

# Frequently Asked Questions about Financial Responsibility for Underground Storage Tanks

## What is Financial Responsibility?

If you own or operate a regulated Underground Storage Tank (UST) you are required to maintain financial coverage to pay for a spill or leak. It helps protect you against the high costs of cleanup or third party claims for personal injury or property damages.



*It is responsible leadership, community commitment, and business protection to have financial coverage for an unexpected spill or leak.  
(Photograph courtesy of DEC Contaminated Sites Program)*

## What are the coverage options for Financial Responsibility?

Private owners or operators have the following coverage options or *mechanisms* to choose from:

Insurance, Self-Insurance, Letter of Credit, Surety Bond, Fully Funded Trust Fund, and Guarantee. The most common method is commercially available insurance.

Local Government owners or operators (Village, City, Borough, and Municipal) can use any of the private mechanisms listed above, plus the following: Local Government Financial Test, Local Government Funds, Local Government Bond Rating Test and Local Government Guarantee.

State or Federal Government owners or operators are exempt from the Financial Responsibility requirements.

## How much coverage do I need?

Generally 1 million per occurrence and 1 million for aggregate- though it does vary. It is determined within federal regulation Title 40 Subpart H 280.93. Charts can be found at [http://dec.alaska.gov/spar/ipp/fr\\_ust.htm](http://dec.alaska.gov/spar/ipp/fr_ust.htm), or <http://www.epa.gov/oust/ustsystem/finresp.htm>, or contact the UST FR Coordinator at (907) 465-5233.

## When must I provide proof of Financial Responsibility?

You must provide proof of your coverage to ADEC in the following situations:

- Annually when the proof expires;
- When you register your new UST system;
- Within 30 days after you report a release from your UST system
- At any time when requested to do so by ADEC.

## How do I provide proof of Financial Responsibility and receive a UST Financial Responsibility Certificate?

1. \*Submit a completed 2-sided **Certificate of Financial Responsibility Form** with two signatures (online at <http://dec.alaska.gov/spar/ipp/fr&pi.htm#forms>)
2. \* You or your agent **submit a Certificate of Insurance and tank schedule** from the insurance policy or another form of proof.

\*This is NOT the Certificate of Liability Insurance.

Examples are sent with your reminder letter or available from the Financial Responsibility Coordinator at (907) 465-5233.

On receipt of all needed documentation ADEC will issue a UST Financial Responsibility certificate and mail it to the owner of the UST. The original certificate, or a copy, must be at the facility and readily available for inspections.

**The UST Financial Responsibility documentation can be sent to any contact below. (Hard copies are not necessary)**

**Email:** [decustfr@alaska.gov](mailto:decustfr@alaska.gov)

**Fax:** (907) 465-5245

**Mail:** ADEC-SPAR

UST FR Coordinator

410 Willoughby Ave., Ste 303

PO Box 111800

Juneau, AK 99801-1800

## APPLICATION QUESTIONS

### **Who is required to get coverage, the owner or the operator?**

Only one party is required to provide proof. However, both parties are liable in the event of noncompliance.

### **Can I use more than one type of mechanism to meet Financial Responsibility requirements?**

Yes. You can use any combination of mechanisms to meet your minimum requirements.

### **I own more than one facility. Do I need a separate Financial Responsibility document for each facility?**

No. The coverage is for the policyholder. This means that you can get a mechanism, such as an insurance policy, which covers tanks at all of your facilities. You will however be required to show that your policy covers all your facilities.

## INSURANCE QUESTIONS

### **Where can I start my search for UST insurance?**

UST insurance is sometimes called Pollution Liability coverage. EPA keeps a list of providers online at <http://www.epa.gov/swrust1/pubs/inslist.htm>. You can also contact insurance brokers in Alaska for quotes.

### **Doesn't insurance cost too much for me?**

Ultimately insurance can protect you against spill clean-up costs and liability. National insurance companies provide pollution liability insurance to cover the UST Financial Responsibility requirement. The exact amount will vary depending on the specifics of your facility. Not having coverage can make you subject to EPA fines and prevent or delay current tank tags from being issued. Lack of coverage does not relieve you from the costs of cleanup or third party claims for personal injury or property damages.

### **I am closing my tanks- Do I still need to maintain financial responsibility?**

Yes. Until all permanent closure procedures have been completed satisfactorily - including a final site assessment. Coverage needs to stay in place during the closure process in case contamination is found since you are still responsible for clean-up costs and third party claims. Contact the UST FR Coordinator at (907) 465-5233 for further information.

Updated October 24, 2012

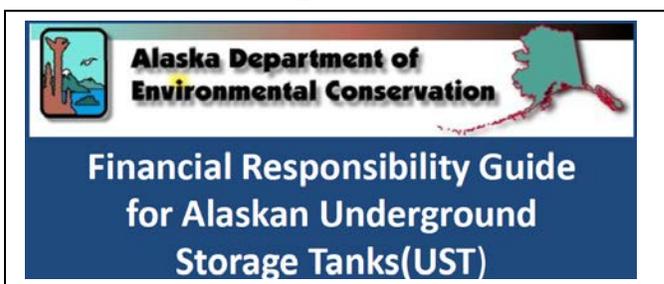
## OTHER COVERAGE METHODS

### **What does "self-insurance" mean and how do I qualify?**

You must have at least \$10 million of "tangible net worth" to qualify. In addition, you will be required to provide a Letter from the Chief Financial Officer, which includes completing and passing a Financial Test.

### **Does the State of Alaska provide coverage through the issuance of a State Fund?**

No, there is no State fund in place.



**View our presentation to find out more about meeting the FR requirements.**

<http://dec.alaska.gov/spar/ipp/docs/financial%20responsibility%20guide%20for%20ust.pdf>

### **Why a "Certificate of Insurance" and not a "Certificate of Liability Insurance" from the broker**

A "Certificate of Insurance" has federally required policy language regarding corrective action and 3<sup>rd</sup> party compensation that is not on the "Certificate of Liability Insurance."

### **What If I have contamination at my facility? Can I still get insurance coverage?**

Yes. A number of policies provide coverage even at sites with existing contamination. You may be required to prove at least one of the following: that the contamination is historic; that you have upgraded your UST system to 1998 standards; or that you are working with ADEC to clean up the site.

### **Who can I call with questions about Financial Responsibility?**

DEC UST Financial Responsibility Coordinator  
Phone 907-465-5233  
[decustfr@alaska.gov](mailto:decustfr@alaska.gov)

UST Information on the DEC web page :  
[http://www.dec.state.ak.us/spar/ipp/fr\\_ust.htm](http://www.dec.state.ak.us/spar/ipp/fr_ust.htm)