

Frequently Asked Questions about Financial Responsibility for Underground Storage Tanks

What is Financial Responsibility?

Financial Responsibility means that if you own or operate an Underground Storage Tank (UST) system, you must ensure, either through insurance or another approved method, that you have money to pay for the costs of third-party liability and corrective action caused by a leak or a spill from your tank. Financial Responsibility helps protect you if faced with the high cost of cleanup or by lawsuits for personal injury and/or property damages.

How much and what types of coverage do I need?

Your coverage needs are dependent on whether or not you are a petroleum marketer, and how much monthly throughput you have. Also, you must have both *Per Occurrence Coverage* and *Aggregate Coverage*. Please see the chart on our website to figure exactly how much coverage you need.

Required coverage can range between \$1 to \$2 Million.

What types of coverage options are available for me?

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

Insurance, Self-Insurance, Risk Retention Group, Letter of Credit, Surety Bond, Fully Funded Trust Fund, and Corporate Guarantee are the standard choices. The most common method is commercially available insurance.

Local Government owners or operators (Village, City, Borough, and Municipal) can use many of the private mechanisms listed previously, or one of the following: Local Government Financial Test, Local Government Fund, Local Government Bond Rating Test, or Local Government Guarantee.

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

When must I provide proof of Financial Responsibility?

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

- At any time when requested to do so by ADEC;
- Annually, when the FR mechanism expires;
- When a facility submits a 'Notification of Change in Ownership' form;
- Within 30 days after a release from an UST;
- Within 30 days after a new installation of an UST;
- During a facility audit.

Required annual proof of FR began Jan. 1, 1998.

You must maintain and have available a copy of your Financial Responsibility documents on-site or at the owner/operator's office for audits and/or site inspections.

Documents to Submit to ADEC and Have On-Site

Owner/Operator	FR Mechanism	Documents for Proof of FR
Private or Local Government	Insurance or Risk Retention Group	Endorsement or Certificate of Insurance with the required wording
	Self-Insurance	Letter from Chief Financial Officer
	Corporate Guarantee	Guarantee Letter; Letter from Chief Financial Officer and Standby Trust Fund Agreement
	Letter of Credit	Letter of Credit and Standby Trust Fund Agreement
	Surety Bond	Surety Bond Form and Standby Trust Fund Agreement
	Fully Funded Trust Fund	Trust Fund Agreement
Local Government	Bond Rating	Letter from Chief Financial Officer
	Financial Test	Letter from Chief Financial Officer
	Guarantee	Guarantee Agreement, Standby Trust Fund Agreement (if applicable)

How do I provide proof of Financial Responsibility?

You are required to submit an Alaska Certification of Financial Responsibility along with the documentation of the proof of FR (see table on page 1). The form must be filled out and signed by the owner or operator and signed by a witness or notary. Along with the form, proof of coverage needs to be submitted.

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. You must ensure that the total coverage of the combined mechanisms meets your coverage requirements, and that each mechanism is in force.

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.

Doesn't pollution liability insurance cost too much for me to afford?

Not necessarily. In the last few years, national insurance companies have begun providing pollution liability insurance to cover the UST Financial Responsibility requirement. A number of these companies are licensed to write coverage in Alaska. The exact amount will vary depending on the specifics of your facility.

Insurance Policies are more flexible than ever. Call your broker today.

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.

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

Self-Insurance means that you or your company holds the risk of loss or damage "in house." **You must have at least \$10 million of "tangible net worth" to qualify.** Tangible net worth means that you have the funds set aside in real assets, and not in "goodwill." In

addition, you will be required to provide a Letter from the Chief Financial Officer, which includes completing and passing a Financial Test. A financial statement must be filed with a third party such as the U.S. Securities and Exchange Commission (SEC) or Dun and Bradstreet (D&B).

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

No. The State of Alaska does not provide a State Fund to owners and operators.

If I change coverage within the calendar year, do I need to tell ADEC of this change?

Yes. Anytime the status of your coverage changes you need to notify ADEC immediately.

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

No. Your coverage is for the policyholder and not for the facility itself. 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.

Where do I find out more information about insurance policies in Alaska?

ADEC suggests you contact a broker that specializes in pollution liability insurance. ADEC encourages you to shop around and get price quotes.

Who can I call with questions about Financial Responsibility? Please contact:

UST Financial Responsibility Coordinator

Phone 907-465-5283, Fax 907-465-5245

http://www.dec.state.ak.us/spar/ipp/fr_ust.htm

Mail your Certification of Financial Responsibility (FR) and Proof of FR (insurance, or other) to:

ADEC, UST FR Coordinator
410 Willoughby Ave., Suite 303
PO Box 111800
Juneau, AK 99811-1800

<http://www.dec.state.ak.us/spar/ipp/tanks.htm>