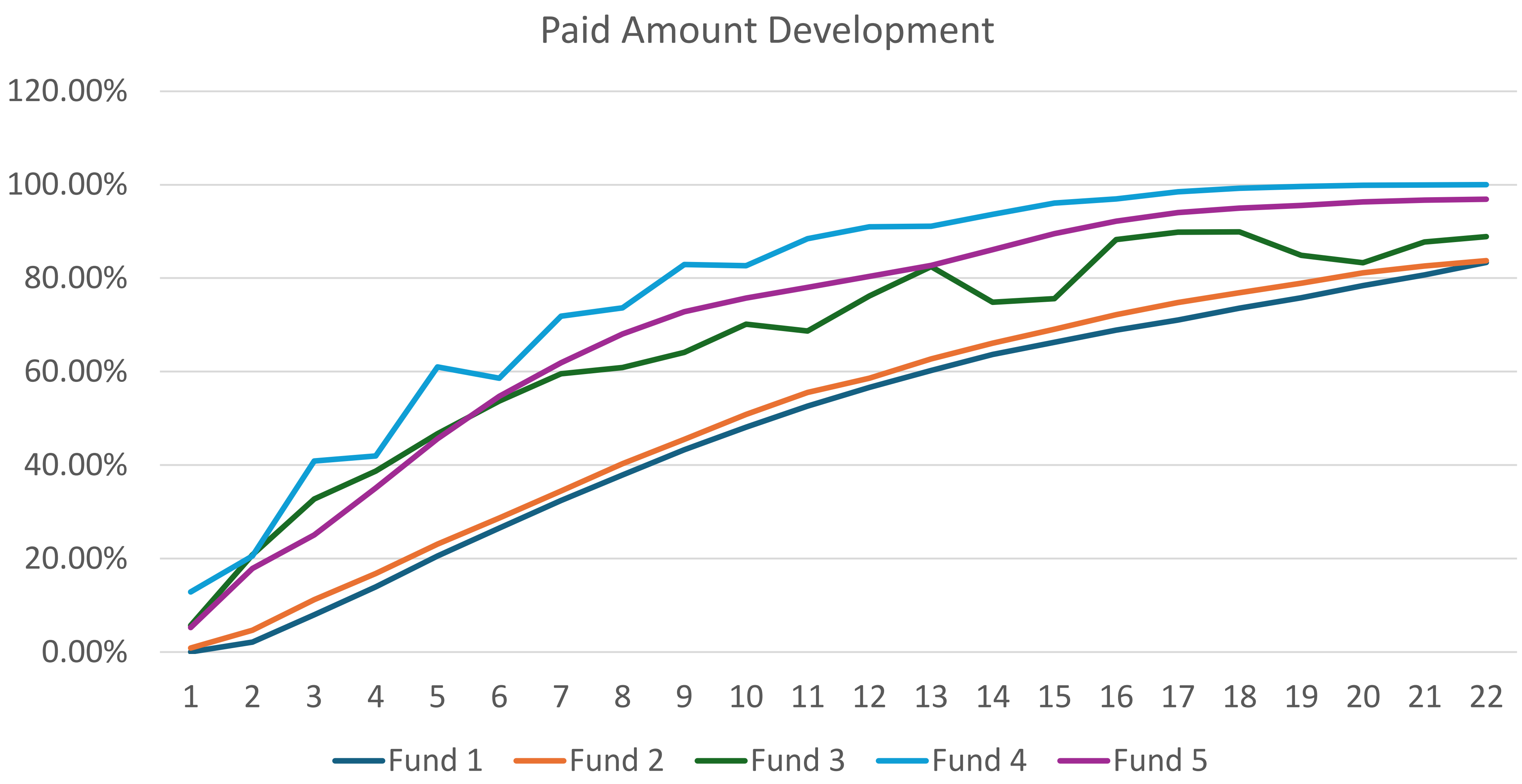
4

Changing Costs

Terminology

- **Exposure**: The units in which the potential for loss is measured. In our analysis, the exposure basis is sites or tanks
- **Frequency**: The number of incidents per exposure
- **Reported Severity**: The requested amount divided by the number of incidents
- **Paid Severity**: The paid amount divided by the number of closed incidents
- **Loss Cost**: Reported (or Paid) severity divided by the exposure

UST Fund Experience – Paid Development



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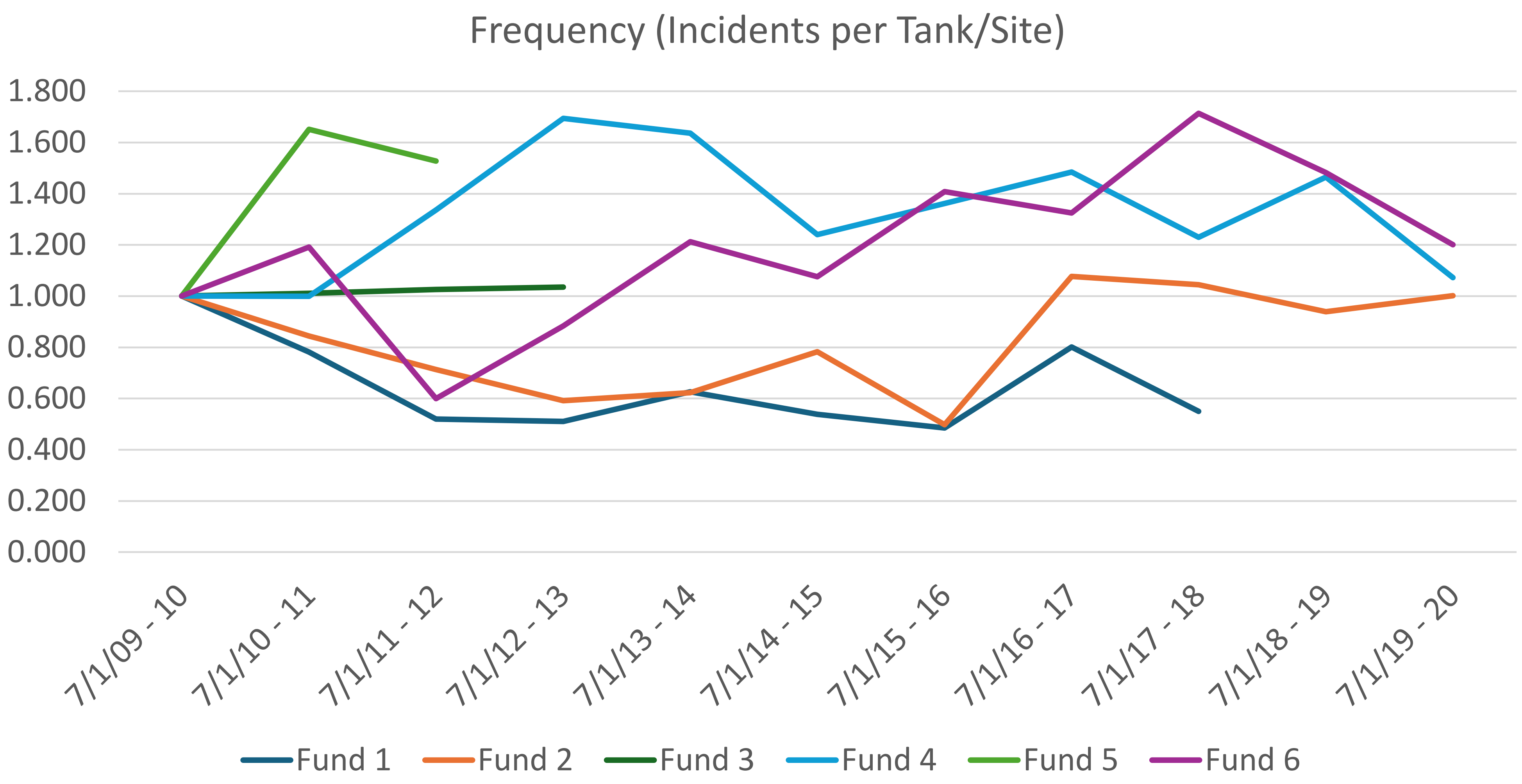
UST Fund Experience – Frequency Index



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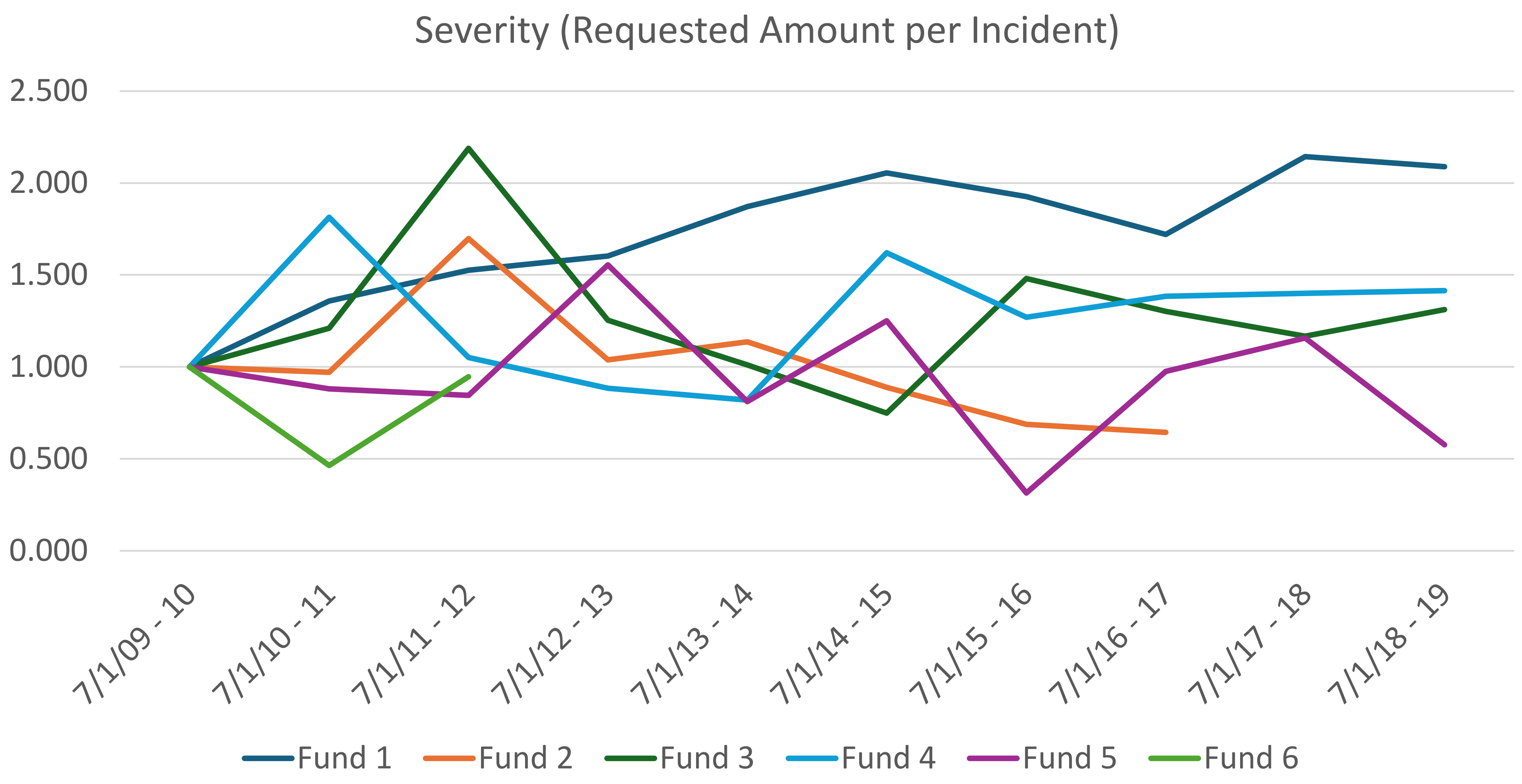
UST Fund Experience – Severity Index



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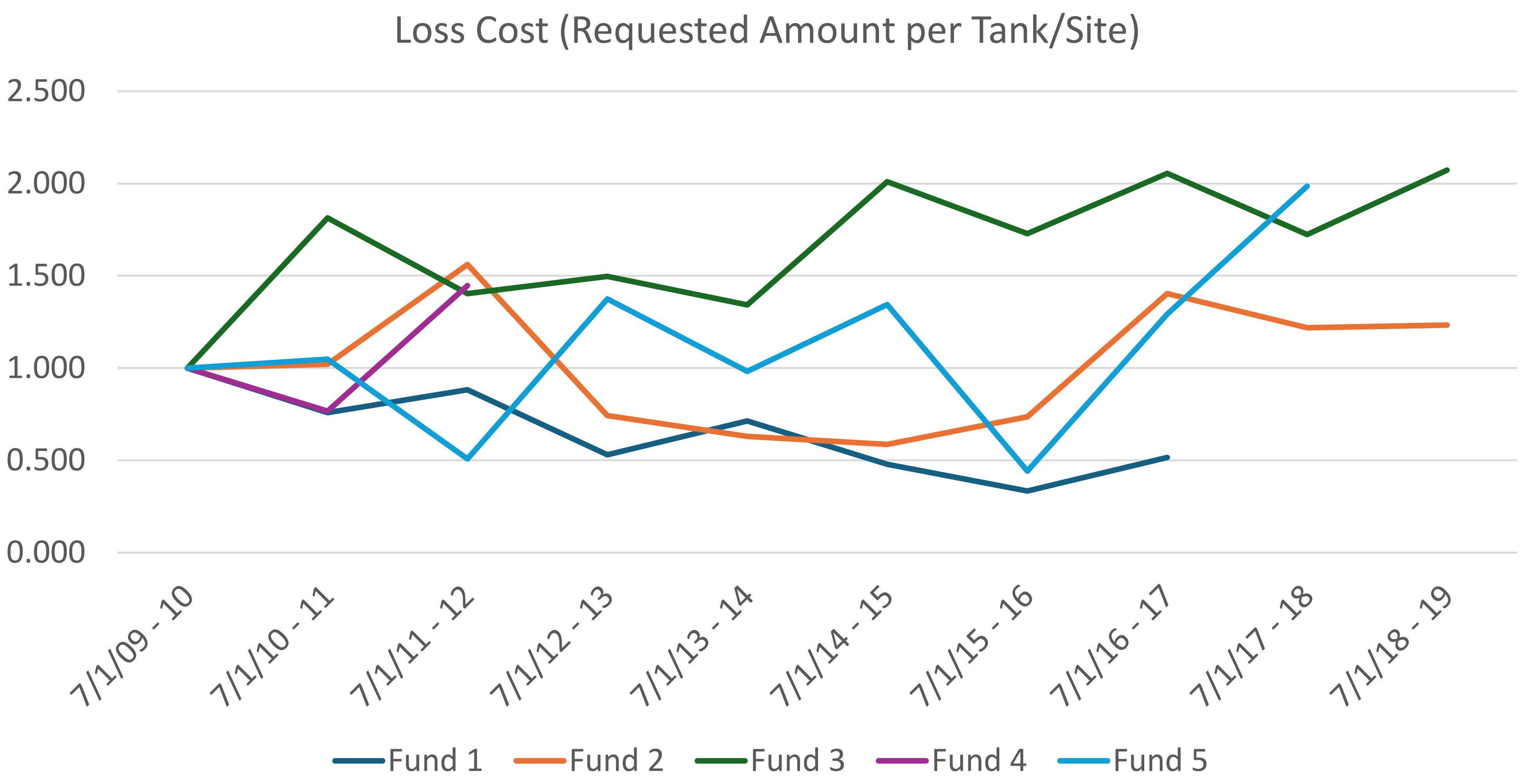
UST Fund Experience – Loss Cost Index



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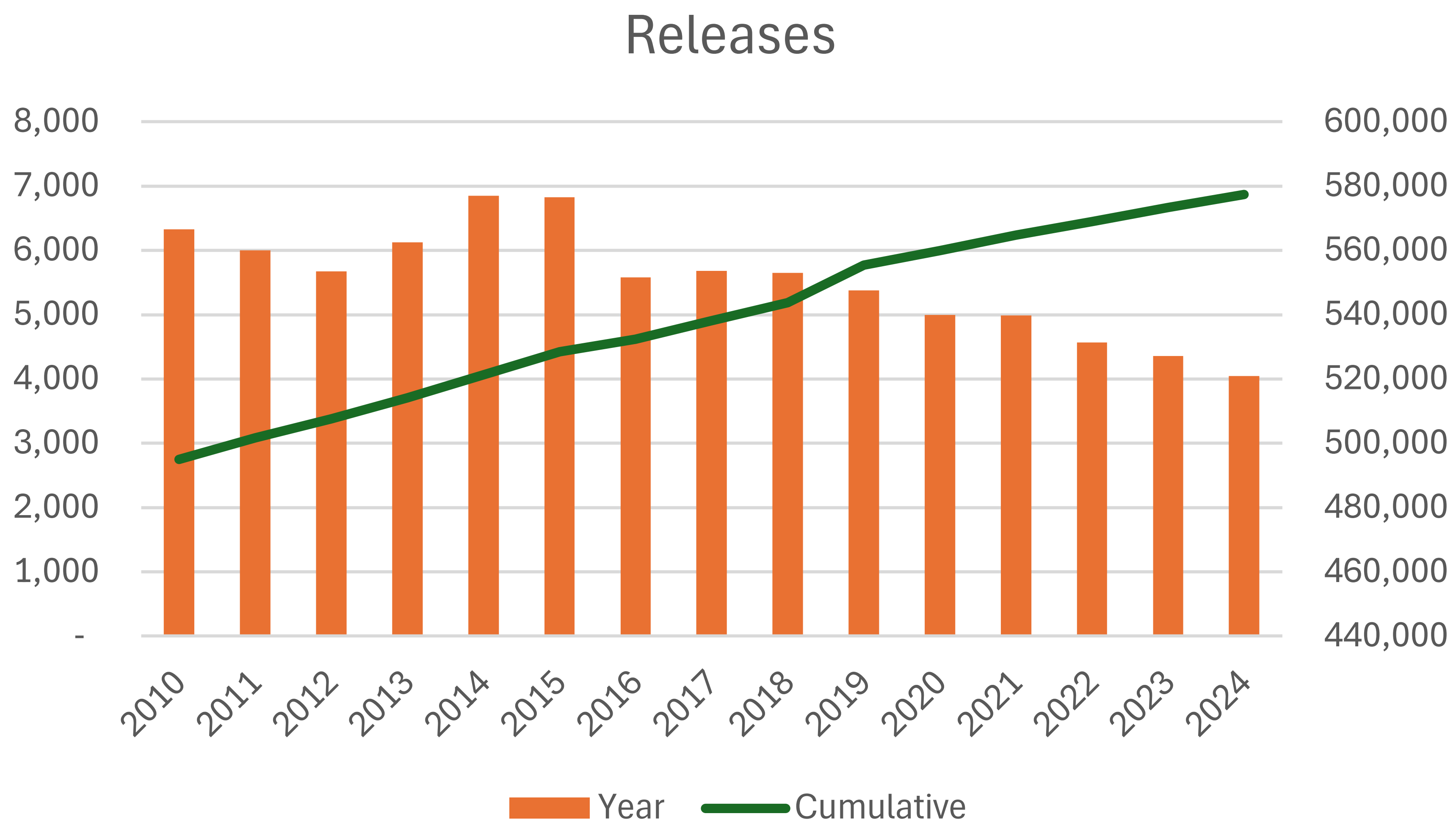
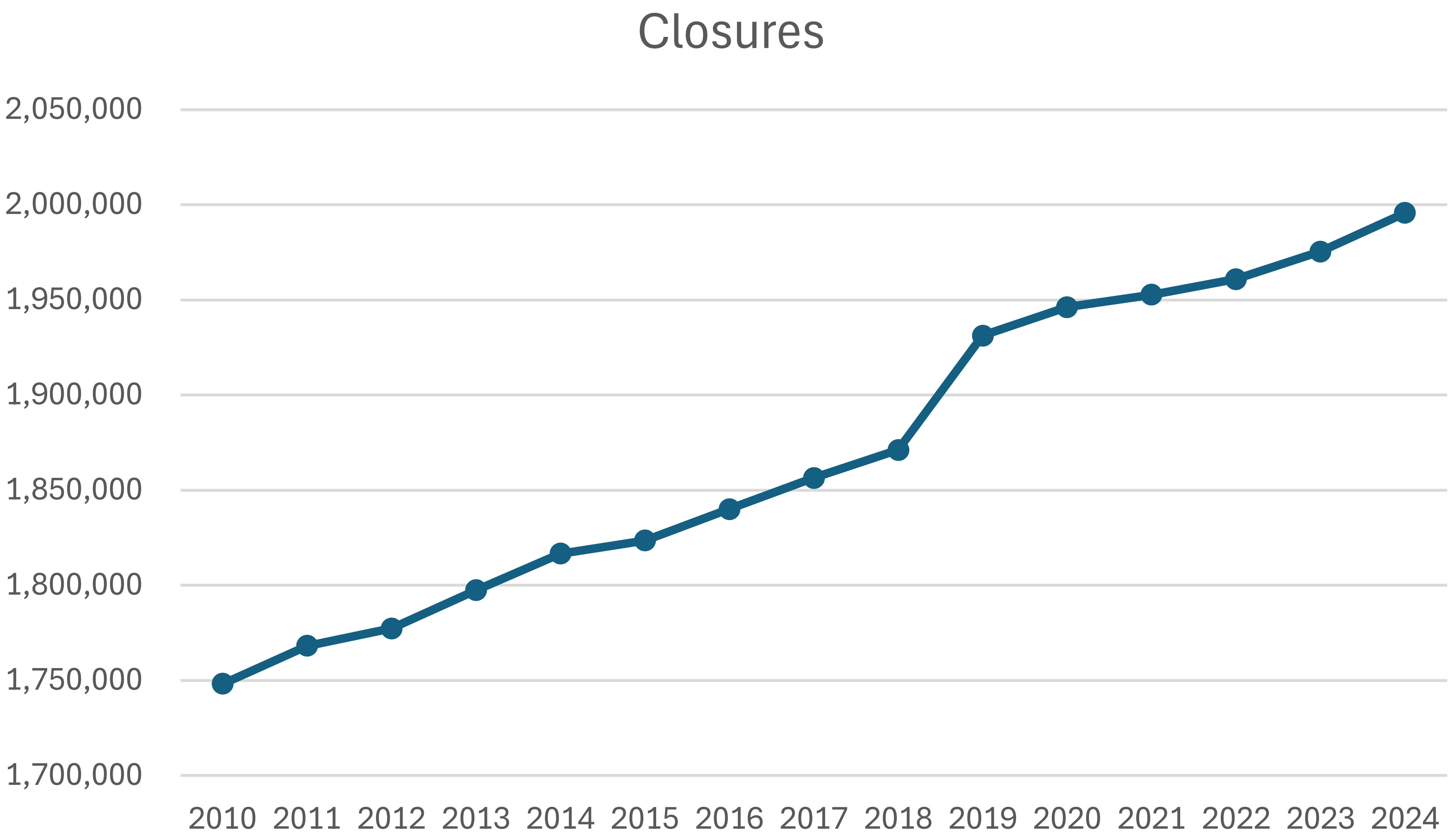
EPA UST Performance Measures

Reported Releases - Active



Closures



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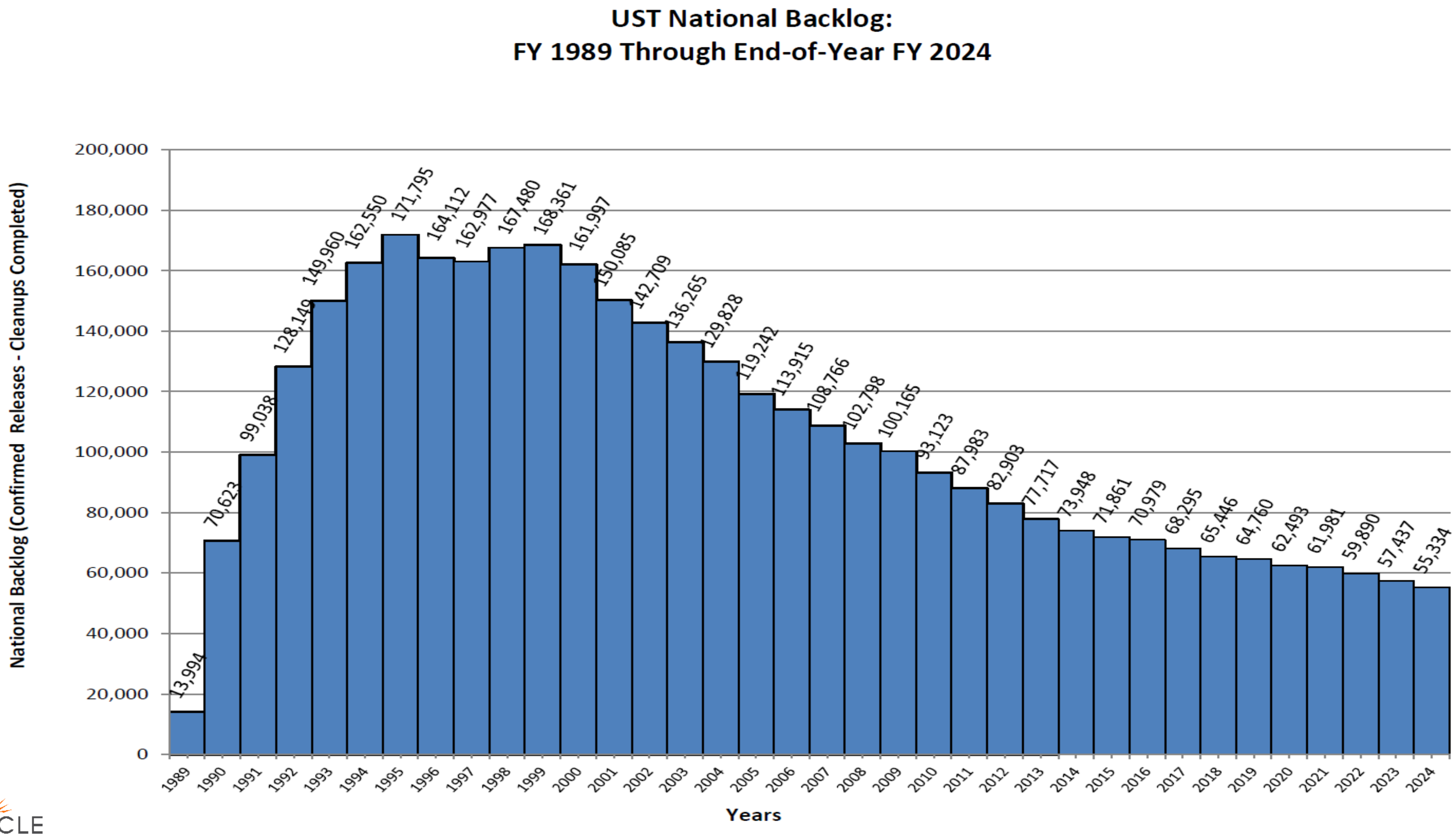
Backlog



UST National Backlog:
FY 1989 Through End-of-Year FY 2024
National Backlog (Confirmed Releases - Cleanups Completed)
200,000
180,000
160,000
140,000
120,000
100,000
80,000
60,000
40,000
20,000
0
13,994
70,623
99,038
128,149
149,960
162,550
171,795
164,112
162,977
167,480
168,361
161,997
150,085
142,709
136,265
129,828
119,242
113,915
108,766
102,798
100,165
93,123
87,983
82,903
77,717
73,948
71,861
70,979
68,295
65,446
64,760
62,493
61,981
59,890
57,437
55,334
1989
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1991
1992
1993
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1995
1996
1997
1998
1999
2000
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2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
Years

Thank You

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